ANNUAL REVIEW OF

TREASURY MANAGEMENT

2004/2005

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 2004/05 financial year, in accordance with Treasury Management Practice Number 6 "Reporting Requirements and Management Information Arrangements'.

2. Performance Against 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 is achieved by a combination of loans being repaid at the end of their normal loan period and prematurely redeeming other debt.

The capital financing requirement and external debt at 31 March 2005 was £19.289 and £18.987m respectively.

There was no requirement for long term borrowing from the PWLB or other bodies during the year either for capital financing or to facilitate debt rescheduling.

An analysis of the PWLB Loan Debt as at 31 March 2005 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 actual level of external debt and the capital financing requirement were broadly similar throughout the year and therefore no debt rescheduling activities were necessary to bring the two measures together. Previous legislation required the Council to set aside a proportion of its capital receipts to repay debt, which meant that the Council's debt levels had traditionally been falling year on year. However, with the introduction of the 'pooling system' for housing capital receipts from 1st April 2004, debt levels are not expected to significantly reduce over the medium term.

Although no debt rescheduling activities were undertaken during 2004/05, the Council holds premiums amounting to £1.142m 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 2005, the General Fund element of these pre-payments equate to

£0.193m and the HRA share is £0.949m. Full provision is made in the budget framework for the annual charge to both the General Fund and HRA.

2.3 **Long Term Debt - Other than PWLB**

The objective in the Strategy was to monitor money market rates, in order 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 2004/05.

The Council had £0.644m loans outstanding with financial institutions other than the PWLB on 1st April 2004. During the year a further £0.150m was repaid, in accordance with the terms of the existing loans to Durham County Council's Superannuation Fund and the European Investment Bank (EIB). The total value of 'other long term debt' at 31 March 2005 was £0.494m.

2.4 **Summary – All Long Term Loan Transactions**

An analysis of the long term loan transactions during 2004/05, is as follows:-

Type of Institution	***Balance at 1/04/04 £m***	***Borrowed by the Council £m***	***Normal Repayments by the Council £m***	***Premature Repayments by the Council £m***	***Balance at 31/03/05 £m***
PWLB	18.63	Nil	0.14	Nil	18.49
EIB	0.30	Nil	0.14	Nil	0.16
Other	0.34	Nil	0.01	Nil	0.33
	19.27	Nil	**0.29**	**Nil**	**18.98**

NB: The Council's assets, against which the debt is effectively secured, have a book value of £336m at the 31 March 2005.

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 TMP's and only to authorised counter parties. Fixed investments are made for sums of £500,000 plus and for varying periods up to 364 days. Excess funds that are held temporarily for only a few days, for cash flow purposes, are invested in either the Anglo Irish Bank or a Bank of Scotland account held by the Council – 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 2004/05, was 4.52%.

The actual return achieved by this Council during 2004/05 was **4.70%,** which is 0.18% higher than the above comparator. In financial terms this equates to an additional £29,400 interest earned during 2004/05.

Investments	***Target %***	***Outturn %***
Return compared with the 7 day LIBID Rate	+ 0.10	+ 0.18

Initial estimates for the total level of investment income earned in 2004/05 were set at £400,000. This estimate was subsequently increased during the year because the Council was set to receive a large capital receipt from the sale of land at Cobblers Hall, Newton Aycliffe.

Although the major capital receipt was not received in 2004/05, the Council exceeded its target for overall investment income earned. This was due partly to the buoyant housing market in which the volume and value of right to buy sales was higher, resulting in a higher level of resources available for investment.

In addition, the Council's overall financial position significantly improved at the end of the 2003/04 financial year which meant that the Council started the 2004/05 year on a more healthy footing than initially anticipated when the budgets were originally prepared. The main reasons for this were as follows:

- The Council had been very successful in securing external grants and contributions to finance its capital programmes in recent years, reducing the amount that the Council was required to finance from its own resources (such as from capital receipts and revenue contributions). At the beginning of 2004/05 the Council brought forward £3m of unused capital receipts available to finance future capital commitments. Until these resources have been applied to finance capital programmes, they can be invested to generate additional income.

- A large refund of business rates in relation to the Council's major leisure centres amounting to £0.9m was received in 2003/04, which was set aside as a reserve to support future budget commitments. This increased the level of funds that could be used for investment purposes.

- The 2003/04 outturn position resulted in a further contribution of £238,000 being made to balances as compared to an anticipated use of balances of £300,000. This again, increased the level of reserves held by the Council, which can be made available for investment in the short term.

As a result of the above factors, actual total investment income received during 2004/05 was £762,000 (compared to an initial budget of £400,000 and a revised budget of £700,000).

The total value of investments at the start of the year was £12.890m, which increased to £14.593m as at 31 March 2005. An analysis of the investments is shown at Appendix B.

3. Economic Trends During 2004/05

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 Base rates started the year at 4%, having risen to that level on the 5th February 2004. The rising trend in UK interest rates which commenced in mid-2003 continued during the 2004/05 financial year as the Monetary Policy Committee (MPC) tightened policy to combat the effects that increased economic activity might have upon inflation. These concerns were most in evidence during the early stages of the year and Base Rates were raised in quarter-point steps in May and June to 4.5%.

3.3 Official rates were raised again in August to 4.75%, the peak for the year. Thereafter, the MPC adopted a comparatively neutral stance. A steep rise in world oil prices (to in excess of $50 per barrel) triggered a slowdown in economic activity in industrialised economies, notably the US. This, together with the low domestic inflation environment, caused the Bank of England to adopt a more optimistic view of medium-term inflation prospects, which was seen as a hint that interest rates may have peaked. Money market rates adjusted to accommodate this assessment and longer fixed interest rates dropped.

3.4 Base Rates remained unaltered for the rest of the year but confidence that the rate cycle had peaked was undermined in the last few months of the period. Quoting stronger economic activity, tighter labour market conditions and rising raw material prices, the Bank of England February 2005 Inflation Report cast some doubt upon the ability of inflation to maintain a subdued performance over the medium term.

3.5 Long-term interest rates (PWLB rates) tended to track the movements in the money market. A rise in the early part of the year, in response to market interest rate pessimism, was reversed in the autumn and winter of 2004 as weaker economic activity placed downward pressure upon fixed interest rates across the globe.

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 2004/05. The Council was bound by the requirements of the Local Government Act 2003, which introduced changes to the capital accounting arrangements for all local authorities. A new system, *'The Prudential Code for Capital Finance in Local Authorities'* (The Prudential Code) was introduced with effect from 1 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 2004 - as part of the 2004/05 Treasury Management Strategy. Actual performance against these indicators is shown in Appendix D, 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	***2004/2005 Budget £'000***	***2004/2005 Outturn £'000***
	Gross Borrowing	19,587	18,493
	Investments	(10,000)	(14,593)
(1)	**Net Borrowing**	**9,587**	**3,900**
(2)	Capital Financing Requirement	20,256	19,289
(3)	Authorised Limit	30,000	18,493
(4)	Operational Boundary	22,000	18,493

- **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 is just under the CFR.
- **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 2004/05 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. For 2004/05, the Local Code sets a maximum investment period of 364 days, maximum amounts that can be invested with individual counter parties and states that no greater than 75% of investments should be for periods in excess of 6 months. An analysis of the investment maturity profile at the year-end is shown at Appendix C, only 13.8% of investments were for periods of greater than 6 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, has proactively managed the debt and surplus cash flows over the year.

5.2 As a result of the above, the Council has been able to redeem high interest related debt and take advantage of lower interest rates prevailing in the market. This has led to a reduction in the average rate of interest on its outstanding long-term debt, from 7.74% in 2003/04 to 7.39% in 2004/05 – a reduction of 0.35%. There is no risk of volatility of costs in the current debt portfolio as the interest rates are all at fixed, long-term levels.

Long Term Debt	*Target %*	*Outturn %*
Change in average rate of interest paid on debt	- 0.20	- 0.35

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.

Similarly, the Council has not used surplus cash to invest in Managed Funds or Certificates of Deposits where again there is risk of losing some of the capital invested, although a higher rate of return may have been achievable.

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 The Local Code of Treasury Management is published on the Council's website and the application of the TMP's contained within it fully support the Local Code of Corporate Governance. TM 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 appointed as the Council's consultants in February 1999. They have supplied a high level of specialist advice throughout the year, including providing advice on the timing of the premature repayment of debt to the PWLB and guidance in terms of the impact of the introduction of the new Prudential Framework. Officers remain satisfied with the level and quality of service provided by Butlers.

7. Money Brokers

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, investments are also made direct with the Council's bankers (the Co-operative Bank).

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 fixed investments in 2004/05, showing the number and total value of those deals per broker: -

Source Broker	***Number of Deals***	***Value of Deals (£'000)***	***% Total of Overall Deals***
Martin Brokers (UK) plc	20	14,200	34.5
Tradition (UK) Ltd	27	22,450	54.6
Direct Dealings (Co-op Bank)	3	4,450	10.8
Total	**50**	**41,100**	

7.3 Officers are satisfied with the service received from both Martin Brokers (UK) plc and Tradition (UK) Ltd. Their performance is continually reviewed with reference to the market for competitiveness.

8. Conclusions

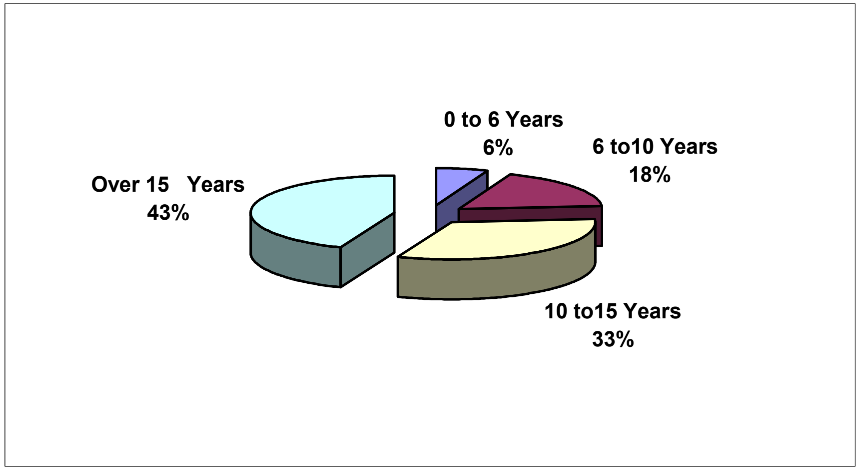
8.1 The Council has maintained the level of external debt in line with its capital financing requirement. It has also achieved a satisfactory return on its investments during the 2004/05 financial year, whilst operating within the approved borrowing limits at all times.

8.2 It can therefore be concluded that the Treasury Management activities undertaken during 2004/05 met all of the strategic aims and objectives by the Council, set at the beginning of the year.

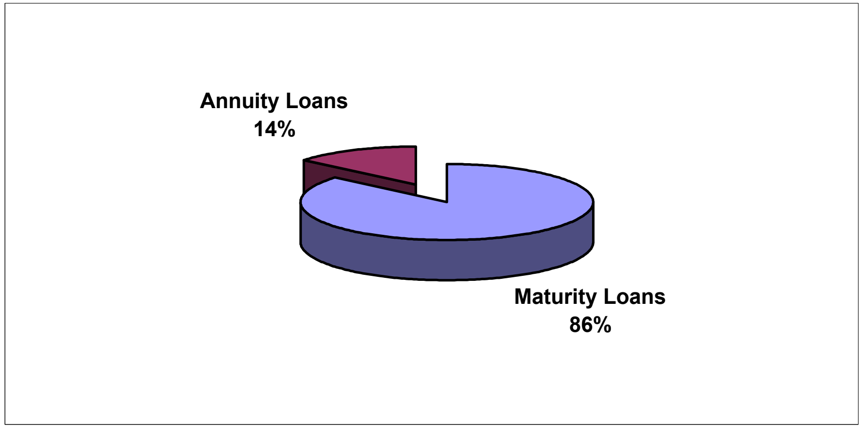
APPENDIX A

ANALYSIS OF PWLB LOAN DEBT AS AT 31 MARCH 2005

Period to Maturity Within:-	Amount Outstanding £
Within 1 Year	145,189
1 - 2 Years	158,507
2 - 3 Years	173,070
3 - 4 Years	188,994
4 - 5 Years	206,392
5 - 6 Years	225,425
6 - 10 Years	3,254,547
10 - 15 Years	6,044,143
Over 15 Years	8,096,787
	18,493,055



Loan Type	Amount Outstanding £
Maturity Loans	15,933,125
Annuity Loans	2,559,930
	18,493,055



APPENDIX B

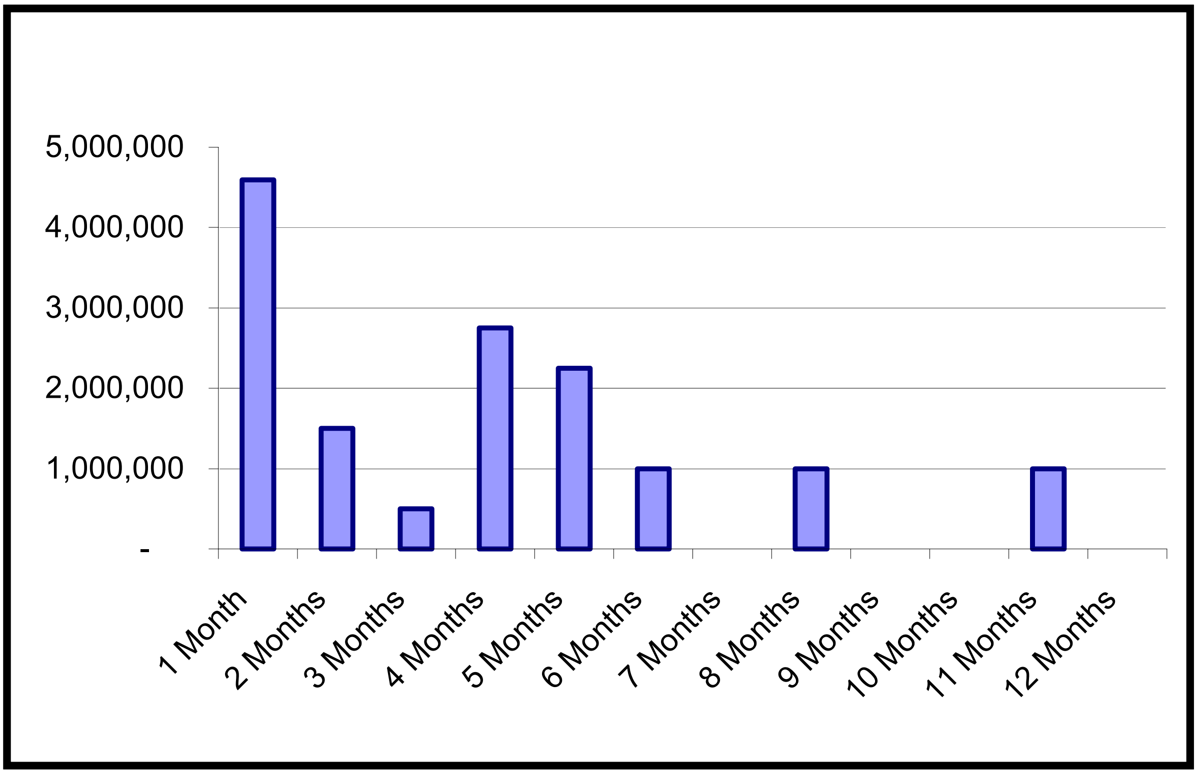
SEDGEFIELD BC – SUMMARY OF INVESTMENTS AS AT 31/03/05						
Date of Loan	**Borrower**	**Value (£)**	**% Total**	**Interest Rate**	**Loan Period (Days)**	**Date Repaid**
BANKING SECTOR						
N/a	Co-op Bank Current A/c	143,000	N/a	N/a	N/a	N/a
N/a	Anglo Irish Bank (30 day Flexible Deposit A/c)	300,000	N/a	4.08%	30	04/04/05
N/a	Co-op Bank (Public Sector Reserve A/c)	150,000	N/a	3.50%	N/a	N/a
	SUB TOTAL – BANKING SECTOR	**593,000**	**4.08%**			
BUILDING SOCIETY SECTOR						
	Cumberland	1,500,000	N/a	4.82%	86	01/04/05
	Cumberland	500,000	N/a	4.85%	181	16/05/05
	Sub Total – Cumberland	**2,000,000**	**13.70%**			
	Norwich & Peterborough	1,000,000	N/a	5.01%	335	19/04/05
	Norwich & Peterborough	1,000,000	N/a	4.905%	364	03/02/06
	Sub Total – Norwich & Peterborough	**2,000,000**	**13.70%**			
	Kent Reliance	500,000	N/a	5.03125%	206	01/04/05
	Kent Reliance	1,500,000	N/a	4.84%	183	06/07/05
	Sub Total – Kent Reliance	**2,000,000**	**13.70%**			
	Furness	500,000	N/a	4.82%	119	02/06/05
	Furness	500,000	N/a	4.83%	188	04/08/05
	Furness	750,000	N/a	4.83%	167	06/07/05
	Sub Total – Universal	**1,750,000**	**11.99%**			
	Universal	750,000	N/a	4.17%	148	06/07/05
	Universal	750,000	N/a	4.38%	188	08/09/05
	Sub Total – Ipswich	**1,500,000**	**10.28%**			
	Market Harborough	500,000	N/a	4.82%	94	29/04/05
	Market Harborough	1,000,000	N/a	4.86%	184	04/08/05

	Sub Total – Market Harborough	**1,500,000**	**10.28%**			
	Progressive	**1,000,000**	**6.85%**	4.07%	261	10/11/05
	Lambeth	**1,000,000**	**6.85%**	4.60%	92	04/05/05
	Manchester	**750,000**	**5.14%**	**4.03%**	181	18/08/05
	Newbury	**500,000**	**3.43%**	**5.00%**	203	01/04/05
	SUB TOTAL – BUILDING SOCIETIES	**14,000,000**	**95.92%**			
	GRAND TOTAL	**14,593,000**	**100.00%**			

APPENDIX C

MATURITY PROFILE OF EXTERNAL INVESTMENTS AT 31 MARCH 2005

Period to Maturity	**Value of Investment (£)**	**% Total Investments**
1 Month	4,593,000	31.4
2 Months	1,500,000	10.3
3 Months	500,000	3.4
4 Months	2,750,000	18.8
5 Months	2,250,000	15.4
6 Months	1,000,000	6.9
7 Months	Nil	N/a
8 Months	1,000,000	6.9
9 Months	Nil	N/a
10 Months	Nil	N/a
11 Months	1,000,000	6.9
12 Months	Nil	N/a
	14,593,000	100



APPENDIX D

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	***2002/2003 Actual £'000***	***2003/2004 Actual £'000***	***2004/2005 Budget £'000***	***2004/2005 Actual £'000***
Housing	6,165	6,738	7,400	7,414
Non-Housing	2,917	3,363	4,500	4,550
Total	**9,082**	**10,101**	**11,900**	**11,964**

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	***2002/2003 Actual £'000***	***2003/2004 Actual £'000***	***2004/2005 Budget £'000***	***2004/2005 Actual £'000***
Housing	14,718	8,388	9,410	9,043
Non-Housing	10,107	10,973	10,846	10,242
Total CFR	**24,825**	**19,361**	**20,256**	**19,285**

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 in the medium term.

<u>LIMITS TO BORROWING ACTIVITY</u>

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	***2002/2003 Actual £'000***	***2003/2004 Actual £'000***	***2004/2005 Budget £'000***	***2004/2005 Actual £'000***
Gross Borrowing	25,381	19,270	19,587	18,493
Investments	(10,756)	(12,890)	10,000	(14,593)
Net Borrowing	**14,625**	**6,380**	**9,587**	**3,900**

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	***2002/2003 Actual £'000***	***2003/2004 Actual £'000***	***2004/2005 Budget £'000***	***2004/2005 Actual £'000***
Borrowing	n/a	n/a	30,000	18,493
Long Term Liabilities	n/a	n/a	-	-
Total	**n/a**	**n/a**	**30,000**	**18,493**

Operational Boundary	***2002/2003 Actual £'000***	***2003/2004 Actual £'000***	***2004/2005 Budget £'000***	***2004/2005 Actual £'000***
Borrowing	n/a	n/a	22,000	18,493
Long Term Liabilities	n/a	n/a	-	-
Total	**n/a**	**n/a**	**22,000**	**18,493**

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	***2002/2003 Actual***	***2003/2004 Actual***	***2004/2005 Budget***	***2004/2005 Actual***
Housing	37.5%	34.7%	31.6%	31.8%
Non-Housing	9.6%	7.2%	7.2%	5.6%

Incremental Impact of Capital Investment Decisions on the Council Tax
This indicator identifies the impact of the Council's General Fund Capital Programme on revenue budgets and is expressed in terms of Band D Council Tax. As most taxpayers in the Borough pay at the Band A level of Council Tax, this figure has also been reported.

Incremental Impact of Capital Programme	***2004/2005 Budget***	***2004/2005 Actual***
Council Tax at Band D	-£0.28	£0.00
Council Tax at Band A	-£0.19	£0.00

The Council did not take out any borrowing over and above the amount that the Government provides to the Council to support its capital programme. As a consequence, there is no additional impact on the Council Tax as a result of the Council's capital investment in 2004/05.

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 current revenue contribution that is made to support the Housing Capital Programme.

Incremental Impact of Capital Programme	***2004/2005 Budget***	***2004/2005 Actual***
Weekly Housing Rent	£3.92	£0.00

The original budget for 2004/05 was based on direct revenue financing of £1.75m to support the Housing Capital Programme.

Buoyant Right to Buy Sales resulted in a higher than expected level of capital receipts, which were used to finance the Housing Investment Programme, which meant that no direct revenue funding was required.

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 unquantified risk.

Actual performance at the year-end is as follows:

Treasury Indicators	***2004/2005 % of debt Budget***	***2004/2005 % of debt Actual***
Upper Limits on Fixed Interest Rates	100	100
Upper Limits on Variable Interest Rates	50	50
Maturity Structure of Fixed Borrowing:		
Under 12 months	50	50
12 months to 2 years	50	50
2 years to 5 years	50	50
5 years to 10 years	50	50
10 years and above	100	100
Upper Limit on Principal Sums Invested for more than 1 year (£m)	0	0

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