

QUESTION FROM MR. T. HAMILTON-COX

I refer to the council's press release of 26th March 2009 headlined 'Audit Commission report on councils' investments in Icelandic banks'. The first paragraph of the release says that, 'An Audit Commission report into councils' investments in Icelandic banks has found that "Lancaster City Council, along with most authorities, acted within guidance and acted properly in managing its investments and was alert to the risks."' Does the cabinet member accept that the quotation within the inverted commas is drawn from the Audit Commission's report?

Councillor Bryning responded that he did not. However he confirmed that it was correct to say that the press release was originally issued with quotations around the comment from the Audit Commission, but as Mr Hamilton-Cox had previously been informed in a letter from the Chief Executive on 3rd April, the inverted commas had been an oversight and the press release on the Council's web page has now been amended to reflect this.

He continued: 'The Audit Commission report did criticise seven Councils for not acting properly and it was important to make clear that Lancaster City Council was not one of those seven.

'To help understand, it is worth referring to the BBC North West comment on this issue, which did not rely on the City Council's press release – they reported in relation to Councils 'properly managed' funds: "Several Lancashire Councils did act properly when they invested money in Icelandic banks, a watchdog has said. The Audit Commission reviewed local authority investments following the collapse of Iceland's banking system in October 2008. Lancashire, Chorley, South Ribble, Burnley and Lancaster councils had all invested in Icelandic banks but had done so before credit ratings dropped.'"

He further advised that the last date of an investment in Icelandic Banks had been 15th May 2007 and two investments had been placed on that day:

- £1m with Landsbanki Islands on 15th May 2007 to run for 2 years from 16/5/07 to 15/5/09
- £2m with Kaupthing, Singer, and Friedlander on 15th May 2007 for a year forward deal to run from 16/5/08 to 15/5/09

By way of a supplementary question, Mr Hamilton-Cox referred again to the Audit Commission report which stated elsewhere that of the 116 Councils who had lost money, Lancaster was in the top dozen if the loss was measured against the Council's reserves. Using this measurement Lancaster City Council had lost 120% of the level of its reserves. He pointed out the Council had not anticipated the difficulties in Icelandic Banks in 2007, even though concerns had been first raised in 2006. He referred to the Council as being on a 'roll of dishonour' and in the light of this information asked: 'Does the cabinet member think that the council's investment strategy was sound; that it was executed sensibly; and that presentations to members at the audit and budget and performance committees, and press releases to the public, have been true and fair?'

Councillor Bryning replied that he did. The Audit Commission itself had invested money even after 2008 when the warning signals had become apparent. Councils have to rely on credit rating agencies. He gave details of the dates on which investment in Icelandic Banks had been made, the last being on 15th May 2007. It was, he said, clear in his opinion that there had been no misunderstanding of advice and all subsequent investigations had clarified the position that this Council was not guilty of any malfeasance. All that was done by the Council's Finance department had been done properly and correctly. He also pointed out that the Council had reconsidered its Treasury Management Strategy since this had happened.

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