

TREASURY MANAGEMENT HALF YEARLY REPORT 2012/13

Submitted by: Head of Finance

Portfolio: Finance and Budget Management

Ward(s) affected: All Indirectly

Purpose of the Report

To receive the Treasury Management Half Yearly Report for 2012/13 and to review the Treasury Management activity for this period.

Recommendation

That the Treasury Management Half Yearly Report for 2012/13 be received.

Reasons

The CIPFA Code of Practice on Treasury Management (revised in November 2011) 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 CIPFA Code of Practice on Treasury Management (revised in November 2011) 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.
- 1.2 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 2012/13 is attached as an appendix. The economic background and economic forecast included in the report has been 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. Twelve dividends have been received so far from administrators Ernst and Young. Details of these are set out in a footnote to Annex A of the report.

The bank's administrators Ernst and Young continue to predict an estimated base case return of between 86% and 90% in their latest report to creditors, dated 27 July 2012.

2.3 Investments outstanding as at 30 September 2012 are detailed in Annex A to the Report.

3. **Legal and Statutory Implications**

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**

Appendix - Treasury Management Half Yearly Report 2012/13.

7. **Background Papers**

CIPFA Treasury Management Code of Practice (revised November 2011),
Council's Treasury Management Policy Statement,
Council's Treasury Management Strategy,
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).