

1. **TREASURY MANAGEMENT HALF YEARLY REPORT 2013/14**

Submitted by: Head of Finance

Portfolio: Finance and Resources

Ward(s) affected: All Indirectly

Purpose of the Report

To receive the Treasury Management Half Yearly Report for 2013/14 and to review the Treasury Management activity for this period.

Recommendations

(a) That the Treasury Management Half Yearly Report for 2013/14 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 half yearly and year end Treasury Management Reports.

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 half yearly and year end Treasury Management Reports.

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 approved by Council on 27 February 2013.

2. **Issues**

2.1 The Treasury Management Half Yearly Report for 2013/14 is attached at Appendix 1. The economic background and economic forecast included in the report has been provided by the Council's Treasury Management Advisors, Capita Asset Services (formally Sector Treasury Services Ltd).

2.2 **Heritable Bank**

The original investment with Heritable Bank was £2,500,000. Fourteen dividends have been received so far from administrators Ernst and Young representing a return of 94%, compared to their estimated base case return of between 86% and 90%. Details of the dividends received are set out in a footnote to Annex A of the report.

The bank's administrators Ernst and Young have confirmed in their latest progress report that they do not intend to make any further distributions to unsecured creditors until the outcome of a court appeal in respect of intercompany liabilities is known. The administrators will report further on developments in their next progress report.

Annual impairments of the original investment have been made in accordance with CIPFA's Local Authority Accounting Panel (LAAP) Bulletin 82. Impairments were made on the assumption of an estimated return of 88%. Since the actual repayment to date is now 94% this has resulted in an overall over impairment of approximately £150,000.

2.3 Investments outstanding as at 30th September 2013 are detailed in Annex A to the Report.

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 1, Treasury Management Half Yearly Report 2013/14.

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 Report (9 September 2013)'
- CIPFA LAAP Bulletin 82 "Guidance on the impairment of deposits with Icelandic Banks" Update no.7 – May 2013.