Report of the Service Director Finance

Agenda Item No:
Meeting 8 July 2009

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

TREASURY MANAGEMENT AND INVESTMENT STRATEGY ANNUAL REPORT 2008/09

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 This is a report on the performance of the treasury management function in 2008/09.

1.2 It measures performance against the strategy set by council at its meeting on 20 February 2008.

1.3 The report explains how the strategy was implemented during the year, how the unstable financial markets affected the council, what action was taken to address the challenges and the results of that action.

1.4 The key results were that the council

- Exceeded its target rate of interest by 0.42%
- Exceeded its original target for return on investment of £2.25m
- Kept the cost of borrowing below 6% of revenue stream
- Took steps to recover investments with Icelandic banks in concert with other local authorities through the LGA.

1.5 The paper reviews new guidance on treasury management from the audit commission and CIPFA and makes recommendations.

2. BACKGROUND INFORMATION

The legal and regulatory framework

2.1 Each year the council approves a treasury management and investment strategy. It is prepared in line with

- The CIPFA Code of Practice for Treasury Management (Chartered Institute of Public Finance and Accountancy)
- The Prudential Code
- The Local Government Finance Act 2003

- And guidance on Local Government Investments from the former Office of the Deputy Prime Minister (ODPM).

2.2 The Code of Practice requires a report to council outlining the proposed activities of the treasury management function at the start of a financial year. A report is made on aspects of performance against that strategy where necessary in the course of the year to cabinet, in particular any impact on budgets or performance indicators. At the end of the financial year a report is made to council.

2.3 The strategy covers:

- general economic prospects, including prospects for interest rates
- the investment strategy
- the borrowing strategy
- and sets prudential indicators for external debt and treasury management.

The strategy for 2008/09

2.4 The strategy for 2008/09 was based on the council's views on interest rates and appropriate counterparties for investment and borrowing based on experience, market intelligence including that provided by credit rating agencies, brokers, advisors and the financial press.

2.5 The key projections were:

- An average bank base rate of 5%
- An average PWLB loan rate of 5% (25 year maturity)

2.6 The investment strategy included

- An approved list of counterparties for investment (see appendix 1)
- Selected on the basis of high credit ratings, moderated by any adverse market intelligence
- With specific limits on investment by category of institution
- Generally for periods of up to one year
- And a policy of spreading investments to reduce risk
- Priority to be given to security and liquidity, but not ignoring yield
- To deliver a target return of 0.1% above base rate
- And a budgeted investment return of £2.25m.

2.7 The borrowing strategy was

- To borrow to support the capital programme
- To lease vehicles where this provided better value for money
- To borrow via the government's agency the PWLB unless money market funds provided better value
- To keep debt rescheduling under review

- Specific PIs, borrowing limits, interest rate exposures and maturity limits were set as detailed in appendix 3
- The basis for setting aside revenues as provision for debt repayment- the minimum revenue provision- was agreed.

Instability in the financial markets

2.8 The dysfunction in world financial markets which started in 2007, escalated in September 2008, and precipitated a severe loss of confidence in the banking sector. Following rapidly on the events of 15 September 2008 in the US, when Lehman Brothers filed for bankruptcy, there was:

- A substantial fall in the market value of all major UK banking stocks
- A merger of HBOS with Lloyds TSB engineered by government
- The collapse of Icelandic banks
- Government intervention on 8 October to re-capitalize major high street banks - £37bn in HBOS, Lloyds TSB and RBS- and to provide liquidity of up to £200bn to the banking sector
- A series of dramatic interest rate cuts to stimulate lending and investment from 5% in October to 0.5% in March 2009

2.9 Despite intervention by governments around the world, investment risk had greatly increased since the true extent of bank losses was not known. Therefore the council needed to review its approach to treasury matters.

2.10 Specific measures were taken to reduce risk in the portfolio. Within the boundaries set by the council's approved treasury strategy three reviews of the day to day lending policy were made by the Service Director Finance, two in September and one in October 2008 as the crisis in financial markets developed. Specifically

- Investment with the UK Government through the Debt Management Office (DMO) and Northern Rock was increased

- New investments were made only with UK institutions covered by the Government's liquidity and capitalisation schemes, which includes clearing banks and building societies but not investment banks

- No new investments were made in foreign institutions because of uncertainty over the readiness or ability of the governments of those countries to guarantee deposits

- Investment limits were applied to banking groups rather than individual institutions to further reduce risk

- No new investments in institutions on credit rating watch or subject to takeover were made

- A maximum limit of 3 months for new investments was applied, but where the differential between 3 and 1 month rates were modest one month was preferred

- A working guideline was employed to aim for a minimum of 20% of the total balance on call/ seven day notice or with the DMO whenever possible

- Greater use was made of stock market data and other market intelligence to inform investment decisions because credit ratings had become unreliable.

2.11 However because funds had been invested for periods of up to a year this could not avert the sudden impact of the collapse of the Icelandic banking system in early October. An approach was made to recall investments early before the collapse, but this was not possible under the terms of deposit. £5.5m of the council's cash balances were frozen, in Heritable (£3.5m) and Landsbanki (£2m), part of £1bn of UK public sector investments in banks now in receivership or administration.

2.12 Both internal and external auditors conducted reviews of council lending practice in the light of the Icelandic banking collapse. Treasury management is regarded as a fundamental financial system and features prominently among council strategic risks. The outcome of the review showed that investments were made properly and in line with the council's treasury management policy. Appropriate action has been taken to recover these investments and identify contingencies to cover any potential losses. External audit endorse this view and are satisfied that appropriate action has been taken under the circumstances. The council's audit committee has also been kept informed of these issues.

2.13 The latest advice from the administrators of Heritable bank is that creditors can expect a base case return of 80p in the pound if the bank's loan book is run off over a period up to 2012; depending on economic circumstances it could be higher or lower. In the case of Landsbanki the return could be as high as 95p in the pound if local authorities are deemed preferred creditors- which has still to be tested in the Icelandic courts- or a lower return of 33p in the pound if not. Overall the outlook is positive and the council could ultimately recover most of its Icelandic investments.

Outcomes 2008/09

Investments

2.13 The key statistics are:

- Average investments of £54.8m
- With a range of UK and European banks, building societies and the Debt Management Office (see appendix 2)
- Short –term only (from overnight up to 12 months fixed)
- With 276 separate investments totalling £382m

- Generating an average return of 4.14% for the year compared to a target of average base plus 0.1% i.e. 3.72%
- Which earned £2.695m interest compared to a budget of £2.25m
- The closing balance was £26.083m

Borrowing

2.14 Appendix 3 shows capital spending for 2008/09 and its implications for a range of performance indicators:

- Capital spending was well within the budget originally approved by council in February 2008. A large part of this is explained by rephasing of large investment schemes and the programme was revised by cabinet mid-year.
- The cost of financing debt as a percentage of revenue stream remains well below the ceiling of 6% at 4.54%.
- The other indicators show how overall debt has been managed within the parameters set.

2.15 Rates for 25 year loans from the Public Works Loans Board fluctuated between a low of 3.99% and a high of 5.09%. This compared to a rapidly falling short-term bank base rate from 5% in October 2008 to 0.5% by March 2009. An operational decision was therefore taken to defer borrowing for capital purposes in 2008/09. This avoids the short-term cost of paying the differential between the rate at which we can borrow (c 5%) and rate of return on our investment (c 0.5%); and makes temporary use of cash balances which would otherwise be exposed to potential loss in volatile financial markets.

2.16 This strategy will be followed as long as it is prudent to do so, while cash reserves are sufficient. Borrowing to fund the capital programme is still required, but is simply deferred until more favourable conditions return.

3. OPTIONS FOR CONSIDERATION

3.1 Section 2 reports performance for 2008/09. There are therefore no options for consideration. The policy on deferred borrowing has also been approved by council as part of its treasury policy for 2009/10.

3.2 There is, however, a need for the council to consider how it can ensure the best standards of treasury management in the future given the fundamental changes in the way financial markets are now operating. This section considers what implications there are in the developing advice from the Audit Commission and CIPFA and the Treasury Select Committee.

3.3 In advance of a revised Treasury Management Code to be published in autumn 2009, CIPFA has issued interim proposals.

a. The objective of treasury management is to manage risk, but security and liquidity come before yield

b. There should be diversification between counterparties, countries, sectors and instruments- appropriate to the portfolio and to the skills and understanding of those involved
c. If gross borrowing exceeds the capital financing requirement e.g. there is borrowing in advance this should be justified
d. There should be regular review by councillors in the executive and scrutiny
e. The audit committee should keep treasury arrangements under review
f. There should be quarterly public reports to councillors
g. Treasury functions should have adequate resource and training
h. A new treasury management qualification and toolkits are proposed
i. Fitch, Moodys and S&P ratings are to be reviewed
j. Also other data sources are to be systematically reviewed including financial press, market data, government support
k. Use of advisers and investment managers should be regularly reviewed
l. Benchmarking should consider security and liquidity not just risk.

3.4 Recommendations a b and i are already covered by our strategy for 2009/10; l. Will be met by the requirements of the CIPFA benchmarking group to which we belong; c. and k are not relevant to us as we do neither. In November 2008 the council joined the CIPFA treasury management forum and takes advantage of its training and database (g); the benefits of the new qualification should nonetheless be considered. This and other recommendations are covered by proposals later in this paper (paragraph 4.2).

3.5 The Audit Commission Report, 'Risk and Return' (March 2009) explicitly looks at lessons to be learned from the Icelandic bank investments. Its recommendations not surprisingly mirror closely those of CIPFA, but are made to a broader audience including government and CIPFA itself as the relevant professional body. These will feed into the revised code.

3.6 There are some additional points of relevance:

a) Government should review its guidance, especially on credit ratings
b) CIPFA should tighten its code
c) The treasury framework should be explicit about the level of risk the organisation is prepared to accept. If there is insufficient appetite or capability to manage risk all funds should be placed with the DMO
d) Training should give relevant councillors the ability to scrutinise and take accountability for the treasury management function
e) Economies of scale should be explored by sharing resources between authorities, while keeping funds separate

3.7 Recommendations a) and b) are for others to consider first and then for authorities to adopt; c) and d) are covered by later recommendations; e) is will require dialogue with other councils to determine its feasibility.

3.8 The report of the Treasury Select Committee also published In March considered the impact of the Icelandic banks failure on the whole range of UK depositors. While it considered favourably the case to refund charities for any losses incurred, the committee took a similar line to that of the UK Treasury towards local authorities. In essence councils have a duty of care to the taxpayer diligently to protect the money they are investing on their behalf, and should not be covered by a government guarantee of deposit. It made no recommendations to improve local authority treasury management.

3.9 A further report from the CLG select committee was published on 11 June 2009. It made 22 recommendations some addressed to government, CIPFA, and the Audit Commission and some to local authorities. These largely affirm recommendations made by CIPFA and the Audit Commission. In particular

- That local authority investment options should not be restricted, but risks appropriately managed
- That officers should have appropriate expertise, including the possibility of smaller authorities pooling treasury management resources
- That elected members- with training- should pay proper attention to scrutiny, with a specific responsibility for the audit committee
- That government guidance and the CIPFA code should be more explicit on the use of credit ratings, the role of advisors and of the s151 officer
- That the role of financial advisors be investigated by regulatory bodies including the FSA.

3.10 There is no revised guidance yet from the Department for Communities and Local Government (CLG) on the regulatory framework for local government investments, but this can be expected.

4. ANALYSIS OF OPTIONS

4.1 Since 2007 when the crisis affecting world banking first started, the council has frequently reviewed its treasury management strategy and practices to take account of unfolding circumstances and reduce risk to council investments (see section 2 above). Therefore many of the recommendations made by professional and public bodies have already been implemented. This is evident in the treasury strategy approved by council in February 2009.

4.2 There are, however, further steps that can be taken in the light of the reports published since February. Some of these steps can be implemented now and revisited when the revised treasury code and governmental framework have been finalised. Specifically it is proposed that

- Cabinet receives a treasury update as part of the quarterly budget review reports (paragraph 3.3 d and f)
- The audit committee takes oversight of the treasury management function receiving regular reports (paragraph 3.3 e)
- Appropriate training is provided to relevant members (paragraph 3.6 d))
- The council re-examines its appetite for risk (paragraph 3.6c))

In addition it will be appropriate to consider if additional investment is needed in staff training (paragraph 3.3 g.) and in procuring other data sources to provide systematic market intelligence to supplement credit ratings and broker advice (paragraph 3.3j.) This also has implications for the amount of staff time dedicated to the treasury function. As a starting point we have joined the treasury forum, attended training events and are making wider use of the financial press.

4.3 Continuing the practice adopted in 2008/09, since the start of the financial year operational investment policy has been tighter than the parameters allowed by the investment strategy. New investments are currently made only with the DMO and a narrow range of UK clearing banks.

5. RESOURCE IMPLICATIONS

5.1 There would be cost implications with the purchase of additional data sources to improve market intelligence, though none are specifically proposed at this stage. There is also an opportunity cost as more staff time is dedicated to the treasury function to sustain and build up a greater research capacity. The costs of the treasury forum and financial press have so far been met within budget.

6. OTHER IMPLICATIONS

6.1 The treasury policy approved by council in February 2009 addresses the known risks to council cash investments.

6.2 There may be a need to review the strategy and treasury practices when the new CIPFA code of practice is issued.

7. OUTCOMES OF CONSULTATION

7.1 Not applicable

8. RECOMMENDATIONS

8.1 To receive the report on treasury management for 2008/09

8.2 To agree the proposals at paragraph 4.2 to improve current arrangements

8.3 To receive further proposals when the new CIPFA code and government guidance is published.

SERVICE DIRECTOR FINANCE

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Background Papers used in the preparation of this report

‘Risk and Return’, Audit Commission, March 2009

‘Treasury Management in Local Authorities- Post Icelandic Banks Collapse’, CIPFA, March 2009

‘Banking Crisis: The impact of the failure of the Icelandic banks’, Fifth report of session 2008-09, House of Commons Treasury Committee, 31 March 2009

‘Local Authority Investments’, Seventh report of session 2008-09, House of Commons Communities and Local Government Committee,11 June 2009

APPENDIX 1

ORGANISATIONS APPROVED BY COUNCIL ON 20 FEBRUARY 2008			
Name	**Maximum Investment £m**	**Credit Rating Fitch**	**Credit Rating Moody's**
UK Clearing Banks			
Abbey National Plc	10	F1+	P - 1
Alliance and Leicester Plc	10	F1+	P - 1
Bank of Ireland	10	F1+	P - 1
Bank of Scotland Plc (Member of the HBOS Group)	10	F1+	P - 1
Barclays Bank Plc	10	F1+	P - 1
Bristol & West Plc (subsidiary of Bank of Ireland)	10	F1+	P - 1
Halifax Plc (Member of the HBOS Group)	10	F1+	P - 1
HSBC Bank PLC	10	F1+	P - 1
Lloyds TSB Bank Plc	10	F1+	P - 1
National Westminster Bank Plc* (Member of the RBS Group)	10	F1+	P - 1
Royal Bank of Scotland (Member of the RBS Group)	10	F1+	P - 1
Ulster Bank Ltd (Member of the RBS Group)	10	F1+	P - 1
Bank of Scotland (Ireland) (wholly owned sub of BoS)	5	F1+	P - 1
Bradford & Bingley Plc	5	F1	P - 1
Butterfield Bank (UK) Limited	5	F1	**
Close Brothers Limited	5	F1	P - 2
Co-operative Bank Plc	5	F1	P - 1
Heritable Bank Limited	5	F1	P - 1
Northern Rock Plc	5	F1	P - 1
Kaupthing Singer & Freidlander Ltd	5	F1	**
*The Council's own bankers.			
Local Authorities / Police / Fire			
All Local Authorities	3	N/a	N/a
All Police Authorities	3	N/a	N/a
All Fire Authorities	3	N/a	N/a
Building Societies			
(Rankings by Building Societies Total Assets) (Last published May 2007)			
Nationwide	10	F1+	P - 1
Britannia	5	F1	P - 1
Yorkshire	5	F1	P - 1

Name	Maximum investment £m	Credit Rating Fitch	Credit Rating Moody's
Coventry	5	F1	P - 1
Chelsea	5	F1	P - 1
Skipton	5	F1	P - 1
Leeds	5	F1	P - 1
West Bromwich	5	F1	P - 1
Derbyshire	5	**	P - 1
Principality	5	**	P - 1
Cheshire	5	F1	P - 1
Newcastle	5	F1	P - 2
Norwich & Peterborough	3	**	P - 1
Stroud & Swindon	3	**	**
Dunfermline	3	**	**
Nottingham	3	**	**
Scarborough	3	**	**
Kent Reliance	3	**	**
Progressive	3	**	**
Cumberland	3	**	**
National Counties	3	**	**
Furness	3	**	**
Cambridge	3	**	**
Leek United	**3**	**	**
Saffron	3	**	**
Hinckley & Rugby	3	**	**
Manchester	3	**	**
Darlington	3	**	**
Newbury	3	**	**
EBS (No 1 Irish Building Society**)**	5	F1	P - 1
** Not rated			
Other UK Investment Institutions			
UK Debt Management Office	unlimited	n/a	n/a
Money Market AAA Deposit Schemes			
Names to be provided when schemes approved			

Name	Maximum investment £m	Credit Rating Fitch	Credit Rating Moody's
World Banks			
Australia			
Commonwealth Bank of Australia	10	F1+	P - 1
National Australia Bank (including wholly owned subsidiary Clydesdale Bank plc and Yorkshire Bank plc**)**	10	F1+	P - 1
Belgium			
Fortis Bank	10	F1+	P - 1
KBC Bank	10	F1+	P - 1
Dexia Bank Belgium, London Branch	**10**	F1+	P - 1
Bermuda			
Bank of NT Butterfield & Son Limited	3	F1	P - 2
Canada			
Bank of Montreal	10	F1+	P - 1
Bank of Nova Scotia	10	F1+	P - 1
Canadian Imperial Bank of Commerce	10	F1+	P - 1
Royal Bank of Canada	10	F1+	P - 1
Toronto Dominion Bank	10	F1+	P - 1
Finland			
Nordea Bank Finland	10	F1+	P - 1
France			
BNP Paribas	10	F1+	P - 1
Credit Agricole	10	F1+	P - 1
Societe Generale (SG)	10	F1+	P - 1
Germany			
Bayerische Landesbank	10	F1+	P - 1
Deutsche Bank	10	F1+	P - 1
Landesbank Baden-Wurttemburg	10	F1+	P - 1
Landesbank Hessen-Thuringen Gironzentrale	10	F1+	P - 1
HSH Nordbank AG	5	F1	P - 1
Norddeutsche Landesbank Gironzentrale	5	F1	P - 1
Landesbank Berlin	3	F2	P - 1
Iceland			
Landsbanki Islands	5	FI	P - 1
Glitnir Banki HF	**5**	**F1**	**P - 1**

	Maximum investment £m	Credit Rating Fitch	Credit Rating Moody's
Ireland			
Allied Irish Bank	10	F1+	P - 1
Depfa Bank Plc	10	F1+	P - 1
IIB Bank Ltd	5	F1	P - 1
Anglo Irish Bank Corporation Plc	5	FI	P - 1
Italy			
Banca Monte Dei Paschi Di Siena	5	F1	P - 1
Netherlands			
ABN AMRO Bank	10	F1+	P - 1
Rabobank	10	F1+	P - 1
Spain			
Banco Bilbao Vizcaya	10	F1+	P - 1
Banco Santander Central Hispano	10	F1+	P - 1
Sweden			
Svensa Handeslbanken	10	F1+	P - 1
Switzerland			
Credit Suisse First Boston International (incorporated in UK)	10	F1+	P - 1
UBS AG	10	F1+	P - 1
Singapore			
DBS Bank (London Branch)	10	F1+	P - 1
United States			
Bank of America NT & SA	10	F1+	P - 1
Bank of New York	10	F1+	P - 1
Citibank (Nevada) NA	10	F1+	P - 1
State Street Bank & Trust Company	10	F1+	P - 1

INVESTMENT RECORD 2008/09 APPENDIX 2

Investments at start and end of year	Limit £	01.04.08 £	31.03.09 £
UK Clearing Banks			
BANK OF SCOTLAND BasePlus	10,000,000	5,258,528	1,420,402
ABBEY NATIONAL PLC	10,000,000	4,490,157	3,953,449
NATIONAL WESTMINSTER BANK PLC	10,000,000	1,945,250	6,209,237
Building Societies			
NEWCASTLE BUILDING SOCIETY	5,000,000	1,000,000	1,000,000
SKIPTON BUILDING SOCIETY	5,000,000	1,600,000	1,000,000
COVENTRY BUILDING SOCIETY	5,000,000	3,000,000	0
NATIONWIDE BUILDING SOCIETY	5,000,000	0	5,000,000
LEEDS BUILDING SOCIETY	3,000,000	0	1,000,000
Other Investment Institutions			
EBS BUILDING SOCIETY	5,000,000	4,000,000	0
LANDSBANKI ISLANDS	5,000,000	4,000,000	2,000,000
KAUPTHING SINGER & FREIDLANDER LTD	5,000,000	3,440,157	0
HERITABLE BANK LIMITED	5,000,000	2,500,000	3,500,000
ANGLO IRISH BANK CORP PLC	5,000,000	1,000,000	0
BANK OF SCOTLAND (IRELAND) LTD	5,000,000	2,550,000	0
CLOSE BROTHERS LIMITED	5,000,000	2,000,000	1,000,000
TOTAL INVESTED		**36,784,092**	**26,083,087**

Other organisations where funds were deposited during the year

DEBT MANAGEMENT OFFICE	UNLIMITED
BARCLAYS BANK PLC	10,000,000
DEPFA BANK PLC	10,000,000
CO-OPERATIVE BANK PLC	5,000,000
NORTHERN ROCK PLC	5,000,000
CHELSEA BUILDING SOCIETY	5,000,000
CHESHIRE BUILDING SOCIETY	5,000,000
WEST BROMWICH BUILDING SOCIETY	5,000,000
YORKSHIRE BUILDING SOCIETY	5,000,000

LIST OF APPROVED INVESTMENT ORGANISATIONS NOT USED DURING 08/09

UK Banks
HSBC Bank PLC
Lloyds TSB Bank Plc
Royal Bank of Scotland (Member of the RBS Group)
Ulster Bank Ltd (Member of the RBS Group)
Alliance and Leicester Plc
Bradford & Bingley Plc
Bristol & West Plc (subsidiary of Bank of Ireland)
Butterfield Bank (UK) Limited
Halifax Plc (Member of the HBOS Group)

Building Societies
Britannia
Derbyshire

World Banks
Australia
Commonwealth Bank of Australia
National Australia Bank (including wholly owned Clydesdale Bank plc and Yorkshire Bank plc)
Belgium
Fortis Bank
KBC Bank
Dexia Bank Belgium, London Branch
Bermuda
Bank of NT Butterfield & Son Limited
Canada
Bank of Montreal

Dunfermline
Norwich & Peterborough
Nottingham
Principality
Scarborough
Stroud & Swindon
Kent Reliance
Progressive
Cumberland
National Counties
Furness
Cambridge
Leek United
Saffron
Hinckley & Rugby
Manchester
Darlington
Newbury

Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Royal Bank of Canada
Toronto Dominion Bank

Finland

Nordea Bank Finland

France

BNP Paribas
Credit Agricole
Societe Generale (SG)

Germany

Bayerische Landesbank
Deutsche Bank
Landesbank Baden-Wurttemburg
Landesbank Hessen-Thuringen Gironzentrale
HSH Nordbank AG
Norddeutsche Landesbank Gironzentrale
Landesbank Berlin

Iceland

Glitnir Banki HF

Ireland

Allied Irish Bank
IIB Bank Ltd

Italy

Banca Monte Dei Paschi Di Siena

Netherlands

ABN AMRO Bank
Rabobank

Spain

Banco Bilbao Vizcaya
Banco Santander Central Hispano

Sweden

Svensa Handeslbanken

Switzerland

Credit Suisse First Boston International (UK)
UBS AG

Singapore

DBS Bank (London Branch)

United States

Bank of America NT & SA
Bank of New York
Citibank (Nevada) NA
State Street Bank & Trust Company

No deposits were made with Local Authorities, Police or Fire Authorities, or Money Market Deposit Schemes

PRUDENTIAL GUIDELINE INDICATORS **APPENDIX 3**

	2008/09 Original	2008/09 Revised	2008/09 Actual
(i) estimates of capital expenditure	£'000 44,982	£'000 37,629	£'000 34,885
(ii) General Fund ratio of financing costs to the net revenue stream	5.09%	4.82%	4.54%
(iii) an estimate of the capital financing requirement	129,145	127,963	118,220
(iv) the authorised limit for external debt including borrowing and other long term liabilities	215,000	215,000	120,705
(v) the operational boundary for external debt including borrowing and other long term liabilities	141,000	141,000	120,705
(vi) upper limit for fixed rate exposure	% 100	% 100	% 95.5
(vii) upper limit for variable rate exposure	20	20	4.5
(viii) upper and lower limits for maturIty structure of borrowing			
UPPER LIMIT			
under 12 months	15	15	1
12 months and within 24 months	15	15	1
24 months and within 5 years	50	50	7
5 years and within 10 years	75	75	15
10 years and above	90	90	76
LOWER LIMIT			
under 12 months	0	0	
12 months and within 24 months	0	0	
24 months and within 5 years	0	0	
5 years and within 10 years	0	0	
10 years and above	25	25	
(ix) total principal sums invested for periods longer than 364 days	A maximum of £5m with a maturity period not exceeding 3 years	A maximum of £5m with a maturity period not exceeding 3 years	none