

## **TREASURY MANAGEMENT HALF YEARLY REPORT 2011/12**

**Submitted by:**        **Head of Finance**

**Portfolio:**            **Resources and Efficiency**

**Ward(s) affected:**    **All Indirectly**

### **Purpose of the Report**

To receive the Treasury Management Half Yearly Report for 2011/12 and to review the Treasury Management activity for this period.

### **Recommendation**

**That the Treasury Management Half Yearly Report for 2011/12 be received.**

### **Reasons**

The CIPFA Code of Practice on Treasury Management (revised in November 2009) recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Risk Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of a half yearly Treasury Management Report.

### **1.     Background**

- 1.1     The Council adopted the CIPFA Code of Practice on Treasury Management on 24 February 2010.
- 1.2     This report therefore ensures that this Council is embracing Best Practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.
- 1.3     Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Annual Treasury Management Strategy Report.

### **2.     Issues**

- 2.1     The Treasury Management Half Yearly Report for 2011/12 is attached as an Appendix. The economic background and economic forecast provided in the report is as provided by the Council's Treasury Management Advisors, Sector Treasury Services.

### **2.2    **Heritable Bank****

The original investment with Heritable Bank was £2,500,000. Nine dividends have been received so far from administrators Ernst and Young:

<b>Date:</b>	<b>Dividend Received:</b>
30 July 2009	£403,250
18 December 2009	£317,649
30 March 2010	£155,396
16 July 2010	£157,437
18 October 2010	£103,815
14 January 2011	£118,358
19 April 2011	£156,863
15 July 2011	£101,810
20 October 2011	£104,919
Total	£1,619,497

On 28 July 2011, Administrators Ernst and Young have confirmed a revised estimate of a base case return of between 86% and 90% (in comparison to 79% and 85% base case return estimated on 28 January 2010).

2.3 Investments outstanding as at 30 September 2011 are detailed in Annex A in the Appendix to the Report.

### 3. **Legal and Statutory Implications**

3.1 See Background for details.

### 4. **Financial and Resource Implications**

There are no specific financial implications arising from the report.

### 5. **Major Risks**

5.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

5.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.

5.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

### 6. **List of Appendices**

6.1 Appendix A and Annex - Treasury Management Half Yearly Report 2011/12.

### 7. **Background Papers**

CIPFA Treasury Management Code of Practice (revised November 2009);  
Council's Treasury Management Policy Statement,  
Local Government Act 2003,  
Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,  
Guidance on Local Authority Investments issued by the Department for Communities and  
Local Government (revised March 2010).  
Ernst & Young Progress Reports (28 January 2010 and 28 July 2011)