ANNUAL TREASURY MANAGEMENT REVIEW 2011/12

To:	**Governance and Audit Committee – 27 June 2012**
Main Portfolio Area:	**Finance**
By:	**Capital & Treasury Finance Officer**
Classification:	**Unrestricted**

Summary: **This report summarises treasury management activity and prudential/treasury indicators for 2011/12.**

For Decision

1.0 **Introduction and Background**

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2011/12. 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).

1.2 During 2011/12 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 10 February 2011)
- a mid year (minimum) treasury update report (Council 12 December 2011)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

1.3 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.

1.4 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 & Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during the year on 14 June 2011 in order to support Members' scrutiny role.

1.5 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 Council's 2011/12 accounts have not yet been audited and hence that the figures in this report are subject to change.

2.0 **Executive Summary**

2.1 During 2011/12, 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:

Prudential and treasury indicators	2010/11 Actual £000	2011/12 Original £000	2011/12 Actual £000
Capital expenditure	10,037	13,331	12,049
Capital Financing Requirement: • Non-HRA • HRA • Total	19,898 23,966 43,864	23,502 23,966 47,468	19,209 23,041 42,250
Net borrowing	13,944	28,064	7,445
External debt	26,646	34,064	26,721
Investments • Longer than 1 year • Under 1 year • Total	0 12,702 12,702	0 6,000 6,000	0 19,276 19,276

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 the statutory borrowing limit (the authorised limit), was not breached.

The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

2.2 **Housing finance reform**

The implementation of housing finance reform at the end of 2011/12 abolished the housing subsidy system financed by central government and, consequently, all housing debt has been reallocated nationally between housing authorities. The result of this reallocation is that this Council received, at the end of the year, a repayment of debt by the Department of Communities and Local Government of £925,000 which resulted in a corresponding decrease in its Capital Financing Requirement (CFR). (The Department also paid the breakage costs of £152,342.) There has been no impact on HRA revenue finances in 2011/12 due to compensating adjustments being made in the HRA determination.

3.0 **The Council's Capital Expenditure and Financing 2011/12**

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.

General Fund	2010/11 Actual £000	2011/12 Estimate £000	2011/12 Actual £000
Capital expenditure	**5,707**	**10,065**	**8,760**
Financed in year	**6,005**	**6,062**	**8,760**
Unfinanced capital expenditure	**(298)**	**4,003**	**0**

HRA	2010/11 Actual £000	2011/12 Estimate £000	2011/12 Actual £000
Capital expenditure	**4,330**	**3,266**	**3,289**
Financed in year	**2,627**	**3,266**	**3,289**
Unfinanced capital expenditure	**1,703**	**0**	**0**

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 2011/12 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 2011/12 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2011/12 on 24 February 2011.

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

The effect of housing finance reform on the Council's CFR is described in section 2.2.

CFR: General Fund	31 March 2011 Actual £000	31 March 2012 Budget £000	31 March 2012 Actual £000
Opening balance	20,870	20,196	19,898
Add unfinanced capital expenditure (as above)	(298)	4,003	0
Less MRP/VRP*	674	697	689
Less PFI & finance lease repayments	0	0	**0**
Closing balance	19,898	23,502	**19,209**

CFR: HRA	31 March 2011 Actual £000	31 March 2012 Budget £000	31 March 2012 Actual £000
Opening balance	22,263	23,966	23,966
Add unfinanced capital expenditure (as above)	1,703	0	0
Less adjustment for HRA reform	**0**	**0**	**925**
Less VRP*	0	0	0
Less PFI & finance lease repayments	0	0	**0**
Closing balance	23,966	23,966	**23,041**

** Includes voluntary application of capital receipts*

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 2011/12 plus the expected changes to the CFR over 2012/13 and 2013/14 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2011/12. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2011 Actual £000	31 March 2012 Budget £000	31 March 2012 Actual £000
Net borrowing position	13,944	28,064	7,445
CFR	43,864	47,468	42,250

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 2011/12 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.

	Total 2011/12
Authorised debt limit	£51m
Maximum gross borrowing position	£31m
Operational boundary	£43m
Average gross borrowing position	£28m
Financing costs as a proportion of net revenue stream	7.16%

5.0 Treasury Position as at 31 March 2012

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 2011/12 the Council's treasury position was as follows:

	31 March 2011 Principal £000	Rate/ Return	Average Life yrs	31 March 2012 Total Principal £000	31 March 2012 HRA Principal £000	31 March 2012 GF Principal £000	Rate/ Return	Average Life yrs
Fixed rate funding:								
-PWLB	22,146	5.86%	13	22,221	19,161	3,060	5.34%	13
-Market	0			0	0	0		
Variable rate funding:								
-PWLB	0			0	0	0		
-Market	4,500	4.19%	55	4,500	3,880	620	4.19%	54
Total debt	***26,646***	***5.58%***	***20***	***26,721***	***23,041***	***3,680***	***5.16%***	***20***
CFR	***43,864***			***42,250***	***23,041***	***19,209***		
Over/ (under) borrowing	***(17,218)***			***(15,529)***	***0***	***(15,529)***		
Investments:								
- in house	£12,702	0.76%		19,276			0.78%	
- with managers	0			0				
Total investments	***12,702***	***0.76%***		***£19,276***			***0.78%***	

The maturity structure of the debt portfolio was as follows:

	31 March.2011 Actual £000	2011/12 Original limits £000	31 March.2012 Actual £000
Under 12 months	3,000	6,680	599
12 months and within 24 months	623	8,016	1,920
24 months and within 5 years	3,000	10,688	960
5 years and within 10 years	5,000	10,688	8,640
10 years and within 20 years	4,500	12,024	4,320
20 years and within 30 years	4,023	12,024	3,862
30 years and within 40 years	2,000	13,360	1,920
40 years and within 50 years	0	13,360	0
50 years and above	4,500	13,360	4,500
Total debt	26,646		26,721

All investments were for under one year.

The exposure to fixed and variable rates was as follows:

	31 March 2011 Actual £000	2011/12 Original Limits £000	31 March 2012 Actual £000
Fixed rate	22,146 debt 0 investments	51,000 debt 35,000 investments	22,221 debt 0 investments
Variable rate	4,500 debt 12,702 investments	51,000 debt 35,000 investments	4,500 debt 19,276 investments

6.0 The Strategy for 2011/12

6.1 The expectation for interest rates within the strategy for 2011/12 anticipated low but rising Bank Rate (starting in quarter 4 of 2011) with similar gradual rises in medium and longer term fixed borrowing rates over 2011/12. 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 to reduce counterparty risk.

The actual movement in gilt yields meant that PWLB rates fell sharply during the year and to historically very low levels. This was caused by a flight to quality into UK gilts from EU sovereign debt and from shares as investors became concerned about the potential for a Lehmans type crisis of financial markets if the Greek debt crisis were to develop into a precipitous default and exit from the Euro.

7.0 **The Economy and Interest Rates**

7.1 **Sovereign debt crisis.** 2011/12 was the year when financial markets were apprehensive, fearful of the potential of another Lehman's type financial crisis, prompted by a precipitous Greek Government debt default. At almost the last hour, the European Central Bank (ECB) calmed market concerns of a liquidity crisis among European Union (EU) banks by making available two huge three year credit lines, totalling close to €1 trillion at 1%. This also provided a major incentive for those same banks to then use this new liquidity to buy EU sovereign debt yielding considerably more than 1%.

A secondary benefit of this initiative was the bringing down of sovereign debt yields, for the likes of Italy and Spain, below unsustainable levels. The final aspects in the calming of the EU sovereign debt crisis were two eleventh hour agreements: one by the Greek Government of another major austerity package and the second, by private creditors, of a "haircut" (discount) on the value of Greek debt that they held, resulting in a major reduction in the total outstanding level of Greek debt. These agreements were a prerequisite for a second EU / IMF bailout package for Greece which was signed off in March.

Despite this second bailout, major concerns remain that these measures were merely a postponement of the debt crisis, rather than a solution, as they did not address the problem of low growth and loss of competitiveness in not only Greece, but also in other EU countries with major debt imbalances. These problems will, in turn, also affect the financial strength of many already weakened EU banks during the expected economic downturn in the EU. There are also major questions as to whether the Greek Government will be able to deliver on its promises of cuts in expenditure and increasing tax collection rates, given the hostility of much of the population.

7.2 **The UK coalition Government** maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. The USA and France lost their AAA ratings from one rating agency during the year.

7.3 **UK growth** proved mixed over the year. In quarter 2, GDP growth was zero, but then quarter 3 surprised with a return to robust growth of 0.6% q/q before moving back into negative territory (-0.3%) in quarter 4. The year finished with prospects for the UK economy being decidedly downbeat due to a return to negative growth in the EU in quarter 4, our largest trading partner, and a sharp increase in world oil prices caused by Middle East concerns. However, there was also a return of some economic optimism for growth outside the EU and dovish comments from the major western central banks: the Fed in America may even be considering a third dose of quantitative easing to boost growth.

7.4 **UK CPI inflation** started the year at 4.5% and peaked at 5.2% in September. The fall out of the January 2011 VAT increase from the annual CPI figure in January 2012 helped to bring inflation down to 3.6%, finishing at 3.5% in March. Inflation is forecast to be on a downward trend to below 2% over the next year.

The Monetary Policy Committee (MPC) agreed an increase in quantitative easing (QE) of £75bn in October on concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. The MPC then agreed another round of £50bn of QE in February 2012 to counter the negative impact of the EU debt and growth crisis on the UK.

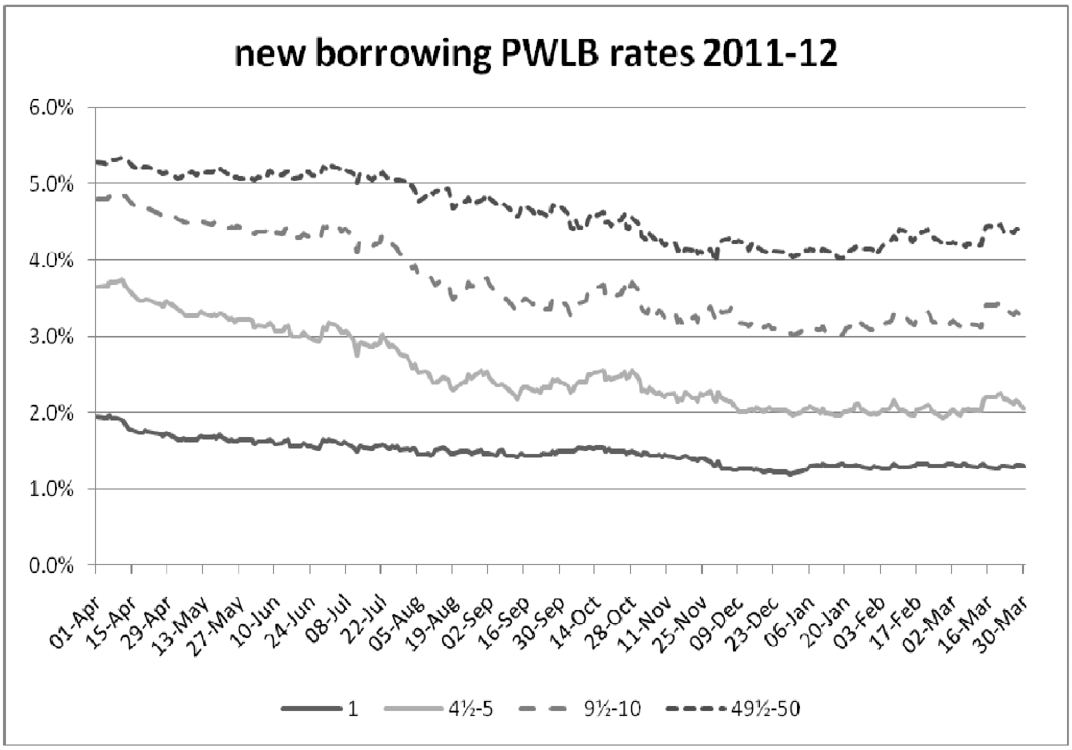
7.5 **Gilt yields** fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of QE during the year, combined to depress PWLB rates to historically low levels.

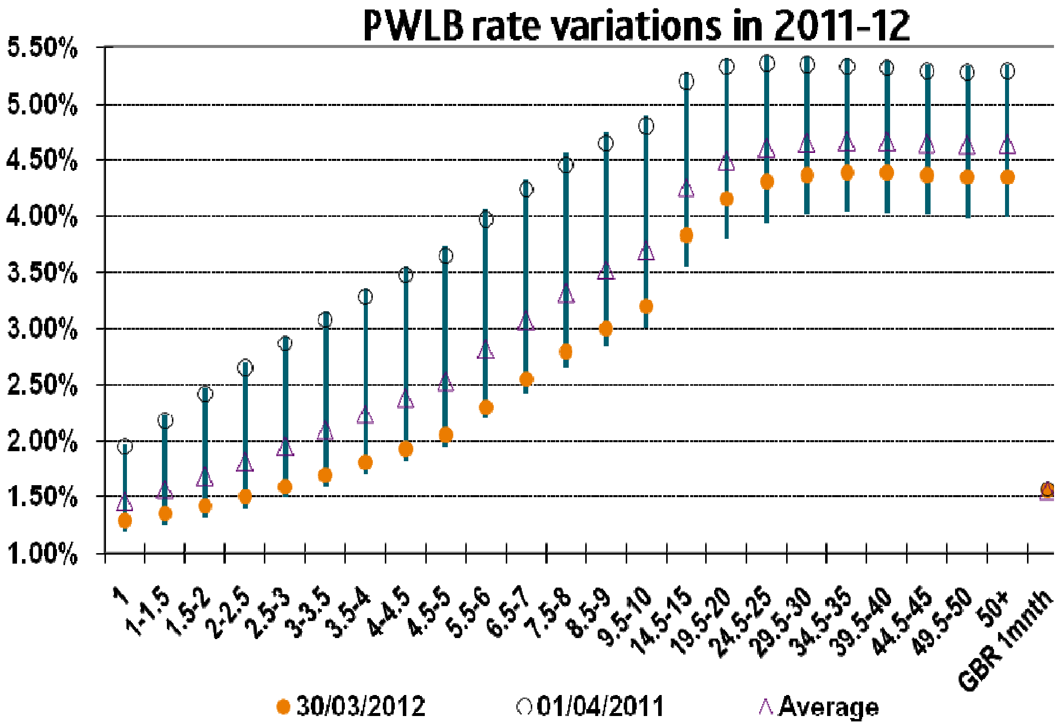
7.6 **Bank Rate** was unchanged at 0.5% throughout the year while expectations of when the first increase would occur were steadily pushed back until the second half of 2013 at the earliest. **Deposit rates** picked up in the second half of the year as competition for cash increased among banks.

7.7 **Risk premiums** were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the credit ratings of many banks and sovereigns, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment

8.0 **Borrowing Rates in 2011/12**

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





PWLB BORROWING RATES 2011/12 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
01/04/2011	1.950%	2.420%	2.870%	3.280%	3.650%	4.800%	5.360%	5.280%	1.570%
31/03/2012	1.290%	1.420%	1.590%	1.810%	2.050%	3.200%	4.310%	4.350%	1.560%
HIGH	1.970%	2.470%	2.930%	3.350%	3.730%	4.890%	5.430%	5.340%	1.590%
LOW	1.190%	1.320%	1.500%	1.710%	1.940%	3.010%	3.940%	3.980%	1.560%
Average	1.466%	1.693%	1.958%	2.243%	2.533%	3.702%	4.610%	4.635%	1.561%
Spread	0.780%	1.150%	1.430%	1.640%	1.790%	1.880%	1.490%	1.360%	0.030%
High date	06/04/2011	06/04/2011	06/04/2011	06/04/2011	11/04/2011	11/04/2011	11/04/2011	11/04/2011	05/04/2011
Low date	29/12/2011	30/12/2011	30/12/2011	27/02/2012	27/02/2012	30/12/2011	18/01/2012	30/11/2011	15/04/2011

9.0 Borrowing Outturn for 2011/12

9.1 **Treasury Borrowing** – Council debt at 31 March 2012 was:

Lender	Principal £000	Principal HRA £000	Principal GF £000	Type	Interest Rate	Maturity
PWLB	599	517	82	Fixed interest rate	10.125	31 Dec 12
PWLB	1,920	1,656	264	Fixed interest rate	10.375	31 Dec 13
PWLB	584	504	80	Fixed interest rate	4.875	30 Jun 24
PWLB	1,816	1,566	250	Fixed interest rate	4.875	30 Jun 24
PWLB	3,840	3,311	529	Fixed interest rate	4.420	31 Dec 35
PWLB	22	19	3	Fixed interest rate	11.625	5 Aug 33
PWLB	3,840	3,311	529	Fixed interest rate	3.310	15 Sep 21
PWLB	960	828	132	Fixed interest rate	2.750	3 May 15
PWLB	3,840	3,311	529	Fixed interest rate	3.570	1 Oct 19
PWLB	1,920	1,655	265	Fixed interest rate	4.040	1 Oct 29
PWLB	960	828	132	Fixed interest rate	3.840	31 Mar 19
PWLB	1,920	1,655	265	Fixed interest rate	4.220	1 Oct 49
Market	4,500	3,880	620	Variable interest rate	4.190	9 Jun 65
Total	26,721	23,041	3,680			

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

The loan drawn during the year (included in the above table) was for £4,000k at 3.31% on 15 September 2011 (principal amount at 31 March 2012 reduced to £3,840k).

The budget assumption was borrowing at an interest rate of 5.19%. However, the Council was able to borrow at lower rates (average of 5.16%) than expected.

9.3 **Rescheduling**

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

9.4 **Repayments**

Housing finance reform - on 28 March 2012 the Council repaid £925,000 at an average rate of 5.34% as a result of receiving repayment from the Department of Communities and Local Government. The Department has also paid the breakage costs of £152,342.

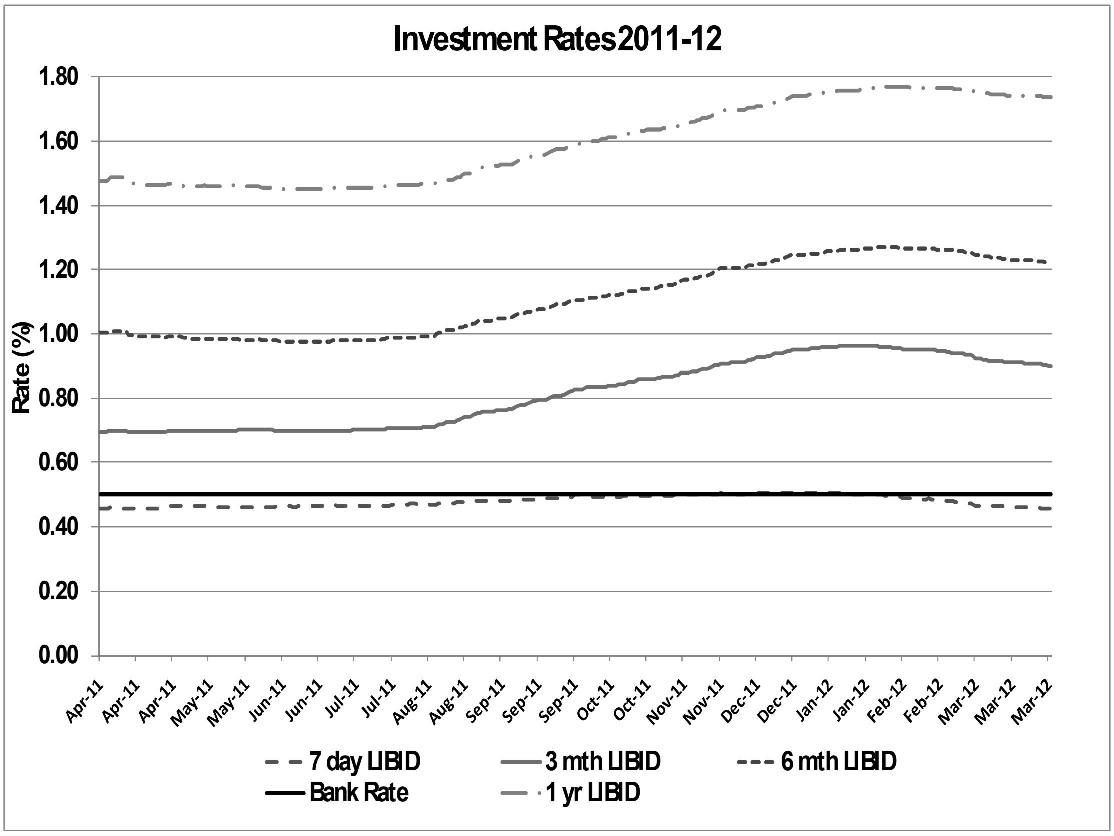
Summary of debt transactions – management of the debt portfolio resulted in a fall in the average interest rate of 0.42%, representing savings of £112k p.a.

10.0 **Investment Rates in 2011/12**

The tight monetary conditions following the 2008 financial crisis continued through 2011/12 with little material movement in the shorter term deposit rates. However, one month and longer rates rose significantly in the second half of the year as the Eurozone crisis grew. The ECB's actions to provide nearly €1 trn of 1% 3 year finance to EU banks eased liquidity pressures in the EU and investment rates eased back somewhat in quarter 1 of 2012. This action has also given EU banks time to strengthen their balance sheets and liquidity positions on a more permanent basis. Bank Rate remained at its historic low of 0.5% throughout the year while market expectations of the imminence of the start of monetary tightening was gradually pushed further and further back during the year to the second half of 2013 at the earliest.

Overlaying the relatively poor investment returns were the continued counterparty concerns, most evident in the Euro zone sovereign debt crisis which resulted in a second rescue package for Greece in quarter 1 2012. Concerns extended to the potential fallout on the European banking industry if the crisis could have ended with Greece leaving the Euro and defaulting.

	Money market investment rates 2011/12					
	Overnight	7 Day	1 Month	3 Month	6 Month	1 Year
01/04/2011	0.43688	0.45625	0.49563	0.69563	1.00313	1.47750
31/03/2012	0.43188	0.45719	0.57100	0.90188	1.22063	1.73806
High	0.54625	0.50531	0.65288	0.96456	1.27063	1.77175
Low	0.43000	0.45625	0.49563	0.69438	0.97625	1.45000
Average	0.44868	0.48009	0.56246	0.81756	1.11025	1.59673
Spread	0.11625	0.04906	0.15725	0.27018	0.29438	0.32175
Date	30/06/2011	30/12/2011	11/01/2012	12/01/2012	25/01/2012	25/01/2012
Date	14/03/2012	01/04/2011	01/04/2011	12/04/2011	11/06/2011	22/06/2011



11.0 **Investment Outturn for 2011/12**

11.1 **Investment Policy** – the Council's investment policy is governed by CLG guidance, which was implemented in the annual investment strategy approved by the Council on 10 February 2011. 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.

11.2 **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	31 March 2011 £000	31 March 2012 £000
Balances (General Fund & HRA)	**11,199**	**11,813**
Earmarked reserves (incl MRR & Capital Grants Unapplied)	**11,871**	**12,046**
Usable capital receipts	**1,924**	**1,598**
Total Usable Reserves	**24,994**	**25,457**

11.3 **Investments held by fund managers -** the Council does not use external fund managers and hence no investments were held by fund managers in 2011/12.

11.4 **Investments held by the Council -** the Council maintained an average balance of £25,637k of internally managed funds. The internally managed funds earned an average rate of return of 0.78%. The comparable performance indicator is the average 7-day LIBID rat*e,* which was 0.48%. This compares with a budget assumption of £16,800 investment balances earning an average rate of 0.75%.

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 Management Strategy.

12.2 This service has set the following performance indicators :

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

The Council exceeded this return as reported above, achieving an average investment rate of 0.78% compared to the average 7 day LIBID rate of 0.48%.

The Council's maximum security risk benchmark for the current portfolio, when compared to 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 2011/12.

12.3 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 0.5 years, with a maximum of 1 year.

The Section 151 Officer can report that liquidity of investments were within this criteria throughout 2011/12.

13.0 **Options**

13.1 That the Governance and Audit Committee:

- Approve the actual 2011/12 prudential and treasury indicators in this report
- Note the annual treasury management report for 2011/12
- Recommend this report to Cabinet.

14.0 **Corporate implications**

14.1 **Financial and VAT**

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

14.2 **Legal**

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**

This report evidences that the officers are continuing to carefully manage the risk associated with the Council's treasury management activities.

14.4 **Equity and Equalities**

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

15.0 **Recommendations**

15.1 That the Governance and Audit Committee:

- Approve the actual 2011/12 prudential and treasury indicators in this report
- Note the annual treasury management report for 2011/12
- Recommend this report to Cabinet.

16.0 **Decision Making Process**

16.1 This report is to go to Cabinet and then Council for approval. Cabinet meeting is on 26 July 2012.