

## KENT COUNTY COUNCIL

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### TREASURY ADVISORY GROUP

**DRAFT** MINUTES of a meeting of the Treasury Advisory Group held in the Stour Room, Sessions House, County Hall, Maidstone on Thursday, 3 September 2009.

PRESENT: Mr J D Simmonds (Chairman), Mrs T Dean, Mr E E C Hotson, Mr A J King, MBE and Mr J E Scholes

IN ATTENDANCE: Mr N Vickers (Head of Financial Services), Ms A Mings (Treasury & Investments Manager) and Mr G Mills (Democratic Services Manager (Executive))

#### UNRESTRICTED ITEMS

##### **5. Minutes - 29 July 2009**

*(Item 1)*

- 1) The minutes of the meeting held on 29 July 2009 were agreed as a true record.
- 2) Mr Vickers confirmed that he would arrange a training session on Treasury Management for those Members who had been unable to attend the meeting held on 29 July.
- 3) Mr Vickers said that he would submit to the next meeting of the Group a report on the Council's Debt Management policies and how the introduction of new technology would further enhance the Council's capabilities of monitoring the money markets.

##### **6. Treasury Investments**

*(Item 2)*

*Item 2 – (Report by Cabinet Member for Finance and Director of Finance)*

- 1) This report focused on the management of Treasury Investments as part of the County Council's overall Treasury Strategy. The report also set out proposals for asset allocation, selection of counter parties, counter party limits and the duration of deposits.
- 2) During the course of discussion on this item, Members of the Group asked a number of questions of detail to which Mr Vickers and Ms Mings replied as appropriate. In particular, it was confirmed that the proposed move away from the sole use of the Debt Management Office would be on a step by step basis – a very limited range of counterparties could be introduced now and due diligence would be undertaken on other options. Also, institutions covered by the Government Credit Guarantee Scheme could offer slightly better returns than the DMO. The motivation for using these would not necessarily be for achieving higher returns per se but if institutions had the same security as the DMO could offer but with better rates then it would be right for the County Council to effectively utilise its resources by using them.

3) On the basis of the criteria detailed in the report for the selection of a counter party, the Group agreed the recommended list of counterparties in addition to the DMO should be:-

- Abbey National
- HSBC
- HBOS/Lloyds TSB
- Royal Bank of Scotland
- Barclays

4) The previous maximum counterparty limit with the strongest financial institutions was £40 million and the report recommended that this level should remain in place. However, it had to be recognised that these institutions would not always be seeking short term funds and that a proportion of the total deposit would remain in the DMO.

5) In reply to further questions, Mr Vickers confirmed that the Director of Finance in consultation with the Cabinet Member for Finance would suspend the use of any institution if they had any immediate concerns and that Members of the Group would also be kept informed. If the Director of Finance and the Cabinet Member for Finance wished to add any institution to the list then that would be the subject of consultation with the Group and agreement by Cabinet. Mr Vickers said that the overall policy remained that any changes in the County Council's approach to Treasury Management would remain small and incremental and in accordance with the criteria agreed at the last meeting. Mr Vickers also said that whilst for the moment the County Council would be keeping all its investments within the UK, Arlingclose had been asked to submit at an appropriate time and to a future meeting of the Group, a report covering if and how the County Council should once again undertake overseas investments.

6) Mr Vickers also confirmed that an EU compliant procurement process had been commenced for Treasury Advisory Services. The Treasury Advisory Group would interview those short listed for the contract and to make a recommendation as appropriate to the Cabinet Member for Finance. In the meantime Arlingclose would have their appointment extended in order to see the Council through to the end of the tendering period.

7) In noting that there would be a report on the matters discussed by the Group to the October meeting of Cabinet, the Group agreed as follows:-

- (1) to the use of cash deposits, call accounts and fixed deposits, with selected financial institutions and the DMO;
- (2) to the criteria set out in paragraph 11(2) of the report;
- (3) to the use of Abbey National, HSBC, HBOS/Lloyds TSB, Royal Bank of Scotland and Barclays;
- (4) The 5 institutions set out above to have a maximum limit of £40m;
- (5) Deposits must not be made for a period of longer than 6 months;

- (6) Noted the new Control environment;
- (7) Noted the new Governance arrangements; and
- (8) Noted the extension of the Arlingclose contract.

## **7. Arlingclose Economic and Interest Rate Forecast**

*(Item 3)*

1) The Group noted the information provided in this report and that an update on the information it contained would be circulated to Members of the Treasury Advisory Group and other members of the Council as appropriate on a monthly basis.

## **8. Any other business**

*(Item 4)*

- i. In response to a question from Mr Hotson on credit ratings and status Mr Vickers said that he would commission Arlingclose to prepare a detailed response and for a copy of that to be circulated to members of the Group.
- ii. **Iceland** – Mr Vickers updated the Group on the current position with the Council's investments in Icelandic Banks and the prospects for those investments to be repaid. Mr Vickers said that a package of measures to repay creditors had now been approved by the Icelandic Parliament and this was a significant move in ensuring that those who had invested in Icelandic Banks would get a significant proportion of that money returned. Mr Vickers said that whilst the Icelandic Government's efforts to resolve the situation were obviously honourable creditors such as KCC had to accept that an element of risk none the less remained. The Group noted there would be further creditor meetings taking place in the Autumn and Mr Vickers said that he believed there was the potential for the County Council to be fully paid by Glitnir at least by June of next year. As to the money owed to the Council by Heritable, the base payment of 80% looked secure and Mr Vickers was optimistic that the County Council would recover all its monies except for that which it had paid to Ernst & Young in fees. On that point it was said, and agreed, that the County Council needed to keep a close eye on its expenditure on legal fees as these could quickly build to a level where they mitigated against any monies that may be recovered by pursuing legal action.
- iii. The Group agreed that the report which was to be submitted to the October meeting of Cabinet should also include details of the process to be adopted for the appointment of the Treasury Advisers. It was also agreed that immediately following the Cabinet meeting steps should be taken to publish a comprehensive and clear press release setting out the latest position on the County Council's claims in relation to its Icelandic Bank investments.

## **9. Date of the next meeting**

It was agreed that the date of the next meeting would be arranged so as to coincide with the interviews of those companies selected for detailed tender evaluation in relation to the Treasury Advisory contract.