**Annual Treasury Management Report 2010/11**

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|---|---|
| To: | **Governance and Audit Committee – 29th June 2011** |
| Main Portfolio Area: | Finance |
| By: | **Treasury and Capital Officer** |
| Classification: | **Unrestricted** |

**Summary:** **This report summarises the Treasury Management activity and prudential indicators for 2010/11.**

**For Decision**

## 1.0 Introduction and Background

1.1 This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2010/11. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2010/11 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 25/02/2010)
- a mid year (minimum) treasury update report (Council 24/02/2011)
- an annual report following the year describing the activity compared to the strategy (this report).

Recent changes in the regulatory environment place a much greater onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken on 25/01/2010 in order to support Members' scrutiny role. A second training session was held on 14/06/2011.

1.2 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;

- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

Please note that the figures in this report are correct as at 16th June 2011, and may change when report to Council for approval as the accounts have not yet been audited.

## 2.0 Executive Summary

2.1 During 2010/11, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

| Actual prudential and treasury indicators | 2009/10 Actual £000 | 2010/11 Original £000 | 2010/11 Actual £000 |
|---|---|---|---|
| Actual capital expenditure | 8,781 | 18,858 | 10,037 |
| Total Capital Financing Requirement: | | | |
| • Non-HRA | 18,685 | 23,378 | 19,898 |
| • HRA | 24,448 | 22,263 | 23,966 |
| • Total | **43,133** | **45,641** | **43,864** |
| Net borrowing | 17,442 | 23,064 | 13,944 |
| External debt | 26,646 | 26,646 | 26,646 |
| Investments: | | | |
| • Under 1 year | 9,204 | 7,000 | 12,702 |
| • Longer than 1 year | 0 | 0 | 0 |
| • Total | 9,204 | 7,000 | 12,702 |

Other prudential and treasury indicators are to be found in the main body of this report. The Section 151 Officer also confirms that borrowing was only undertaken for a capital purpose and that the statutory borrowing limit (the authorised limit), was not breached.

The financial year 2010/11 continued the challenging environment of previous years; low investment returns and continuing counterparty risk continued.

## 3.0 The Council's Capital Expenditure and Financing 2010/11

3.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

| £000 | 2009/10 Actual | 2010/11 Estimate | 2010/11 Actual |
|---|---|---|---|
| Non-HRA capital expenditure | 5,716 | 13,974 | 5,707 |
| HRA capital expenditure | 3,065 | 4,884 | 4,330 |
| **Total capital expenditure** | **8,781** | **18,858** | **10,037** |
| Resourced by: | | | |
| Capital receipts | 684 | 1,826 | 754 |
| Capital grants | 3,722 | 10,893 | 7,240 |
| Capital reserves | 1,556 | 2,605 | 613 |
| Revenue | 4 | 229 | 25 |
| **Unfinanced capital expenditure** | **2,815** | **3,305** | **1,405** |

## 4.0 The Council's Overall Borrowing Need

4.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2010/11 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

4.2 **Reducing the CFR** – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2010/11 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2010/11 on 25/02/2010.

The Council's CFR for the year is shown below, and represents a key prudential indicator. This includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need, the CFR. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

| CFR (£000) | 31 March 2010 Actual | 31 March 2010 Original Indicator | 31 March 2011 Actual |
|---|---|---|---|
| Opening balance | 40,889 | 43,133 | 43,133 |
| Add unfinanced capital expenditure (as above) | 2,815 | 3,305 | 1,405 |
| Less MRP/VRP* | (569) | (797) | (674) |
| Less PFI and finance lease payments | (2) | 0 | 0 |
| **Closing balance** | **43,133** | **45,641** | **43,864** |

**Includes voluntary application of capital receipts*

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

4.3 **Net borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2010/11 plus the expected changes to the CFR over 2011/12 and 2012/13. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2010/11. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

| £000 | 31 March 2010 Actual | 31 March 2011 Original | 31 March 2011 Actual |
|---|---|---|---|
| Net borrowing position | 17,442 | 23,064 | 13,944 |
| CFR | 43,133 | 45,641 | 43,864 |

4.4 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2010/11 the Council has maintained gross borrowing within its authorised limit.

4.5 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

4.6 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

| | 2010/11 |
|---|---|
| Authorised limit | 47,418 |
| Maximum gross borrowing position | 28,646 |
| Operational boundary | 37,000 |
| Average gross borrowing position | 27,646 |
| Financing costs as a proportion of the net revenue stream | 7% |

## 5.0 Treasury Position as at 31 March 2011-06-15

5.1 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2010/11 the Council's treasury position was as follows:

| **TABLE 1 £000** | **31 March 2011 Principal** | **Rate/ Return** | **Average Life Yrs** | **31 March 2010 Principal** | **Rate/ Return** | **Average Life Yrs** |
|---|---|---|---|---|---|---|
| Fixed rate funding: | | | | | | |
| PWLB | 22,146 | 5.86% | 13 | 22,146 | 8.52% | 12 |
| Market | 0 | 0 | 0 | 0 | 0 | 0 |
| Variable rate funding: | | | | | | |
| PWLB | 0 | 0 | 0 | 0 | 0 | 0 |
| Market | 4,500 | 4.19% | 55 | 4,500 | 4.19% | 56 |
| **Total debt** | **26,646** | **5.58%** | **16** | **26,646** | **7.79%** | **15** |
| **CFR** | | **43,864** | | | **43,133** | |
| **Over/(under) borrowing** | | **(17,218)** | | | **(16,487)** | |
| Investments: | | | | | | |
| In House | 12,702 | 0.76% | 0.030 | 9,204 | 0.38% | 0.003 |
| With managers | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Investments** | 12,702 | 0.76% | 0.030 | **9,204** | **0.38%** | 0.003 |

The maturity structure of the debt portfolio was as follows:

| **£000** | **31 March 2010 Actual** | **2010/11 Original Limits** | **31 March 2011 Actual** |
|---|---|---|---|
| Under 12 months | 2,000 | 5,329 | 3,000 |
| 12 months and within 24 months | 3,000 | 6,662 | 623 |
| 24 months and within 5 years | 2,623 | 9,326 | 3,000 |
| 5 years and within 10 years | 4,000 | 11,991 | 5,000 |
| 10 years and within 20 years | 4,500 | 11,991 | 4,500 |
| 20 years and within 30 years | 4,023 | 11,991 | 4,023 |
| 30 years and within 40 years | 2,000 | 13,323 | 2,000 |
| 40 years and within 50 years | 0 | 13,323 | 0 |
| 50 years and above | 4,500 | 13,323 | 4,500 |

All investments were for less than one year.

The exposure to fixed and variable rates was as follows:

| | **31 March 2010 Actual** | **2010/11 Original Limits** | **31 March 2011 Actual** |
|---|---|---|---|
| Fixed Rate (principal or interest) | 31,350 | 36,000 | 34,848 |

| | | | |
|---|---|---|---|
| Variable Rate (principal or interest) | 4,500 | 38,000 | 4,500 |

## 6.0 The Strategy for 2010/11

6.1 The expectation for interest rates within the strategy for 2010/11 anticipated low but rising Bank Rate (starting in quarter 4 of 2011) with similar gradual rises in medium and longer term fixed interest rates over 2010/11. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and reduce counterparty risk.

The actual movement in interest rates broadly followed the expectations in the strategy, as detailed in the following section.

**Change in strategy during the year** – the strategy adopted in the original Treasury Management Strategy Report for 2010/11 approved by the Council on 25/02/2010 was subject to revision during the year due to accounting changes adopted under IFRS. These changes were approved by Council on 07/10/10.

## 7.0 The Economy and Interest Rates

7.1 2010/11 proved to be another watershed year for financial markets. Rather than a focus on individual institutions, market fears moved to sovereign debt issues, particularly in the peripheral Euro zone countries. Local authorities were also presented with changed circumstances following the unexpected change of policy on Public Works Loan Board (PWLB) lending arrangements in October 2010. This resulted in an increase in new borrowing rates of 0.75 – 0.85%, without an associated increase in early redemption rates. This made new borrowing more expensive and repayment relatively less attractive.

UK growth proved mixed over the year. The first half of the year saw the economy outperform expectations, although the economy slipped into negative territory in the final quarter of 2010 due to inclement weather conditions. The year finished with prospects for the UK economy being decidedly downbeat over the short to medium term while the Japanese disasters in March, and the Arab Spring, especially the crisis in Libya, caused an increase in world oil prices, which all combined to dampen international economic growth prospects.

The change in the UK political background was a major factor behind weaker domestic growth expectations. The new coalition Government struck an aggressive fiscal policy stance, evidenced through heavy spending cuts announced in the October Comprehensive Spending Review, and the lack of any “giveaway” in the March 2011 Budget. Although the main aim was to reduce the national debt burden to a sustainable level, the measures are also expected to act as a significant drag on growth.

Gilt yields fell for much of the first half of the year as financial markets drew considerable reassurance from the Government’s debt reduction plans, especially in the light of Euro zone sovereign debt concerns. Expectations of further quantitative easing also helped to push yields to historic lows. However, this positive performance was mostly reversed in the closing months of 2010 as sentiment changed due to sharply rising inflation pressures. These were also expected (during February / March 2011) to cause the Monetary Policy Committee to start raising Bank Rate earlier than previously expected.

The developing Euro zone peripheral sovereign debt crisis caused considerable concerns in financial markets. First Greece (May), then Ireland (December), were forced to accept assistance from a combined EU / IMF rescue package. Subsequently, fears steadily grew about Portugal, although it managed to put off accepting assistance till after the year end. These worries caused international investors to seek safe havens in investing in non-Euro zone government bonds.

Deposit rates picked up modestly in the second half of the year as rising inflationary concerns, and strong first half growth, fed through to prospects of an earlier start to increases in Bank Rate. However, in March 2011, slowing actual growth, together with weak growth prospects, saw consensus expectations of the first UK rate rise move back from May to August 2011 despite high inflation. However, the disparity of expectations on domestic economic growth and inflation encouraged a wide range of views on the timing of the start of increases in Bank Rate in a band from May 2011 through to early 2013. This sharp disparity was also seen in MPC voting which, by year-end, had three members voting for a rise while others preferred to continue maintaining rates at ultra low levels.

Risk premiums were also a constant factor in raising money market deposit rates beyond 3 months. Although market sentiment has improved, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, mean that investors remain cautious of longer-term commitment. The European Commission did try to address market concerns through a stress test of major financial institutions in July 2010. Although only a small minority of banks “failed” the test, investors were highly sceptical as to the robustness of the tests, as they also are over further tests now taking place with results due in mid-2011.

**Chart 1: Bank Rate v LIBID Investment Rates**

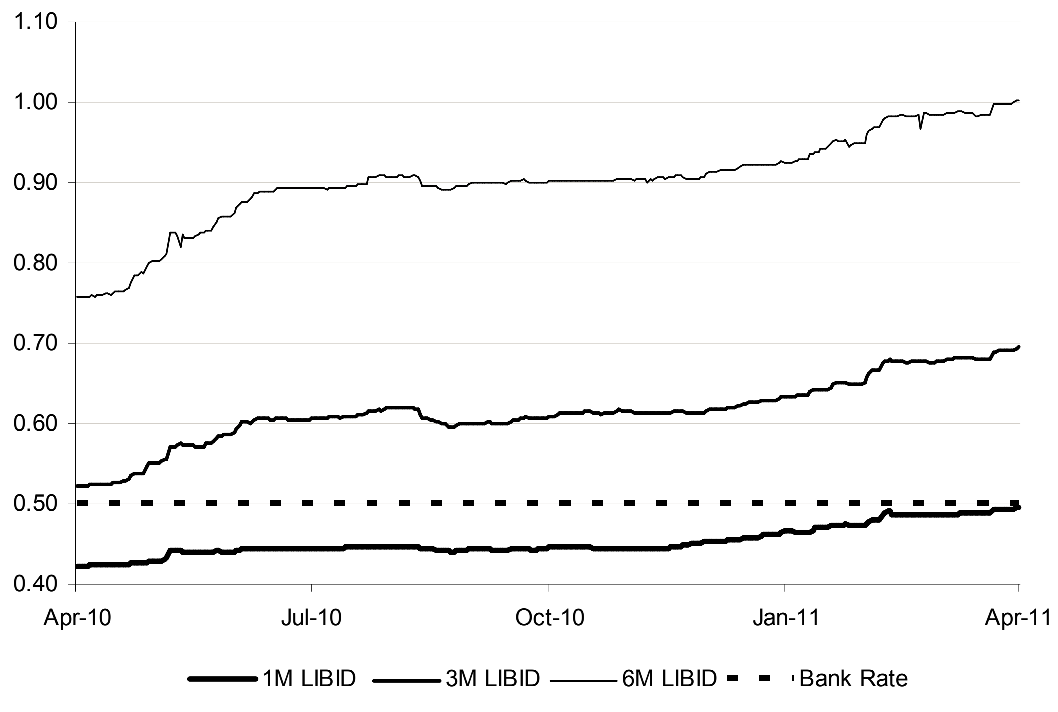
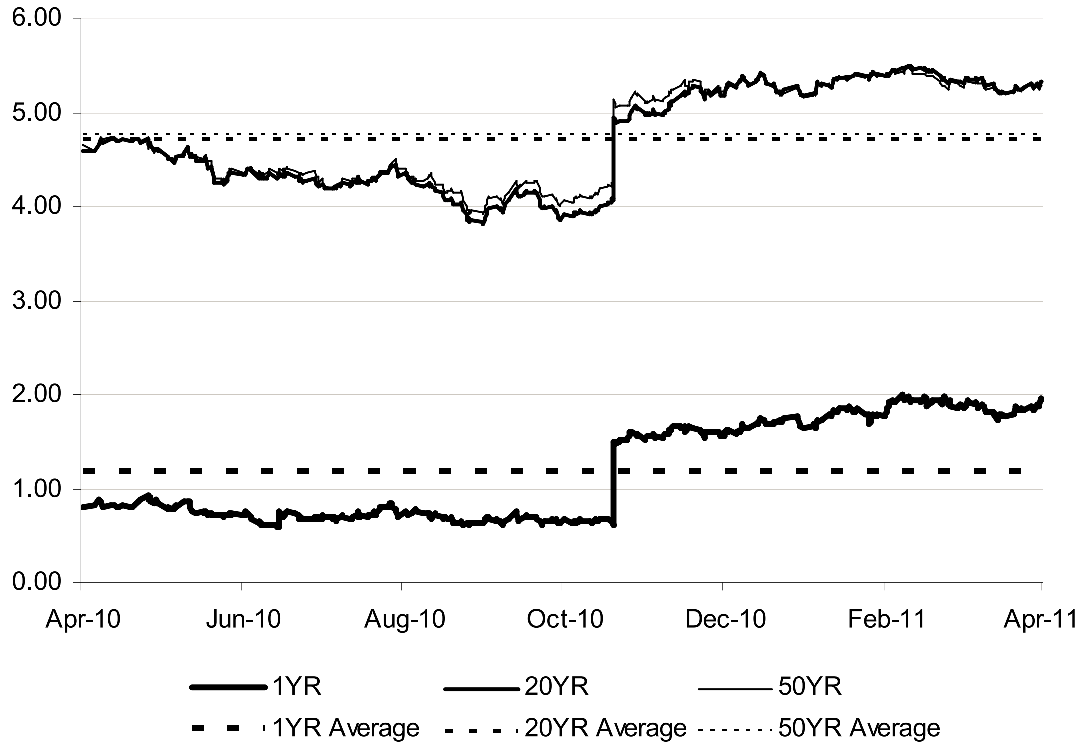


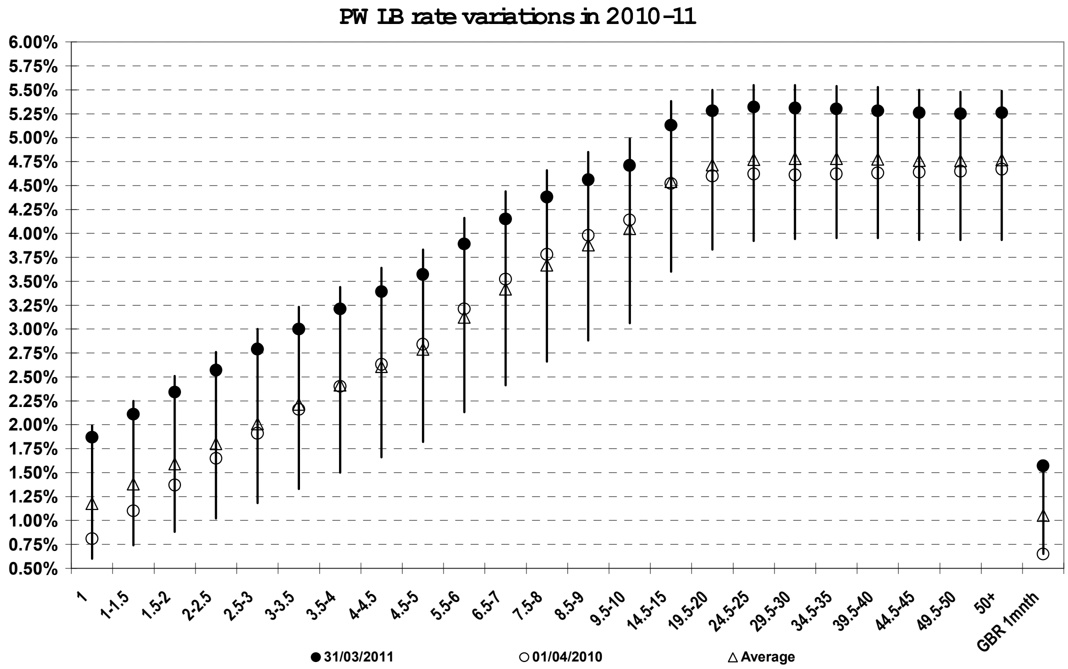
**Chart 2: Average v new borrowing rates**




## 8.0 Borrowing rates in 2010/11

8.1 **PWLB borrowing rates -** the graph and table for PWLB maturity rates below show, for a selection of maturity periods, the range (high and low points) in rates, the average rates and individual rates at the start and the end of the financial year.

Variations in most PWLB rates have been distorted by the October 2010 decision by the PWLB to raise it borrowing rates by about 0.75 – 0.85% e.g. if it had not been for this change, the 25 year PWLB at 31 March 2011 (5.32%) would have been only marginally higher than the position at 1 April 2010.



**PWLB BORROWING RATES 2010/11 for 1 to 50 years**

| | 1 | 1.5-2 | 2.5-3 | 3.5-4 | 4.5-5 | 9.5-10 | 24.5-25 | 49.5-50 | 1 month variable |
|---|---|---|---|---|---|---|---|---|---|
| 01/04/2010 | 0.810% | 1.370% | 1.910% | 2.400% | 2.840% | 4.140% | 4.620% | 4.650% | 0.650% |
| 31/03/2011 | 1.870% | 2.340% | 2.790% | 3.210% | 3.570% | 4.710% | 5.320% | 5.250% | 1.570% |
| HIGH | 1.990% | 2.510% | 3.000% | 3.440% | 3.830% | 4.990% | 5.550% | 5.480% | 1.570% |
| LOW | 0.600% | 0.880% | 1.180% | 1.500% | 1.820% | 3.060% | 3.920% | 3.930% | 0.650% |
| Average | 1.177% | 1.590% | 2.009% | 2.413% | 2.788% | 4.050% | 4.771% | 4.756% | 1.052% |
| Spread | 1.390% | 1.630% | 1.820% | 1.940% | 2.010% | 1.930% | 1.630% | 1.550% | 0.920% |
| High date | 07/02/2011 | 07/02/2011 | 07/02/2011 | 07/02/2011 | 09/02/2011 | 09/02/2011 | 09/02/2011 | 09/02/2011 | 07/03/2011 |
| Low date | 15/06/2010 | 12/10/2010 | 12/10/2010 | 12/10/2010 | 12/10/2010 | 31/08/2010 | 31/08/2010 | 31/08/2010 | 01/04/2010 |

## 9.0 Borrowing Outturn for 2010/11

9.1 **Treasury Borrowing** – The authorities debt at the start of the year was as follows:

| Lender | Principal | Interest Rate | Type | Maturity |
|---|---|---|---|---|
| PWLB | £4,000,000.00 | 4.420% | Maturity | 31/12/2035 |
| PWLB | £ 623,235.83 | 10.125% | Maturity | 31/12/2012 |
| PWLB | £2,000,000.00 | 10.750% | Maturity | 30/06/2010 |
| PWLB | £3,000,000.00 | 10.750% | Maturity | 31/12/2011 |
| PWLB | £2,000,000.00 | 10.375% | Maturity | 31/12/2013 |
| PWLB | £ 608,133.00 | 4.875% | Maturity | 30/06/2024 |
| PWLB | £1,891,867.00 | 4.875% | Maturity | 30/06/2024 |
| PWLB | £ 22,591.84 | 11.625% | Annuity | 05/08/2033 |
| PWLB | £4,000,000.00 | 3.570% | Maturity | 01/10/2019 |
| PWLB | £2,000,000.00 | 4.040% | Maturity | 01/10/2029 |
| PWLB | £2,000,000.00 | 4.220% | Maturity | 01/10/2049 |
| PWLB | £1,000,000.00 | 2.750% | Maturity | 03/05/2015 |
| PWLB | £1,000,000.00 | 3.840% | Maturity | 31/03/2019 |
| DEXIA | £4,500,000.00 | 4.190% | LOBO | 09/06/2065 |

**Borrowing -** loans were drawn to fund the net unfinanced capital expenditure and naturally maturing debt. The loans drawn were:

| Lender | Principal | Type | Interest Rate | Maturity | Average for 2010/11 |
|---|---|---|---|---|---|
| PWLB | £1,000,000.00 | Maturity | 2.75% | 03/05/2015 | 2.788% |
| PWLB | £1,000,000.00 | Maturity | 3.84% | 31/03/2019 | 4.050% |

This compares with a budget assumption of borrowing at an interest rate of 4.5%, however the authority were able to borrow at lower rates than were expected.

**Rescheduling** – No existing debts were rescheduled in 2010/11.

**Repayment** – No existing debts were repaid early in 2010/11.

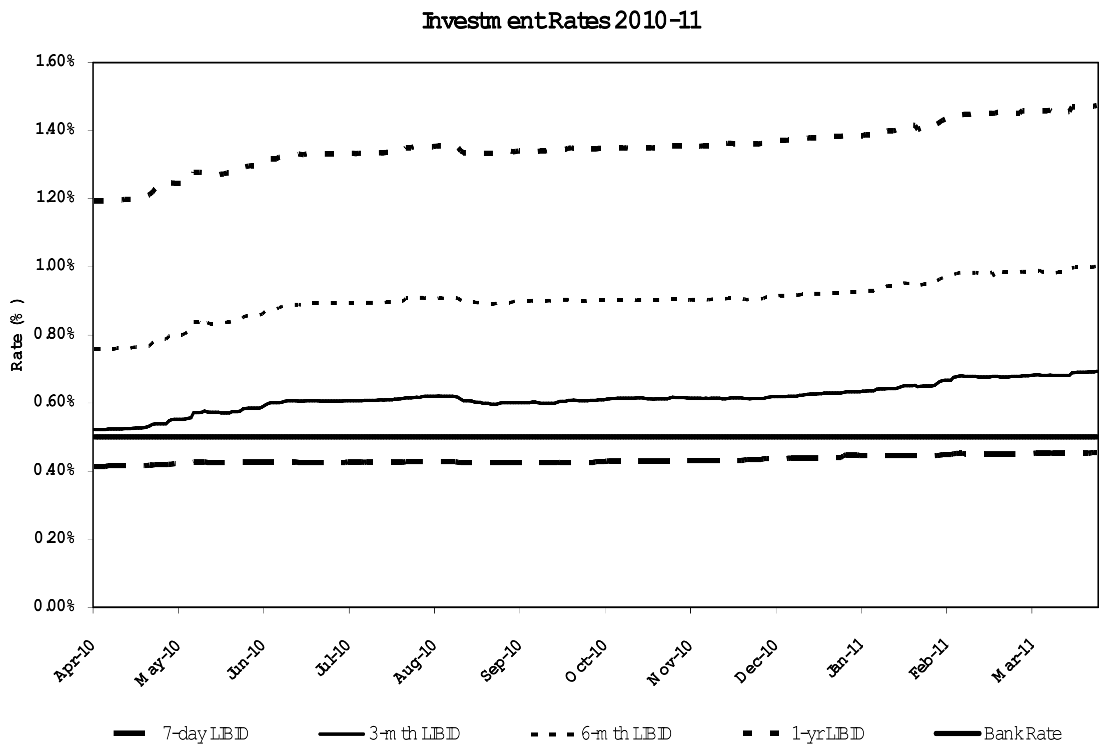
**Summary of debt transactions** – the overall position of the debt activity resulted in a fall in the average interest rate by 1.75%, representing a net General Fund savings of £149,000 p.a.

## 10.0 Investment Rates in 2010/11

10.1 The tight monetary conditions following the 2008 financial crisis continued through 2010/11 with little material movement in the shorter term deposit rates. Bank Rate remained at its historical low of 0.5% throughout the year, although growing market expectations of the imminence of the start of monetary tightening saw 6 and 12 month rates picking up.

Overlaying the relatively poor investment returns was the continued counterparty concerns, most evident in the Euro zone sovereign debt crisis which resulted in rescue packages for Greece, Ireland and latterly Portugal. Concerns extended to the European banking industry with an initial stress testing of banks failing to calm counterparty fears, resulting in a second round of testing currently in train. This highlighted the ongoing need for caution in treasury investment activity.

| | Overnight | 7 Day | 1 Month | 3 Month | 6 Month | 1 Year |
|---|---|---|---|---|---|---|
| 01/04/2010 | 0.41% | 0.41% | 0.42% | 0.52% | 0.76% | 1.19% |
| 31/03/2011 | 0.44% | 0.46% | 0.50% | 0.69% | 1.00% | 1.47% |
| High | 0.44% | 0.46% | 0.50% | 0.69% | 1.00% | 1.47% |
| Low | 0.41% | 0.41% | 0.42% | 0.52% | 0.76% | 1.19% |
| Average | 0.43% | 0.43% | 0.45% | 0.61% | 0.90% | 1.35% |
| Spread | 0.03% | 0.04% | 0.07% | 0.17% | 0.24% | 0.28% |
| High date | 31/12/2010 | 30/03/2011 | 31/03/2011 | 31/03/2011 | 31/03/2011 | 31/03/2011 |
| Low date | 01/04/2010 | 01/04/2010 | 01/04/2010 | 01/04/2010 | 01/04/2010 | 01/04/2010 |




## 11.0 Investment Outturn for 2010/11

11.1 **Investment Policy** – the Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 25/02/2010. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

**Resources** – the Council's longer term cash balances comprise, primarily, revenue and capital resources, although these will be influenced by cash flow considerations. The Council's core cash resources comprised as follows, and met the expectations of the budget:

| **Balance Sheet Resources (£000)** | **31 March 2010** | **31 March 2011** |
|---|---|---|
| Balances | 10,048 | 11,162 |
| Earmarked reserves | 10,104 | 11,199 |
| Provisions | 0 | 703 |
| Usable capital receipts | 1,144 | 2,013 |
| Unapplied grants and contributions | 2,875 | 5,291 |
| **Total** | **24,171** | **30,368** |

**Investments held by fund managers** – the Council do not use external fund managers hence no investments were held by fund managers in 2010/11.

**Investments held by the Council** - the Council maintained an average balance of £23.995m of internally managed funds. The internally managed funds earned an average rate of return of 0.76%. The comparable performance indicator is the average 7-day LIBID rate*,* which was 0.43285%. This compares with a budget assumption of £19.500m investment balances earning an average rate of 1.00%.

## 12.0 Performance Measurement

12.1 One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide *(as incorporated in the table in section 3).* The Council's performance indicators were set out in the Annual Treasury Strategy.

This service has set the following performance indicators:

- Investments – internal returns above the 7 day LIBID rate.

The Council exceeded this return as discussed in 11.1 of this report, achieving an average investment rate of 0.76%, compared to the average 7 day LIBID rate of 0.43285%.

The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, was set as follows:

- 0.05% historic risk of default when compared to the whole portfolio.

The Section 151 Officer can report that the investment portfolio was maintained within this overall benchmark throughout 2010/11.

In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £5m available with a week's notice.

- Weighted Average Life benchmark is expected to be 0.3 years, with a maximum of 1.0 year.

The Section 151 Officer can report that liquidity of investments were within this criteria throughout the year.

**13.0 Options**

13.1 That the Governance and Audit Committee:

- Approve the actual 2010/11 prudential and treasury indicators in this report
- Note the annual treasury management report for 2010/11
- Recommend this report to Cabinet.

**14.0 Corporate Implications**

**14.1 Financial and VAT**

14.1.1 There are no financial or VAT implications arising directly from this report.

**14.2 Legal**

14.2.1 This report is required to be brought before the Governance and Audit Committee, Cabinet and Council for approval, under the CIPFA Treasury Management Code of Practice.

**14.3 Corporate**

14.3.1 The Council would like to continue to improve on its score for Use of Resources and improving its risk management processes will help towards this.

**14.4 Equity and Equalities**

14.4.1 There are no equality or equity issues resulting from this report.

**15.0 Recommendation(s)**

15.1 That the Governance and Audit Committee:

- Approve the actual 2010/11 prudential and treasury indicators in this report
- Note the annual treasury management report for 2010/11
- Recommend this report to Cabinet.

**16.0 Decision Making Process**

16.1 This report is to go to Cabinet and then Council for approval.

| | |
|---|---|
| Future Meeting if applicable: Cabinet | Date: 04/08/2011 |

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|---|---|
| Contact Officer: | *Sarah Medus, Treasury and Capital Officer* |
| Reporting to: | *Sarah Martin, Financial Services Manager* |