WARWICK DISTRICT COUNCIL	**Finance & Audit Scrutiny Committee - 7 August 2012.**	**Agenda Item No.** **5**

Title	2011/12 Annual Treasury Management Report
For further information about this report please contact	Roger Wyton, Principal Accountant 01926 45801 e mail: roger.wyton@warwickdc.gov.uk Karen Allison, Assistant Accountant 01926 456334 e mail: Karen.allison@warwickdc.gov.uk
Wards of the District directly affected	None
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No
Date and meeting when issue was last considered and relevant minute number	N/A
Background Papers	Treasury Management Annual Strategy Plan 2011/2012 Various documents from Sector Treasury Services

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	No – not relevant

Officer/Councillor Approval

Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	17/07/2012	Andy Jones
Head of Service	17/07/2012	Andy Jones
CMT	N/A	
Section 151 Officer	17/07/2012	Mike Snow
Monitoring Officer	N/A	
Finance	16/07/2012	Roger Wyton
Portfolio Holder(s)	N/A	

Consultation & Community Engagement
None

Final Decision?	Yes

Suggested next steps (if not final decision please set out below)
N/A

1. SUMMARY

1.1. The Council is required to report upon its 2011/12 Treasury Management performance by 30th September. This report therefore details and reviews the Council's performance for the whole of 2011/12 and is attached as Appendix A.

1.2 Consideration of the Council's Treasury Management activities is within the remit of the Finance and Audit Scrutiny Committee hence, it is appropriate to report the Council's annual performance direct to this Committee.

1.3 The report follows the format used in the Treasury Management Strategy Plan presented to the Executive on 2nd March 2011, and comments where appropriate, on the Council's actual performance against what was forecast in the Strategy Plan. The Council also has to comment upon its performance against its Annual Investment Strategy for the year and a link to these documents is shown in Appendix B.

2. RECOMMENDATION

2.1 That the Members of the Finance and Audit Scrutiny Committee note the contents of this report.

3. REASONS FOR THE RECOMMENDATION

3.1 The 2011/12 Treasury Management Strategy and the Council's Treasury Management Practices, in accordance with the Code of Practice for Treasury Management, require that the Treasury Management function reports upon its activities during the year by no later than 30th September in the year after that which is being reported upon.

4. POLICY FRAMEWORK

4.1 Treasury Management will support the Council in achieving its aims as set out in "Fit for the Future".

5. BUDGETARY FRAMEWORK

5.1 Treasury Management has a potentially significant impact on the Council's budget through its ability to maximise its investment interest income and minimise borrowing interest payable. The Council is reliant upon interest received to help fund the services it provides. As detailed in paragraph 11.9, the net interest received by the General Fund for 2011/12 was £376,000 against a revised estimate of £355,000 and original of £316,000.

6. ALTERNATIVE OPTION CONSIDERED

6.1 None.

2011/12 ANNUAL TREASURY MANAGEMENT REPORT

7. REVIEW OF THE INTEREST RATE ENVIRONMENT.

7.1 The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2011-12 was that Bank Rate would start gently rising from quarter 4 2011. However, GDP growth in the UK was disappointing during the year under the weight of the UK austerity programme, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the EU. The EU sovereign debt crisis grew in intensity during the year until February when a second bailout package was eventually agreed for Greece. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £75bn in October and another £50bn in February. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation peaked in September at 5.2% but then fell to 3.4% in February, with further falls expected to below 2% over the next two years.

7.2 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 ratings of many banks and sovereigns, continued Eurozone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.

7.3 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 quantitative easing during the year, combined to depress PWLB rates to historically low levels.

8. CAPITAL EXPENDITURE AND FINANCING

8.1 The Council's capital programme for 2011/12 amounted to £11,466,290 and was financed in the following manner:-

	2011/12 Actual		Strategy Report
	£		£
Prudential Borrowing	0		0
Capital Receipts	1,148,242		915,700
Revenue and Reserves	9,569,178		9,930,500
External Contributions and Grants	748,870		1,564,900
Total	**11,466,290**		**12,411,100**

9. BORROWING

9.1 The Council managed its cash flow during the year such as to not require any temporary borrowing.

9.2 During 2011/12, the Council was required to buy itself out of the HRA Subsidy system by paying over to DCLG £136.157m. Various methods of financing this sum (Local Authority Bonds, Private Placement Bonds etc) were considered but ultimately the Council took out various loans from the PWLB to finance the payment. These were all fixed interest rate loans with maturities of 41 to 50 years in accordance with the Self Financing business plan requirements. The PWLB loans were secured at an average interest rate of 3.50% which reflected a) the low interest rate environment as mentioned in paragraph 7.3 above and also a special one-off discount of 0.85% on the normal PWLB rates. The ongoing annual interest bill amounts to £4.766m which is totally charged to the Housing Revenue Account.

10. TREASURY LIMITS AND PRUDENTIAL INDICATORS

10.1 The Prudential Capital Finance system was introduced on 1st April 2004. The system is regulated by a number of Prudential Indicators, a number of which are relevant for treasury management purposes and are included in the Annual Strategy Report. The table below shows the outturn against those quoted in the Strategy Report:-

	2011/12 Out-turn		**2011/12 Strategy Report**
	£		**£**
Authorised Limit for External Debt			
Borrowing	162,940,000		9,850,000
Other Long term Liabilities	142,000		500,000
Total	**163,082,000**		**10,350,000**
Operational Boundary for External Debt			
Borrowing	154,940,000		1,850,000
Other Long term Liabilities	142,000		0
Total	**155,082,000**		**1,850,000**
Capital Financing Requirement			
General Fund	-£1,326,896		-£1,326,896
Housing Revenue Account	£135,786,796		-£370,204
Overall	**£134,459,900**		**-£1,697,100**
Incremental Impact on Council Tax / Housing Rents			
Council Tax	£1.07		£0.78
Housing Rent	£0.00		£0.00

10.2 Analysing the differences between the 2011/12 out-turn figures in the table above and their 2011/12 strategy report counterparts , the 2011/12 out-turn Authorised Limit and Operational Boundary were revised in February 2012 as part of the 2012/13 Budget report to take account of the HRA Self Financing payment of £136.157m. The £142,000 Other Long term Liabilities in the

2011/12 out-turn relates to the Photocopier Finance lease that was taken out during 2011/12. The HRA 2011/12 out-turn capital financing requirement has been adjusted for the HRA self financing payment and the incremental impact on the Council Tax has increased due to additional lost investment interest on such new (since the 2011/12 Strategy report was compiled) capital projects as Jubilee House Phase 1 and Abbey Fields Leisure Centre refurbishment.

10.3 In addition there are the following indicators relating to borrowing:-

Upper limit to fixed interest rate and variable interest rate exposures

Strategy Report - Upper Limit Fixed Rate = 100%
Actual – Upper Limit Fixed Rate = 100%

Strategy Report - Upper Limit Variable Rate = 30%
Actual – Upper Limit Variable Rate = 30%

Upper and lower limits respectively for the maturity structure of borrowing

Period	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	37.5%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

In both cases the indicators were complied with as the only borrowing outstanding at the year end was the £136.157m PWLB debt in respect of the HRA Self Financing Payment. This debt is all fixed rate maturing from years 41 to 50 of the Business Plan and therefore this is within both indicators shown above.

10.4 The final indicator monitors the amount invested for periods longer than 364 days which in 2011/12 was set at 40% of the investment portfolio subject to a maximum of £9,000,000. At year end, the Council had investments for a period of 365 days or 366 days totalling £9,000,000 which represented 26% of the portfolio so therefore the indicators were complied with.

11. ANNUAL INVESTMENT STRATEGY AND INVESTMENT PERFORMANCE

11.1 The Approved Investment Regulations were abolished with effect from 1st April 2004 and replaced by guidance from the ODPM on local government investments. This guidance required the production of an Annual Investment Strategy which amongst other things outlined the investment vehicles which could be used by the Council and separated them off into Specified and Non Specified investments. The 2011/12 Annual Investment Strategy was approved by the Council in March 2011 and a link to this document is shown in Appendix B.

11.2 During the year the in house investments were invested in the Money Markets and Money Market Funds and except in two instances conformed with the Specified and Non Specified investments criteria laid out in the Annual Investment Strategy. The first instance was a £4m deposit made with Barclays Bank which was made after the Banks long term credit rating was cut below our minimum level, internal procedures have been strengthened to ensure that this does not happen again. The second instance was a £2m deposit with Santander UK which was made before the Bank's CDS (Credit Default Swap) price increased to a point at which it moved out of range and thus qualified for immediate removal from our lending list.

11.3 The in house function has invested both cash flow driven as well as core cash funds in fixed term deposits in the Money Markets. The table overleaf illustrates the performance, by quarter and for the year of the in house function for each category normally invested in:-

(It should be noted that this table reflects investments placed in the year and does not take into account loans that were placed during 2010/11 which matured during 2011/12)

Money Market Investments:

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/Under (-) Performance (Annualised)
Up to 7 days			
April - June	No investments made in this quarter		
July - September	No investments made in this quarter		
October – December	No investments made in this quarter		
January to March	No investments made in this quarter		
Annual Performance	**No investments made in year**		
Over 7 days and up to 3 months			
April - June	0.93%	0.61%	+0.32%
Value of Interest earned Q1	£4,564	£3,018	+£1,546
July - September	0.91%	0.70%	+0.21%
Value of Interest earned Q2	£13,171	£10,067	+£3,104
October - December	0.97%	0.81%	+0.16%
Value of Interest earned Q3	£36,772	£30,590	+£6,182
January to March	1.05%	0.84%	+0.21%
Value of Interest earned Q4	£36,739	£29,483	+£7,256
Annual Performance	**0.99%**	**0.79%**	**+0.20%**
Annual Interest	**£91,246**	**£73,158**	**+£18,088**
3 to 6 months			
April - June	No investments made in this quarter		
July - September	No investments made in this quarter		
October - December	1.26%	1.10%	+0.16%
Value of Interest earned Q3	£6,283	£5,462	+£821
January to March	No investments made in this quarter		
Annual Performance	**1.26%**	**1.10%**	**+0.16%**
Annual Interest	**£6,283**	**£5,462**	**+£821**
6 months to 363 days			
April - June	1.71%	1.46%	+0.25%
Value of Interest earned Q1	£68,255	£58,212	+£10,043

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/Under (-) Performance (Annualised)
July - September	1.14%	1.33%	-0.19%
Value of Interest earned Q2	£20,997	£24,330	-£3,333
October - December	1.80%	1.48%	+0.32%
Value of Interest earned Q3	£17,951	£14,804	+£3,147
January to March	1.80%	1.57%	+0.23%
Value of Interest earned Q4	£17,951	£15,630	+£2,321
Annual Performance	**1.60%**	**1.45**	**+0.15%**
Annual Interest	**£125,154**	**£112,976**	**+£12,178**
364 days and over			
April - June	1.85%	1.52%	+0.33%
Value of Interest earned Q1	£92,825	£76,324	+£16,501
July - September	2.01%	1.56%	+0.13%
Value of Interest earned Q2	£80,500	£62,536	+£17,964
October – December	No investments made in this quarter		
January to March	No investments made in this quarter		
Annual Performance	**1.92%**	**1.54%**	**+0.38%**
Annual Interest	**£173,325**	**£138,860**	**+£34,465**
Total Annual Interest – All categories.	**£396,007**	**£330,456**	**+£65,551**

11.4 Due to Money Market Funds outperforming the Up to 7 Day area of the Money Markets, this category was not used in 2011/12 for cash flow driven investments. As part of its active investment strategy as well as at certain times of the year when we reached the limit of what we could invest in our Money Market Funds, the Council made investments in the Up to 3 Months and Three to Six month areas of the Money Markets with the average length of a cashflow investment being three months or slightly more. These areas of the market outperformed the benchmarks which is pleasing given the current low levels of interest rates. The majority of investments were placed with Category C Building Societies and limited in accordance with our credit rating criteria to £1m for a maximum of three months per counterparty thus maximising return whilst keeping the capital security risk to a minimum. One investment for £2m was made with a bank and another investment for £1m was made with a Category B Building Society.

11.5 The in house function utilised the AAA rated Invesco AIM, Standard Life (subsumed into the Deutsche Fund on 1st June 2011), Prime Rate, Ignis and Goldman Sachs Money Market Funds to assist in managing its short term liquidity needs. The table overleaf illustrates the performance, by quarter and for the year of the five funds:

Money Market Funds:

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Standard Life to 31st May 2011 (Deutsche from 1st June 2011)			
April to June	0.61%	0.46%	+0.15%
Value of Interest earned – Q1	£4,454	£3,382	+£1,072
July to September	N/A	N/A	N/A
Value of Interest earned – Q2	N/A	N/A	N/A
October to December	N/A	N/A	N/A
Value of Interest earned – Q3	N/A	N/A	N/A
January to March	0.61%	0.46%	+0.15%
Value of Interest earned Q4	£4,454	£3,382	+£1,072
Annual Performance	**0.61%**	**0.46%**	**+0.15%**
Annual Interest	**£4,454**	**£3,382**	**+£1,072**
Deutsche from 1st June 2011			
April to June	0.66%	0.46%	+0.20%
Value of Interest earned – Q1	£2,954	£2,071	+£883
July to September	0.66%	0.48%	+0.18%
Value of Interest earned – Q2	£6,637	£4,814	+£1,823
October to December	0.69%	0.56%	+0.13%
Value of Interest earned – Q3	£5,923	£4,784	+£1,139
January to March	0.70%	0.55%	+0.15%
Value of interest earned – Q4	£1,100	£856	+£244
Annual Performance	**0.69%**	**0.51%**	**+0.18%**
Annual Interest	**£16,614**	**£12,525**	**+£4,089**

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance

Invesco Aim			
April to June	0.57%	0.46%	+0.11%
Value of Interest earned - Q1	£939	£767	+£172
July to September	0.57%	0.48%	+0.09%
Value of Interest earned – Q2	£794	£668	+£126
October to December	0.63%	0.56%	+0.07%
Value of Interest earned – Q3	£298	£264	+£34
January to March	0.59%	0.55%	+0.04%
Value of interest earned – Q4	£4	£4	£0
Annual Performance	**0.62%**	**0.51%**	**+0.11%**
Annual Interest	**£2,035**	**£1,703**	**+£332**
Prime Rate			
April to June	0.83%	0.46%	+0.37%
Value of Interest earned – Q1	£12,239	£6,820	+£5,419
July to September	0.86%	0.48%	+0.38%
Value of Interest earned – Q2	£12,620	£7,070	+£5,550
October to December	0.94%	0.56%	+0.38%
Value of Interest earned – Q3	£10,672	£6,391	+£4,281
January to March	0.93%	0.55%	+0.38%
Value of interest earned – Q4	£12,400	£7,260	+£5,140
Annual Performance	**0.90%**	**0.51%**	**+0.39%**
Annual Interest	**£47,931**	**£27,541**	**+£20,390**
Fund	**Investment Return (Annualised)**	**LIBID Benchmark (Annualised)**	**Out/(Under) Performance**
Ignis			
April to June	N/A	N/A	N/A
July to September	N/A	N/A	N/A

October to December	0.87%	0.56%	+0.31%
Value of Interest earned – Q3	£6,513	£4,188	+£2,325
January to March	0.88%	0.55%	+0.33%
Value of interest earned – Q4	£6,120	£3,795	+£2,325
Annual performance since inception	**0.88%**	**0.55%**	**+0.33%**
Annual Interest	**£12,633**	**£7,983**	**+£4,650**
Goldman Sachs			
April to June	N/A	N/A	N/A
July to September	N/A	N/A	N/A
October to December	0.61%	0.56%	+0.05%
Value of Interest earned – Q3	£564	£515	+£49
January to March	0.61%	0.55%	+0.06%
Value of interest earned – Q4	£61	£55	+£6
Annual performance since inception	**0.61%**	**0.55%**	**+0.06%**
Annual Interest	**£625**	**£570**	**+£55**

11.6 The Up to 7 Days LIBID rate is the benchmark in this instance and it can be seen that all the funds made returns in excess of the benchmark thus justifying the decision to use them in preference to short term Money Market investments. The Prime Rate and Ignis Money Market Funds performed particularly well compared to the others and this is as a result of them having a slightly longer weighted average maturity (WAM) than the other funds. This perceived greater risk thus yielding a higher return. However, it must be stressed that all Money Market Funds have to adhere to a very strict credit rating criteria and therefore funds with slightly more risk in them are still very safe.

11.7 The Council has access to two Bank Rate tracking Business Reserve Accounts with Santander (previously Abbey National) and Lloyds Banking Group (previously Bank of Scotland). Due to the low Bank Rate during the year and as better returns could be obtained from the Money Market Funds these reserve accounts were not used during 2011/12.

11.8 In paragraph 5.1 of the Annual Investment Strategy, the Council anticipated that it would have an average investment balance of £34.6m during 2011/2012. The actual was £42.9m, the increase being partly accounted for by slippage in the capital programme leading to higher than expected balances in reserves, unused capital receipts particularly from the sale of Wilton House and from increased cash flows during the year. The investment strategy of this cash would not have been any different had we known about this "additional" £8m. In the early part of 2011/12 core cash investments continued to be invested on a rolling 364 day basis but later in the year Sector issued advice that investments except with part or wholly nationalised banks should be limited to a maximum of three months and this advice was followed. The additional cash flow derived investments were invested in the Money Market Funds and short term Money Market investments, so there was no missed opportunity arising from this difference in the estimates. Paragraph 10.4 makes reference to a 60% minimum short term investments holding. The average investment balance in 2011/12 was £42.9m of which a maximum of £9m was invested for more than 364 days at any one time. This represents 26% of the Councils investments and is within the 40% which can be held in longer term investments. The remainder of the Council's investments were in short term investments or investments which could be disposed of at short notice thus conforming with the 60% requirement. The Council continued to invest its cash flow driven money to known dates where large debts such as precepts, NNDR etc. had to be paid out. A comparison between 2010/11 actual, 2011/12 revised and 2011/12 actual in terms of in house investment interest returns and interest rates is shown in the table below:-

In House Investment Returns:

Year	Interest Received (£)	Interest Rate Achieved %
2010/11 actual	434,827	1.09
2011/12 revised	518,385	1.28
2011/12 actual	550,686	1.28

In the Annual Investment Strategy it was anticipated that the in house portfolio would achieve a 1.32% return for 2011/12 and the actual rate was 1.28% which reflects the fact that interest rates did not materially alter during 2011/12.

11.9 The table below compares the actual total interest received by the Council with what was expected when the original and revised estimates were calculated and also the 2010/11 actual:-

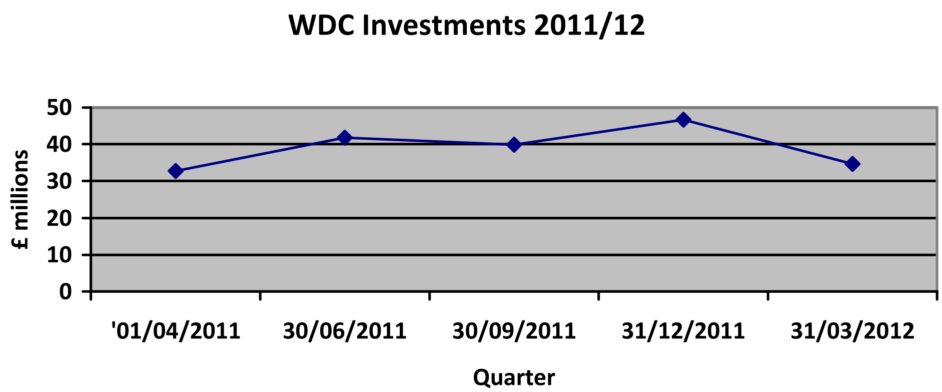
	Credited to General Fund	Credited to Housing Revenue Account	Total Investment Interest Earned
	£	£	£
2010/11 Actual	362,309	157,549	519,858
2011/12 Original	316,184	146,300	462,484
2011/12 Revised	355,694	162,691	518,385
2011/12 Actual	376,156	180,091	556,247

It should be borne in mind that the 2010/11 and 2011/12 actual figures in the tables in 11.8 and 11.9 are not directly comparable as the table in 11.8 relates only to investments made whilst the figures in 11.9 include interest received from other sources i.e. car loans, long term investments e.g. war stock and in the case of 2010/11 interest on a VAT refund.

11.10 An analysis of the overall investments of the Council as at 31st March 2012 is shown in the table below, with the previous year's figures shown for comparison purposes:

IN HOUSE	31st March 2012	31st March 2011
TYPE OF INVESTMENT	**£**	**£**
Money Markets	30,000,000	29,000,000
Money Market Funds	4,604,000	3,686,000
Total	**34,604,000**	**32,686,000**

11.11 The graph below shows how the total of the Council's investments varies through the year according to its cash flows, It illustrates that during the period April to December the Council's investments grow as cash flows in from such sources as Council Tax and NNDR and then from January onwards how the investments decline as cash flows out e.g. precepts exceed that coming in.



12. BROKERS PERFORMANCE

12.1 The performance of the brokers that WDC uses to place its Money Market investments has been measured against the rates available in the market on the day that the investments were placed in order to ensure that WDC is obtaining a reasonable rate given the size of deposit that WDC normally places. Since the advent of the Business Reserve Accounts and Money Market Funds, the number of investments placed through brokers has much reduced but the analysis shows that the brokers in general either achieved or exceeded the going rate for the day.

13. PERFORMANCE MEASUREMENT

13.1 In addition to the in house local benchmarks referred to in the tables in paragraphs 11.3 and 11.5 the Council participates in the Sector Investment Benchmarking Club which benchmarks not only investment returns but also the maturity and credit risk inherent in the portfolio. The Council is part of a local group which consists of District and County Councils and our performance over the past year is reflected in the tables below:-

Table A Weighted Average Rate of Return

	WDC WARoR %	Local Group WARoR %	Sector Model WARoR %
June Quarter	1.27	0.95	1.28
September Quarter	1.37	0.95	1.35
December Quarter	1.23	1.08	1.26
March Quarter	1.39	0.93	1.55
Average for Year	**1.32**	**0.98**	**1.36**

(n.b. it should be noted that the average interest rate for the year is not directly comparable to that quoted in paragraph 11.8 as that contains the effect of investments made in 2010/11 and maturing in 2011/12 whereas the rate in table A relates to 2011/12 investments only.)

13.2 It can be seen that the Council's average return throughout the year, except for the March quarter, was in line with Sector's model portfolio rate of return based on the risk in our portfolio and considerably above the local group's rate of return and this is considered satisfactory. As previously reported in the quarterly treasury management reports to this Committee, analysis shows that the local group's relatively low rate of return was mainly due to significant amount of investments, particularly by the County Councils, being placed in short term or overnight deposits with the Government which offered inferior interest rates when compared to vehicles offering comparable AAA rated security such as Money Market Funds. Money Market Funds were widely used by this Council during 2011/12 which contributed to the significant out-performance when compared to the Local Group.

Table B Weighted Average Credit Risk

	WDC	Local Group
June Quarter	3.8	3.4
September Quarter	4.7	3.5
December Quarter	4.7	3.5
March Quarter	5.3	3.1
Average for Year	**4.6**	**3.3**

13.3 This benchmark measures the average credit risk in the portfolio according to the institutions invested in and corresponds to the duration limits in Sector's suggested credit methodology using a sliding scale of 1 to 7 where 1 indicates the least risk of default. The above table shows that this Council's credit risk during the year has increased and has been greater than that of the local group and this is accounted for by our use of unrated Building Societies within the Top 20 Building Societies when ranked by asset value. This has particularly been the case when investments with banks have matured and it has not been possible to "roll over" those investments with the same bank as in the period between making the investment and it maturing, the bank had dropped off our approved lending list (e.g. Barclays and Santander). As already mentioned in paragraph 13.2, the local group, particularly the County Councils, has tended to invest in low yielding, ultra high security investments such as the Government Debt Management Office (DMO) facility and their lower credit risk score is directly related to their lower investment return as shown in Table A.

13.4 However, the Council's credit risk has been limited by ensuring that no investment with unrated Building Societies has been for more than three months and has been limited to £1m per counterparty. This has been in accordance with the Council's 2011/12 Annual Investment Strategy and has resulted in useful additional investment interest as these societies offer attractive interest rates. Furthermore, in recognition of the fact that unrated Building Societies are seen as more of a credit rating risk the Council has just opened a dealing and custodian facility with King & Shaxson which will enable it to purchase Certificates of Deposit being offered by the likes of HSBC and other highly rated banks thus improving the credit risk in the portfolio albeit at the expense of potentially lower returns.

14. THE EURO

14.1 The Treasury Management Strategy Plan requires the Treasury Management function to keep up to date with matters relating to the UK's possible entry into the Euro. During 2011/2012, events in the Eurozone especially to do with the levels of certain countries debt made the likelihood of the UK joining the Euro even more remote but a watching brief was kept on the matter.

15. EXTERNAL TREASURY MANAGEMENT ADVISERS

15.1 Sector Treasury Services Ltd. continues to provide our Treasury Management Advisory service. The service was retendered in January 2010 and following a full tender evaluation process the contract was renewed with Sector for a three year period, with an option to extend this for a further two years.

APPENDIX B

ANNUAL TREASURY MANAGEMENT STRATEGY PLAN 2011/12
(As presented to Executive on 2nd March 2011)

Please refer to our website for further details:-

http://www.warwickdc.gov.uk/WDC/Your-Council/The-Council-Warwick-DC/Council+policies+and+plans/Treasury+Management+Strategy.htm