ANNUAL REVIEW OF

TREASURY MANAGEMENT

2005-06

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 2005-06 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 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 2006 was **£19.147m** and **£18.349m** respectively.

There was a requirement for long term borrowing from the PWLB to facilitate a debt rescheduling exercise, details of which are provided below in paragraph 2.2.

An analysis of the PWLB Loan Debt as at 31 March 2006 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 repayment activities were necessary to bring the two measures together.

However, the Council did reschedule **£3.9m** of PWLB during the year, to take advantage of relatively low long-term rates of interest. The Council was successful in replacing loan debt at **8.35%** with a relatively low rate of **3.7%** resulting in annual savings of £90,000 after taking into account the cost of premiums. Details are shown in the following table:

Table 1: Changes in PWLB Debt during 2005-06

Loan No.	Date of Borrowing	Principal Amount Repaid £	No. of Years	Rate of Interest (%)	Date Repaid	Premium Paid £
Loans Repaid						
475114	02/02/95	400,000	25	9.125	21/01/06	98,824
479500	22/05/97	2,000,000	25	7.375	21/01/06	348,102
463959	05/02/88	1,439,039	25	9.500	21/01/06	304,405
		3,839,039		**8.354**		**751,331**
Replacement Loan						
495114	23/01/06	3,840,000	45.5	3.700	06/07/51	N/a
		3,840,000		**3.700**		**N/a**

The Council holds premiums and discounts amounting to **£1.448m** 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 2006, the General Fund element of these pre-payments equate to **£0.459m** and the HRA share is **£0.989m**. 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 2: Premiums charged to Revenue Accounts

Timescale	General Fund Premiums £000	HRA Premiums £000
1 – 2 years	33	531
2 – 5 years	38	353
5 – 10 years	64	105
More than 10 years	324	-
	459	**989**

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 2005-06.

The Council had **£0.494m** loans outstanding with financial institutions other than the PWLB on 1st April 2005. During the year a further **£0.164m** 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 2006 was **£0.330m**.

2.4 Summary – All Long Term Loan Transactions

An analysis of all long term loan transactions (both PWLB and non-PWLB) during 2005-06 is as follows:-

Table 3: All Long Term Loan Debt 2005-06

Type of Institution	Balance at 1.4.05 £m	New Borrowing £m	Normal Repayments £m	Premature Repayments £m	Balance at 31.03.06 £m
PWLB	18.493	3.840	0.145	3.839	18.349
EIB	0.157	-	0.157	-	-
Other	0.337	-	0.007	-	0.330
Total	**18.987**	**3.840**	**0.309**	**3.839**	**18.679**

NB: The Council's assets, against which the debt is effectively secured, have a book value of **£348m** at the 31 March 2006.

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 (TMPs) and only to authorised counter parties. 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, Bank of Scotland 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 2005-06, was **4.53%**.

The actual return achieved by this Council during 2005-06 was **4.80%,** which is 0.27% higher than the above comparator. In financial terms this equates to an additional £71,289 interest earned during 2005-06.

INVESTMENTS	*Target* %	*Outturn* %
Return compared with the 7 day LIBID Rate	+ 0.10	+ 0.27

Initial estimates for the total level of investment income earned in 2005-06 were set at £1.4m. This estimate was subsequently decrease during the year because of a delay by the Council in receiving a large capital receipt from the sale of land at Cobblers Hall, Newton Aycliffe. The Council took mitigating action to minimise the impact of this delay by holding back planned growth in service expenditure during the period of the delay.

As a result of the above factors, actual total investment income received during 2005-06 was **£1.256m** (compared to an initial budget of £1.4m and a revised budget of £1.2m).

The total value of investments at the start of the year was **£14.593m**, which increased to **£28.580m** as at 31 March 2006. An analysis of the investments is shown at **Appendix B**.

3. Economic Trends During 2005-06

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 TMPs, 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 Base rates started the financial year at 4.75% and were cut by 0.25% to 4.5% in August 2005. There were hopes of further reductions during the course of the year, however, this view faded as signs of a recovery in UK economic activity increased. The Bank of England's Monetary Policy Committee (MPC) has kept interest rates on hold at 4.5% since last August, adopting a 'wait and see' strategy until more data becomes available on likely growth and inflation trends in 2006

3.4 During 2005-06, long-term interest rates (PWLB) fell to low levels due in particular to increased demand for long-dated government and high quality corporate bonds from defined benefit pension schemes. This was seen most clearly for very long interest rates and the rate on the new 45-50 year PWLB loan (introduced in early December 2005) reached a low of 3.7%. In overall terms, long term interest rates ended the year 0.25% below where they had started.

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 2005-06. The Council was bound by the requirements of the Local Government Act 2003, which introduced *'The Prudential Code for Capital Finance in Local Authorities'* (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 2005 - as part of the 2005-06 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	*2005-06 Budget £'000*	*2005-06 Outturn £'000*
	Gross Borrowing	18,678	18,679
	Investments	(30,142)	(28,580)
(1)	**Net Borrowing**	**(11,464)**	**(9,901)**
(2)	**Capital Financing Requirement**	**20,720**	**19,147**
(3)	**Authorised Limit**	**30,000**	**18,679**
(4)	**Operational Boundary**	**22,000**	**18,679**

- 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 2005-06 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 66% 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, 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 **7.4%** in 2004-05 to **7.2%** in 2005-06 – a reduction of **0.2%**. 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	- 0.20

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. 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 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. The 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, Bank of Scotland and Co-operative Bank), which are used to invest smaller sums frequently on a temporary basis.

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 2005-06, showing the number and total value of deals per broker and by deposit account type : -

Table 4: All Long Term Loan Debt 2005-06

Investment Type	Number of Deals	Value of Deals (£'000)	Percentage of Overall Deals (%)
Fixed Investments via Brokers			
Tullet Prebon (UK) Ltd	10	6,750	5
Martin Brokers (UK) plc	23	18,750	13
Tradition (UK) Ltd	30	31,500	22
Direct Dealings (Co-op Bank)	7	12,880	9
	70	**69,880**	**49**
Instant Access Deposit Accounts			
Anglo Irish Bank	97	44,960	33
Co-op Bank	20	4,950	3
Bank of Scotland	27	21,700	15
	144	**71,610**	**51**
Grand Total	**214**	**141,490**	**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 with reference to the market for competitiveness.

8. Conclusions

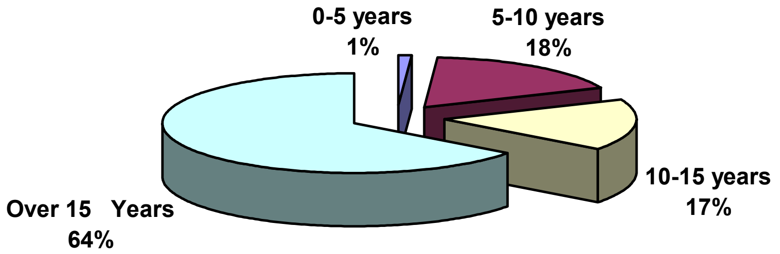
8.1 The Council has maintained the level of external debt in line with its capital financing requirement. It has also achieved a satisfactory return on its investments during the 2005-06 financial year, whilst operating within the approved borrowing limits at all times.

8.2 It can therefore be concluded that the Treasury Management activities undertaken during 2005-06 met all of the strategic aims and objectives by the Council, set at the beginning of the year.

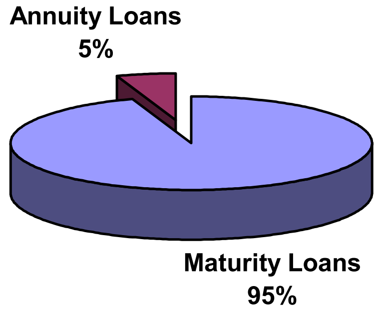
APPENDIX A

ANALYSIS OF PWLB LOAN DEBT AS AT 31 MARCH 2006

Period to Repayment Within:-	Amount Repayable £
Within 1 Year	31,412
1 - 2 Years	33,614
2 - 5 Years	115,660
5 - 10 Years	3,238,564
10 - 15 Years	3,064,176
Over 15 Years	11,865,401
	18,348,827



Loan Type	Amount Outstanding £
Maturity Loans	17,373,125
Annuity Loans	975,702
	18,348,827



APPENDIX B

SEDGEFIELD BC – SUMMARY OF INVESTMENTS AS AT 31/3/06						
Date of Loan	Borrower	Value (£)	% Total	Interest Rate	Loan Period (Days)	Date Repaid
BANKING SECTOR						
08/06/05	**HSBC Bank PLC**	**5,000,000**	**17.49%**	5.16%	4Year 6mth.Callable Deposit	Optional every 6months
04/10/05	**Royal Bank of Scotland**	**2,500,000**	**8.75%**	5.30%	5Year 6mth.Callable Deposit	Optional every 6months
21/10/05	**Toronto Dominion Bank**	**2,000,000**	**7.00%**	5.38%	5Year 6mth.Callable Deposit	First year fixed@5.38%
13/03/06	**Anglo Irish Bank (30Day Flexible-Deposit A/c)**	**1,830,000**	**6.41%**	4.50%	36	18/04/06
N/a	**Bank of Scotland (Business Current A/C)**	**250,000**	**0.87%**	4.50%	N/a	N/a
	SUB TOTAL – BANKING SECTOR	**11,580,000**	**40.52%**			
BUILDING SOCIETIES						
20/12/05	Vernon	500,000	N/a	4.60%	198	06/07/06
01/02/06	Vernon	1,000,000	N/a	4.54%	86	28/04/06
27/02/06	Vernon	500,000	N/a	4.52%	123	30/06/06
	Sub Total – Vernon	**2,000,000**	**7.00%**			
26/10/05	Tipton & Colesley	1,000,000	N/a	4.62%	273	26/07/06
05/01/06	Tipton & Colesley	500,000	N/a	4.55%	119	04/05/06
15/03/06	Tipton & Colesley	500,000	**N/a**	4.51%	29	13/04/06
	Sub Total – Tipton & Colesley	**2,000,000**	**7.00%**			
04/01/06	**National Counties**	**1,500,000**	**5.25%**	4.58%	89	03/04/06
15/11/05	Universal	750,000	N/a	4.60%	181	15/05/06
07/02/06	Universal	500,000	N/a	4.57%	181	07/08/06
	Sub Total – Universal	**1,250,000**	**4.37%**			
21/02/06	Manchester	750,000	N/a	4.52%	86	18/05/06
22/02/06	Manchester	500,000	N/a	4.52%	85	18/05/06
	Sub Total – Manchester	**1,250,000**	**4.37%**			
02/02/06	Furness	750,000	N/a	4.57%	182	03/08/06
03/03/06	Furness	500,000	N/a	4.53%	123	06/07/06
	Sub Total – Furness	**1,250,000**	**4.37%**			
01/03/06	**Saffron Walden Herts .& Essex**	**1,000,000**	**3.50%**	4.58%	278	04/12/06
01/12/05	**Cumberland**	**1,000,000**	**3.50%**	4.57%	182	01/06/06
21/11/05	**Leeds**	**1,000,000**	**3.50%**	4.57%	182	22/05/06
02/12/05	**Mercantile**	**1,000,000**	**3.50%**	4.58%	276	04/09/06
03/02/06	**Kent Reliance**	**1,000,000**	**3.50%**	4.53%	84	28/04/06
15/03/06	**Teachers**	**1,000,000**	**3.50%**	4.51%	29	13/04/06
17/02/06	**Loughborough**	**750,000**	**2.62%**	4.54%	181	17/08/06
06/12/05	**Lambeth**	**500,000**	**1.75%**	4.56%	118	03/04/06
08/12/05	**Darlington**	**500,000**	**1.75%**	4.58%	123	10/04/06
	SUB TOTAL – BUILDING SOCIETIES	**17,000,000**	**59.48%**			
	GRAND – TOTAL	**28,5800,000**				

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	*2002/2003 Actual £'000*	*2003/2004 Actual £'000*	*2004/2005 Actual £'000*	*2005-06 Budget £'000*	*2005-06 Actual £'000*
Housing	6,165	6,738	7,414	7,000	7,211
Non-Housing	2,917	3,363	4,550	8,800	7,882
Total	**9,082**	**10,101**	**11,964**	**15,800**	**15,093**

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 Actual £'000*	*2005-06 Budget £'000*	*2005-06 Actual £'000*
Housing	14,718	8,388	9,410	9,714	9,714
Non-Housing	10,107	10,973	10,846	11,006	9,433
Total CFR	**24,825**	**19,361**	**20,256**	**20,720**	**19,147**

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	*2002/2003 Actual £'000*	*2003/2004 Actual £'000*	*2004/2005 Actual £'000*	*2005-06 Budget £'000*	*2005-06 Actual £'000*
Gross Borrowing	25,381	19,270	18,493	18,678	18,679
Investments	(10,756)	(12,890)	(14,593)	(30,142)	(28,580)
Net Borrowing	**14,625**	**6,380**	**3,900**	**(11,464)**	**(9,901)**

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 Actual £'000*	*2005-06 Budget £'000*	*2005-06 Actual £'000*
Borrowing	n/a	n/a	18,493	30,000	18,679
Long Term Liabilities	n/a	n/a	-	-	-
Total	**n/a**	**n/a**	**18,493**	**30,000**	**18,679**
Operational Boundary	*2002/2003 Actual £'000*	*2003/2004 Actual £'000*	*2004/2005 Actual £'000*	*2005-06 Budget £'000*	*2005-06 Actual £'000*
Borrowing	n/a	n/a	18,493	22,000	18,679
Long Term Liabilities	n/a	n/a	-	-	-
Total	**n/a**	**n/a**	**18,493**	**22,000**	**18,679**

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 Actual*	*2005-06 Budget*	*2005-06 Actual*
Housing	37.5%	34.7%	31.8%	33.2%	44.8%
Non-Housing	9.6%	7.2%	5.6%	-1.6%	0.5%

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	*2005-06 Budget*	*2005-06 Actual*
Council Tax at Band D	£0.78	£0.00
Council Tax at Band A	£0.52	£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	*2005-06 Budget*	*2005-06 Actual*
Weekly Housing Rent	£4.52	£4.11

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	*2005-06 % of debt Budget*	*2005-06 % 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)	75	75

APPENDIX D

MATURITY PROFILE OF EXTERNAL INVESTMENTS AT 31 MARCH 2006

Period to Maturity	Value of Investment (£)	% Total Investments
Up to 1 Month	8,080,000	28
2 Months	3,500,000	12
3 Months	1,500,000	5
4 Months	2,000,000	7
5 Months	2,000,000	7
6 Months	1,000,000	3.5
7 Months	-	-
8 Months	-	-
9 Months	1,000,000	3.5
10 Months	-	-
11 Months	-	-
12 Months	-	-
More than 12 months	9,500,000	34
	28,580,000	**100%**