

EPPING FOREST DISTRICT COUNCIL CABINET MINUTES

Committee: Cabinet **Date:** 20 October 2008

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 6.00 - 6.35 pm

Members Present: Mrs D Collins (Chairman), C Whitbread (Vice-Chairman), R Bassett, M Cohen, Mrs A Grigg, Mrs H Harding, Mrs M Sartin, D Stallan and Ms S Stavrou

Other Councillors: K Angold-Stephens, Mrs R Brookes, Mrs P Brooks, M Colling, D Jacobs, R Morgan, Mrs C Pond, B Rolfe, Mrs P Smith, A Watts and J M Whitehouse

Apologies: None

Officers Present: P Haywood (Chief Executive), D Macnab (Deputy Chief Executive), I Willett (Assistant to the Chief Executive), J Gilbert (Director of Environment and Street Scene), R Palmer (Director of Finance and ICT), S Mitchell (PR Website Editor), G J Woodhall (Democratic Services Officer) and S G Hill (Senior Democratic Services Officer)

77. WEBCASTING INTRODUCTION

The Chairman made a short address to remind all present that the meeting would be broadcast on the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

78. DECLARATIONS OF INTEREST

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

79. ANY OTHER BUSINESS

It was noted that there was no other urgent business for consideration by the Cabinet.

80. COUNCIL'S INVESTMENTS

The Finance & Performance Management Portfolio Holder presented a report regarding the Council's investments in light of the recent problems with Icelandic banks. The Portfolio Holder reported that financial markets were experiencing unprecedented turbulence. Global stock markets had suffered substantial falls with numerous banks and insurance companies rescued by their governments or put into administration. Given the current state of markets, it was felt appropriate to update the Cabinet on the Council's Treasury Management Strategy, investment position and the risks currently being faced.

At the invitation of the Portfolio Holder, the Director of Finance & ICT reported that the Treasury Management Strategy currently allowed up to £12million to be invested

with banks that had a short-term rating of F1+ and a long-term rating of AA-, or a maximum of £5million with banks rated F1 and A respectively. The credit ratings were provided by three agencies (Fitch, Moody's and Standard & Poor) and consolidated into a list of approved counterparties by the Council's advisers, Butlers. In February 2005, the counterparty list was expanded to include building societies and foreign banks, in line with Government Guidance. Icelandic banks were included as their credit ratings were good with competitive rates of interest. The Council placed a number of loans with them, all of which were repaid on their due dates without problem.

The Director of Finance & ICT stated that concerns were raised informally regarding Icelandic banks by Members in November 2007 and subsequently no new loans were entered into. The status of Heritable Bank was reviewed but, as it was registered and regulated in the United Kingdom, it had remained on the counterparty list. Loans totalling £2.5million were made to Heritable Bank during September 2008, with repayment dates of May and June 2009. On 7 October 2008, Heritable Bank was placed in administration due to difficulties experienced by its Icelandic parent company, which Ernst & Young had been appointed to manage. Some favourable comments had been made about the asset base of Heritable Bank, supported by the administrators, however it was likely that the situation would not be resolved until mid-November. The Council had been designated an ordinary creditor with Heritable Bank and would not get privileged status; the Council's claim had already been instigated with the administrators.

The Director of Finance & ICT reassured the Cabinet that Butlers were providing regular updates to the Council's approved counterparty list as financial institutions had their credit ratings amended, and that the Council would continue to adhere strictly to its Treasury Management policies. New loans would only be entered into with those institutions meeting the Council's requirements. The Treasury Management function was audited annually by Internal Audit, however to assist with the development of additional controls, the Chief Internal Auditor had been requested to bring the audit forward within the Internal Audit Business Plan for 2008/09.

In respect of the Council's other investments, the Director of Finance & ICT advised the Cabinet that the money invested with Northern Rock had been returned on the due date, whilst a loan of £1.5million with Bradford & Bingley, due for repayment in March 2009, was covered by the Government's guarantee. The Council also currently had £11.5million invested with four different Irish financial institutions following the Irish Government's guarantee of deposits on 30 September 2008. Finally, the Council had a total of £7million invested with the Royal Bank of Scotland, and with the Government's continuing support providing additional confidence, the Council would consider making additional investments up to a maximum of £12million.

The Finance & Performance Management Portfolio Holder thanked the Director for submitting a comprehensive report. The Council's Treasury Management Strategy attempted to minimise the risk to the Council but the current conditions of the financial markets had been very difficult. The Portfolio Holder stated that Heritable Bank falling into administration would have no impact upon the Council's front-line services. The Cabinet were also informed that the Council had issued a press release to inform and reassure residents of the Council's financial position and its potential impact.

In response to questions from members, the Director of Finance & ICT clarified that Heritable Bank's assets had been frozen in the United Kingdom and could not be returned to Iceland. The only overseas investments in the Council's portfolio were

with Irish institutions, and none of the maturity dates exceeded the Irish Government's two-year guarantee. There were other foreign institutions on the approved counterparty list, but the Council had not yet invested with them. The Council currently had £12million invested in the Bank of Scotland, of which £2million was due to mature in November; there were no plans to invest further funds with the Bank of Scotland at the current time. The Council also had £5million invested with the Hong Kong & Shanghai Banking Corporation. The Cabinet felt that a full list of the Council's investments and maturity dates should be placed in the Council Bulletin.

Decision:

- (1) That the report on the Council's investments be noted and submitted to the Council for wider consideration;
- (2) That, in order to examine ways of enhancing controls in the current environment, the Treasury Management audit be brought forward in the Internal Audit Business Plan; and
- (3) That a full list of the Council's investments and corresponding maturity dates be placed in the Council Bulletin.

Reasons for Decision:

To note the report and agree that it should also go to the wider audience of Council.

Other Options Considered and Rejected:

To ask for additional detailed information on the Treasury Management Strategy and the Council's investments. Alternatively, the Cabinet might not feel that it is appropriate to present the report as an information item to the Council.

CHAIRMAN