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West Lindsey District Council
The Entrepreneurial Council

Council	
3rd September 2012	

Subject: **Annual Report on the Treasury Management Service and Actual Prudential and Treasury Indicators 2011/2012**

Report by:	Russell Stone Financial Services Manager (Section 151 Officer)
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Purpose / Summary:	The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2011/12 and the actual Prudential Indicators for 2011/12.

RECOMMENDATION(S):	**1) That Members note the Annual Treasury Management Report and Approve the Actual 2011/12 Prudential and Treasury Indicators in this report.**

IMPLICATIONS

Legal: None arising as a result of this report.

Financial : The treasury management activities during the reporting period are disclosed in the body of this report.

Staffing : None arising as a result of this report.

Equality and Diversity: None arising as a result of this report.

Risk Assessment: This is a monitoring report only.

Climate Related Risks: None arising as a result of this report.

Background Papers :

No background papers were used in the preparation of this report.

Call in and Urgency:

Is the decision one which Rule 14 of the Scrutiny Procedure Rules apply?

Yes		**No**	**x**

Key Decision:

Yes		**No**	**x**

Background

The 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 indictors 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).

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 07/03/2011
- a mid year (minimum) treasury update report – Council 21/11/11
- 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. The 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.

The 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 (annual investment strategy) and Policy and Resources Committee (Capital programme, mid year and annual reports) before they are reported to the full Council. Member training on treasury management issues was undertaken during the year on 19/12/2011 in order to support Members' scrutiny role.

In addition, the Policy and Resources Committee has received additional treasury management update reports on 28/07/2011 and 16/02/2012.

1. Introduction

1.1 This report summarises:

- the capital activity during the year
- the impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- the reporting of the required prudential and treasury indicators;
- overall treasury position identifying if the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- a summary of interest rate movements in the year;
- any debt activity;
- the detailed investment activity; and
- the position in respect of Icelandic deposits.

2. The Council's Capital Expenditure and Financing 2011/12

2.1 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.

2.2 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 £m	2011/12 Original Estimate £m	2011/12 Revised Estimate £m	2011/12 Actual £m
Total capital expenditure	**5.099**	**3.827**	**5.090**	**3.109**
Resourced by:				
Capital receipts	1.211	1.127	1.376	0.433
Capital grants / Contributions	2.878	1.674	2.710	2.155
Capital Reserves	0.030	0	0.194	0.159
Revenue	0.329	0.861	0.645	0.226
Finance leases	0.651	0.165	0.165	0.136
Unfinanced capital expenditure	**0**	**0**	**0**	**0**

3. The Council's Overall Borrowing Need

3.1 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 table in 2.2), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

3.2 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 Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

3.3 **Reducing the CFR** – The Council's 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 any 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.

3.4 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).

3.5 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 07/03/11.

3.6 The Council's CFR for the year is shown overleaf, and represents a key prudential indicator. It includes 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.

CFR : General Fund	31 March 2011 Actual £m	31 March 2012 Estimate £m	31 March 2012 Revised Estimate* £m	31 March 2012 Actual £m
Opening balance	**1.582**	**2.257**	**1.982**	**1.982**
Add unfinanced capital expenditure (as above)				
Add adjustment for the inclusion of on-balance sheet leasing arrangements	0.651	0.165	0.145	0.136
Less Finance Lease repayments	(0.251)		(0.241)	(0.231)
Closing balance	**1.982**	**2.422**	**1.886**	**1.887**

* The change in the CFR from the original estimate reflects the de-recognition of liabilities previously recognised for assets held at peppercorn rents.

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

3.8 **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 (£m)	31 March 2012 Budget (£m)	31 March 2012 Actual (£m)
Net borrowing position	**(14.953)**	**(9.183)***	**(15.550)**
CFR	**1.982**	**1.887**	**1.887**

* Budget at 31st March 2012 excluded impaired Icelandic investments (£4.838m).

3.9 **The Authorised Limit** – the authorised limit is the “affordable borrowing limit” required by section 3 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.

3.10 **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.

3.11 **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.

	2011/12
Authorised Limit	**£6.60m**
Maximum gross borrowing position	**£0.92m**
Operational Boundary	**£1.36m**
Average gross borrowing position	**£0.87m**
Financing costs as a proportion of net revenue stream	**(2.25)%**

4. Treasury Position as at 31 March 2012

4.1 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:

Actual borrowing position	**31 March 2011**		**31 March 2012**	
	Principal	**Average Rate**	**Principal**	**Average Rate**
Fixed Interest Rate Debt	£nil	n/a	£nil	n/a
Variable Interest Rate Debt	£nil	n/a	£nil	n/a
Total Debt	**£nil**	**n/a**	**£nil**	**n/a**
Capital Financing Requirement	**£1.982m**		**£1.887m**	
Finance lease liabilities	**£0.917m**		**£0.821m**	
Over/(under) borrowing	**(£1.065m)**		**(£1.066m)**	
Bank and Money Market deposits	**31 March 2011**		**31 March 2012**	
	Principal	**Average Rate**	**Principal**	**Average Rate**
Fixed Interest money market and bank deposits	£7.894m	3.90%	£5.234m	4.03%
Variable Interest money market and bank deposits	£7.059m	0.79%	£11.137m	0.81%
Total Investments/Cash Equivalents	**£14.953m**	**2.50%**	**£16.371m**	**1.84%**
Net borrowing position	**£(14.036m)**		**£(15.550m)**	

Note – The Bank and money market deposits position and net borrowing includes the carrying value of impaired investments in Icelandic banks at their original interest rates. Excluding impaired Icelandic bank deposits the figures are £12,890m (1.11%) at 31 March 2012 (£9.700m 0.83% at 31 March 2011)

The maturity of the investment portfolio was as follows:

	31 March 2011 Actual £m	**2011/12 Original limits £m**	**31 March 2012 Actual £m**
Investments/Cash Equivalents			
Longer than 1 year	2.512	2.000	1.945
Under 1 year	12.441	n/a	14.426
Total	**14.953**	**n/a**	**16.371**

5. The Strategy for 2011/12

5.1 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 interest 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.

5.2 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 Lehman Brothers Bank type crisis in financial markets if the Greek debt crisis were to develop into an unmanaged default and exit from the Euro.

6. The Economy and Interest Rates (Sector Treasury Management Advisors)

6.1 **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%.

6.2 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 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 2012.

6.3 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. In addition, an impending general election in May 2012 will deliver a democratic verdict on the way that Greece is being governed under intense austerity pressure from the northern EU states.

6.4 **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.

6.5 **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% quarter to quarter (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.

6.6 **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 by the Bank of England to be on a downward trend to below 2% over the next year.

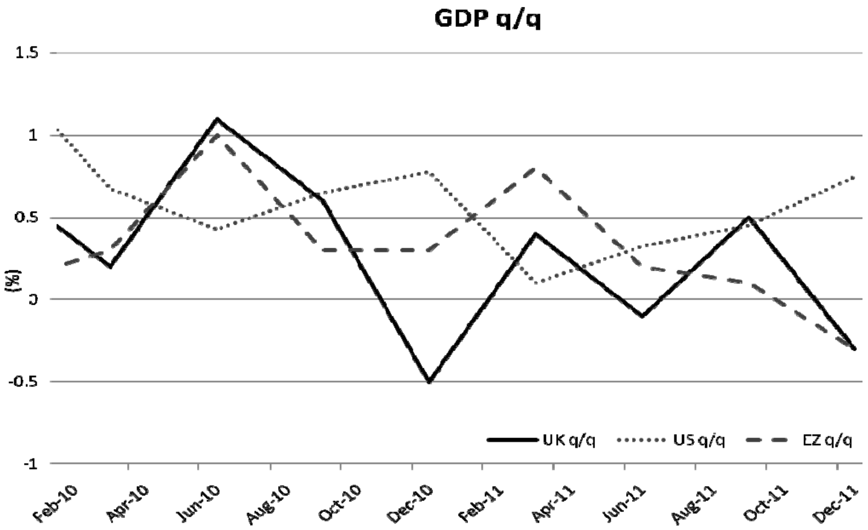
6.7 The Monetary Policy Committee (MPC) agreed an increase in quantitative easing (QE) of £75bn in October on concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. The MPC then agreed another round of £50bn of QE in February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

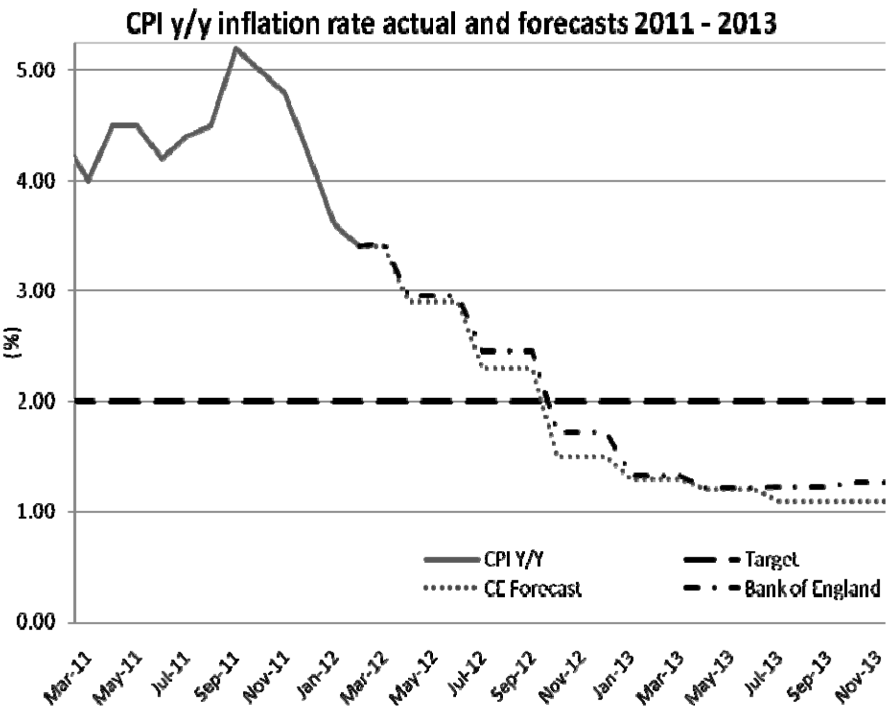
6.8 **Gilt yields** fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of QE during the year, combined to depress PWLB rates to historically low levels as shown in section 7.

6.9 **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.

6.10 **Deposit rates** picked up in the second half of the year as competition for cash increased among banks.

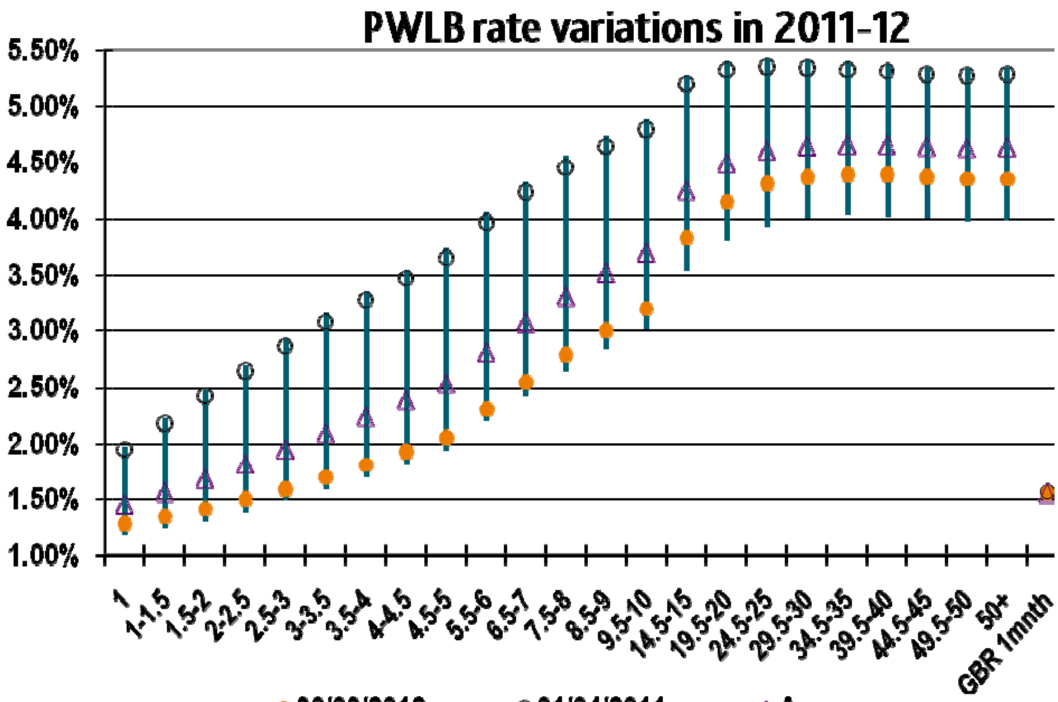
6.11 **Risk premiums** were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the credit ratings of many banks and sovereigns, continued Euro zone concerns, and the significant funding issues still faced by many financial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





7. Borrowing Rates in 2011/12– (Sector Treasury Management Advisors)

7.1 **PWLB borrowing rates –** the graph 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.

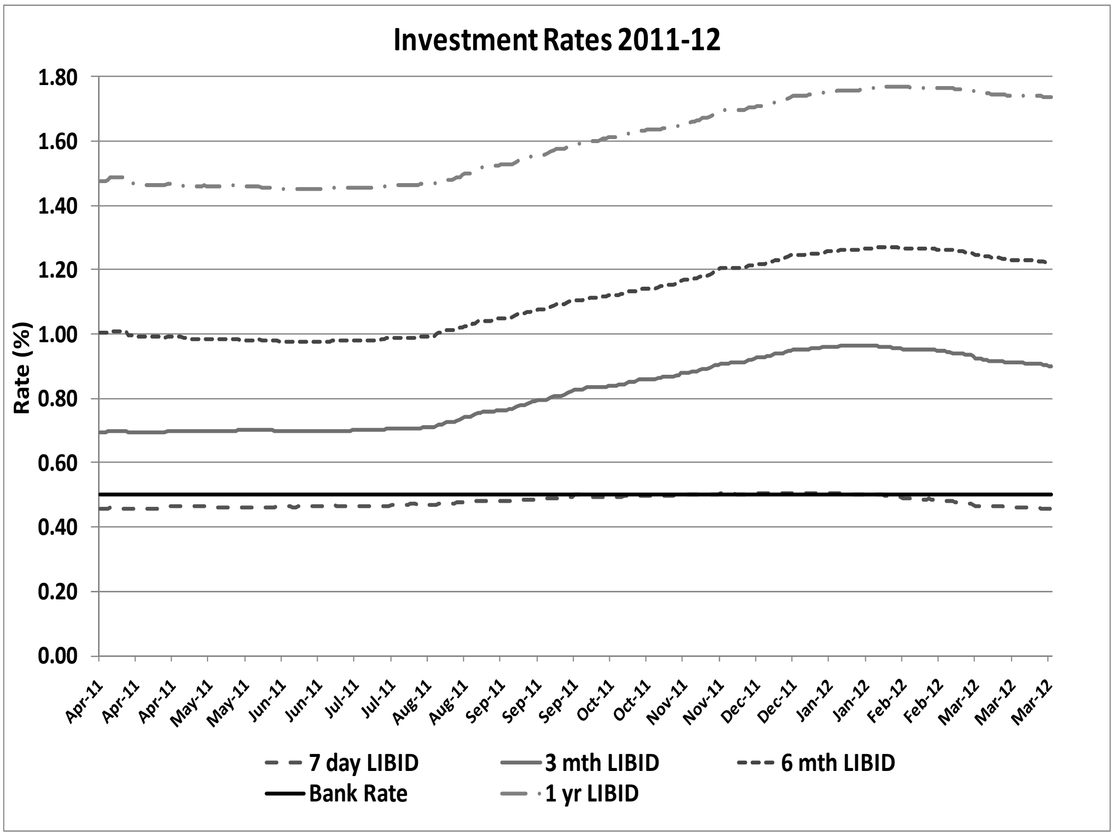


PWLB BORROWING RATES 2011/12 for 1 to 50 years	1	1.5-2	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
01/04/2011	1.950%	2.420%	2.870%	3.280%	3.650%	4.800%	5.360%	5.280%	1.570%
31/03/2012	1.290%	1.420%	1.590%	1.810%	2.050%	3.200%	4.310%	4.350%	1.560%
HIGH	1.970%	2.470%	2.930%	3.350%	3.730%	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

8. Investment Rates in 2011/12 (Sector Treasury Management Advisors)

8.1 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 trillion of 1% 3 year finance to EU banks eased liquidity pressures in the EU and investment rates eased back somewhat in the 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 historical 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.

8.2 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.



LIBID is the London Interbank Bid Rate which is the rate bid by banks on Eurocurrency deposits and effectively the rate at which a bank is willing to borrow from other banks. The currently high profile LIBOR is the

London Interbank Offer Rate which is the average rate at which a bank is willing to lend to other banks and is determined by the British Bankers Association based on returns from a panel of leading banks. Historically LIBOR rates have been approximately 0.125% higher than LIBID rate.

	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

9. Investment Outturn for 2011/12

9.1 **Investment Policy** – the Council's investment policy is governed by CLG guidance, which has been implemented in the annual investment strategy approved by Council on 07/03/2011. 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 and equity prices). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

9.2 **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 £m	31 March 2012 £m
Balances	**4.031**	**5.993**
Earmarked reserves	**6.838**	**6.206**
Provisions	**0.079**	**0.071**
Usable capital receipts	**3.711**	**3.421**
Total	**14.659**	**15.691**

9.3 **Investments held by the Council** – the Council maintained an average balance of £14.442m of internally managed funds (excluding Icelandic Bank deposits). The internally managed funds earned an average rate of return of 0.93%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.48%. This compares with a budget assumption of £11m of deposit balances (excluding Icelandic deposits) earning an average rate of 0.80%.

10. Performance Measurement

10.1 One of the key requirements in the Code is the formal introduction of performance measurements 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. The Council's performance indicators were set out in the Annual Treasury Management Strategy.

10.2 The following performance indicator is measured

- **Investments – Internal returns above the 7 day LIBID rate**
  Performance excluding Icelandic deposits is reported in paragraph 9.3

10.3 Security and liquidity benchmarks were introduced for 2011/12. These benchmarks were not exceeded at any point in the year as deposits were predominantly held in bank accounts with limited or no notice periods.

11. Icelandic Bank Defaults

11.1 As previously reported the Council had the following principal deposits frozen in Icelandic banks:

Bank	Date Invested	Maturity Date	Original Amount Invested £000's	Interest Rate %
Glitnir	07/02/08	06/02/09	1,000	5.45
Heritable Bank	15/07/08	17/10/08	1,000	5.88
Landsbanki	15/07/08	17/10/08	1,000	5.88
Landsbanki	30/07/08	17/10/08	1,500	5.80
Landsbanki	15/08/08	21/11/08	1,500	5.89
Heritable Bank	17/09/08	08/10/08	1,000	5.55
Total			**7,000**	

11.2 The Icelandic Government has stated its intention to honour all its commitments as result of their banks being placed into receivership. The U.K. Government is working with the Icelandic Government to help bring this about. The Local Government Association is co-ordinating the efforts of all UK authorities with Icelandic investments. At the current time, the process of recovering assets is still ongoing with the administrators. In the cases of Heritable Bank plc the administrators have made a number of dividend payments to date, with further payments and updates anticipated during 2012/13. Investments outstanding with the two Iceland-domiciled banks (Glitnir Bank hf and Landsbanki Islands hf) have been subject to decisions of the Icelandic Courts. Following the successful outcome of legal test cases in the Icelandic Supreme Court in late-2011, the Administrators have now commenced the process of dividend payments in respect of both of these banks. Members will be periodically updated on the latest developments on these efforts.

11.3 The Council registered the following claim values for the original deposits and contractual interest

Bank	Original Amount Invested £'s
Glitnir	1,065,699
Heritable Bank	2,016,574
Landsbanki	4,169,184
Total	**7,251,457**

11.4 The Council had, as at the 31 March 2012, received ten reimbursements amounting to £1.37m in respect of the Heritable Bank claim as detailed below. In April 2012 a further £76k was repaid:

Date Received	Amount £
30/07/09	325,194
18/12/09	255,287
30/03/10	124,888
16/07/10	126,528
18/10/10	83,434
14/01/11	95,121
19/04/11	126,067
15/07/11	81,822
20/10/11	84,321
23/01/12	67,032
Total	**1,369,694**

11.5 The Council had, as at the 31 March 2012, received two reimbursements amounting to £1.705m in respect of the Landsbanki Island hf claim as detailed below. Included in the February 2012 payment was Icelandic krona with a value of £30,122 which is held in an interest bearing escrow account in Iceland until existing currency controls in that country are lifted**.**

Date Received	Amount £
17/02/12	1,208,594
29/05/12	496,421
Total	**1,705,015**

11.6 In respect of Glitnir, a recovery with a sterling value of £1.019m was paid on 16th March 2012 reflecting 100% of the approved claim *(100% assumed 2010/11)*. Included in this recovery was a payment made in Icelandic Krona (sterling value of £191k) which is being held in an interest bearing escrow account in Iceland until existing currency controls in that country are lifted.

11.7 The current situation with regards to recovery of the sums deposited varies between each institution but based on the most up to date information available at the time of preparing the 2011/12 accounts the Council made the following recovery assumptions. The information available is not definitive as to the amounts and timings of payments to be made by the administrators/receivers.

Heritable Bank

Date	Repayment	Amount£	Date	Repayment	Amount£
April 2012	3.79%	76,066	January 2013	3.50%	67,305
July 2012	3.50%	69,251	April 2013	5.81%	110,144
October 2012	3.50%	68,271	**Total**		**391,037**

The above is based on an overall estimated recovery of 88% of the original claim of £2,016,574.

Landsbanki

Date	Repayment	Amount£	Date	Repayment	Amount£
May 2012	12.20%	490,244	December 2016	7.00%	215,235
December 2012	7.00%	271,867	December 2017	7.00%	203,027
December 2013	7.00%	256,446	December 2018	7.00%	191,510
December 2014	7.00%	241,900	December 2019	8.80%	227,100
December 2015	7.00%	228,178	**Total**		**2,325,507**

The above is based on an estimated recovery of 100% of the claim.

12. Regulatory Framework, Risk and Performance

12.1 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;

- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2010/11);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
    - The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
    - The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the CLG has issued Investment Guidance to structure and regulate the Council's investment activities.
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

12.2 The Council has complied with all of the above relevant statutory and regulatory requirements which require the Council to identify and, where possible, quantify the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.