Service & Resource Planning 2011/12 – 2015/16 Treasury Management Strategy Statement and Annual Investment Strategy for 2011/2012

Introduction

1. The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

2. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). The Annual Investment Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3. The proposed strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the views of the Council's Treasury Management Strategy Team (TMST)[1], informed by market forecasts provided by the Council's treasury advisor, Arlingclose Limited. The strategy covers:

    - Treasury limits in force which limit the treasury risk and activities of the Council;
    - Prudential Indicators;
    - the current treasury position;
    - prospects for interest rates;
    - the borrowing strategy;
    - the borrowing requirement;
    - the investment strategy;

4. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue caused by increased borrowing to finance additional capital expenditure, and any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

5. The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The code was adopted by Council on 1 April 2003. Subsequent amendments to the code have also been adopted.

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[1] Comprising the Assistant Chief Executive & Chief Finance Officer, Acting Head of Corporate Finance, Principal Financial Manager – Treasury & Pension Fund Investments and Financial Manager – Treasury & Pension Fund Investments

Treasury Limits for 2011/12 to 2013/14

6. It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review the amount it can afford to borrow. This amount is termed the 'Affordable Borrowing Limit'. In England and Wales the Authorised Limit represents the legislative limit specified in section 3 of the Local Government Act 2003.

7. The Council must have regard to the Prudential Code when setting the 'Authorised Borrowing Limit'. The Authorised Limit, essentially requires the Council to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon future council tax levels is 'acceptable'.

8. Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

Prudential Indicators for 2011/12 to 2013/14

9. The Prudential Indicators set out below are part of the integrated treasury management strategy.

10. It is recommended that Cabinet recommends Council to approve the authorised limits for total external debt, gross of investments for the next three financial years.

PRUDENTIAL INDICATOR	2010/11	2011/12	2012/13	2013/14
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**	**£'000**
	probable outturn	**estimate**	**estimate**	**estimate**
Authorised Limit for external debt -				
borrowing	514,000	527,000	469,000	454,000
other long term liabilities	40,000	40,000	40,000	40,000
TOTAL	554,000	567,000	509,000	494,000
Operational Boundary for external debt -				
borrowing	504,000	517,000	459,000	444,000
other long term liabilities	40,000	40,000	40,000	40,000
TOTAL	544,000	557,000	499,000	484,000
Upper limit for fixed interest rate exposure expressed as:				
Net principal re fixed rate borrowing / investments	150%	150%	150%	150%
Upper limit for variable rate exposure expressed as:				
Net principal re variable rate borrowing / investments	25%	25%	25%	25%
Upper limit for total principal sums invested for over 364 days	£100m	£100m	£100m	£100m

Maturity structure of fixed rate borrowing during 2011/12	Lower Limit %	Upper Limit %
Under 12 months	0	20
12 months and within 24 months	0	25
24 months and within 5 years	0	35
5 years and within 10 years	5	40
10 years and above	50	95

Total External Debt as at 31.03.10	£'000
External Borrowing	412,093
Financing Liability	18,021
Total	**430,114**

Forecast Treasury Portfolio Position

11. The Council's treasury forecast portfolio position for the 2011/12 financial year comprises:

	Principal £m	Average Rate %
Opening External Debt Balance		
PWLB	384.414	4.76%
Money Market Loans	50.000	3.94%
TOTAL EXTERNAL DEBT	434.414	
2011/12 Average Cash Balance		
Average Monthly Cash Balance*	185.88	
Average Monthly Externally Managed	24.36	
TOTAL INVESTMENTS	210.24	

*In response to a change in Pension Fund regulations, the Council is no longer able to commingle its own cash with that of the Pension Fund. This figure is therefore exclusive of Pension Fund cash.

Prospects for Interest Rates

Current Medium Term Financial Plan

12. The strategy for 2010/11 approved by Council in February 2010 set out forecast interest rates over the medium term. The forecast was for an average base rate of 0.63% in 2010/11, 1.75% in 2011/12, 2.63% in 2012/13, 2.75% in 2013/14 and 2.75% in 2014/15. These interest rates were used as a basis for constructing the strategic measures budget for 2010/11 to 2014/15.

Arlingclose's View

13. The Council uses the services of Arlingclose Limited to provide investment advice to the Council, as part of this service they help the Council to formulate a view on interest rates.

14. Arlingclose's current view on interest rates is that the Bank Rate:

- Will remain at 0.5% until August 2011
- Will gradually increase from September 2011 to June 2013 to 2.75%

15. There is a downside risk to these forecasts if the economy could not sustain such a rapid increase in interest rates. There is also an upside risk that the Bank of England's Monetary Policy Committee may begin the process of base rate increases earlier than forecast.

- Arlingclose are of the view that short term money market rates are likely to remain at very low levels, although they have not quantified what spreads over Base Rate to expect.

Treasury Management Strategy Team's View

16. The Council's TMST, taking into account the advice from Arlingclose, and the current economic outlook, have determined the rates to be included in the Strategic Measures budget for 2011/12 and over the medium term. The Bank Rate forecasts set out below represent the average rate for the financial year:

- 2011/12 0.75%
- 2012/13 1.75%
- 2013/14 2.50%
- 2014/15 2.75%
- 2015/16 2.75%

17. It is the view of the team that as rates achieved on deposits in the past have been over and above that of the Bank Rate that a return rate should also be budgeted for. The team has agreed that the target return rate should be 0.40% higher than the average Bank Rate for each year over the medium term. The rate this gives is set out below. These rates have been incorporated into the strategic measures budget estimates:

- 2011/12 1.15%
- 2012/13 2.15%
- 2013/14 2.90%
- 2014/15 3.15%
- 2015/16 3.15%

Borrowing Strategy

Arlingclose's View

18. Arlingclose's forecasts have an upside risk of between 25 and 50 basis points, and a downside risk of between 25 and 50 basis points depending on the economic and political climate.

19. For the Public Works Loan Board (PWLB) new borrowing rates Arlingclose have forecast as follows:

- The 50 year PWLB rate is expected to start the financial year at 5.50%, increasing to 5.75% in September 2011. A decrease is forecast back to 5.50% in September 2012, remaining at that level for the rest of the forecast period.
- The 20 year PWLB rate is expected to start the financial year at 5.75% rising to 6.00% in September 2011, remaining at that level for the rest of the forecast period.

- The 10 year PWLB rate is expected to start the financial year at 4.75%, gradually rising to 5.75% by June 2012 and remaining there for the rest of the forecast period.
- The 5 year PWLB rate is expected to start the financial year at 3.75% with gradual quarterly increases forecast to reach 5.00% by June 2012, remaining at that level for the rest of the forecast period.

20. This forecast indicates, therefore, that there is a range of options available when setting a borrowing strategy for 2011/12. Short dated gilt yields are forecast to be lower than medium and long dated gilt yields during the financial year. Despite additional gilt issuance by the UK Government, short dated gilts are expected to benefit from expectation of lower interest rates as the economy struggles. Variable rates are expected to remain low as the Bank Rate is maintained at historically low levels.

Treasury Management Strategy Team's View

21. 2011/12 is expected to be a time of continued low Bank Rate. Therefore the "cost of carry" associated with the long term borrowing compared to temporary investment returns means that the appetite for new long term borrowing brings with it additional short term costs. Financing the Council's borrowing requirement internally would reduce the "cost of carry" in the short term, however this must be weighed against the possibility of refinancing any short term internal borrowing at a time when PWLB rates exceed those currently available.

22. The Council's TMST therefore have agreed that they should continue to have the option to fund new or replacement borrowing up to the value of 25% of the portfolio (currently approximately £50m) through internal borrowing. This will have the effect of reducing some of the "cost of carry" of funding.

23. If the market conditions change during the 2011/12 financial year such that the policy to borrow internally is no longer in the interests of the council, the TMST will review the borrowing strategy and report any changes to Cabinet.

24. The team's forecast for PWLB rates over the medium term are set out below. These rates have been incorporated into the strategic measures budget estimates:

- 2011/12 5.00%
- 2012/13 5.00%
- 2013/14 5.00%
- 2014/15 5.00%
- 2015/16 5.00%

25. These rates take into account the forecast gilt yields for the period plus the higher premium applied to the PWLB borrowing rates from October 2010.

26. These rates are based on short to medium term borrowing rates. Longer dated borrowing rates are forecast to be at 6% across the medium term.

LOBOs (Lender's option/Borrower's option)

27. The Council has set a maximum limit of 20% of the debt portfolio to be borrowed in the form of LOBOs. It is recommended that this remain as the limit for 2011/12. As at 30 November 2010, LOBOs represent 11.51% of the total external debt.

28. The Council has three £5m LOBO's with call options in 2011/12. The first has call options in April 2011 and October 2011, the next two with call options in July 2011. If the lender chooses to increase the current rate of interest payable, the Council will evaluate alternative financing options before deciding whether or not to accept the new rate offered.

Borrowing Requirement

29. The TMST is proposing to fund capital expenditure through internal balances in the short to medium term. This will result in external debt balances falling from £434m to £374m by 2013/14.

	2010/11 £m Probable	2011/12 £m Estimate	2012/13 £m Estimate	2013/14 £m Estimate
Net New Borrowing – Internal	4.70	-9.38	-6.55	-12.00
Net New Borrowing – External	22.32	-	-	-
Replacement Borrowing - Internal*	1.68	27.00	17.00	16.00
Replacement Borrowing - External	6.00	-	-	-
TOTAL	**34.70**	**17.62**	**10.45**	**4.00**
Cumulative Internal Borrowing	**6.38**	**24.00**	**34.45**	**38.45**

*replacement borrowing in 2011/12 includes potential repayment of three £5m LOBO loans. In 2012/13 the replacement borrowing figure includes £10m potential LOBO loan repayments. A further £5m LOBO loan could potentially be called in 2013/14.

30. Henley College has recently been designated a sixth form college. Under the ASCL Act 2009, the Council will have regard to, and where appropriate give consent to the College to arrange borrowing for its own purposes

Annual Investment Strategy

31. The Council has regard to the Office of the Deputy Prime Minister's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). It also has regard to the

subsequent Communities and Local Government (formerly ODPM) update to the Investment Guidance, Capital Finance Regulations and Minimum Revenue Provision Guidance issued in April 2010. The Council's investment priorities are:-

(a) The security of capital and
(b) The liquidity of its investments

32. The Council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

33. Investment instruments identified for use in the 2011/12 financial year are listed below under the 'Specified' and 'Non-Specified' Investment categories. Guidance states that specified investments are those requiring "minimal procedural formalities". The placing of cash on deposit with banks and building societies 'awarded high credit ratings by a credit rating agency' and investments with the UK Government and local authorities qualify as falling under this phrase as they form a normal and minimum part of day to day treasury management.

34. Non specified investment products are those which take on greater risk. They are subject to greater scrutiny and should therefore be subject to more rigorous justification and agreement of their use in the Annual Investment Strategy; this applies regardless of whether they are under one year investments and have high credit ratings.

35. The Council uses Fitch ratings as the basis by which to set its minimum credit criteria for deposits and derive its counterparty limits. The TMST may further limit these by using other available information such as Credit Default Swap Rates, Share prices, Ratings Watch & Outlook notices and other quality Financial Media sources. Counterparty limits and maturity limits are derived from the credit rating matrix as set out in the tables at paragraphs 47 and 48 respectively.

36. The updated CIPFA Code of Practice on Treasury Management (2009) recommends that Council's have regard to the ratings issued by the three major credit rating agencies (Fitch, Moodys and Standard & Poors) and to use the lowest common denominator approach when determining which credit ratings to apply.

37. Whilst the Council will have regard to the ratings provided by these three ratings agencies, it is the opinion of the TMST that using the lowest common denominator approach is too prescriptive and overly mechanical and may engender an over reliance on credit ratings alone.

38. Notification of any rating changes (or ratings watch and outlook notifications) by Fitch are monitored daily by a member of the Treasury Management Team.

Rating changes by other credit rating agencies are reported to the TMST by Arlingclose.

39. Where a change in credit rating places a counterparty on the approved lending list outside the credit matrix (as set out in tables at paragraphs 47 and 48, that counterparty will be immediately removed from the lending list.

40. Where a counterparty has been placed on Negative Watch or Outlook by a credit rating agency, the counterparty will be immediately suspended from the approved lending list. The TMST will then consider the notification and any other information as described in paragraph 34 before deciding whether the counterparty should be reinstated or removed from the approved lending list.

41. In addition, the TMST apply further limits, to mitigate risk by diversification. These include:

- Limiting the amount lent to banks in any one country (excluding the UK) to a maximum of 20% of the investment portfolio.
- Limiting the amount lent to any bank, or banks within the same group structure to 15% of the investment portfolio.

42. Where the Council has deposits on instant access, this balance will not be considered when limiting the amount lent to any bank or group of banks to 15%, however the limits as set out in paragraphs 47 and 48 will still apply.

43. Counterparty limits as set out in paragraphs 47 and 48, may be temporarily exceeded by the accrual and application of interest amounts onto accounts such as call accounts and money market funds. Where the application of interest causes the balance with a counterparty to exceed the agreed limits, the balance will be reduced when appropriate, dependent upon the terms and conditions of the account and cashflow forecast.

44. Any changes to the approved lending list will continue to be reported to Cabinet as part of the monthly Financial Monitoring Report

Specified Investments

45. All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the ‘high’ credit rating criteria where applicable.

Investment Instrument	**Minimum Credit Criteria**	**Use**
Debt Management Agency Deposit Facility	N/A	In-house and Fund Managers
Term Deposits – UK Government	N/A	In-house

Investment Instrument	**Minimum Credit Criteria**	**Use**
Term Deposits – Banks and Building Societies	Fitch short-term F1, Long-term A, Individual rating C with support rating 2 or individual rating B with support rating 3, Minimum Sovereign Rating AA	In-house and Fund Managers
Term Deposits with Nationalised Banks with Government Guarantee for wholesale deposits	N/A	In-house
Term Deposits with Part Nationalised banks by the UK Government	N/A	In-house
Certificates of Deposit issued by Banks and Building Societies	A1 or P1	In-house on a buy and hold basis. Fund Managers
Money Market Funds with a Constant Net Asset Value	AAA	In-house and Fund Managers
Other Money Market Funds and Collective Investment Schemes[2]	Minimum equivalent credit rating of A+ across all 3 Ratings Agencies. These funds do not have short-term or support ratings.	In-house and Fund Managers
UK Government Gilts	AAA	In-house on a buy and hold basis. Fund Managers
Treasury Bills	N/A	Fund Managers

[2] I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Non-Specified Investments

46. A maximum of 50% of the portfolio will be held in non-specified investments.

Investment Instrument	Minimum Credit Criteria	Use	Max % of total Investments	Max Maturity Period
Debt Management Agency Deposit Facility (maturities in excess of 1 year)[3]	N/A	In-house and Fund Managers	50%	3 years
Term Deposits – UK Government (maturities in excess of 1 year)	N/A	In-house	50%	3 years
Term Deposits – other Local Authorities (maturities in excess of 1 year)	N/A	In-house	50%	3 years
Term Deposits – Banks and Building Societies (maturities in excess of 1 year)	Fitch short-term F1+, Long-term AA-, Individual rating B, with support rating 2	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
Structured Products (eg. Callable deposits, range accruals, snowballs, escalators etc)	Fitch short-term F1+, Long-term AA-, Individual rating B, with support rating 2 or Individual rating B/C with support rating 1	In-house and Fund Managers	50% in-house; 100% External Funds	3 years

[3] Debt Management Agency Deposit Facility currently limit deposits to 6 months. The ability to deposit in excess of 1 year is retained if such deposits become available.

Investment Instrument	**Minimum Credit Criteria**	**Use**	**Max % of total Investments**	**Max Maturity Period**
UK Government Gilts with maturities in excess of 1 year	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Funds	5 years in-house, 10 years fund managers
Bonds issued by Multilateral development banks	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Fund	5 years in-house, 10 years fund managers
Bonds issued by a financial institution which is guaranteed by the UK Government	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Fund	5 years in-house, 10 years fund managers
Supranationals	N/A	In-house. Fund Managers	50% in-house; 100% of External Fund	5 years in-house, 30 years fund managers
Money Market Funds and Collective Investment Schemes[4] but which are not credit rated	N/A	In-house and Fund Managers	50% In-house; 100% External Funds	Pooled Funds do not have a defined maturity date
Sovereign Bond Issues	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Funds	5 year in-house, 30 years fund managers

[4] Pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Counterparty Limits

47. The Council also manages its credit risk by setting counterparty limits. With the forecast average cash balance due to decrease in 2011/12 it is proposed that there should be a reduction in counterparty limits. The matrix below sets out the proposed limits for 2011/12.

Short Term Rating F1+, Long Term Rating AAA, AA+, AA, AA-				
	Support			
Individual	**1**	**2**	**3**	**4**
A – Current **A – Proposed**	~~£30m*~~ £25m	~~£30m*~~ £25m	~~£22m~~ £20m	
A/B – Current **A/B – Proposed**	~~£30m*~~ £25m	~~£22m*~~ £20m	~~£10m~~ £10m	
B – Current **B – Proposed**	~~£22m*~~ £20m	~~£22m*~~ £20m	~~£10m~~ £10m	
B/C – Current **B/C – Proposed**	~~£15m~~ £15m	~~£15m~~ £15m		
C – Current **C – Proposed**	~~£10m~~ £10m	~~£10m~~ £10m		

Minimum Short Term Rating F1, Long Term Rating A+, A				
	Support			
Individual	**1**	**2**	**3**	**4**
A – Current **A – Proposed**	~~£15m~~ £15m	~~£15m~~ £15m	~~£10m~~ £10m	
A/B – Current **A/B – Proposed**	~~£15m~~ £15m	~~£15m~~ £15m	~~£10m~~ £5m	
B – Current **B – Proposed**	~~£15m~~ £15m	~~£15m~~ £15m	~~£10m~~ £5m	
B/C – Current **B/C – Proposed**	~~£10m~~ £10m	~~£10m~~ £10m		
C – Current **C – Proposed**	~~£10m~~ £5m	~~£10m~~ £5m		

* Included an additional £5m overnight limit.

Maturity Limits

48. The Council also manages its counterparty risk by setting maturity limits on deposits, restricting longer term lending to the very highest rated counterparties. The table below sets out the maximum approved limits. The TMST may further restrict lending criteria in response to changing market conditions.

Short Term Rating F1+, Long Term Rating AAA, AA+, AA, AA-				
	Support			
Individual	**1**	**2**	**3**	**4**
A	3 years	3 years	6 mths	
A/B	3 years	3 years	3 mths	
B	3 years	3 years	3 mths	
B/C	364 days	6 mths		
C	6 mths	3 mths		

Minimum Short Term Rating F1, Long Term Rating A+, A				
	Support			
Individual	**1**	**2**	**3**	**4**
A	6 mths	6 mths	3 mths	
A/B	6 mths	6 mths	3 mths	
B	6 mths	6 mths	3 mths	
B/C	3 mths	3 mths		
C	3 mths	3 mths		

Other institutions included on the councils lending list

49. In addition to highly credit rated banks and building societies the authority may also invest in AAA rated Money Market funds, Collective Investment Schemes (including LAMIT property fund) and deposits with local authorities.

50. Given the ongoing turmoil in the banking sector it is proposed that any further changes required to the Annual Treasury Management Strategy & Annual Investment Strategy continues to be delegated to the Chief Finance Officer in consultation with the Leader of the Council and Cabinet Member for Finance.

Structured Products

51. As at 30 November 2010, the Council had £10m of structured products within its investment portfolio. Structured products involve varying degrees of additional risk over fixed rate deposits, with the potential for higher returns. It is recommended that the authority continue to use structured products up to a maximum of £20m of the investment portfolio. The Council will continue to monitor structured products and consider restructuring opportunities as appropriate.

External Fund Managers

52. The Council currently has £24.15m invested with external fund managers (as at 30th November 2010). £12.04m with Scottish Widows Investment Partnership (SWIP) and £12.11m with Investec. The aim of the funds is to outperform the Council's in-house investment performance over a rolling three year period.

53. The benchmark for SWIP and Investec is the 7 day LIBID (London Interbank BID rate) compounded weekly. SWIPs target return is 128% of the benchmark

over a 3 year rolling period. Investec are targeted to return 7 day LIBID + 1.02% net of fees over a 3 year rolling period. The Council will continue to monitor the performance of the externally managed funds against both their benchmarks and the in-house investment returns.

54. On December 1st 2010 the mandate with Investec was switched to one where predefined proportions are invested in 3 different types of investment fund, known as the Dynamic approach. The weighting in each fund is as follows:

Fund Name	**Weighting**
Liquidity Fund	5%
Short Dated Bond Fund	65%
Target Return Fund	30%

55. The investment objectives of each fund are as follows:

- Liquidity Fund – to achieve a superior return to that of cash deposits while maintaining capital and preserving liquidity

- Short Dated Bond Fund – to provide capital stability and income through investment in short term fixed income and variable rate securities listed or traded on one or more Recognised Exchanges

- Target Return Fund – to produce a positive return over the longer term regardless of market conditions by investing primarily in interest bearing assets and related derivatives

56. The Liquidity and Short Dated Bond Funds are AAA rated funds with varying degrees of liquidity. The target return fund is an unrated fund and is deemed to be of higher risk. The weighting of the funds under the Dynamic approach is designed to benefit from the upside risk of the Target Return fund whilst dampening volatile returns with the more stable Liquidity and Short Dated Funds.

57. It is recommended that authority to withdraw or advance additional funds to/from external fund managers be delegated to the TMST if economic conditions indicate that this would be in the best interest of the Council.

Investment Strategy

58. The weighted average maturity (WAM) of in-house deposits as at 30th November 2010 was 42.1 days. This is made up of £71m of instant access balances with a maturity of 1 day, and £145m of deposits with a WAM of 60.9 days.

59. With the prospect of interest rates remaining lower for longer, and to protect against the downside risk of the timing of base rate increases, the TMST will be aiming to increase the WAM of deposits. The increased WAM of deposits will still continue to be offset by a relatively high instant access balance whist

market conditions are still appropriate. The benefit of increasing the WAM is that it will give a greater degree of certainty, and dampen the volatility, of investment returns.

60. During 2010/11 the Treasury Management team tailored a rolling programme of 6 month deposits with a selection of counterparties deemed to be of higher credit quality. The rolling programme has benefited by the pick up in yield for 6 months deposits whilst maintaining a relatively low WAM. The Treasury Management team will continue with this rolling programme if market conditions are appropriate.

61. The Council has the facility to invest directly in UK Government Gilts, Certificates of Deposits and other Sovereign Bonds since early 2010. The Council will continue to keep this facility in place and may invest in such products if market conditions are favourable.

Performance Monitoring

62. The Council will monitor its Treasury Management performance against other authorities, through its membership of the CIPFA Treasury Management benchmarking club. Latest performance figures will be reported in the Annual Review Report which will be considered by Cabinet in June 2011.

63. The Council will benchmark its internal return against 3 month LIBID.

Investment Training

64. All members of the Treasury Management Strategy team are members of a professional accounting body. In addition, key Treasury Management officers receive in-house and externally provided training as deemed appropriate. Key Treasury Management officers will also be encouraged to study towards the new CIPFA and ACT[5] joint Certificate on International Treasury Management – Public Finance.

Recommendations

65. The recommendations arising from the updated strategy are set out in the main body of the report.

[5] Association of Corporate Treasurers