

DARTFORD BOROUGH COUNCIL

TREASURY MANAGEMENT PANEL

MINUTES of the meeting of the Treasury Management Panel held on Friday 11 November 2022.

PRESENT: Councillor David A Hammock (Chairman)
Councillor Kelly Grehan
Councillor Andy Lloyd (Observer)

ABSENT: Councillor John Burrell
Councillor George Holt
Councillor Adrian Oakley-Dow
Councillor Kyle Stealey

Dartford Borough Council Officers:-

Sarah Martin – Chief Officer and Director of
Corporate Services
Catherine Bailey – Principal Accountant

PRESENT TO RESPOND TO ISSUES RAISED BY THE SCRUTINY COMMITTEE:

Phiroza Katrak – Arlingclose Ltd. (External Treasury
Advisor)

7. APOLOGIES FOR ABSENCE

In the absence of Councillors Burrell, Holt, Oakley-Dow and Stealey the Chairman declared the meeting inquorate.

Proceedings continued as an informal briefing of Members present by Officers and the Council's External Treasury Advisor Mrs Phiroza Katrak from Arlingclose Ltd, with a Note made for the record.

8. DECLARATIONS OF INTEREST

None.

9. CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 8 JULY 2022

The Minutes of the last Panel meeting held on 8 July 2022 were noted pending formal confirmation by Members at the next quorate meeting of the Panel.

10. TREASURY MANAGEMENT REVIEW 2022

The Principal Accountant, Catherine Bailey, presented the Treasury Management mid-year report to the panel and hi-lighted, in particular, the borrowing position, investment position, treasury indicators and investment income achieved to date.

Councillor Grehan asked for an explanation of what was meant by an “unrealised” loss, as quoted in the report, in regard to the current valuation of the externally managed pooled funds. Catherine explained that the value of the externally managed funds go up and down and until that fund is sold any movement in the value – gain or loss - is classed as unrealised – it is the movement on paper of the funds value. The gain or loss only becomes “realised” when the Council sells its shares in the fund. Arlingclose and the Council, monitor these movements in valuations and would consider withdrawing from a fund if that fund was not performing as would be expected. The Council has no plans to withdraw from the funds at this time, but will continue to monitor their performance. The funds are long-term investments and over a 3-5 year horizon would expect to see a capital gain.

Councillor Hammock asked for a briefing note to be sent to the panel members regarding the current unrealised loss. Catherine agreed to action.

Councillor Hammock asked Catherine to explain to the panel about the statutory override, which allows the Council to reverse out the movements in the year-end valuations from the Income and Expenditure statement (I&E) and place them into an unusable reserve. Catherine explained that the statutory override is only in place until 31st March 2023 but that there is a consultation currently taking place on whether the override should come to an end, be extended, or made permanent. The consultation ended in October and the outcome is pending. Should the override end, the Council will need to recognise the unrealised movements in valuations in I&E.

Catherine also gave an update on the in-house investment position as at 31st October and the yields now being achieved on those investments.

Exclusion of the Press and Public

No members of the public or press were present.

11. FINANCIAL MARKETS & INVESTMENTS UPDATE FROM ARLINGCLOSE LTD

Phiroza Katrak, External Treasury Advisor, Arlingclose Ltd, gave those Members in attendance an update on the economy and outlook including a review of CPI, UK consumer confidence, and UK GDP charts.

The performance of the externally managed pooled funds was discussed and Phiroza presented a slide on market indices for 2022 which showed the return on UK government gilts, sterling corporate bonds, the UK and global share indices. The slide clearly demonstrated the impact the economy has had on gilts, bonds and equities, and why all externally managed pooled funds have therefore seen downward valuations. All indices are negative for both the period January to October 2022 and from April to October 2022.

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Phiroza explained how the CCLA property fund had recently issued an update to its terms; requiring unit-holders to give at least 6-months' notice to sell the whole or part of their holding in the fund. Property is a less liquid instrument than others, requiring time to complete a sale or purchase. The extension to notice period is not of concern.

Phiroza gave the panel some information on covered bonds, which the treasury team have been considering investing in. Yields on some medium-dated covered bonds were around 5.5% on 5th October but had fallen to around 4.5% by 7th November, demonstrating how quickly the markets move. These are longer term investments and if the Council were to invest in one, it would be through its dealing and custodian account with King & Shaxson Ltd.

The meeting closed at 11.25 am

Councillor D A Hammock
CHAIRMAN