APPENDIX B

Treasury Management Strategy 2011/12 to 2013/14

Draft for Consideration by Cabinet 15 February 2011

Introduction

1. The treasury management function is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. Whilst the prudential indicators consider the affordability and impact of capital expenditure decisions, the treasury function covers the effective funding of these decisions. There are also specific treasury indicators included in this strategy that need approval.
2. The Council's activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management, revised November 2009: the "Code"). This Council originally adopted the Code on 13 February 2002, and adopted the revised Code from 2010/11 onwards.
3. The Code requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A further report is produced after the year-end to report on actual activity for the year. As a consequence of the revised Code, the a quarterly PRT report will also be referred to full Council by way of a mid year monitoring report.
4. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury function.
5. This strategy therefore covers:
   - the current treasury position;
   - expected movement in interest rates;
   - the Council's borrowing and debt strategy (including its policy on making provision for the repayment of debt);
   - the Council's Investment Strategy;
   - specific limits on treasury activities;
   - treasury management indicators; and
   - specific sections on training and the use of consultants.

   This strategy document contains the relevant information to comply with both the Code and the Investment Guidance issued by Government. The sections that specifically satisfy requirements of the Investment Guidance are: specified and non specified investments (31-39), credit risk assessment (32-44), use of investment consultants (50-51), training (52), borrowing in advance of need (22) and length of deposits (38-40).

Treasury Position

6. The forecast treasury position and the expected movement in debt and investment levels over the next three years are as follows.

Table 1: Gross external debt and investment forecast

	2011/12 Estimated	2012/13 Estimated	2013/14 Estimated
	£'000	**£'000**	**£'000**
EXTERNAL DEBT			
Borrowing	**39,200**	**39,200**	**39,200**
Other long term liabilities	**255**	**250**	**245**
Finance lease liability**	**4,500**	**4,500**	**4,500**
Total Debt at 31 March	**43,955**	**43,950**	**43,945**
INVESTMENTS			
Total investment adjusted for Iceland 31 March*	**11,570**	**9,360**	**9,200**
Projected average investment balances*	**15,960**	**15,570**	**14,590**

*Non Iceland investments plus cash due back as per CIPFA LAAP repayment schedules

**Estimate subject to IFRS adjustments to lease classifications

7. The current capital programme assumes an overpayment of £2.1M (during the 3 years 2011-12 to 2013-14) against capital expenditure to reverse prudential funding from prior years. This is reliant on a large capital receipt in 2011/12 relating to the sale of land at South Lancaster followed by further prudentially funded capital expenditure in 2012/13 and 2013/14. The investment profile remains fairly smooth because as cash is expended on capital, it is anticipated that there will be offsetting cash recovered from Icelandic investments. It is assumed that no new borrowings will be taken on and also that no loans will be physically repaid. The impact of a projected £1.1M of prudentially funded capital expenditure in 2010/11 has also been included in the figures in table 1.

8. The revenue consequences of these balances, namely investment income and borrowing costs (and the relevant recharges between the HRA), are included within the overall revenue budget. All these figures assume a 50/50 chance of preferential creditor status with Landsbanki and Glitnir, as is consistent with the charges put through the 2009/10 final accounts.

9. Although the Council holds both investment balances and long term borrowings, this is not a result of borrowing in advance of need or to on-lend. The Council's external borrowings provide the cash to help pay for a proportion of the Council's accumulated, prudentially funded, capital spend (the CFR). Separate to this, the Council is required to hold a certain amount of balances, provisions and other items to ensure that resources are available when needed; these are generally cash backed. Flexibility is allowed on utilising these cash funds in lieu of borrowing, which the Council is doing in part.

10. Further, the Council's closing cash position generally represents the lowest point throughout the year. The table above indicates that there is a core cash element of around £9M showing that there is capacity to net down the investment/borrowing position, saving the margin between the investment rates and the, currently far higher, borrowing costs. This is certainly a policy that the Council would consider should the conditions for early repayment without penalty occur.

11. As noted, the figures above include a projected liability for reclassification of operating leases to finance leases under the conversion to International Financial Reporting Standards. This is an accounting adjustment which the Council is required to do and which will lead to an increase in financing liabilities and the CFR. However, the figures are estimates only at this stage and are subject to sign off by external audit. Once this has been done, it may be that a separate report will be made to Members to explain the changes and amend any elements of the debt strategy and associated Prudential Indicators, if necessary.

12. One major factor that will have a significant impact on the treasury position is the proposed change to the HRA subsidy system under the Localism Bill. Indicative figures from DCLG suggest that the Council will have to make a payment to DCLG of £30M early in 2012-13

in exchange for not having to pay an annual amount through the subsidy system. However, the payments are still subject to finalisation by DCLG and the Localism Bill has yet to be brought into law. Due to the uncertainties over this, the strategy below does not make any further reference to the impact of HRA reforms. Although these should not impact on the strategy for 2011/12, figures for 2012/13 and 2013/14 could change materially. Further work will be required during 2011-12 in relation to the possible financing of this transaction, for inclusion in the strategy for 2012/13.

Scenario Review

13. The position above assumes that there will be no pressure to physically borrow to support the capital programme over the next three years and that the Council will be able to reverse £1.9M of previously incurred, prudentially funded, capital expenditure. There are however a number of further assumptions which this is based on. Table 2 below illustrates these and the potential impact they could have.

Table 2 Scenarios for the period 2011/12 to 2013/14

Scenarios	Cash impact	Capital impact	Annual Revenue impact	Comments
	£000	£000	£000	
Iceland best case	1,420	-1,420	90	£2.1M of Icelandic investment impairment was capitalised in 2009-10 and funded prudentially. Should a best case outcome occur, it is projected that most of this would be reversed (except the underlying KSF impairment) giving an ongoing MRP saving plus additional cash to invest with an anticipated return of £20K per annum. In addition, £1.4M of resources set aside to cover the worst case scenario would be a one off release back into the GF.
As presented	0	0	0	As presented.
Luneside additional costs	1,000	1,000	-60	There is potential additional expenditure required in relation to Luneside East; £1M is used for exemplification. It is anticipated that should this fall due, it would be taken out of investment balances with a knock on effect on investment income of approximately £10K with an ongoing MRP implication estimated at £50K per annum
South Lancaster	-7,240	7,240	-340	All of this funding is earmarked in the capital programme, if the receipt fell through, this would have an ongoing impact in terms of MRP estimated at between £200K and £300K per annum, this would also mean that the demands of the capital programme would wipe out cash balances for investments, estimated at £90K per annum.

*investment losses based on average Bank rate over the period of 1.2%.

14. From the table above it is clear that the capital receipt from the sale of land at South Lancaster remains a key assumption underpinning the TM strategy. It could have a large impact on the Council's borrowing requirement and its treasury position, be this increased loans or depleted cash (as assumed above). There would also be an ongoing MRP consequence relating to the capital expenditure which would no longer be fundable through capital receipts.

15. The impact of Iceland has reduced relative to last year's figures but this is mostly due to the Council having already capitalised £2.1M of the impairment whilst setting aside a further £1.4M to cover the difference between the assumption of a 50/50 chance of

preferential creditor status and the worst case scenario. The degree of uncertainty on Luneside has reduced from prior years given the successful result on the valuation basis but there is still material uncertainty over the costs to settle the unresolved land acquisitions on the site. The Council was successful in defending its valuation basis so although there is still uncertainty over the net outcome of the various land acquisitions and legal fees, the degree of uncertainty is now thought to be within a smaller financial limit.

Expected Movement in Interest Rates

Table 3: Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates*			
		3 month	1 year	5 year	10 year	25 year	50 year
2010/11	0.5	0.7	1.5	2.6	3.7	4.6	4.7
2011/12	0.7	0.9	1.8	3.5	4.5	5.3	5.3
2012/13	1.7	1.9	2.8	4.0	5.0	5.4	5.4
2013/14	3.1	3.3	3.8	4.8	5.3	5.6	5.6

* Borrowing Rates

Information provided by Butlers Consultants January 2010.

16. The key theme of uncertainty continues with mixed economic data undermining robust medium term projections. Whilst short-term rates are expected to remain on hold through most of 2011, inflation has been above the 2% target for so long that this will make the Bank of England's Monetary Policy Committee (MPC) decisions during 2011 difficult to project as an equally important pressure is whether rates need to be kept low to aid the recovery, particularly given the recently reported 0.5% shrinkage in GDP for 2010 quarter 4.
17. The Government's determination to cut the size of the public sector deficit will be a drag upon activity in the medium term. The void left by significant cuts in public spending will need to be filled by a number of alternatives. These are corporate investment, rising exports (assisted by the fall in the value of sterling) and consumers' expenditure. In terms of sheer magnitude, the latter is the most important and strong growth in this area is by no means certain. The combination of the desire to reduce the level of personal debt, lack of access to credit and continued job uncertainty is likely to weigh heavily upon spending. This will be amplified by the fiscal policy tightening, in the Comprehensive Spending Review. Without growth in personal spending remaining robust, any recovery in the economy is set to be weak and protracted.
18. Fiscal support in the US through the extension of tax cuts and monetary support through the extension of quantitative easing (QEII, with the potential for further easing), has had an adverse effect on world bond markets. Following the recent sell off the outlook for long term interest rates is favourable in the near term, but is set to deteriorate again in the latter part of 2011. The increase in yields will be suppressed by continued investor demand for safe haven instruments following the uncertainties and unfolding tensions within the entire Eurozone. In addition to this, the market has been underpinned by evidence of moderating activity in major economies and the coalition government's determination to deal with the parlous state of public sector finances. These two factors will restrict any deterioration in gilt market performance in the near term.
19. However, while the UK's fiscal burden will almost certainly ease, it will be a lengthy process and deficits over the next two to three financial years will still require a very heavy programme of gilt issuance. The latest Bank Inflation Report suggests the market will not

be able to rely upon Quantitative Easing indefinitely to alleviate this enormous burden. Eventually, the absence of the Bank of England as a continued buyer of gilts will shift the balance between supply and demand in the gilt-edged market. Other investors will almost certainly require some incentive to continue buying government paper. This incentive will take the form of higher yields. The longer dated maturities will suffer from the lack of support from the major savings institutions (pension funds and insurance companies) who will continue to favour other investment instruments as a source of value and performance. Although the FSA has recently delayed implementation of their liquidity requirements, the regulator will still look to ensure banks have necessary short term liquidity. The front end of the curve will benefit from this and will ensure the steeply-positive incline of the yield curve remains intact. The consequence of this will be that the spread between long and short term PWLB rates is likely to continue although rates in general are likely to rise across the board.

Borrowing and Debt Strategy 2011/12 to 2013/14

20. The continued uncertainty over future interest rates increases the risks associated with treasury activity. As a result there is no strong argument for a significant relaxation of the Council's treasury strategy. As outlined in the scenarios section above, there are also a number of other factors outside of the Council's direct control, which could have a significant impact on its need to borrow. As these issues are clarified, the options around borrowing will be considered in relation to the longer term prospects of rate rises.

21. The Head of Financial Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, if need be, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short to medium term.

22. Borrowing will only be taken on once a liability has been established although the timing of the borrowing may precede the point at which the liability actually falls due for payment. This would only be done to secure a preferential position for the Council, for example to benefit from lower interest rates.

23. With the likelihood of rates increasing, any debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Head of Financial Services and treasury consultants will monitor prevailing rates for any opportunities during the year. The benefit of this will be balanced against the risks attached to the more frequent refinancing that would be required.

24. The option of postponing borrowing and running down investment balances will also be considered, this would have the added benefit of further reducing counterparty risk and also could improve the revenue situation with the cost of loans currently far outweighing the return on investments, as already mentioned in paragraph 10 above.

Provision for the Repayment of Debt 2011/12 to 2013/14

25. Up until 2007/08 the Council calculated the basic amount of provision, which it sets aside each year from revenue for the repayment of debt, in accordance with a prescribed formula based on the CFR. To this was added a further provision in respect of the financing of assets with relatively short lives, as considered prudent.

26. The new arrangements were introduced from 1 April 2008. In summary:

    - the prescribed formula has been abolished and replaced by a simple requirement for Councils to make 'prudent' provision;
    - the old calculation may still be used for relevant capital expenditure before 31 March 2008, but
    - provision relating to relevant capital expenditure after this date must either be based on the estimated life of the asset, or equal to the depreciation on the asset.

27. The new arrangements also included reference to 'supported' or unsupported' capital expenditure:

    - 'Supported' is the amount of capital expenditure for which the authority has received revenue support from Government to help meet the financing costs. (i.e. for credit / borrowing – it excludes grant financing).
    - 'Unsupported' is where the authority receives no such revenue assistance (often also referred to as prudential borrowing).

28. Financially, the new arrangements for calculating the Minimum Revenue Provision (MRP) have no real impact on the Council because the changes effectively codify the full 'prudent' provision which the Council was already making. Nonetheless, as an element of discretion has been introduced the Council's approach must be formalised within the borrowing strategy.

29. Therefore, for 2011/12, the Council's policy for the making of provision for the repayment of debt will be as follows:

    - For all relevant capital expenditure prior to 1 April 2008, with the exception of that in respect of motor vehicles (i.e. less than 15 years life), by the application of the former prescribed formula *(i.e. for General Fund, 4% of the non-housing related Capital Financing Requirement at the start of the year)*.
    - For capital expenditure on motor vehicles prior to 01 April 2008, and for all supported or unsupported capital expenditure on or after that date, equal annual amounts based on the estimated life of each individual asset so financed, as is consistent with the revised Minimum Revenue Provision guidance (February 2008, method 3).
    - For finance leases the annuity method will be used to ensure the total charges in year remain constant (MRP plus interest cost) and match what would otherwise be an annual revenue cost. This is also to be applied retrospectively to any operating leases re-classified as finance leases under the transfer to IFRS for the 2010-11 final accounts.

Investment Strategy 2011/12 to 2013/14

30. The primary objective of the Council's investment strategy is to safeguard the re-payment of the principal and interest of its investments, with ensuring adequate liquidity being the second objective, and achieving investment returns being the third.

31. The types of investment allowable are categorised as either Specified and Non Specified investments. Details of these are set out in ***Appendix B1***.

32. Following the economic background described above, the current investment climate has one over-riding risk consideration, that of counterparty security risk. The Head of Financial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. The use of these criteria provides an overall pool of counterparties that are considered as high quality and that may be chosen for investment, subject to other considerations.

33. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside of the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the Code.

34. Credit rating information is supplied by the Council's treasury consultants (Sector) on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible

longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. More information on credit ratings is included in ***Appendix B2***.

35. The criteria for providing a pool of high credit quality investment counterparties (for both specified and non-specified investments) are:

- **Banks 1 - Good Credit Quality**

  The Council will only use banks that:

  a) are UK banks; or
  b) are non-UK but are domiciled in an EU country with a long term sovereignty rating of AAA,

  and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated, as is consistent with the middle limit as per table 4):

  i. **Short Term:** F1/P-1/A-1

  ii. **Long Term:** A/A2/A

  iii. **Individual / Financial Strength:** C (Fitch / Moody's only)

  iv. **Support:** 3 (Fitch only)

- **Banks 2 – Guaranteed Banks with suitable Sovereign Support**

  In addition, the Council will use EU banks whose ratings fall below the criteria specified above if all of the following conditions are met:

  a) wholesale deposits in the bank are covered by a government guarantee;

  b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and

  c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

- **Banks 3 – Eligible Institutions**

  The Council will use banks where the organisation was an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in *Banks 1* above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed. These will continue to be included on the counterparty list even if the credit guarantee scheme is withdrawn although the Head of Financial services may restrict their usage.

- **Banks 4 – The Council's own Banker**

  The bank may be used for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

- **Building Societies –** all Societies that meet the ratings for banks outlined above.

- **Money Market Funds –** AAA-rated sterling funds with constant unit value.

- **UK Government –** Debt Management Account Deposit Facility (DMADF)

- **Local Authorities (including Police and Fire Authorities), Parish Councils**

- **Supranational institutions** (e.g. European Central Bank)

36. Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in *Banks 1* above. In addition:

- no more than 25% will be placed with any one non-UK country at any time;
- limits in place above will apply to Group companies;
- Sector limits will be monitored.

37. The Code and Investment Guidance now require the Council to supplement credit rating information. Whilst the Council's strategy relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (e.g. credit default swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

38. For the above categories of Specified and Non Specified Investments, and in accordance with the Code, the Council has developed additional criteria to set the maximum amounts that may be invested in these bodies. The criteria, using the lowest common denominator approach are set out below.

Table 4: Counterparty Criteria and Investment Limits

	Minimum across all three ratings			Money Limit[7]	Time Limiit[8]
	Fitch	Moody's	Standard & Poors		
Upper Limit[1]	F1+/AA-	P-1/AA3	A-1+/AA-	£6M	Instant access only
				£3M	3 months
				£2M	1 Year
Middle Limit[2]	F1/A	P-1/A2	A-1/A	£3M	Instant access only
Other Institutions[3]	N/A	N/A	N/A	£6M	1 Year
Money Market Funds[4]	AAA	AAA	AAA	£6M	Instant Access Only
DMADF deposit[5]	N/A	N/A	N/A	£20M	1 Year
Sovereign rating to apply to all non UK counterparties[6]	AAA	AAA	AAA	N/A	N/A

Notes:

1 & 2: The Upper and Middle Limits apply to appropriately rated banks and building societies.

3: The Other Institutions limit applies to other local authorities and supranational institutions (i.e. ECB).

4: Sterling, constant net asset value funds only.

5: The DMADF facility is direct with the UK government, it is extremely low risk and hence the higher limit.

6: UK investments are defined as those listed under UK banks or building societies in the Butler's counterparty listing.

7: Money limits apply to principal invested and do not include accrued interest.

8: Time Limits start on the trade date for the investment.

39. In the normal course of the Authority's cash flow operations it is expected that both specified and non-specified Investments will be utilised for the control of liquidity as both categories allow for short term investments. The Council will maintain a minimum £2M of investments in Specified Investments provided that the cashflow allows for this. In addition, although the Council will consider using non specified investments (as described in append B1), these should not exceed 50% of the portfolio at any one time. The limits applied will be consistent with the short and long term ratings in table 4 above.

40. The use of longer term instruments (greater than one year from trade date to maturity) and forward deals will not be used.

41. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.5% Bank Rate increasing moderately over the next 12 months but with the possibility of a steeper rise in 2012-13. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

42. There is some operational difficulty arising from the legacy of the banking crisis, although there is some value returning to longer term investment, credit risk remains within the market. Whilst some selective options do provide additional yield, uncertainty over counterparty creditworthiness indicates that shorter dated investments still provide better security. However, for institutions in the upper limit category, limited amounts of fixed term investing are judged to be acceptable.

43. Members are asked to approve the base criteria above, however, the Head of Financial Services may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval.

44. Examples of these restrictions include greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), guaranteed deposit facilities and strongly rated institutions offered support by the UK Government as appropriate. The credit criteria reflect these facilities.

Risk benchmarking

45. A further development in terms of managing risk is the use of security and liquidity benchmarks, above and beyond the limits on time and creditworthiness listed above. Yield benchmarks are currently widely used to assess investment performance but more sophisticated security and liquidity benchmarks could be set by Members and incorporated into reporting. The purposes of the benchmarks would be to further aid Officer monitoring of the current and trend positions and to inform any amendments to the operational strategy.

46. At present, the criteria set down in table 4 above and through the treasury management indicators below, limit activity in terms of length of deposit (liquidity and security) and in terms of strength of the counterparty (security). The current strategy follows on from the 2010/11 strategy in being low risk through, for example, restricting the amount and length of deposit in any one counterparty as well as mandating high liquidity on larger deposits. The use of benchmarking would allow the Council to set more subtle strategic parameters on investments that allow for an 'acceptable' level of risk in the portfolio. For example, Members could set a benchmark for 'average days to maturity' to supplement the time limits already given in table 4 above. This is something that will be considered and developed during the year.

Treasury Management Indicators and Limits on Activity

47. There are four mandatory treasury management Indicators. The purpose of these indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. The full list of Prudential Indicators is included elsewhere on the agenda, but the treasury management indicators are as follows:

    - Upper limits on fixed interest rate exposure – This indicator identifies a maximum limit for fixed interest rates based upon the debt position net of investments.
    - Upper limits on variable interest rate exposure – Similar to the previous indicator, this covers a maximum limit on variable interest rates.
    - Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

- Total principal funds invested for greater than 364 days – given the current economic climate the Authority is not willing to risk investing sums for fixed terms of greater than 1 year and so this is £0.

48. Council will also be requested to approve the treasury management indicators, as updated in line with final budget proposals, at its meeting on 02 March 2011.

Table 5: Treasury Management Indicators

	2011/12		2012/13		2013/14	
Interest Rate Exposures (TM 1 & 2)						
	Upper		**Upper**		**Upper**	
Limits on exposure to fixed interest rates	100%		100%		100%	
Limits on exposure to variable interest rates	30%		30%		30%	
Maturity Structure of fixed interest rate borrowing (TM 3)						
	Lower	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	35%	0%	35%	0%	35%
12 months to 2 years	0%	20%	0%	20%	0%	20%
2 years to 5 years	0%	20%	0%	20%	0%	20%
5 years to 10 years	0%	20%	0%	20%	0%	20%
10 years to 15 years	0%	100%	0%	100%	0%	100%
15 years to 25 years	0%	100%	0%	100%	0%	100%
25 years to 50 years	50%	100%	50%	100%	50%	100%
Actual current position						
Under 12 months	0%		0%		0%	
12 months to 2 years	0%		0%		0%	
2 years to 5 years	0%		0%		0%	
5 years to 10 years	0%		0%		0%	
10 years to 15 years	0%		0%		0%	
15 years to 25 years	0%		0%		0%	
25 years to 50 years	100%		100%		100%	
Maximum principal sums invested > 364 days (TM 4)						
Principal sums invested, in 2011/12, for periods of greater than 364 days, to mature after the end of each financial year	£0M		£0M		£0M	

Performance Indicators

49. The Code requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators that are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report and the mid-year report as required under the Code.

Treasury Management Advisers

50. The Council currently uses Sector as its treasury management consultants. The company provides a range of services that include:
    - technical support on treasury matters, capital finance issues and the drafting of Member reports;
    - economic and interest rate analysis;
    - debt services which includes advice on the timing of borrowing;
    - debt rescheduling advice surrounding the existing portfolio;
    - generic investment advice on interest rates, timing and investment instruments;
    - credit ratings/market information service comprising the three main credit rating agencies;
51. Whilst the advisers provide support to the internal treasury function, under current market rules and the Code the final decision on treasury matters remains with the Council. The service is subject to regular review.

Member and Officer Training

52. The increased Member consideration of treasury management matters and the need to ensure Officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council addresses this important issue by providing Member training in liaison with its treasury advisors and through ongoing training and supervision of officers involved the day to day operation of the treasury function.