

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO AUDIT AND RISK COMMITTEE

Date 15 July 2013

1. Treasury Management Annual Report 2012/13

Submitted by: Head of Finance

Portfolio: Finance and Resources

Ward(s) affected: All indirectly

Purpose of the Report

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

Recommendations

- a) That the Treasury Management Annual Report for 2012/13 be received prior to submission to Council on 11 September 2013.
- b) That the Actual Prudential Indicators contained within the report be received prior to submission to Council on 11 September 2013.

Reasons

The CIPFA Treasury Management 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. A half yearly report was submitted to the Audit and Risk Committee in November 2012 covering the period 01 April – 30 September 2012. The annual report covering 2012/13 is now presented to the Audit and Risk Committee prior to submission to Council on 11 September 2013.

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. This will be achieved through the receipt of a half yearly and annual 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 Annual Report for 2012/13 is attached at Appendix "" (paper). The economic background and economic forecast included in the report has been provided by the Council's Treasury Management Advisors, Sector Treasury Services Limited.

2.2 **Heritable Bank**

The original investment with Heritable Bank was £2,500,000. Thirteen dividends have been received so far from administrators Ernst and Young totalling £1,937,728.

The bank's administrators Ernst and Young continue to predict an estimated base case return of between 86% and 90% in their report to creditors, dated 2 May 2012. Their subsequent report dated 11 February 2013 did not change this opinion.

3. **Legal and Statutory Implications**

3.1 See Background for details.

4. **Financial and Resource Implications**

4.1 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 "" (paper), Treasury Management Annual 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, 28 July 2011 and 2 May 2012).
- Sector Treasury Services Limited model report for 2012/13