Report considered by Cabinet – 22 September 2009

Key Decision	**No**
Listed on Forward Plan	**Yes**
Within Policy	**Yes**
Policy Document	**Treasury Management Strategy 2008-09 and Prudential Indicators for Capital Finance 2008/09**

TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS OPERATIONAL REPORT FOR 2008-09

Accountable Cabinet Member: Councillor Crooks

Contact Officer: Ceri Davies (Finance Manager [Capital and Treasury]) - 01908 253268

1. **Purpose**

1.1 To inform the Cabinet of the Council's performance in relation to its borrowing and investment strategy for 2008-09.

2. **Recommendations**

2.1 That the Council be recommended to note the Council's Treasury Management Performance in 2008/09.

2.2 That the prudential indicators pre-audit outturn information, attached at **Annex F**, be noted

3. **Issues and Choices**

3.1 As part of its Treasury Management Policy, the Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA's) "Revised Code of Practice on Treasury Management". The Code recommends that a report covering the relevant activities of the preceding financial year be submitted annually to the Council. This report is designed to fulfil that requirement.

For the first time this report includes outturn information regarding prudential indicators which is contained in **Annex F**. In previous years this was the subject of a separate report.

3.2 Investment conditions continued to be difficult throughout the financial year. Rates receivable on deposits declined sharply, and the heightened risk of default limited the number of counterparties with which the council was prepared to deal, and the period for which deposits would be made. Interest receivable on deposits in the year was £7.19m, £0.21m (2.9%) below budget. In such a risky environment for the council's cash, this is a relatively small cost for a policy which now effectively limits risk to banks backed by the UK Government.

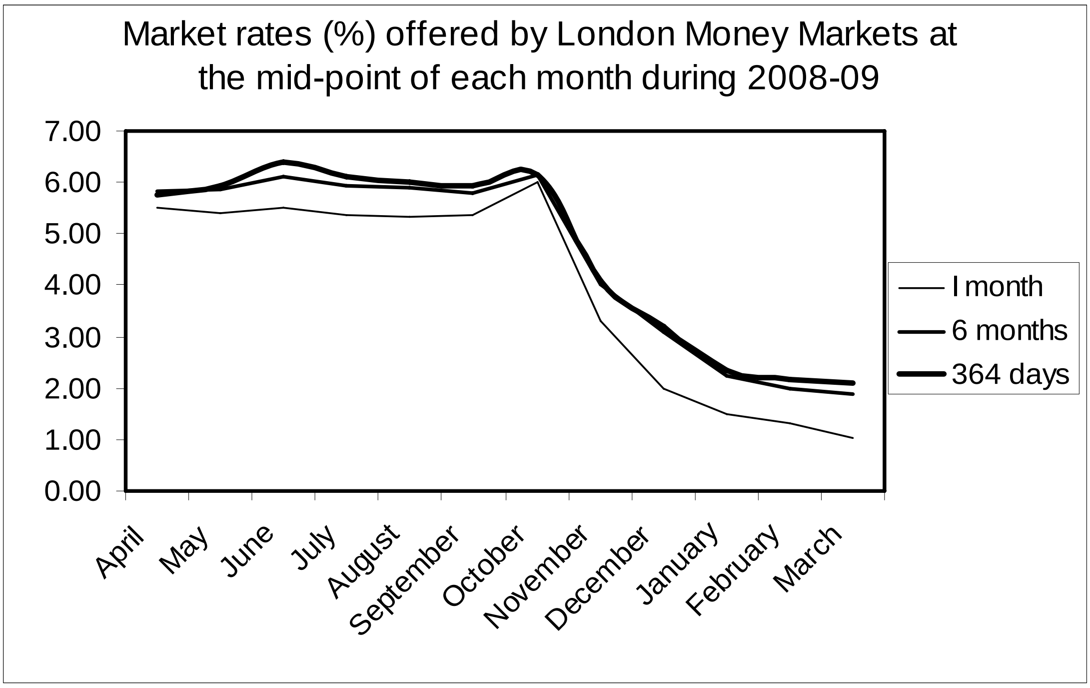
3.3 Average interest rates earnt on deposits are budgeted to fall further during 2009/10, with base rate expected to continue at its historically low level. This loss of income exposes the council to further pressures on its revenue budget for future years, as is the case for local authorities all over the country.

3.4 External interest charges are not subject to as much volatility as short-term deposits, being fixed-rate long-term loans. However, external interest costs for 2008/09 were £0.95m (5.5%) below budget as no new borrowing was undertaken, while existing debt of £41.65m was rescheduled at favourable rates.

3.5 The Treasury team continues to keep a close eye on market changes that could lead to unacceptable risks on deposits. A decision was taken in April 2008 to suspend investment in Icelandic banks, six months before their failure, and a similar prudent view is taken on future outré investment opportunities. A decision to repay £20m of PWLB debt was taken in July 2009 to limit the funds requiring deposit.

3.6 Interest rates were closely monitored during the course of the year. Rates in the first half of the year were relatively high, primarily as a result of the "credit crunch" when banks became extremely cautious in lending to one another. Following the collapse of Lehman Brothers and the world banking crisis in September/October central governments had to intervene and as a consequence interest rates began to fall sharply. They ended the year at historical lows with bank base rate cut to 0.5%.

3.7 The trends are illustrated in the graph below:



Long term interest

The majority of the Council's long term borrowing is with the Public Works Loan Board which is an Executive Agency of HM Treasury. These interest rates also fluctuated considerably during the year as shown below:

Loan period	Lowest rate in year	Highest rate in year
5 years	2.31%	5.59%
25 years	3.99%	5.09%
50 years	4.48%	4.84%

3.8 Long Term Funding

(a) Councils borrow to finance capital projects, which provide long term benefits to the community e.g. schools, infrastructure and housing. The Council's £318.2m total outstanding debt at 31 March 2009 includes £79.2m relating to housing and £131.8m to schools.

(b) **Annex A** details the Council's long term debt as at 31 March 2009. Of the total debt outstanding, £303.2m is in the form of PWLB loans, which are all at fixed interest rates. The remaining £15.0m is in the form of money market LOBO loans.

Three new PWLB fixed rate loans totalling £41.7m were raised during the year at an average interest rate of 3.72% as part of a loan rescheduling exercise. Nine loans totalling the same amount but running at an average rate of 4.52% were repaid as part of the same exercise. The exercise produced a net saving of £115,000 in 2008/09 and will give a full year saving of £295,000 in 2009/10 which has been reflected in the 2009/10 revenue budget.

(c) Under Section 3 of the Local Government Act 2003, the Council is required to set an affordable borrowing limit annually. This limit is also known as the authorised borrowing limit and was set by the Council at its meeting on 26 February 2008 as part of the Prudential Indicators.

Compliance is demonstrated below:

	Affordable Borrowing Limit as set 26 Feb 2008	Maximum Actual Amount Outstanding In Year
Overall borrowing	£443.0m	£318.2m

The affordable borrowing limit is set at a sufficiently high level to give flexibility to borrowing decisions. For example, it is permitted to forward borrow for future years' capital spending, which may be desirable if interest rates for borrowing are very low and forecast to rise in future years. In the event no forward borrowing was undertaken in 2008/09.

(d) **Annex B** illustrates the Council's debt maturity profile. The new loans raised in 2008-09 mature in periods ranging from 4 to 5.5 years as interest rates for these periods were more favourable at the time.

(e) **Annex C** details the costs of financing and managing the portfolio in 2008/09. A summary is shown below:

Budget Comparison	Approved Budget £000	Actual £000	Variance £000
Gross budget	20,995	18,887	(2,108)
General Fund	17,468	15,200	(2,268)
Housing Revenue A/c	3,527	3,687	160

(f) The main reasons for the underspend shown above are lower interest payments as a result of not taking any additional long borrowing and the loan rescheduling exercise which produced a significant interest saving. In addition the slippage of the 2007/08 capital programme resulted in a lower statutory repayment of principal in 2008/09. Higher interest received on temporary investments in the first half of the year largely offset lower interest in the remainder of the year.

3.9 Cash Flow Management

(a) The benefit to the Council in 2008-09 of actively managing the cashflow was £2.816m

(b) **Annex D** shows the average cash balances, together with the maximum credit and overdrawn balances during the year. The effectiveness of the Council's cash management activity and the added value of the treasury team in this area for 2008/09 (£3.955m) is also shown.

3.10 Investments Strategy

(a) The Office of the Deputy Prime Minister (ODPM) [now Department for Communities and Local Government] Guidance on Local Government Investments, issued in March 2004, required Councils to set an Investments Strategy covering types of investment, liquidity issues, interest rates and prudential indicators. This was included in the Treasury Strategy which was approved by Council at its meeting on 26 February 2007. The Strategy was adhered to throughout the year.

(b) Investments are split into 2 categories:

(i) specified investments which are broadly, sterling investments, not exceeding 364 days and with a high credit rating; and

(ii) non-specified investments which do not satisfy the conditions for specified investments.

(c) The majority of investments during the year were specified investments and were placed with reference to the Council's treasury management advisors' (Sector) approved lending list, which is updated monthly. The opportunity was taken in the first quarter of the year to invest a total of £4.0m for two years to lock into higher interest rates. These investments were also placed in accordance with the approved lending list.

(d) As worries grew regarding the financial stability of certain financial institutions a decision was taken to further restrict the approved lending list to take account of the latest market information together with the latest credit rating details issued by the main credit rating agencies.

(e) The Council does not hold any financial instruments which are listed or publicly traded on a stock exchange.

(f) Most short term investments are held for cashflow purposes. The average period of investments in the year (excluding instant access deposit accounts) was 188 days. This was more than in previous years as every opportunity was taken to invest for longer periods in order to achieve higher interest rates.

(g) **Annex E** attempts to further measure performance by plotting the Council's average monthly investment rate achieved against the average 3 month London Interbank Bid Rate (LIBID). The latter rate is used as the benchmark for one of the local performance indicators produced by the Council's treasury team. As can be seen in **Annex E**, the benchmark was exceeded in all but one month of the year. Performance is also measured against other local authorities by way of membership of the IPF Benchmarking Club for Treasury and Debt Management. The Treasury Team's investment returns were in the upper quartile of 127 local authorities. A summary is shown in the table below:

Average 3 month LIBID rate %	Average rate achieved by IPF Benchmarking Club %	Actual rate achieved by treasury team %
4.49	5.26	5.40

(h) Details of the Prudential Indicators are shown in **Annex F**.

3.11 External Audit

All outturn figures contained in this report are subject to external audit.

4. **Implications**

4.1 Policy.

None arising directly from this report.

4.2 Resources and Risk.

The report focuses on the Council's overall Treasury position. Risk analysis and risk management strategies were taken into account throughout the year.

The Treasury Management Strategy and operation supports the wider Council aim of maintaining a balanced budget.

Yes	Capital	Yes	Revenue	No	Accommodation
No	IT	No	Medium Term Plan	No	Asset Management

4.3 Legal.

None arising directly from this report.

4.4 Other Implications

No	Equalities/Diversity	No	Sustainability	No	Human Rights
No	E-Government	No	Stakeholders	No	Crime & Disorder

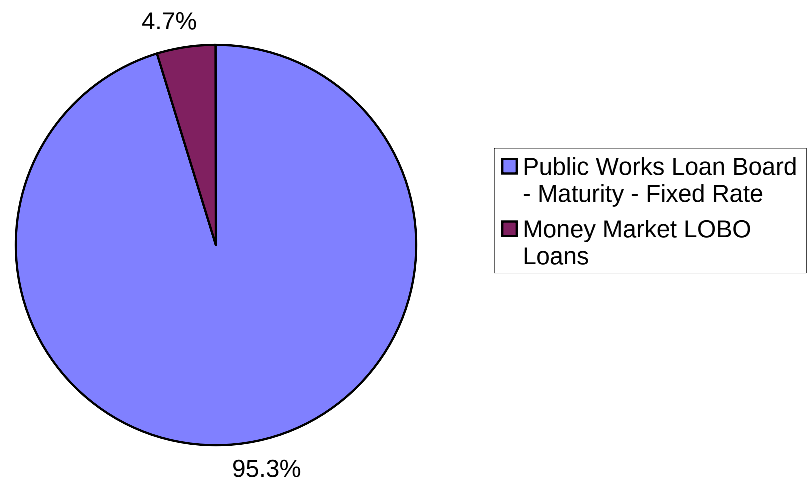
Background Papers:

- CIPFA Revised Code of Practice on Treasury Management
- Local Government Act 2003
- ODPM Guidance on Local Authority Investments
- CIPFA Prudential Code for Capital Finance in Local Authorities
- Report to Cabinet 19 February 2008 – Treasury Management Strategy Report 2008-09 to 2010-11
- Report to Cabinet 19 February 2008 – Prudential Indicators for Capital Finance 2008-09 to 2010-11
- Report to Cabinet 23 September 2008 – Prudential Indicators for Capital Finance 2008-09 to 2010-11 - Monitoring to 31 July 2008
- Report to Cabinet 20 January 2009 – Prudential Indicators for Capital Finance 2008-09 to 2010-11 – Monitoring to 30 November 2008

ANNEX A.

Analysis of Outstanding Debt as at 31 March 2009

	Principal	Proportion of Debt	Range of Interest Rates Paid within the Year	
			From	To
	£'000	%	%	%
Public Works Loan Board - Maturity - Fixed Rate	303,204	95.3	3.700	10.875
Money Market LOBO Loans	15,000	4.7	3.750	6.620
Total Debt Outstanding at 31 March 2009	**318,204**	**100**		



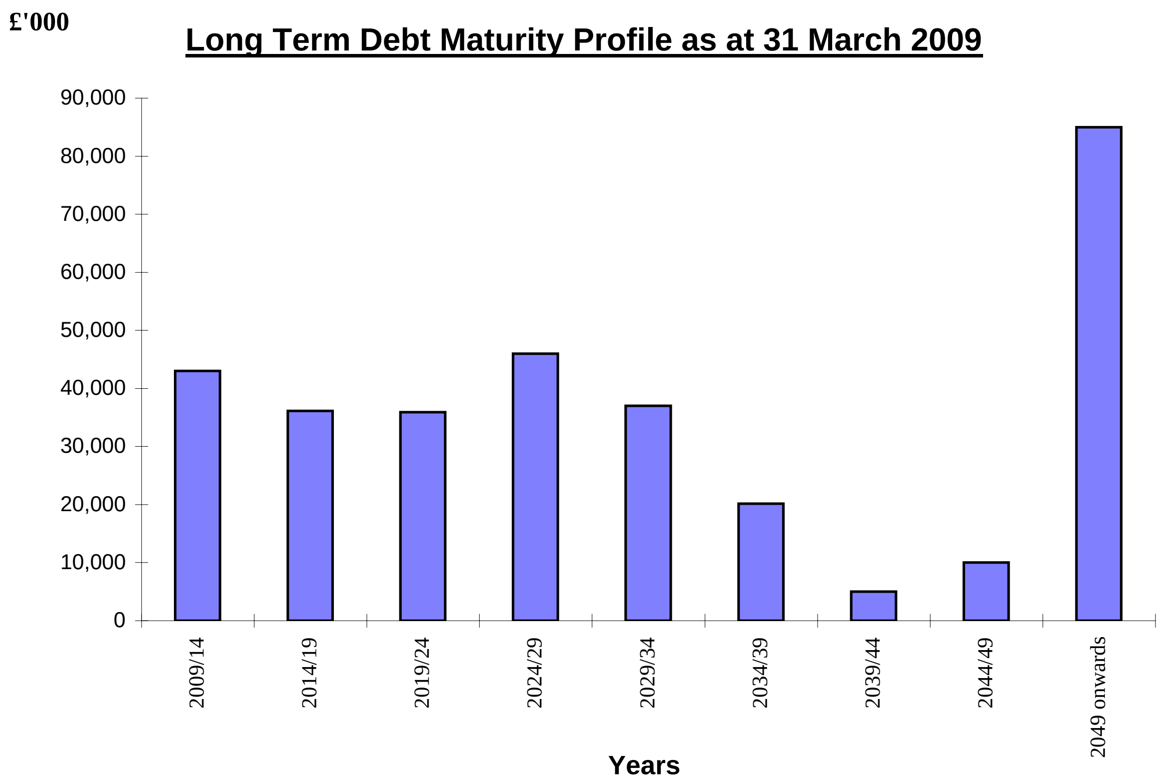
Long Term Loan Transactions During The Year

	No.	Total Value £m
Loans raised		
Replacement PWLB fixed rate loans as part of loan rescheduling exercise	3	41.65
		41.65
Loans repaid		
PWLB loans as part of loan rescheduling exercise	9	41.65

ANNEX B.

Debt Maturity Profile as at 31 March 2009

Time frame	Year	Value of Loans Maturing	Proportion of Long Term Debt
		£'000	**%**
Within:			
5 years	2009/14	43,000	13.5
10 years	2014/19	36,150	11.4
15 years	2019/24	35,904	11.3
20 years	2024/29	46,000	14.5
25 years	2029/34	37,000	11.6
30 years	2034/39	20,150	6.3
35 years	2039/44	5,000	1.6
40 years	2044/49	10,000	3.1
Over 40	2049 onwards	85,000	26.7
	Total	**318,204**	**100.0**



ANNEX C.

Capital Financing & Interest Account 2008-2009 Outturn

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	Original Budget £'000	Revised Budget £'000	Actual £'000
Statutory Charge to Revenue Accounts for Loan Repayments	10,377	0	9,349
Interest Charges:			
Net External Interest Payments	9,876	0	9,140
Net Internal Interest Payments	468	0	144
Premiums/Discounts on Rescheduled Loans	152	0	139
Debt Management Expenses	122	0	115
	20,995	**0**	**18,887**

Analysed as:			
GENERAL FUND			
Statutory Loan Repayments	10,377	0	9,349
Interest	6,917	0	5,699
Premiums on Rescheduled Loans	84	0	71
Debt Management Expenses	90	0	81
	17,468	0	15,200
HOUSING REVENUE ACCOUNT			
Interest	4,077	0	4,045
Interest on Cash Balances	-650	0	-460
Premiums/Discounts on Rescheduled Loans	68	0	68
Debt Management Expenses	32	0	34
	3,527	0	3,687
Total Recharged	**20,995**	**0**	**18,887**

ANNEX D.

Average Daily Cash Balance 2008-2009

	Average Daily Balance	Maximum Daily Credit Balance	Maximum Daily Overdrawn Balance
	£'000	£'000	£'000
April	(37)	(196)	59
May	(53)	(486)	77
June	(50)	(156)	73
July	(45)	(290)	96
August	(33)	(175)	89
September	(22)	(284)	140
October	(71)	(211)	25
November	(29)	(208)	123
December	(76)	(283)	84
January	(76)	(328)	83
February	(37)	(164)	70
March	(55)	(257)	94
Year	(49)		

Note:

a) Large credit balances generally arise as a result of receipts into the bank late in the day which were not previously advised to the treasury team e.g. business rates paid to the Council via Chaps.

b) Large overdrawn balances are generally a result of cheques clearing on the same day which cannot be foreseen. This occurs where the payee banks at the same branch as the Council.

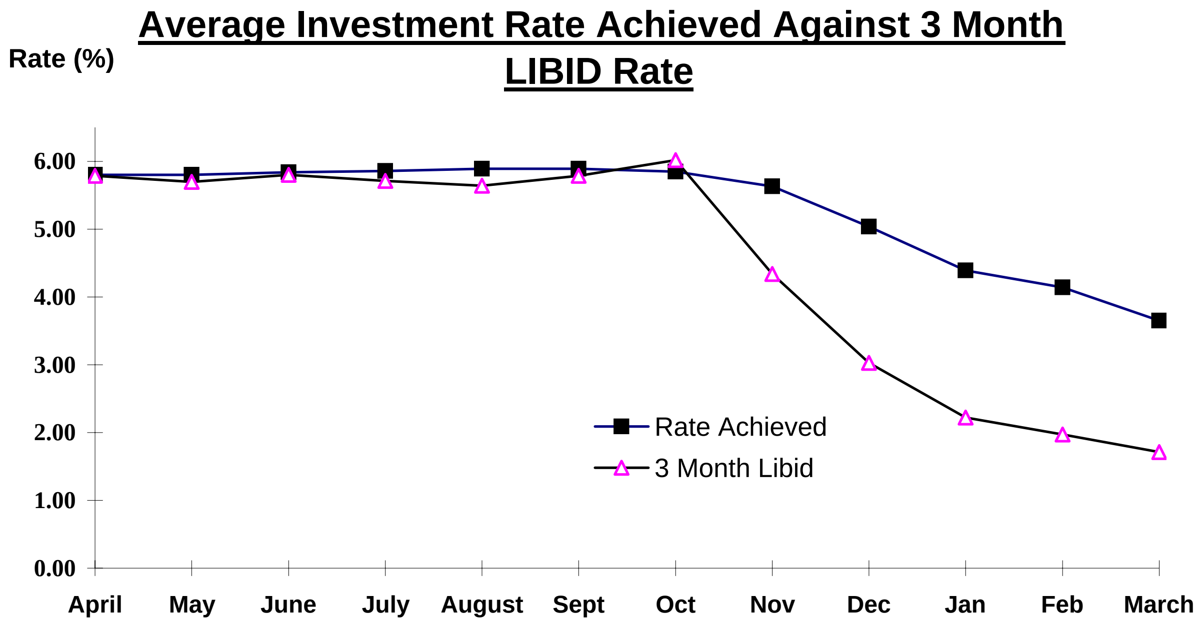
The Value Of Cash Flow Management

	2008-09 £'000
Actual interest earned on investments placed	7,194
Less related management expenses	58
Net interest earned	7,136
Estimated interest earned if left at bank (not managed)	3,181 *
Added value of the treasury team	**3,955**

* Figure based on contractually agreed rate of 2% below bank base rate on all credit balances.

ANNEX E.

Comparative Data
Temporary Investments - Comparison of Rate Achieved To 3 Month LIBID Rate



	Rate Achieved Average %	3 Month Libid Average %	Variance %
April	5.80	5.79	0.01
May	5.80	5.70	0.10
June	5.84	5.80	0.04
July	5.86	5.71	0.15
August	5.89	5.64	0.25
Sept	5.89	5.79	0.10
Oct	5.85	6.02	-0.17
Nov	5.63	4.34	1.29
Dec	5.04	3.03	2.01
Jan	4.39	2.22	2.17
Feb	4.14	1.97	2.17
March	3.65	1.71	1.94
Average	5.40	4.49	0.91

ANNEX F

Prudential Indicators for Capital Expenditure

1 Capital Expenditure

1.1 This indicator requires capital expenditure to be estimated at the start of the year and during the year, and for the actual capital expenditure to be reported at year-end.

1.2 It is in the nature of capital expenditure to have variations to the approved programme as the year proceeds, for example as new grant or other third party funding becomes available. It is also common for capital programmes to underspend against annual estimates, due to slippage in the programme. These are in-year, rather than actual, underspends against schemes, which will be evened out over the life of each project.

1.3 The outturn position, compared to the original and revised estimated capital expenditure indicators agreed by Council during the year, is shown below.

Capital Expenditure			
	2008-09 Original Estimate	2008-09 Revised Estimate	2008-09 Outturn
	£000	£000	£000
General Fund (GF)	92,550	142,711	97,369
Housing Revenue Account (HRA)	10,828	12,138	11,765
Total	103,378	154,849	109,134

1.4 The 2008/09 original estimate was first reported to Council on 26 February 2008.

1.5 The 2008/09 revised estimate is the latest estimate formally reported to Council as a prudential indicator, on 26 February 2009.

1.6 The 2008/09 outturn figure is the figure reported to Cabinet on 23 June 2009 in the 2008/09 Capital Programme Outturn Position and Slippage report.

1.7 Unspent budget (slippage) on the 2008/09 capital programme will be carried forward to 2009/10, subject to Cabinet approval.

2 Capital Financing Requirement

2.1 The Capital Financing Requirement (CFR) can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue.

2.2 A local authority that has an HRA must identify separately the General Fund CFR and the HRA CFR.

2.3 The table below sets out the authority's opening and closing CFR for 2008-09.

Capital Financing Requirement (CFR)				
	2008-09 Opening 1 April 08		2008-09 Closing 31 March 09	
	Audited		Latest Revised Estimate	Outturn
	£000		£000	£000
General Fund (GF)	200,921		235,309	221,832
Housing Revenue Account (HRA)	78,473		79,221	79,222
Total	279,394		314,530	301,054

2.4 The CFR takes as its starting point the balance sheet figures at the close of the preceding year. The opening CFR for 2008/09 is therefore based on the audited 2007-08 closing balance sheet.

2.5 The latest revised estimate of the closing CFR for 2008/09 is based on the position at 30 November 2008, as reported to Council on 10 February 2009.

2.6 The outturn figure for the closing CFR for 2008/09 is subject to external audit.

2.7 The outturn for the closing CFR is £13.48m less than the revised estimate based on the position at 30 November 2008 and reported to Council on 10 February 2009. This is largely explained by the in-year financing of the overall capital programme from borrowing amounting to £41.130m against an estimate of £55.097m. This is due to slippage in the General Fund capital programme, and in particular in the Education and Environment EPCS programmes. A report on the 2008-09 Capital Programme outturn and slippage was presented to Cabinet on 23 June 2009. Unspent budget on the capital programme will be carried forward to 2009-10, subject to Cabinet approval.

2.8 The closing CFR for 2008/09 will become the opening figure for 2009/10 and the changes reported above will therefore impact on 2009/10 and future years. In respect of the capital programme slippage discussed above, as the planned capital expenditure will take place in 2009-10, the closing CFR for 2009/10 will reflect this.

Prudential Indicators of Affordability

3 Ratio of financing costs to net revenue stream

3.1 The indicator has been calculated by dividing debt interest costs for the year by the net budget requirement for the General Fund and total HRA income for the HRA. The objective is to enable trends to be identified.

3.2 The Code requires separate indicators for the HRA and General Fund element.

Ratio of financing costs to net revenue stream			
	2008-09 Original Estimate %	2008-09 Latest Estimate %	2008-09 Outturn %
General Fund	11.59	11.76	9.81
HRA	24.67	21.50	27.51

4 Incremental impact of new capital investment decisions on the Council Tax

4.1 This indicator represents the incremental impact of new capital investment decisions on the annual Council Tax (Band D).

4.2 Since the level of planned borrowing is in line with government allocations for supported borrowing the majority of the cost is met by revenue support grant. The indicators below represent only that proportion that it is met from Council Tax.

Incremental impact of new capital investment decisions on the Council Tax		
General Fund Budget		
2008-09 Original Estimate	2008-09 Latest Estimate	2008-09 Outturn
£ p	£ p	£ p
16.14	16.14	16.14

4.3 Once the Council Tax has been set this indicator remains unchanged throughout the year.

5 **Incremental impact of new capital investment decisions on average weekly housing rent**

5.1 This represents an estimate of the incremental impact of new capital investment decisions on average weekly housing rents.

5.2 In calculating this indicator it was assumed that the Major Repairs Allowance will be spent in full for the next three years, and therefore does not impact on the indicator, and it is HRA capital expenditure funded other than from the Major Repairs Reserve that is relevant.

5.3 As the amount of borrowing assumed was within the Government allocations for supported borrowing, which is funded through housing subsidy, there was a nil impact on housing rents.

Incremental impact of new capital investment decisions on average weekly housing rent		
Housing Revenue Account		
2008-09 Original Estimate	2008-09 Latest Estimate	2008-09 Outturn
£ p	£ p	£ p
0.00	0.00	0.00

External Debt Prudential Indicators

6 Authorised limit for external debt

6.1 For the purposes of this indicator, the authorised limit for external debt is defined as the authorised limit for borrowing plus the authorised limit for other long term liabilities.

6.2 The indicator is an authorised limit for total external debt (including temporary borrowing for cash flow purposes), gross of investments, separately identifying borrowing from other long term liabilities.

6.3 This limit represents the maximum amount the Council may borrow at any point in time in the year. It has to be set at a level the Council considers is “prudent” and to be consistent with plans for capital expenditure and financing. It is based on the estimate of the most likely, but not worst case, scenario with sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies are taken into account, as are plans for capital expenditure, estimates of capital financing requirement and estimates of cash flow requirements for all purposes.

6.4 The Council’s actual external debt is monitored against the authorised limit on a daily basis. The table below shows the original authorised limit and the latest limit for 2008/09 as set by Council on 26 February 2008 and 26 February 2009 respectively, together with the actual maximum figures, demonstrating that in total external debt has not exceeded the authorised limit.

6.5 The S.151 Officer has delegated authority to effect movement between borrowing and other long term liabilities. No adjustment was necessary during the year.

Authorised limit for external debt			
	2008-09 Original Limit	2008-09 Latest Limit	2008-09 Actual Maximum in Year
	£000	£000	£000
Borrowing	442,250	381,750	318,204
Other long term liabilities	750	250	17
Total	443,000	382,000	318,221

7 Operational Boundary for total external debt

7.1 The operational boundary is calculated on the same basis as the authorised limit, but excludes the additional headroom included within the authorised limit to allow for unusual cash movements. It equates to the maximum of projected external debt.

7.2 The operational boundary represents a key management tool for in year monitoring by the S.151 Officer. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

7.3 The Council's actual external debt is monitored against the operational boundary on a daily basis. The table below shows the original and the latest operational boundary figures for 2008/09 as set by Council on 26 February 2008 and 26 February 2009 respectively, together with the actual maximum figures.

Operational boundary for external debt			
	2008-09 Original Boundary	2008-09 Latest Boundary	2008-09 Actual Maximum in Year
	£000	£000	£000
Borrowing	422,250	361,750	318,204
Other long term liabilities	750	250	17
Total	443,000	362,000	318,221

Prudential Indicator of Prudence

8 Net borrowing and capital financing requirement

8.1 This is the key indicator of prudence. It is intended to show that external borrowing does not exceed the total capital financing requirement (CFR) in the year end plus the estimates of any additional capital financing requirement for the next two years.

8.2 The table below sets out the position as at 31 March 2009.

Net external debt less than CFR	
	31-Mar-09 £000
Total borrowing	318,204
Less investments	(108,430)
Net external debt	219,104
Current year CFR	301,054
Additional CFR -	
Next year	28,449
Following year	10,181
Adjusted CFR	339,684
Net external debt less than adjusted CFR	Yes

Debt Management Prudential Indicators

9 Adoption of CIPFA code of Practice on Treasury Management

9.1 Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services is a requirement of the Prudential Code. The Council formally adopted this at its meeting on 12 March 2002. Treasury Management Practices' schedules (TMPs), setting out detailed procedures, have been established by the S.151 Officer and were reviewed during the year.

10 Upper limits on variable interest rate exposure

10.1 This indicator sets the upper limits to which the Council is exposed to the effects of changes in variable interest rates.

10.2 It refers to the Council's variable rate interest risk and relates to borrowing that is at variable rates, less investments that are variable rate investments and can be expressed as either a percentage of total borrowing less investments or as a principal sum limit. The latter option has been used.

10.3 Whilst the principal sum limit is based upon a maximum of 25% of total borrowing, in practice it would be unusual for the exposure to exceed 15%. The actual exposure can be negative if all borrowing is fixed long term (more than 1 year), and there is a variable or short term lending.

10.4 The Council's variable interest rate exposure is monitored against the upper limit on a weekly basis. The table below shows the 2008/09 upper limits on variable interest rate exposures as set by Council on 26 February 2008 and 26 February 2009, together with actual maximum figures, demonstrating that the limits have not been exceeded.

Upper limits on variable interest rate exposures		
2008-09 Original Estimate	2008-09 Latest Estimate	2008-09 Actual Maximum in Year
Limit	Limit	
£000	£000	£000
116,000	113,000	-350

10.5 The actual maximum was very low in the year as a high level of fixed rate investments was held to facilitate cash liquidity and to take advantage of attractive interest rates on that category of investments.

11 Upper limits on fixed interest rate exposure

11.1 This indicator sets the upper limits to which the Council is exposed to the effects of changes in fixed interest rates.

11.2 It refers to the Council's exposure to fixed rate risk and relates to borrowing that is at fixed rates, less investments that are fixed rate investments. As with variable interest rate exposure the estimated indicator may be expressed as a percentage of total borrowing less investments or as a principal sum. The principal sum option has been used here.

11.3 Dependent upon current and forecast interest rates, it may be necessary or desirable for all borrowing at a point in time to be at a fixed rate.

11.4 The Council's fixed interest rate exposure is monitored against the upper limit on a weekly basis. The table below shows the 2008-09 upper limits on fixed interest rate exposures as set by Council on 26 February 2008 and 26 February 2009, together with actual maximum figures.

Upper limits on fixed interest rate exposures		
2008-09 Original Estimate	2008-09 Latest Estimate	2008-09 Actual Maximum in Year
Limit	Limit	
£000	£000	£000
428,000	367,000	224,704

11.5 The actual maximum was well below the upper limit as most investments as well as borrowings were placed at fixed interest rates and these are netted off for the calculation of this indicator.

12 Prudential limits for the maturity structure of borrowing

12.1 This indicator sets both upper and lower limits for 2008-09 with respect to the maturity structure of the Council's borrowing.

12.2 This represents the amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate at the start of the period where the periods in question are:

- Under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and above

12.3 The Council's limits for the maturity structure of borrowing are taken into account whenever any new borrowing or loan rescheduling is undertaken. The table below shows the limits on the maturity structure of borrowing as set by Council on 28 February 2008 which have not been exceeded during the year.

Maturity structure limits on borrowings				
Period	Lower Limit %	Exceeded Yes/No	Upper Limit %	Exceeded Yes/No
<12 months	0.00	No	15.00	No
1-2 years	0.00	No	15.00	No
2-5 years	0.00	No	40.00	No
5-10 years	0.00	No	40.00	No
> 10 years	60.00	No	100.00	No

13 **Principal sums invested for periods longer than 364 days**

13.1 Prior to 1 April 2004, indebted Councils were unable to invest for periods exceeding 364 days, but under the Local Government Act 2003 and ODPM Guidance on Local Authority Investments, all Councils are now permitted to invest for longer periods. The authority is required to set an upper limit for the maturing of such investments.

13.2 The limit set by Council allows for monies not anticipated to be spent in year to be invested for longer periods if interest rates are favourable. The limit set on 27 February 2008 together with the actual maximum figure, are shown below:

Upper limits on principal sums invested for periods longer than 364 days	
2008-09 Limit	2008-09 Actual Maximum in Year
£000	£000
30,000	12,500

13.3 The Council's prudential limits for principal sums invested for longer than 364 days are taken into account whenever any new investments are undertaken. The table above shows that the limit has not been exceeded.