

By: Cabinet Member for Finance
Director of Finance

To: Corporate Policy Overview and Scrutiny Committee
– 31 March 2011

Subject: **TREASURY ADVISER APPOINTMENT**

Classification: Unrestricted.

Summary: To report the outcome of the treasury adviser tender process.

FOR INFORMATION

INTRODUCTION

1. The Council has been out to competition in a European Union compliant tender process for the appointment of a treasury adviser. The Council currently uses both Arlingclose and Sector – the Butlers team transferred to Sector in October 2010.
2. This report provides a summary of the process and outcome.

TENDER PROCESS

3. The specification for the treasury service was agreed through the Treasury Advisory Group (TAG) taking into account advice from the Corporate Procurement Team and Legal Services. The requirement is attached in the Appendix, there is also a contractual document prepared by Legal Services which was sent to tenderers.
4. There were two responses to the tender document from Arlingclose and Sector. The firms were interviewed by TAG on 2 March – members present were Mr Simmonds, Miss Carey, Mr Hotson, Mr Bowles, Mr Scholes and Mr Prater. Members agreed that Arlingclose should be appointed and an award report has been prepared and has been agreed by the Director of Finance and this has been circulated to all members of Cabinet Scrutiny Committee on 21 March. The award report is restricted because it details commercial terms. The estimated value of the contract over the 5 year period is £294k.

RECOMMENDATION

5. Members are asked to note this report.

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KENT COUNTY COUNCIL

Invitation to Tender for Treasury Advisor Services

Section 1 Instructions to Tenderers

Introduction

This tender is for the provision of treasury advisory services to Kent County Council (the Customer).

The services provided must include investment advice and not just the provision of information. The Customer will rely on the advice and information provided in making its own independent decisions on its treasury management and investment activities.

These services supplement the Customer's in-house capacity to take treasury management decisions with specialist treasury management advice enriched by high frequency contact with relevant financial institutions and their regulators and frequent consideration of a wide range of relevant sources of information and analysis relevant to the formation of such advice.

Return Date

Tenders must be submitted by no later than noon on:

Wednesday 5th January 2011

Required Response

Tenderers should complete the form of tender (Section Four), the attached Equality and Diversity questionnaire and provide the following information:

- three references of current work with councils in the UK (not district or boroughs). Details to include:
 - customer name
 - contact name, telephone number and e-mail address
 - nature of contract, i.e. what you are/were contracted to provide
 - contract length
 - start date

Details must be sufficient for us to take up the reference directly without further contact with the Tenderer.

- total number of UK local authority clients broken down by county, unitary, districts and others as at 31st December 2010
- number of losses and gains of UK local authority clients broken down by county, unitary, districts and others in the 12 months up to 31st December 2010
- evidence of the required Professional Indemnity insurance
- examples of template reports as required in clause 13 of the Specification

- examples of counterparty reports
- examples of your regular economic updates
- details of your proposed fees
- details of the resources available to support this contract, including the names and qualifications of the individuals to be allocated and their back-up
- details of your approach to debt restructuring - maximum of 2 pages
- proposals on how to select and monitor suitable counterparties - maximum of 2 pages
- demonstration of your ideas / options on an investment strategy - maximum of 2 pages.

Assessment of Tenders

All tenders received will be considered on the information contained in the tender or obtained by the Customer as a direct result of the tender process. Tenderers may be asked to present their proposals to a Member panel as part of this process. Submissions will be assessed on the basis of most economically advantageous offer which will take into account the following:

Price	25%
Comprehensiveness of service provided ie. provision of investment advice on different options, timing of debt restructuring	50%
Quality of staff and robustness of back-up support	25%

Tenders Not Meeting Specified Requirements

Tenderers submitting offers not complying with the specified requirement may not be considered.

Post Tender Negotiations

Post tender negotiation on price is not the usual practice of the Customer. Tenderers must make their best offer on this tender by the closing date.

Acceptance of Tenders and Pre-Contract Negotiation

The Council does not bind itself to accept the lowest or any tender and reserves the right to accept any items in any tender to the exclusion of other items.

Any condition contained in any offer made against this invitation which may vary or replace any term or condition of contract shall not be binding unless such conditions of business or of contract are specifically accepted in writing by the Customer.

- a) A contract shall not be concluded between the Customer and the Tenderer until the Tenderer has received a written acceptance from the Customer

signed by or on behalf of the Customer's Director of Finance. Acceptance of the tender shall be deemed to incorporate any modification or amendments agreed in writing in consequence of any discussions or correspondence referred to in (b) below.

- b) Until the conditions set out in (a) are satisfied, any discussions/correspondence between the Customer and the Tenderer shall be entirely subject to contract and conducted without any obligation whatsoever by the Customer to enter into or become bound by any contract with the Tenderer.
- c) Unless notified to the Tenderer in writing by the Customer's Director of Finance, no Officer of the Customer is authorised to change, amend or modify any of the terms or conditions herein relating to pre-contractual negotiations and/or acceptance of tender.

Section 2 Requirement

Period of Contract

Sixty (60) months from 1st April 2011 to 31st March 2016.

Specification

1. Advise the Customer on its investment strategy including monitoring of and reporting on the suitability of investment counterparties and strategies when set against the overriding objective of the capital preservation of public funds and meeting DCLG and CIPFA requirements. This will include alerting the Customer to movements in credit ratings on a real time basis (email within 24 hours of change). The Consultant must consider all relevant sources of information in performing this monitoring role.
2. Advise the Customer on its existing credit worthiness policy, the interpretation of ratings and wider indicators of credit risk (e.g. credit default swaps).
3. Recommend, in writing, on a monthly basis specific institutions, funds and bonds that, in its opinion, are suitable for the Customer's investment strategy including notifications as set out under clause 1 above.
4. Undertake an annual analysis of the Customer's balance sheet and cashflow to identify borrowing requirements and available resources.
5. Advise on timing of borrowing (short and long term) from either the Public Works Loan Board (PWLB) or market sources and on debt restructuring in light of interest rates, the Customer's long-term borrowing requirement and maturity profile to minimise borrowing costs.
6. Provide weekly updates on relevant economic, political and treasury management changes which may impact on the Customer's borrowing and investment strategy.
7. Provide economic and interest rate forecasts in writing on a monthly basis.
8. Provide a credit ratings service including:
 - (1) A comprehensive initial report on the Customer's existing counterparty list including advice on the methodology of assessment, the treatment of lending limits to individual organisations and financial groups.
 - (2) A weekly update of individual counterparty list highlighting any changes which have taken place since the preceding review.
 - (3) Provide immediate notification of changes to ratings (email within 24 hours or telephone call for urgent issues).
 - (4) Advice on any credit rated or non credit rated institution.

9. Provide advice on associated Treasury Management accounting issues likely to change in accounting policy for the accounting bodies, primarily CIPFA. The frequency will depend on the changes made to the accounting rules.
10. Conduct a review of the Customer's own list of investment counterparties reconciled to the latest credit ratings on a monthly basis and advise the Customer.
11. Attend the Customer's quarterly Treasury Advisory Group meetings and monthly meetings with Officers to review investments, discuss borrowing and address other relevant treasury management issues.
12. Provide access to training events and seminars on treasury management for relevant Officers and Members (up to 4 places at each event).
13. Provide template reports for the preparation of:
 - (1) Annual treasury strategy
 - (2) Annual treasury review
 - (3) Treasury Management Practices based on the CIPFA Guide.
14. Undertake an annual "health check" of the Customer's Treasury Management Practices reporting to the Customer's Head of Financial Services.
15. Assist the Customer in developing their internal performance monitoring arrangements.