

AGENDA ITEM: 14 Pages 74 – 84

Meeting	Cabinet Resources Committee
Date	2 March 2011
Subject	Treasury Management Activity for the part year ended 31 December 2010
Report of	Cabinet Member for Resources and Performance
Summary	To report on Treasury Management activity in the part year to 31 December 2010.

Officer Contributors	John Hooton - Assistant Director of Strategic Finance Karen Bannister – Interim Treasury Manager
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Money Market Data and PWLB Rates Appendix B – Deposits as at 31 December 2010 with Credit Ratings Appendix C – Compliance with Prudential Indicators
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Karen Bannister, Interim Treasury Manager, 020 8359 7119.

1. RECOMMENDATIONS

- 1.1 That the Treasury Management activity for the part year to 31 December 2010 be noted.**
- 1.2 That the Committee consider any areas on which it would like to receive further information.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet Resources Committee, 25 March 2008 (Decision item 18) – Treasury Management Business Strategy.
- 2.2 Cabinet, 23 October 2008 (Decision item 12) – Council Deposits in Icelandic Banks.
- 2.3 The Leader of the Council and Cabinet Member for Resources approved under delegated powers (DPR 712) on 5 December 2008 the Treasury Management Strategy 2008/09 – Deposit Counterparty Limits.
- 2.4 Cabinet Resources Committee, 19 January 2009 (Decision item 16) – Treasury Management Strategy.
- 2.5 Cabinet Resources Committee, 30 March 2009 (Decision item 13) – Treasury Management Strategy.
- 2.6 Cabinet Resources Committee, 15 June 2009 (Decision item 7) – Outturn 2008/09.
- 2.7 Cabinet Resources Committee, 2 September 2009 (Decision item 15) – Treasury Management Activity in the Quarter to 30 June 2009.
- 2.8 Cabinet Resources Committee, 2 November 2009 (Decision item 14) – Treasury Management Activity to 31 August 2009.
- 2.9 Cabinet Resources Committee, 19 January 2010 (Decision item 9) – Treasury Management Activity to 18 December 2009.
- 2.10 Cabinet Resources Committee, 23 February 2010 (Decision item 10) – Treasury Management Activity to 31 December 2009.
- 2.11 Cabinet Resources Committee, 16 March 2010 (Decision item 9) – Treasury Management Strategy 2010/11.
- 2.12 Special Committee (Constitution Review), 25 March 2010 (Decision item 8) – Amending the Council's Financial Regulations.
- 2.13 Cabinet Resources Committee, 22 April 2010 (Decision item 7) – Treasury Management Activity to 25 March 2010.
- 2.14 Cabinet Resources Committee, 17 June 2010 (Decision item 17) – Treasury Management Outturn for the year ended 31 March 2010.
- 2.15 Cabinet Resources Committee, 19 July 2010 (Decision item 10) – Treasury Management Activity to 31 May 2010.

- 2.16 Cabinet Resources Committee, 2 September 2010 (Decision item 9) – Treasury Management Outturn for the Quarter ended 30 June 2010.
- 2.17 Cabinet Resources Committee, 30 November 2010 (Decision item 5) – Treasury Management Activity for the Half Year Ended 30 September 2010 and (Decision item 6) Amending the Treasury Management Strategy 2010/11.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Treasury Management Strategy (TMS) ensures effective treasury management supports the achievement of the Council's corporate priority for 2010-2013, 'Better services with less money', through the strategic objective "make sure we get best value from resources across the public sector, including our people and assets". The TMS is committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

4. RISK MANAGEMENT ISSUES

- 4.1 Borrowing and deposit rates are determined by the market and can be volatile at times. Officers mitigate this volatility by monitoring the interest rate market in conjunction with treasury advisors and brokers, and by actively managing the debt and deposit portfolios.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The management of the Council's cash flow ensures the availability of adequate monies to pay for the delivery of the authority's public duties.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 During the nine months to 31 December 2010, the Council achieved £1.156m of net interest benefit (£1.65m in 2009/2010 financial year).
- 6.2 The wider financial implications for the Council are dealt with in section 9 of this report.

7. LEGAL ISSUES

- 7.1 None other than those mentioned in the body of this report.

8. CONSTITUTIONAL POWERS

- 8.1 Financial Regulations (Part 1, Section 7) within the Council Constitution state:
- (1) This organisation adopts the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice (the Code), as described in Section 4 of that code.
 - (2) Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.
 - (3) The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMPs) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- (4) The content of the policy statement and TMPs will predominantly follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the authority materially deviating from the Code's key recommendations.
- (5) Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.

9. BACKGROUND INFORMATION

9.1 Treasury Management Strategy 2010/11

- 9.1.1 The Council's amended Treasury Management Strategy 2010/11 was approved at Cabinet Resources Committee on 30 November 2010. The TMS 2010/11 reflects the Council Budget 2010-2011 Forward Plan and Capital Programme. They set out the timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing.
- 9.1.2 The key changes introduced by the amended Treasury Management Strategy 2010/2011 were:
 - (i) The extension of the maximum permissible duration of investments from 92 days to 364 days to bring the strategy in line with that of other local authorities and to enable a higher rate of return on investments.
 - (ii) The adoption of Arlingclose's (the Council's treasury advisors) counterparty list which includes the Debt Management Account Deposit Facility, T-Bills, UK local authorities, UK and non-UK banks and AAA-rated Money Market Funds.
- 9.1.3 The TMS is under constant review to reflect market conditions and the financing requirements of the Council.

9.2 Icelandic Bank Deposits

- 9.2.1 The outcome of Icelandic Bank litigation remains the single most important financial risk facing the Council. The Council's current balance sheet assumes that the Council retains priority status as a creditor of the two banks through the wind-up process. Priority status, and other matters, will be considered by the Icelandic Courts in February and March 2011. Any decision is likely to be appealed, so there is likely to be a continued period of uncertainty. The most significant risk for the Council is that ultimately priority status will not be maintained leading to a much lower level of eventual recovery of funds. To mitigate the potential disruption to the Council's financial plans, the Council needs to set aside funds in the risk reserve accordingly. The additional potential cost is estimated at £14.1m, and this could crystallise in 2010/11 when the accounts are closed, or subsequently in accordance with events in the judicial process. The Council applied for a capitalisation direction in 2010/11 to provide additional flexibility in dealing with the potential additional cost, but this was declined by Government. A key aim of financial strategy is therefore to set aside sufficient revenue funding in the risk reserve. Should this risk crystallise prior to sufficient funds being identified in the risk reserve, other reserves would need to be utilised and then replenished as a priority within the financial strategy.

9.2.2 The trial of the Landsbanki tests case will be held on 14 to 17 February and Glitnir test case will be heard on the 11 of March. Judgement has to be delivered within 4 weeks of the trial, although the judges have the discretion to extend their period of deliberation by 4 weeks.

9.2.3 Each party will have 2 weeks from the date the judgment is delivered to appeal the decision. The Council's solicitor, Bevan Brittan are of the view whichever party loses is likely to appeal the decision to be determined by the Supreme Court. If an appeal is made to the Supreme Court, judgment is unlikely to be delivered before autumn 2011.

9.3 Economic background for the Part Year to 31 December 2010

9.3.1 The Comprehensive Spending Review (CSR) announced on 20 October 2010 set out how the Coalition Government will carry out the UK's deficit reduction plan over the next 4 years with the aim of eliminating the structural deficit by 2015. Departmental budgets (other than health and overseas aid) are to be cut by an average of 19%, with around £81 billion cut from public spending overall, over 4 years resulting in a loss of around 490,000 public sector jobs. The Office of Budget Responsibility's (OBR), the new fiscal watchdog, verdict on the CSR was that there was a better than ever chance of hitting the fiscal mandates and that the rebalancing of the economy could be relatively pain-free.

9.3.2 The Bank of England's November Quarterly Inflation Report showed inflation remaining above the 2% target throughout 2011. In the Bank's view the recovery in economic activity was likely to continue, with GDP growth more likely to be above the historical average than below it for much of the 2-year forecast period.

9.3.3 The UK economy grew in the third calendar quarter of 2010 by 0.8%, twice as much as economists forecast, as services and construction helped sustain the recovery's momentum. The annual growth rate increased to 2.8%. The Monetary Policy Committee (MPC) maintained the Bank Rate at 0.5%, and although the MPC maintained Quantitative Easing at £200bn, minute of the Committee's meeting showed the MPC was clearly ready to resume assets purchases if the economy slowed faster than expected.

9.3.4 The US Federal Reserve (the Fed) kept rates on hold at 0.25% following signs of a slowdown in American growth and low core inflation. The Fed revised down its growth forecast for 2011 to 3.3% year on year from 3.8% year on year, while the jobless rate was revised up to 9.0% from 8.5% for Q4 2011.

9.3.5 The European Central Bank maintained rates at 1.00% but, at its meeting in December, extended the liquidity provision regime for a further three months. The markets questioned the sustainability of the Euro peripheral countries' debt and the deficit reduction programmes – with Ireland and Portugal the main casualties – and also the core countries' commitment to the European project. The Republic of Ireland received an EUR85 billion aid package from the EU and IMF.

9.3.6 The TMS will be kept under review specifically in terms of market conditions, benchmarks and yield.

9.4 Borrowing Performance

9.4.1 A borrowing requirement of £31.69m (£10.4m is Housing Revenue Account) is currently forecast for 2010/11. The capital programme is kept under constant review and any changes that impact on the external borrowing will be reported to this Committee.

9.4.2 The total value of long term loans dropped from £214.5m at 31 March 2010 to £207.5 at 31 December 2010. However the average cost of borrowing remained steady at 4.09%.

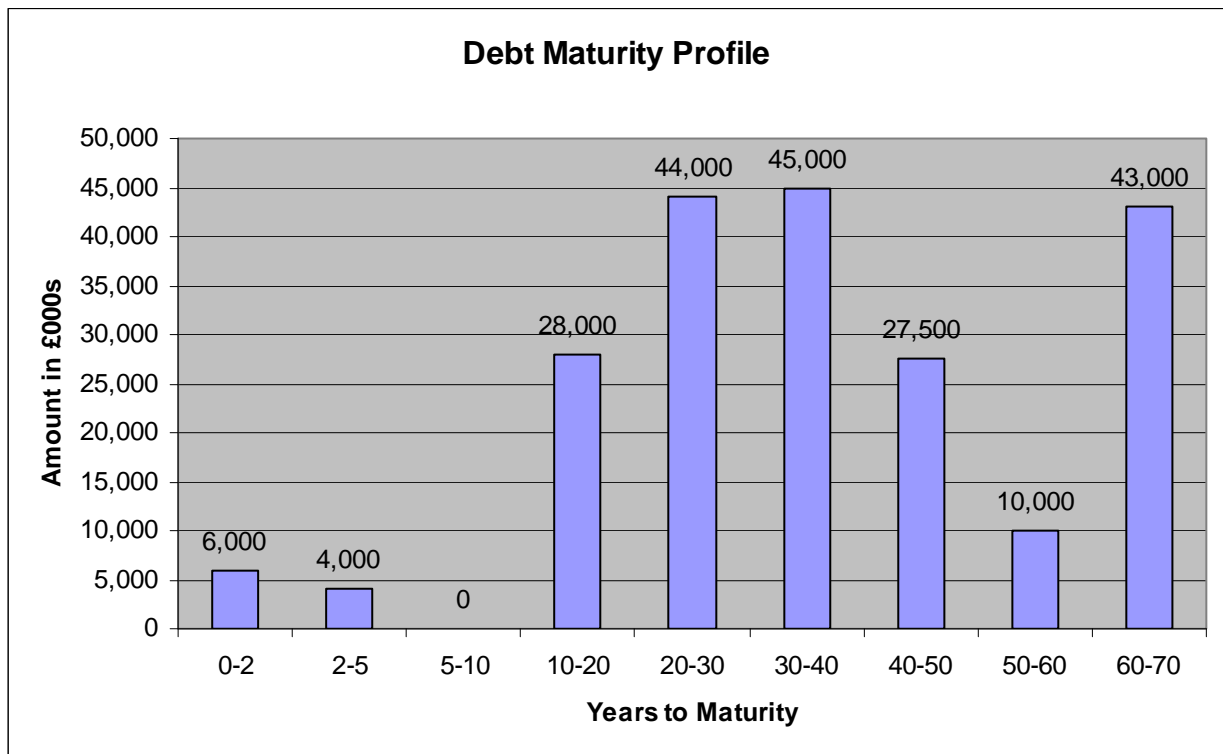
9.5 Current Portfolio

9.5.1 The Council’s long term debt position at the beginning and end of the part year was as follows:

	31 December 2010		31 March 2010	
	Principal	Average Rate	Principal	Average Rate
PWLB	£140.00m	4.19%	£147.00m	4.21%
Market	£62.50m	3.82%	£62.50m	3.82%
Temporary	£5.00m	4.50%	£5.00m	4.50%
	£207.50m	4.09%	£214.50m	4.09%

9.5.2 The Council’s long-term debt portfolio is a mixture of PWLB and market loans in the form of LOBOs (Lender’s Option Borrower’s Option), loans that are at a fixed interest rate for an initial period, following which the lender can change the interest rate but the borrower has the option to repay the loan if the rate is changed and not considered value for money.

The Council’s current debt maturity profile is outlined in the graph below.



9.5.3 In order to comply with accounting standards for financial instruments, some of the market loans in the debt portfolio have been recalculated on an effective interest rate basis as opposed to being calculated on an amortised cost basis. The total value of loans in question before re-measurement was £9.5m; and additional charge of 0.36m has now been added to the carrying value of these loans.

9.5.4 Money Market data and PWLB rates are attached at Appendix A.

9.6 Investment Performance

9.6.1 Deposits are managed internally. At 31 December 2010, deposits outstanding amounted to £186.3m (£10.6m of which is Pension Fund Cash), achieving an average rate of return of 0.658% (adjusted for Icelandic deposits) against a benchmark of 0.40%.

9.6.2 The benchmark is the average 7-day LIBID rate (un-compounded), sourced from the Financial Times. The LIBID rate or London Interbank Bid Rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

9.6.3 The Council outperformed the benchmark return in the quarter by 0.258%, which based on the average balance invested for the part year produced some £360,490 additional interest.

9.7 Prudential Indicators

9.7.1 The Local Government Act 2003 requires the Council to set and Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Council's Authorised Limit (also known as the Affordable Borrowing Limit) was set at £334,148m for 2010/11.

9.7.2 The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included with the Authorised Limit. The Council's Operational Boundary for 2010/11 was set at £319,148m.

9.7.3 During the part year to 31 December 2010 there were no breaches of the Authorised Limit and the Operational Boundary.

9.7.4 Further details of compliance with prudential indicators are contained in Appendix C.

9.8 Compliance

9.8.1 The current 2010/2011 TMS was approved by this Committee on 17 March 2010 and subsequently amended on 30 November 2010. The TMS demands regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this committee that all current deposits for investment are in line with agreed principles as contained within the corporate TMS.

9.8.2 As at 31 December 2010, the Council had deposits outstanding with a total value of £186.3m (£10.6m of which is Pension Fund cash) of which four Icelandic deposits totalling £27.4m fell outside the TMS as approved on 30 November 2010. A list of deposits outstanding and counterparty credit ratings at 31 December 2010 is attached as appendix B.

9.8.3 All Deposits placed during the part year ended 31 December 2010 were compliant with the TMS as approved on 30 November 2010.

9.8.4 Treasury management procedures are monitored and reviewed in light of CIFPA guidance and current market conditions.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – SWS
CFO – AT/JH

Appendix A – Money Market Data and PWLB Rates

Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2010	0.50	0.35	0.35	0.42	0.51	0.81	1.26	1.54	2.07	2.82
30/04/2010	0.50	0.30	0.30	0.43	0.53	0.83	1.29	1.70	2.23	2.95
31/05/2010	0.50	0.45	0.50	0.61	0.60	0.85	1.35	1.46	1.89	2.58
30/06/2010	0.50	0.35	0.35	0.45	0.61	0.94	1.38	1.40	1.79	2.42
31/07/2010	0.50	0.40	0.40	0.50	0.71	1.01	1.46	1.36	1.75	2.39
31/08/2010	0.50	0.40	0.55	0.50	0.71	1.00	1.45	1.20	1.47	2.02
30/09/2010	0.50	0.30	0.25	0.51	0.72	1.01	1.46	1.24	1.51	2.05
31/10/2010	0.50	0.48	0.40	0.51	0.72	1.01	1.46	1.26	1.53	2.08
30/11/2010	0.50	0.40	0.51	0.51	0.72	0.88	1.46	1.32	1.66	2.30
31/12/2010	0.50	0.40	0.40	0.51	0.72	1.01	1.47	1.49	1.94	2.61
Minimum	0.50	0.30	0.25	0.42	0.51	0.75	1.00	1.13	1.37	1.92
Average	0.50	0.39	0.41	0.49	0.66	0.96	1.40	1.40	1.78	2.42
Maximum	0.50	0.55	0.55	0.80	0.75	1.01	1.47	1.75	2.31	3.04
Spread		0.25	0.30	0.38	0.24	0.26	0.47	0.62	0.94	1.11

Following an announcement in the Comprehensive Spending Review on 20th October 2010, following instruction from HM Treasury, the PWLB has increased the interest rate on all new loans by an average of 1% above UK Government Gilts. PWLB rates were suspended at 12.30pm on 20 October, and the rate changes were reflected in borrowing rates from 1.35pm on the same day.

The new borrowing rate for fixed rate loans whether borrowed on an EIP, Annuity or Maturity loans have increased by around 0.87% across all maturities.

The premature repayment rates do not benefit from the corresponding increase and the PWLB's methodology remains unchanged.

Variable rate loans:

if entered into *after* 12.30pm on 20 October 2010, will be 0.90% higher than previously, so a premium of 0.90% should be added to the variable rates published on the PWLB's website.

PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2010	064/10	0.81	2.84	4.14	4.21	4.60	4.61	4.63
30/04/2010 12:15	089/10	0.85	2.86	4.13	4.20	4.61	4.61	4.60
28/05/2010 12:15	127/10	0.73	2.46	3.76	3.83	4.36	4.38	4.38
30/06/2010 12:16	171/10	0.67	2.27	3.54	3.62	4.22	4.28	4.27
30/07/2010 12:16	217/10	0.70	2.29	3.55	3.62	4.32	4.41	4.40
31/08/2010 12:15	259/10	0.63	1.84	3.05	3.13	3.82	3.93	3.93
30/09/2010 12:15	303/10	0.64	1.88	3.14	3.86	4.00	4.03	4.02
29/10/2010 12:16	346/10	1.58	2.90	4.23	5.06	5.20	5.22	5.20
30/11/2010 12:15	390/10	1.56	3.05	4.40	5.18	5.26	5.25	5.23
31/12/2010 09:19	430/10	1.65	3.33	4.58	5.18	5.23	5.20	5.16

Minimum		0.60	1.81	3.05	3.82	3.93	3.93	3.92
Average		0.96	2.50	3.79	4.50	4.57	4.57	4.56
Maximum		1.77	3.45	4.75	5.41	5.47	5.46	5.43

PWLB Repayment Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½- 40 yrs	49½- 50 yrs
01/04/2010	064/10	0.56	2.38	3.82	4.35	4.36	4.26	4.19
30/04/2010 12:15	089/10	0.62	2.43	3.83	4.37	4.38	4.33	4.30
28/05/2010 12:15	127/10	0.50	2.04	3.44	4.12	4.15	4.11	4.10
30/06/2010 12:16	171/10	0.44	1.86	3.23	3.98	4.05	4.00	3.97
30/07/2010 12:16	217/10	0.47	1.88	3.23	4.08	4.18	4.13	4.10
31/08/2010 12:15	259/10	0.40	1.45	2.73	3.57	3.70	3.66	3.62
30/09/2010 12:15	303/10	0.41	1.48	2.82	3.62	3.77	3.76	3.73
29/10/2010 12:16	346/10	0.47	1.61	3.03	3.93	4.09	4.07	4.03
30/11/2010 12:15	390/10	0.45	1.75	3.20	4.06	4.15	4.10	4.06
31/12/2010 09:19	430/10	0.54	2.04	3.39	4.07	4.12	4.05	3.99
Minimum		0.37	1.40	2.73	3.51	3.70	3.66	3.62
Average		0.49	1.85	3.23	4.01	4.10	4.06	4.02
Maximum		0.68	2.53	3.94	4.47	4.46	4.38	4.35

PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate			
01-Apr-2010	0.6500	0.6500	0.7000			
30-Apr-2010	0.6500	0.6500	0.7000			
28-May-2010	0.6500	0.6500	0.7000			
30-Jun-2010	0.6500	0.7000	0.7000			
30-Jul-2010	0.6500	0.7000	0.7000			
31-Aug-2010	0.6500	0.6500	0.7000			
30-Sep-2010	0.6500	0.7000	0.7000			
Borrowing undertaken pre-CSR				Borrowing undertaken post-CSR		
	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
29-Oct-2010	0.6600	0.6700	0.6900	1.5600	1.5700	1.5900
30-Nov-2010	0.6700	0.6700	0.6900	1.5700	1.5700	1.5900
31-Dec-2010	0.7000	0.7000	0.7500	1.6000	1.6000	1.6500
Minimum	0.6500	0.6500	0.6800	1.5600	1.5600	1.5800
Average	0.6607	0.6715	0.7022	1.5767	1.5824	1.6080
Maximum	0.7000	0.7500	0.7500	1.6000	1.6500	1.6500

Appendix B – Deposits as at 31 December 2010 with Credit Ratings

DEPOSITS OUTSTANDING AS AT 31 DECEMBER 2010

Deal Number	Counter Party	Deposit Date	Maturity Date	Rate of Interest	Amount Outstanding	Max Limit	Actual Limit	Fitch Rating			Moody's Rating			S&P Ratings		
								L Term	S Term	Indiv	Support	L Term	S Term	Fin Slgth	L Term	S Term
Debt Management Agency Deposits Facility																
2000011019	DEBT MANAGEMENT OFFICE	04-Jan-11	10-Jan-11	0.25	19,000,000	No Limit	16%									
2000011020	DEBT MANAGEMENT OFFICE	04-Jan-11	05-Jan-11	0.25	10,000,000	No Limit										
Local Authorities																
2000010961	LANCASHIRE COUNTY COUNCIL	01-Dec-10	01-Mar-11	0.65	7,000,000	No Limit										
2000010963	LANCASHIRE COUNTY COUNCIL	28-Nov-10	28-Feb-11	0.65	4,000,000	No Limit										
2000010949	MIDLOTHIAN COUNCIL	04-Nov-10	04-Feb-11	0.65	8,000,000	No Limit										
2000011014	RIOF KINGS TON UPON THAMES	23-Dec-10	07-Jan-11	0.5	3,000,000	No Limit										
2000010967	REDDITCH BOROUGH COUNCIL	30-Nov-10	28-Feb-11	0.65	1,000,000	No Limit										
2000011011	SALFORD CITY COUNCIL	23-Dec-10	31-Jan-11	0.5	4,200,000	No Limit										
2000011018	THURROCK BOROUGH COUNCIL	04-Jan-11	04-Apr-11	0.65	5,000,000	No Limit										
2000010965	WEST YORKSHIRE F & R AUTH	06-Dec-10	05-Jan-11	0.5	1,300,000	No Limit										
2000011015	WEST YORKSHIRE POLICE AUTH	23-Dec-10	31-Jan-11	0.5	7,000,000	No Limit										
UK Banks																
2000010341	BANK OF SCOTLAND CORPORA	108-Sep-09	-	0.75	25,000,000		15%									
2000010988	BARCLAYS BANK PLC	28-Nov-10	28-Feb-11	0.65	9,300,000		15%									
2000010527	BARCLAYS COMMERCIAL BANK	11-Feb-10	-	0.4	14,300,000		15%									
2000011001	SANTANDER CORP BANKING	08-Dec-10	Call Account	0.8	24,000,000		15%									
2000011000	ROYAL BANK OF SCOTLAND	08-Dec-10	07-Dec-11	1.43	4,000,000		15%									
2000011006	ROYAL BANK OF SCOTLAND	15-Dec-10	15-Sep-11	1.22	10,000,000		15%									
Investments outside TMS																
Icelandic Banks																
2000005163	GLITNER BANK (ICELAND)	07-Nov-06	frozen		7,000,000											
2000005218	GLITNER BANK (ICELAND)	24-Jan-07	frozen		3,000,000											
2000005226	GLITNER BANK (ICELAND)	07-Feb-07	frozen		2,400,000											
2000005511	LANDSBANKI ISLANDS H.F.	28-Sep-07	frozen		15,000,000											
TOTAL VALUE OF INVESTMENTS																
182,300,000																
LESS ICELANDICS																
154,900,000																

Comments on Redemption (if known)

Appendix C – Compliance with Prudential Indicators

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2010/11 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	40
Compliance with Limits:	Yes

Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 31/12/10	% Fixed Rate Borrowing as at 31/12/10	Compliance with Set Limits?
Under 12 months	0	50	5,000,000	2.4%	Yes
12 months and within 24 months	0	50	0	0	Yes
24 months and within 5 years	0	75	4,000,000	1.9%	Yes
5 years and within 10 years	0	75	0	0%	Yes
10 years and above	0	100	198,500,000	95.6%	Yes