

By: Chairman Superannuation Fund Committee
Director of Finance

To: Superannuation Fund Committee – 5 March 2010

Subject: **TREASURY MANAGEMENT**

Classification: Unrestricted

Summary: To update the Committee on a number of Treasury Management issues.

FOR INFORMATION

INTRODUCTION

1. The Committee has agreed to adopt KCC's Treasury Management Strategy. An updated strategy was agreed by Cabinet on January and went to the Budget County Council meeting on 18 February. This report summarises the main developments since the last report on 18 September.

CASH BALANCE

2. As at 31 January the balance deposited by KCC on behalf of the Kent Pension Fund was £57m. Of this £8m is committed to the Quercus Healthcare Fund.
3. We should also report that JP Morgan the Fund's custodian is holding \$34m, left from the abortive Alliance Bernstein investment. This is held in the JP Morgan Liquidity Fund – a factsheet is shown in the Appendix.

BANK ACCOUNTS

4. In December 2009 the DCLG issued a new Statutory Instrument on management of investment. This was primarily concerned with how pension fund cash is managed. There are two main issues:
 - (1) From 1 April 2010 the use of pension fund money by the administering authority for any purpose for which it may borrow money will not count as an investment.
 - (2) From 1 April 2011 there must be a separate bank account for the Pension Fund.

The SI is not very easy to follow as we can't see how the first issue can be addressed without having a separate bank account, but that is legally only required from 1 April 2011.

5. To address both issues from 1 April 2010 the Pension Fund will have a separate bank account and all payments and receipts will go through this account. Pension Fund cash will be separately deposited with counterparties. There is some work on Oracle Financials which has to be done to systematize some of the changes necessary and this cannot be done before 1 April 2011.

COUNTERPARTIES

6. In January Cabinet added Nationwide to the counterparty list with a £20m limit.

RECOMMENDATION

7. Members are asked to rate this report.

Nick Vickers
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