ANNUAL REVIEW OF

TREASURY MANAGEMENT

2007-08

Sedgefield
BOROUGH COUNCIL

1. Introduction

1.1 The purpose of this report is to review the performance of the Council's Treasury Management activities during the 2007-08 financial year in accordance with Treasury Management Practice (TMP) Number 6 "Reporting Requirements and Management Information Arrangements'.

1.2 The Council's Constitution (Part 4 Rules of Procedure – Financial Regulations) requires that an annual report be presented after the close of the financial year in the form prescribed in TMP's.

2. Performance Against the Strategy

2.1 Long Term Borrowing from the Public Works Loan Board (PWLB)

The objective set out in the Strategy was to continue the policy of ensuring that the level of external debt and the capital financing requirement were broadly at similar levels. This can be achieved by a combination of loans being repaid at the end of their normal loan period and prematurely redeeming other debt, if it is appropriate to do so.

The capital financing requirement and external PWLB loan debt at 31st March 2008 was **£13.834m** and **£18.284m** respectively, which diverged from the initial policy. Whilst the debt figures have remained stable, there was an opportunity to voluntarily reduce the CFR and thereby reduce the annual MRP revenue charge.

There was not a requirement for any long term borrowing from the PWLB during the year to facilitate any debt rescheduling in this year.

An analysis of the PWLB Loan Debt as at 31st March 2008 is attached at **Appendix A.**

2.2 Premature Redemption of Debt

Debt rescheduling opportunities were constantly monitored throughout the year, taking into account interest rate fluctuations and recommendations made by our external Treasury Management Consultants.

The Council's level of external debt and the capital financing requirement diverged during the year due to the voluntary set aside of £5m unapplied capital receipts, which will be used to finance the 2008-09 capital programme.

Debt restructuring opportunities will continue to be monitored in order to identify opportunities to reduce the Council's long term financing costs. In November 2007 the PWLB changed its structure of interest rates so that any repayment of PWLB debt will have a more penal repayment rate applied. HM Treasury have been asked to review this arrangement, which may make debt rescheduling a more attractive option.
The Council holds net premiums and discounts amounting to **£0.861m** on its balance sheet (as a prepayment) relating to debt restructuring exercises conducted in previous years. In line with proper accounting practices, these premiums are being charged to the appropriate revenue accounts over a number of years. As at 31st March 2008, the General Fund element of these pre-payments equates to **£0.403m** and the HRA share is **£0.458m**. Full provision is made in the budget framework for the annual charge to both the General Fund and HRA and summary details are provided in the following table.

Table 1: Premiums and Discounts charged to Revenue Accounts

Timescale	General Fund £000	HRA £000
1 – 2 years	32	177
2 – 5 years	98	229
5 – 10 years	164	52
More than 10 years	109	-
Total	**403**	**458**

2.3 Long Term Debt - Other than PWLB

The objective in the Strategy was to monitor money market rates, in order to be able to borrow additional sums within the overall borrowing limit, from sources other than the PWLB - had it been in the Council's best interests to do so.

It was not necessary to borrow from these sources during 2007-08.

The Council had **£0.316m** loans outstanding with financial institutions other than the PWLB on 31st March 2008 and there have been no significant changes in this amount during the year.

2.4 Summary – All Long Term Loan Transactions

An analysis of all long term loan transactions (both PWLB and non-PWLB) during 2007-08 is as follows:-

Table 2: All Long Term Loan Debt 2007-08

Type of Institution	Balance at 01.04.07 £m	New Borrowing £m	Normal Repayments £m	Premature Repayments £m	Balance at 31.03.08 £m
PWLB	18.317	-	(0.033)	-	18.284
Other	0.323	-	(0.007)	-	0.316
Total	**18.640**	**-**	**(0.040)**	**-**	**18.600**

NB: The Council's assets, against which the debt is effectively secured, have a book value of **£422m** at the 31st March 2008.

2.5 Investments

Officers assess the Council's cash flows on a daily basis, taking into account detailed forecasts of funds needed throughout the year, and invest surplus funds and in accordance with approved Treasury Management Practices (TMP's) and only to authorised counter parties meeting the Council's Investment Strategy. Excess funds that are held temporarily for only a few days, for cash flow purposes, are invested in three specific accounts - the Anglo Irish Bank, Alliance & Leicester or the Co-operative Bank – depending on which of these is offering the best rate of interest at the time.

The objective in the strategy was to optimise investment income in accordance with the Council's Treasury Management Statement by achieving a level of return greater than that which would have accrued if all surplus cash was invested at interest rates applicable to the average seven day investment rate, as quoted by the Council's nominated brokers.

The average seven-day compounded London Inter Bank Bid rate (LIBID) for 2007-08 was **5.59%.**

The actual return achieved by this Council during 2007-08 was **5.76%,** which is **0.17%** higher than the above comparator. In financial terms this equates to an additional £45,737 interest earned during 2007-08.

INVESTMENTS	*Target %*	*Outturn %*
Return compared with the 7 day LIBID Rate	+ 0.10	+ 0.17

Initial estimates for the total level of investment income earned in 2007-08 were set at **£1.410m**. Actual total investment income received during 2007-08 was **£1.520m** - £110,000 more than the budget - which reflects the higher level of interest being earned on investments following successive bank base rate increases.

The total value of investments at the start of the year was **£27.260m**, and this was gradually reduced during the year with investments of **£21.770m** as at 31 March 2008 in order to fund part of the capital programme in accordance with the Medium Term Financial Plan. An analysis of the investments is shown at **Appendix B**.

The initial budget for investments in 2007-08 was **£31m.** The actual level of investments at the year end was **£21.770m** due to a reduction in the anticipated level of capital receipts from land sales. This was attributable to the prevailing conditions in the housing market.

There was also **£5m** of unapplied capital receipts applied in 2007-08 to voluntarily reduce the Council's Capital Financing Requirement (see below).

2.6 Capital Financing Requirement

This figure represents the Council's underlying need to borrow for a capital purpose, and the change year on year will be influenced by the capital expenditure in the year and how much of this is supported directly through grants, contributions and capital receipts. The CFR is essentially a replacement of the former 'credit ceiling' mechanism, which is also a measure of the Council's underlying need to borrow for a capital purpose.

The Council's CFR for 2007/08 was as follows:

Capital Financing Requirement	*2007/08 Estimated Outturn £'000*	*2007/08 Actual Outturn £'000*
Housing	10,140	10,070
Non-Housing	3,694	3,764
Total CFR	**13,834**	**13,834**

There was **£5m** of unapplied capital receipts used in 2007-08 to voluntarily reduce the CFR. This will have a knock-on effect for 2008-09 of reducing the MRP by £200,000. During 2008-09 the reduction in the CFR caused by capital receipts being applied in 2007-08 will mean lower finance for the capital programme. As a consequence the CFR will to the 1 April 2007 position. The purpose of the exercise was to reduce the Council's near term MRP burden.

3. Economic Trends During 2007-08

3.1 The Council employs external Treasury Management Consultants to advise on the Treasury Strategy, provide economic data and interest rate forecasts, assist in planning and reduce the impact of unforeseen adverse interest rate movements. Throughout the course of the year the Council received weekly guidance and advice on interest rate changes from the external consultants and, together with cash flow forecasts and within approved TMP's, this was fully taken into account in determining investment decisions.

3.2 The Bank of England's monetary policy objective is to deliver price stability (i.e. low inflation) and to support Government objectives for growth and employment. Price stability is defined by the Government's inflation target of 2%. The Bank seeks to meet the inflation target by setting and adjusting the interest rate level. Lowering or raising the interest rate affects spending in the economy, which affects the level of inflation.

3.3 The 2007-08 financial year started with base rates at 5.25% and were increased by 0.25% to 5.50% in May 2007. Expectations about higher inflation prompted another 0.25% rate increase to 5.75% in July 2007. The credit crisis provoked a significant change in the Bank of England's assessment of UK economic prospects over the medium term. It was clearly concerned that the tightening of liquidity and the consequent rise in borrowing rates across the entire economy could lead to a rapid slowdown in activity. This would help to contain any inflationary pressures. Base rates were then reduced by 0.25% back to 5.50% in December 2007 and then in February 2008 to finish the year at 5.25%, where they remained until a further reduction during this financial year (2008-09) took the base rate to its current level of 5%.

3.3 The market was plunged into chaos in late August as the tightening of credit conditions undermined investor confidence. LIBOR rates rose to in excess of 6.5% as the reluctance of financial organisations to lend to one another resulted in a severe shortage of funds in the market. In the UK the crisis came to a head with the failure of Northern Rock Bank in September. Central Banks attempted to boost liquidity by injecting funds into the banking system with limited success, but the continuing uncertainty and reluctance amongst financial organisations to lend to each other, meant that the wide margin between official and market rates continued to the year end.

3.4 Long-term interest (PWLB) rates followed an erratic course throughout the year, but the overall trend was towards higher rate levels in the early months of the year. The flight to safer investments caused by the financial crisis reversed the increase and placed downward pressure on PWLB rates, which decreased, albeit erratically, towards the end of the financial year.

4. Compliance with the Council's Procedures and External Requirements

4.1 The Council fully complied with its internal procedures and the requirements of the CIPFA Code of Practice on Treasury Management during 2007-08. The Council was bound by the requirements of the Local Government Act 2003, which introduced *'The Prudential Code for Capital Finance in Local Authorities'* (i.e. The Prudential Code) in April 2004.

4.2 The Prudential Code sets out a framework of self-regulation of capital spending, in effect allowing Councils to invest in capital projects as long as they are affordable, prudent and sustainable. In general terms, the Council complies with the Prudential Code by:

- Having medium term plans (Corporate Capital Strategy, Revenue and Capital Budgets);
- Having plans to achieve sound capital investment (Capital Strategies, Capital Project Appraisals and Asset Management Plans);
- Complying with the Treasury Management Code of Practice.

4.3 To support capital investment decisions, the Prudential Code requires the Council to agree and monitor a number of Prudential Indicators. These indicators are mandatory and cover capital expenditure, affordability, prudence, external debt levels and Treasury Management activities. The indicators are purely for internal use by the Council and are not to be used as comparators between Councils.

4.4 Council adopted and approved its prudential indicators in February 2007 as part of the 2007-08 Treasury Management Strategy. Actual performance against these indicators is shown in **Appendix C**, which demonstrates that all limits have been adhered to. A summary of the key controls surrounding the treasury and capital finance position is shown below:

	Key Prudential Indicators	*2007-08 Budget £'000*	*2007-08 Outturn £'000*
	Gross Borrowing	18,600	18,600
	Investments	(31,000)*	(21,770)
(1)	**Net Borrowing**	**(12,400)**	**(3,170)**
(2)	**Capital Financing Requirement**	**13,834**	**13,834**
(3)	**Authorised Limit**	**30,000**	**18,600**
(4)	**Operational Boundary**	**22,000**	**18,600**

(* Budgetary provision was made for significant capital receipts arising from housing land sales in 2007/08 that would lead to additional investment income in that year. Due to prevailing market conditions these sales did not proceed).

- The **Capital Financing Requirement** (CFR) in (2) above shows the Council's underlying need to borrow for a capital purpose. Under normal circumstances, actual borrowing should be broadly in line with the CFR. The table above shows that the Council's gross borrowing exceeds the CFR, due to **£5m** of unapplied capital receipts used in 2007-08 to voluntarily reduce the CFR. This position will correct itself in the following year.
- The **Authorised Limit** in 3) above is the statutory 'Affordable Borrowing Limit' required by Section 3 of the Local Government Act 2003. The table demonstrates that during 2007-08 the Council has maintained gross borrowing within its Authorised Limit.
- The **Operational Boundary** in 4) above is the expected borrowing position of the Council during the year, and periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached.

4.5 Treasury Management Practices set out in the Local Code establish strict controls governing the day-to-day investment activity of the Council. All investments in the year were made in accordance with these practices in terms of the authorised counter parties that the Council deals with and the maximum deposits applying to those individual institutions and the investment periods. An analysis of the investment maturity profile at the year-end is shown at **Appendix D**, which shows that 57% of investments were for periods of less than 12 months and at no point in the year were the limits and control totals set out in the Local Code exceeded.

5. Risk, Performance and Corporate Governance

5.1 The Council is aware of the risks of passive management of Debt and Investment and, with the support of Butlers, the Council's Treasury Management advisers, proactively manages the debt and surplus cash flows during the year.

5.2 As a result of the above, the Council was able to redeem high interest related debt and take advantage of lower interest rates prevailing in the market during the previous financial year – 2006-07. This led to a reduction in the average rate of interest on its outstanding long-term debt, from **6.40%** at the beginning of 2006-07 to **6.01%** at the end of that year. However, during 2007-08 the PWLB changed the structure of interest rates so that any repayment of debt will have a more penal repayment rate applied. Hence, the Council did not redeem any debt during 2007-08 and the average rate of interest on its outstanding long-term debt remained at **6.01%** throughout 2007-08.

LONG TERM DEBT	*Target %*	*Outturn %*
Change in average rate of interest paid on debt	- 0.20	0.00

5.3 In adopting the Local Code, the Council has agreed a low risk strategy to only invest its surplus cash in a limited number of Banks and Building Societies. This policy was determined in order to ensure that the Council is not at risk of losing funds by extending the number of organisations for investment to obtain higher returns.

5.4 The Council's investment return is predominantly determined by movements in base rates and therefore these returns can be volatile and, whilst the risk of loss of the investment is minimised through the lending list, accurately forecasting returns can often be difficult.

5.5 A Local Code of Treasury Management is published on the Council's website and the application of the TMP's contained within it fully supported the Local Code of Corporate Governance. Treasury management activities and decisions are underpinned by the key principles of good corporate governance – accountability; integrity; and openness and inclusivity. These are monitored and reviewed on a regular basis and the Corporate Governance dimension of risk management and internal controls underpins the whole TM function.

6. Treasury Management Consultants

6.1 Butlers were originally appointed as the Council's consultants in February 1999. They have continued to supply a high level of specialist advice throughout the year. The responsible officers remain satisfied with the level and quality of service provided by Butlers. In accordance with delegated powers and contract procedure rules, following consultation with the relevant portfolio holder, the Director of Resources agreed to extend the contract with Butlers to 31st March 2009.

7. Investments - Money Brokers and Instant Access Deposits

7.1 The Council has appointed three approved money brokers to act on its behalf. These brokers are responsible for securing the best interest rates available from the market for the investment of surplus loans. Investments are limited to the approved counter parties' list and control totals govern the maximum value of investments with each of these. In addition, the Council also operates three instant access deposit accounts (Anglo-Irish Bank, Alliance & Leicester and Co-operative Bank), which are used to invest smaller sums usually for very short periods.

7.2 All brokers work within a highly competitive environment and contact the Council on a daily basis to provide details of market rates applicable for different investment periods. The following table identifies the total number of investments in 2007-08, showing the number and total value of deals per broker and by deposit account type: -

Table 3: All Total Investments 2007-08

Investment Type	Number of Deals	Value of Deals (£'000)	Percentage of Overall Deals (%)
Fixed Investments via Brokers			
Tullet Prebon (UK) Ltd	9	8,500	5
Martin Brokers (UK) plc	10	9,500	6
Tradition (UK) Ltd	13	11,500	7
Direct Dealings (Co-op Bank)	9	18,000	5
	41	**47,500**	**23**
Instant Access Deposit Accounts			
Anglo Irish Bank	117	49,230	65
Co-op Bank	15	3,030	8
Bank of Scotland	8	3,850	4
	140	**56,110**	**77**
Grand Total	**181**	**103,610**	**100**

7.3 Officers are satisfied with the service received from Tullet Prebon (UK) Ltd, Martin Brokers (UK) plc and Tradition (UK) Ltd. Their performance is continually reviewed to ensure that they are maintaining their competitiveness.

8. Conclusions

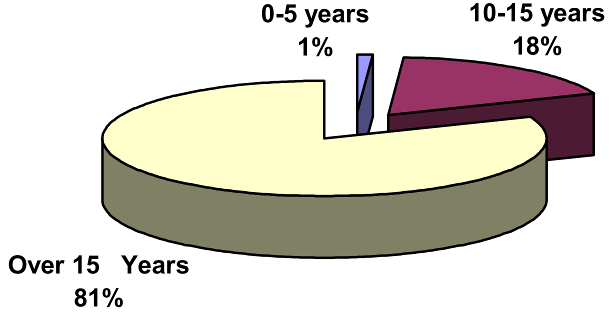
8.1 The Council has maintained the level of external debt in line with its capital financing requirement. It has also achieved a satisfactory return on its investments during the 2007-08 financial year, whilst operating within the approved borrowing limits at all times.

8.2 It can therefore be concluded that the Treasury Management activities undertaken during 2007-08 met all of the strategic aims and objectives set out by the Council at the beginning of the year.

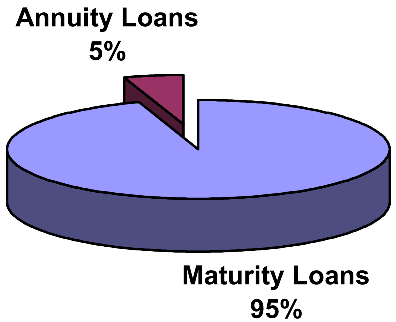
APPENDIX A

ANALYSIS OF PWLB LOAN DEBT AS AT 31 MARCH 2008

Period to Repayment Within:-	Amount Repayable £
Within 1 Year	35,975
1 - 2 Years	38,491
3 - 5 Years	132,540
6 - 10 Years	3,260,628
Over 15 Years	14,816,167
	18,283,801



Loan Type	Amount Outstanding £
Maturity Loans	17,373,125
Annuity Loans	910,676
	18,283,801



APPENDIX B

SEDGEFIELD BC – SUMMARY OF INVESTMENTS AS AT 31/03/08						
Date of Loan	**Borrower**	**Value (£)**	**% Total**	**Interest Rate**	**Loan Period (Days)**	**Date Repaid**
BANKING SECTOR						
08/06/05	**HSBC Bank PLC**	**5,000,000**	**22.97%**	5.51%	6Year 6mth.Callable Deposit	Optional every 6months
04/10/05	**Royal Bank of Scotland**	**2,500,000**	**11.48%**	5.30%	5Year 6mth.Callable Deposit	Optional every 6months
21/10/05	**Toronto Dominion Bank**	**2,000,000**	**9.19%**	5.38%	5Year 6mth.Callable Deposit	Optional every 6months
	LONG TERM INVESTMENTS	**9,500,000**	**43.64%**			
N/a	**Alliance & Leicester (Money Market A/c)**	**2,270,000**	**10.43%**	5.70%	N/a	N/a
	SUB TOTAL – BANKING SECTOR	**11,770,000**	**54.07%**			
BUILDING SOCIETIES						
27/06/07	EBS	1,000,000	N/a	6.25%	364	25/06/08
12/07/07	EBS	1,000,000	N/a	6.22%	277	14/04/08
	Sub Total – EBS	**2,000,000**	**9.18%**			
14/09/07	National Counties	750,000	N/a	6.48%	364	12/09/08
05/10/07	National Counties	750,000	N/a	6.30%	185	07/04/08
	Sub Total – National Counties	**1,500,000**	**6.89%**			
15/10/07	Hinckley & Rugby	1,000,000	N/a	6.17%	364	13/10/08
06/12/07	Hinckley & Rugby	500,000	N/a	6.25%	364	04/12/08
	Sub Total – Hinckley & Rugby	**1,500,000**	**6.89%**			
08/01/08	**Manchester**	**1,000,000**	**4.59%**	5.71%	181	07/07/08
15/11/07	**Progressive**	**1,000,000**	**4.59%**	6.28%	274	15/08/08
30/11/07	**Stroud & Swindon**	**1,000,000**	**4.59%**	6.63%	123	01/04/08
14/12/07	**Loughborough**	**500,000**	**2.30%**	6.20%	269	08/09/08
30/01/08	**Vernon**	**500,000**	**2.30%**	5.60%	62	01/04/08
11/01/08	**Tipton & Colesley**	**500,000**	**2.30%**	5.70%	202	31/07/08
17/12/07	**Scarborough**	**500,000**	**2.30%**	6.38%	170	04/06/08
	SUB TOTAL – BUILDING SOCIETIES	**10,000,000**	**45.93%**			
	SHORT TERM INVESTMENTS	**12,270,000**	**56.36%**			
	GRAND TOTAL	**21,770,000**				

APPENDIX C

CAPITAL EXPENDITURE AND THE CAPITAL FINANCING REQUIREMENT

Capital Expenditure

This indicator shows the overall capital spending plans of the Council over the medium term and reflects planned investment levels in line with the Corporate Capital Strategy.

Capital Expenditure	*2004-05 Actual £'000*	*2005-06 Actual £'000*	*2006-07 Actual £'000*	*2007-08 Budget £'000*	*2007-08 Actual £'000*
Housing	7,414	7,211	7,345	8,400	7,908
Non-Housing	4,550	7,882	8,109	11,600	10,218
Total	**11,964**	**15,093**	**15,454**	**20,000**	**18,126**

Capital Financing Requirement (CFR)

This figure represents the Council's underlying need to borrow for a capital purpose, and the change year on year will be influenced by the capital expenditure in the year and how much of this is supported directly through grants, contributions and capital receipts.

Capital Financing Requirement	*2004-05 Actual £'000*	*2005-06 Actual £'000*	*2006-07 Actual £'000*	*2007-08 Budget £'000*	*2007-08 Actual £'000*
Housing	9,410	9,714	9,927	10,140	10,070
Non-Housing	10,846	9,433	9,380	3,694	3,764
Total CFR	**20,256**	**19,147**	**19,307**	**13,834**	**13,834**

Previous legislation required the Council to set aside a proportion of its capital receipts to repay debt, which has meant that the Council's debt levels have traditionally been falling year on year. However, with the introduction of the 'pooling system' for housing capital receipts from 1st April 2004, it is expected that debt levels will not significantly reduce.

LIMITS TO BORROWING ACTIVITY

Net Borrowing

The first key control over the Council's activity is to ensure that over the medium term net borrowing will only be for a capital purpose. The Council needs to ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional capital financing requirement for the following three years.

Net Borrowing	*2004-05 Actual* £'000	*2005-06 Actual* £'000	*2006-07 Actual* £'000	*2007-07 Budget* £'000	*2007-08 Actual* £'000
Gross Borrowing	18,493	18,679	18,640	18,600	18,600
Investments	(14,593)	(28,580)	(20,000)	(31,000)	(21,770)
Net Borrowing	**3,900**	**(9,901)**	**(1,360)**	**(12,400)**	**(3,170)**

A further two prudential indicators control the overall level of borrowing*:* **Authorised Limit** and the **Operational Boundary**. These limits separately identify borrowing from other long-term liabilities such as finance leases.

Authorised Limit

This represents the limit beyond which borrowing is prohibited and reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit that the Council must determine in accordance with Section 3(1) of the Local Government Act 2003.

Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure that the authorised limit is not breached.

Authorised Limit	*2004-05 Actual* £'000	*2005-06 Actual* £'000	*2006-07 Actual* £'000	*2007-08 Budget* £'000	*2006-07 Actual* £'000
Borrowing	18,493	18,679	18,640	30,000	18,600
Long Term Liabilities	-	-	-	-	-
Total	**18,493**	**18,679**	**18,640**	**30,000**	**18,600**
Operational Boundary	*2004/2005 Actual* £'000	*2005/2006 Actual* £'000	*2006-07 Actual* £'000	*2007-08 Budget* £'000	*2007-08 Actual* £'000
Borrowing	18,493	18,679	18,640	22,000	18,600
Long Term Liabilities	-	-	-	-	-
Total	**18,493**	**18,679**	**18,640**	**22,000**	**18,600**

AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of Financing Costs to Net Revenue Stream

This indicator expresses the amount of interest payable on external debt and other debt management expenses (i.e. financing costs) as a proportion of the amount of income received from Government and local taxpayers (i.e. net revenue stream). The definition of net revenue stream for the HRA is based on the statutory definition which incorporates charges to the account under Part 4 of the Local Government and Housing Act 1989.

Financing Costs to Net Revenue Stream	*2004-05 Actual*	*2005-06 Actual*	*2006-07 Actual*	*2007-08 Budget*	*2007-08 Actual*
Housing	31.8%	44.8%	45.0%	39.6%	44.6%
Non-Housing	5.6%	0.5%	(2.0%)	(2.8%)	(3.6%)

Incremental Impact of Capital Investment Decisions on the Council Tax and Housing Rents

As the Council's capital programme is financed by Government allocations, external funding from partners, and from the Council's own resources, such as capital receipts, there is no requirement for the Council to borrowing to finance its capital investment over the medium term. As a consequence there are no additional financing charges to be absorbed by both the General Fund and Housing Revenue Accounts over this period. This is reflected in the following two indicators, which show the impact on Council Tax and Housing Rents.

Incremental Impact of Capital Programme	*2007-08 Budget*	*2007-08 Actual*
Council Tax at Band D	£0.00	£0.00
Council Tax at Band A	£0.00	£0.00

Incremental Impact of Capital Investment Decisions on Housing Rent Levels

Similar to the Council Tax calculation this indicator identifies the impact of the Housing Capital Programme on revenue budgets, expressed in terms of weekly rent levels. This reflects the revenue contribution that is made to support the Housing Capital Programme.

Incremental Impact of Capital Programme	*2007-08 Budget*	*2007-08 Actual*
Weekly Housing Rent	£0.00	£0.00

TREASURY PRUDENTIAL INDICATORS

The purpose of these Prudential Indicators is to contain the activity of the Treasury Management function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions, impacting negatively on the Council's overall financial position. Four Prudential Indicators are required under this category:-

Upper Limits on Fixed Interest Rate Exposure
This indicator provides the range within which the authority will manage its exposure to fixed rates of interest.

Upper Limits on Variable Interest Rate Exposure
This indicator provides the range within which the authority will manage its exposure to variable rates of interest.

Maturity Structure of Fixed Borrowing
This indicator measures the amount of fixed rate borrowing maturing at each period expressed as a percentage of total borrowing at fixed rate at the start of each period.

Maximum Principal Sums Invested for more than 1 year
The purpose of this indicator is to contain the exposure to the possibility that loss might arise as a result of seeking early repayment or redemption of sums invested, or exposing public funds to unnecessary or un-quantified risk.

Actual performance at the year end is as follows:

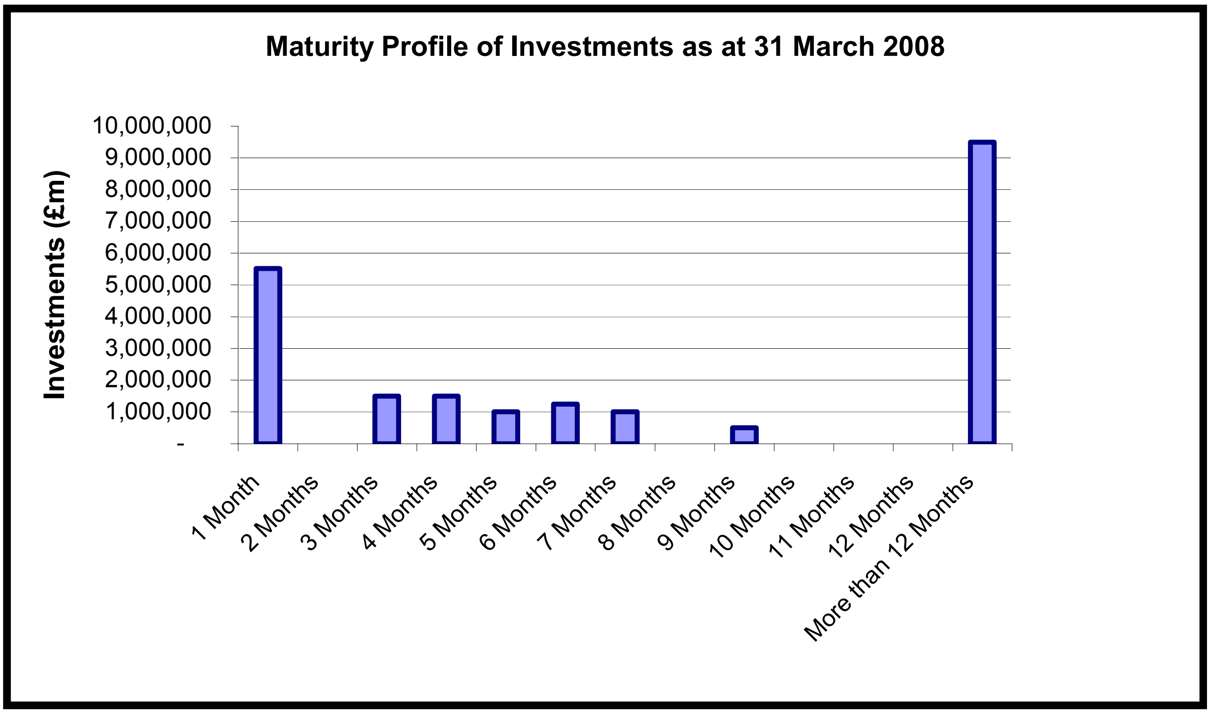
Treasury Indicators	*2007-08 % of debt Budget*	*2007-08 % of debt Actual*
Upper Limits on Fixed Interest Rates	100	100.0
Upper Limits on Variable Interest Rates	50	0.0
Maturity Structure of Fixed Borrowing		
Under 12 months	50	0.2
12 months to 2 years	50	0.2
2 years to 5 years	50	0.7
5 years to 10 years	50	17.8
10 years and above	100	81.1
Upper Limit on Principal Sums Invested for more than 1 year	£25m	£9.5m

As can be seen from the above table, all relevant limits and exposure ratios for interest, loan debt and investments were adhered to during the year.

APPENDIX D

MATURITY PROFILE OF EXTERNAL INVESTMENTS AT 31 MARCH 2008

Period to Maturity	Value of Investment (£)	% Total Investments
Up to 1 Month	5,520,000	25
2 Months	-	-
3 Months	1,500,000	7
4 Months	1,500,000	7
5 Months	1,000,000	5
6 Months	1,250,000	6
7 Months	1,000,000	5
8 Months	-	-
9 Months	500,000	2
10 Months	-	-
11 Months	-	-
12 Months	-	-
More than 12 months	9,500,000	43
	21,770,000	**100%**



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