

AMENDED AGENDA

AUDIT COMMITTEE MEETING



Date: Monday 26 November 2012
Time: 6.30 p.m.
Venue: Town Hall, High Street,
Maidstone

Membership:

Councillors Black, Burton, Butler (Chairman),
Warner and Mrs Wilson

Page No.

1. Apologies for Absence
2. Notification of Substitute Members
3. Notification of Visiting Members
4. Disclosures by Members and Officers
5. Disclosures of Lobbying
6. To consider whether any items should be taken in private because of the possible disclosure of exempt information
7. Minutes of the meeting held on 17 September 2012

Continued Over/:

Issued on 22 November 2012

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEBBIE SNOOK on 01622 602030**. To find out more about the work of the Committee, please visit www.maidstone.gov.uk

**Alison Broom, Chief Executive, Maidstone Borough Council,
Maidstone House, King Street, Maidstone, Kent ME15 6JQ**

8. Report of the Head of Finance and Customer Services - Audit Commission's Annual Audit Letter 2011/12
9. Report of the Head of Finance and Customer Services - External Audit Fees 2012/13
10. Report of the Head of Finance and Customer Services - Independent Member of Audit Committee
11. Report of the Head of Finance and Customer Services - Treasury Management Strategy Mid-Year Performance
12. Report of the Head of Audit Partnership - Internal Audit Interim Report
13. Report of the Head of Audit Partnership - Internal Audit Partnership - Progress Report
14. Report of the Director of Regeneration and Communities - Audit Committee Frequency of Meetings
15. **Revised Report of the Head of Finance and Customer Services - Treasury Management Strategy Mid-Year Performance** **72 - 86**

PART II

To move that the public be excluded for the item set out in Part II of the Agenda because of the likely disclosure of exempt information for the reasons specified having applied the Public Interest Test.

		Head of Schedule 12A and Brief Description	
16.	Exempt Report of the Assistant Director of Regeneration and Cultural Services - Maidstone Museum East Wing Project Review - Update	3 – Financial/Business Affairs 5 – Legal Professional Privilege/Legal Proceedings	Circulated Separately

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

26 NOVEMBER 2012

REPORT OF HEAD OF FINANCE & CUSTOMER SERVICES

Report prepared by John Owen
Accountant (Systems)

1. TREASURY MANAGEMENT STRATEGY MID YEAR PERFORMANCE

1.1 Issue for Decision

1.1.1 This report sets out the activities of the Treasury Management function at the mid point of the 2012/13 financial year in accordance with CIPFA's Code of Practice on Treasury Management 2011. The Code suggests that members should be informed of Treasury Management activities at least twice a year.

1.1.2 This report also considers the reference from Cabinet arising from the decision made on 12th September 2012 to proposal borrowing in order to support the investment plans set out in that Cabinet decision.

1.2 Recommendation of Head of Finance & Customer Services

1.2.1 That the Audit Committee notes the position as at 30th September 2012, as detailed with the report.

1.2.2 That the Audit Committee recommends to Council the amendments proposed to the Treasury Management Strategy for 2012/13 that:

- a) the strategy includes confirmation that up to £6m can be borrowed in 2012/13 to support the capital programme;
- b) the revised prudential indicators as set out in Appendix B be approved.

1.3 Reasons for Recommendation

1.3.1 The council adopted and incorporated the CIPFA Code of Practice on Treasury Management 2011 within its Financial Regulations. The Code covers the principles and guidelines relating to borrowing and investment operations.

1.3.2 In February 2012, the council approved a Treasury Management Strategy for 2012/13. The Strategy requires members of this committee to be kept informed of Treasury Management activities through a mid year review and an annual report. In addition a brief quarterly update is given within the budget monitoring report to Cabinet.

1.3.3 The Strategy for 2012/13 set out the following objectives:-

- a) Invest funds short term (up to one year) so that funds are available to invest when rates increase.
- b) Use up to £3m core cash balances to be invested for 1 year or above if rates are at a premium over predicted base rates and funds are available for the term. This would leave a core cash balance of £2m if there were to be any unexpected events.
- c) There is no borrowing assumed within the 2012/13 Strategy.

1.3.4 In September 2012 the cabinet considered a report on investment opportunities. This included consideration of the possible use of borrowing powers to make the necessary investments through the purchase of assets. Cabinet approved the report including a proposal for borrowing up to £6m in 2012/13 and has referred that decision for consideration by this Committee. The Committee will be required to make a recommendation to Council following consideration of the proposal. The record of decision is attached at **Appendix A**.

1.4 2012/13 Overview

1.4.1 The council's current Treasury Advisors, Sector, provide the following economic overview and a rates forecast up to March 2015.

1.4.2 **Economic Overview**

The first six months of 2012/13 has shown the following:-

- Bank of England had lowered its expectations for the speed of recovery and rate of growth and has amended its forecasts for 2012 and 2013. This is particularly due to the economic effects of the continuing debt crisis of the Eurozone and worldwide developments in America and the Far East/China.
- In the UK consumer confidence remains very depressed with unemployment concerns, indebtedness and a squeeze on incomes from high inflation and low pay rises taking its toll.

This has been the slowest recovery from a recession of any five recessions since 1930.

- The weak recovery has caused social security payments to remain elevated and tax receipts to be depressed. The Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future.
- However, the UK's Sovereign debt remains one of the first ports of call for surplus cash to be invested.

1.4.3 Rates Forecast

	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
3m LIBID	0.60	0.60	0.60	0.60	0.60	0.60	0.70	0.90	1.10	1.40
6m LIBID	0.85	0.85	0.85	0.85	0.85	1.00	1.10	1.30	1.50	1.80
12m LIBID	1.30	1.30	1.30	1.40	1.50	1.70	1.90	2.10	2.30	2.60
5yr PWLB	1.50	1.50	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.30
10yr PWLB	2.50	2.50	2.50	2.60	2.70	2.80	2.90	3.00	3.20	3.30
25yr PWLB	3.70	3.70	3.70	3.80	3.80	3.90	4.00	4.10	4.20	4.30
50yr PWLB	3.90	3.90	3.90	4.00	4.00	4.10	4.20	4.30	4.40	4.50

- The first bank rate increase is expected to be in quarter up to December 2014.
- The above PWLB rates incorporate the introduction of the PWLB certainty Rate in November 2012 which will reduce borrowing rates by 0.20%

1.5 Annual Investment Strategy

1.5.1 The Treasury Management Strategy for 2012/13 was approved by Council in March 2012. The Council's Annual Investment Strategy, which is incorporated within the Treasury Management Strategy, outlines the council's investment priorities as follows:

- Security of Capital
- Liquidity
- Yield

1.5.2 The Council will aim to achieve optimum return on investments with proper levels of security and liquidity. It was agreed to keep investments short term with highly credit rated financial institutions, using the credit worthiness list and information provided by Sector as well as being mindful of market intelligence.

1.6 Review of Treasury Management Activity to September 2012

1.6.1 £5m has been invested with Lloyds TSB (part nationalised bank) £3m for 346 days and £2m for 367 days.

1.6.2 All other investments have been completed on a short term basis (up to one year), as agreed within the Strategy.

1.6.3 The current balance on investments as at 30th September 2012 is £28.45m. These are listed within **Appendix B**.

1.6.4 Investment income for the first half of 2012/13 has been above target. Income of £147k has been received compared to a budget of £124k with an average rate of 1.23%.

1.7 Borrowing

1.7.1 There has been no need for borrowing within the first half of 2012/13.

1.7.2 The Council has made the appropriate returns to Central Government to enable it to take advantage of the PWLB certainty rate should it need to borrow.

1.7.3 Following the decision of Cabinet referred to earlier in this report and given at Appendix A, there is a need for the Committee to consider an amendment to the current strategy and the prudential indicators. The Committee's decision on this matter would be in the form of a recommendation to Council to enable consideration of a revised Treasury Management Strategy for the current year.

1.7.4 The objectives of the current strategy, as set out in paragraph 1.3.3 of this report, include an assumption that the capital programme would not require borrowing in 2012/13. Following the Cabinet decision, borrowing is a possibility. The actual mechanism for funding the capital programme, even with the inclusion of an additional £6m of investment expenditure, may not require formal borrowing but this is dependent upon a number of factors. Should prudential borrowing prove to be the most cost effective method of financing the capital

programme then it will be necessary to have the permission to borrow clearly set out in the strategy.

1.7.5 The amendment required is therefore to include the assumed borrowing of £6m in the strategy for 2012/13.

1.8 Prudential Indicators

1.8.1 It is a statutory duty for the council to determine and keep under review the Affordable Borrowing Limits. These are listed within **Appendix C**.

1.8.2 The indicators given in the appendix include the amendments necessary to borrow up to £6m in relation to the capital programme and an additional £4m short term for cash flow purposes, making a maximum at any one time of £10m. The currently approved strategy for 2012/13 includes £4m for each value making a maximum of £8m.

1.8.3 Borrowing forms part of the two external debt indicators. These indicators are identified on the appendix as the "Operational Limit" and the "Authorised Limit". The operational limit shows only the borrowing that is long term to finance the capital programme. The value of this borrowing becomes £6m under the Cabinet proposal. If cash flow management requires short term borrowing to cover out going cash flows, the authorised limit is enforced to ensure a maximum of £4m of additional borrowing can occur short term.

1.8.4 Included within these limits, in addition to the limit for borrowing, is a limit for other long term liabilities. These are treated on the Council's balance sheet as a form of borrowing and must be included in these limits. The value of £6.2m shown relates to the agreement with Serco Paisa for the improvements to the Leisure Centre and will be a reducing liability for 15 years from the commencement of the works. This value is reduced each year in line with the agreement to ensure the Council does not incur further liabilities without the necessary approval of Members.

1.8.5 The amendment required is therefore to increase the operational limit and the authorised limit by the additional £2m required.

1.9 Cash Management

1.9.1 The major element of the council's Treasury Management function is the management on the daily basis of the cash requirements of the council. The policy objectives in this respect are:-

- The minimisation of the daily credit bank balance. Subject to clearance of monies overnight;
- Interest earned on investments should be maximised subject to **security** of funds being paramount;
- Interest paid on borrowing should be minimised;
- Adequate funds should be available to meet precept payments and other payments as they fall due;
- Cash management activities are carried out in accordance with the agreed Treasury Management Strategy.

1.9.2 The management of the Council's cash balances has been carried out entirely in accordance with the Strategy.

1.10 Alternative Action and why not Recommended

1.10.1 No alternative action is proposed relating to the historic activity covered in this report.

1.11 Impact on Corporate Objectives

1.11.1 The Treasury Management Strategy will impact upon all corporate objectives through the resource it provides from the investment of the council's balances. These resources are incorporated in the council's budget.

1.12 Risk Management

1.12.1 Risk Management is included within the Treasury Management Practices which the council adheres to. The main risks to the council are counterparty risk, liquidity risks and interest rate risks which are closely monitored on a regular basis using the council's treasury advisors, Sector, and other market intelligence. If there is a possibility of a negative risk, the appropriate action is taken.

1.12.2 The risks related to the cabinet decision on investment opportunities are set out in the original report and the decision at Appendix A. The ultimate mitigation of these risks is the proposal to set aside £0.5m from balances to cover the potential costs of scheme failure.

1.13 Other Implications

1.13.1

1. Financial



- 2. Staffing
- 3. Legal
- 4. Equality Impact Needs Assessment
- 5. Environmental/Sustainable Development
- 6. Community Safety
- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

X

1.14 Relevant Documents

1.14.1 Appendices

- Appendix A – Record of Decision of the Cabinet – Investment opportunities
- Appendix B – Proposed Prudential Indicators
- Appendix C – List of Investments at 30th September 2012

<u>IS THIS A KEY DECISION REPORT?</u>	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
If yes, when did it first appear in the Forward Plan?	
.....	
This is a Key Decision because:	
.....	
Wards/Parishes affected:	
.....	

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 12 September 2012

INVESTMENT OPPORTUNITY

Issue for Decision

This report considers investment proposals for the council to help improve income and achieve the Council's priorities

Decision Made

1. That the three areas of investment be supported, subject to the controls set out in the report of the Assistant Director of Environment and Regulatory Services.
2. That a member advisory panel be established in accordance with the terms of reference set out in Appendix 2 to the report of the Assistant Director of Environment and Regulatory Services.
3. That a Cabinet Committee be established, in accordance with the terms set out in Appendix 2 to the report of the Assistant Director of Environment and Regulatory Services, to make decisions on possible acquisitions, having regard to the views of the members advisory panel. The committee to comprise of the Leader of the Council, the Cabinet Member for Economic and Commercial Development and the Cabinet Member for Corporate Services. The remaining Cabinet Members are able to be appointed as substitute members of the Committee.
4. That an agent or agents be appointed on a commission only basis, in accordance with the maximum sliding scale identified in Appendix 1 to the report of the Assistant Director of Environment and Regulatory Services, to bring forward potential acquisitions on a confidential basis.
5. That the Audit Committee and the Council be recommended to authorise prudential borrowing of up to £6million within the current financial year 2012/13 and to set aside a fund of £500,000 from balances to cover any potential scheme failure.

Reasons for Decision

The current economic climate is causing significant financial pressures on local authorities. Revenue provision through government grant is

reducing and will continue to reduce. In order to achieve the Council's strategic goals and indeed to maintain services, there is a need for the Council to be more business-like.

The Government is actively encouraging local authorities to use prudential borrowing to generate additional income, support improved sustainability and provide encouragement for businesses to invest and regenerate.

The Cabinet, at its meeting on 25 July, considered the Council's Capital Programme and in particular, the possibility of prudential borrowing. This confirmed that the Council has the power to borrow to finance capital expenditure, subject to the guidance set out in the Code of Practice published by the Chartered Institute of Public Finance and Accountancy. Compliance with the code is a statutory requirement. In summary, the key objectives of the Code are:

- To ensure within a clear framework that capital expenditure plans are affordable, prudent and sustainable;
- That treasury management decisions are taken in accordance with good professional practice;
- That local strategic planning, asset management planning and proper option appraisal are supported; and
- To provide a clear and transparent framework to ensure accountability.

If the Council were to consider prudential borrowing as a source of funding for the capital programme, it would be required to evidence that such funding is affordable, prudent and sustainable. Given the current economic circumstances and the expected future pressure on resources, borrowing would place additional pressure on the savings requirements of the Council. At this time, it would only be appropriate to consider borrowing where the overall benefit of the schemes within the programme outweighs the additional pressure on the general fund or the outcome is self-supporting.

The Cabinet resolved:-

- a) That the proposed amendments to the capital strategy including the prudential borrowing where this achieves commercial development, outlined in Section 1.5 of the report of the Corporate Leadership Team, be agreed.
- b) That officers develop and present proposals that achieve the Council's objectives through commercial development, as set out in Section 1.5 of the report.
- c) That the evaluation of resources available and scheme proposals as set out in paragraph 1.6.5. of the report, identifying the appropriate use of the resources available, be approved.

Section 1.5 of the Cabinet report identifies the possible use of prudential borrowing when the following criteria apply:

- a) Schemes (or proposals) are commercial in nature
- b) The outcome returns a financial benefit at least equal to the cost incurred by borrowing to fund the schemes.
- c) After covering the cost of funding, a further financial or non-financial benefit accrues to the Council that directly or indirectly supports the strategic plans policy outcomes.

The report of the Assistant Director of Environment and Regulatory Services considers three areas of prudential borrowing that will meet the guidelines of the CIPFA Code of Conduct and the criteria identified in the above decision of Cabinet on 25 July 2012.

Property Portfolio

Most local authorities have property portfolios and this Council owns assets with a value around £79 million. The major asset owned by the Council is the Park Wood Industrial Estate which generates over £300k per annum to the Council.

Property investment opportunities can become available which would require prudential borrowing, but would generate surplus income to support the Council's strategic priorities. Such acquisitions would comply with the CIPFA code and the recent Cabinet report and must:-

- Have existing long-term good quality tenants
- Be in good condition with long term lease and suitable construction
- Make an annual rate of return beyond the capital repayment based on a maximum 50-year repayment.
- Be available at an affordable price to meet the requirements of best consideration.

Such property, including those outside the Borough but within the UK, do not often come to the open market and the Council, if it wishes to consider such acquisitions, will have to procure suitable professional advice.

In order to achieve the best opportunities for the Council, expert advice would be needed and the Council would appoint an agent or agents who would work on a commission only basis, to be based on a sliding scale according to the value of the acquisition. This was shown in Appendix 1 to the report of the Assistant Director of Environment and Regulatory Services. Such agents would bring forward suitable acquisitions on a confidential basis.

Property Portfolio Governance

This is a new area of activity for the Council and the governance of such arrangements is critical to ensure the processes and responsibilities are

clear and transparent.

It is proposed that the Council establishes an informal members advisory panel to review the business cases brought forward and advise the decision makers. The proposed terms of reference of the panel were provided in Appendix 2 to the report of the Assistant Director of Environment and Regulatory Services.

It is also proposed that due to the *ad hoc* and sometimes urgent way that proposals are brought forward, that decisions are made by a committee of cabinet, the members of which, if needed, could meet quickly to consider an urgent proposition.

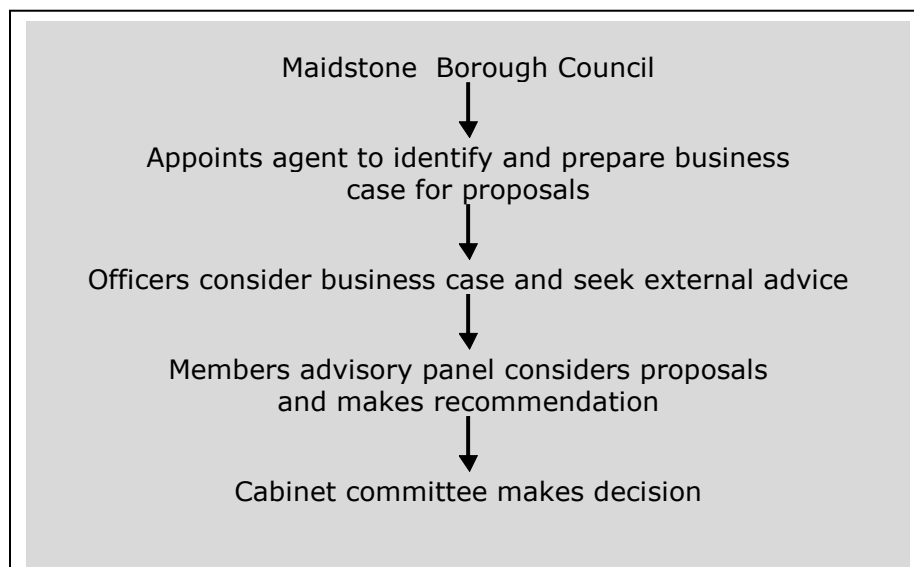
It was recommended that the committee would comprise of the Leader of the Council, Cabinet Member for Economic and Commercial Development and the Cabinet Member for Corporate Services. Substitute Cabinet members would be permitted. The terms of reference are also provided in Appendix 2 to the report of the Assistant Director of Environment and Regulatory Services.

It would be the agents' responsibility to ensure that all costs are identified in the detailed business case. In this way, the Council would bear no additional costs, its exposure being limited to pre-agreed commission for each transaction as it arises.

It would be the relevant officers, supported by the agents, responsibility to present prospective acquisitions to the members panel, supported by a full report to include third party valuation, financial assessment, title report, etc. In turn, any recommended proposals would be presented to the cabinet committee for approval.

Such reports and recommendations would be comprehensive and capable of enabling a decision to be made which meets the guidelines identified above. This is likely to include external independent advice regarding the elements of the business case.

A possible flow diagram is shown below:-



The appointment of an agent would need to meet the requirements of the Council's procurement policy

It is considered prudent that a limit on acquisitions be set each year in accordance with the Council's treasury management arrangements and that for the present year, 2012/13, this be set at £6million. This will need Audit Committee and full Council approval.

Derelict Residential Properties

The Government is encouraging Councils to use prudential borrowing to bring back derelict residential properties to habitable use. This could include long-term empty properties.

The Council's Housing service has already secured government funding to support the restoration of 10 properties but surveys have identified that there are in the region of 50 properties in the borough that are derelict and 500 that have been empty for more than two years.

In addition, the Council is facing, due to the current economic downturn, ever increasing costs to provide homeless individuals and families with temporary accommodation.

It was suggested that, if restored, these derelict and long-term empty properties could be used to provide that temporary accommodation, which would be cheaper than the current costs of bed and breakfast and provide a regular income to repay the purchase costs.

These acquisitions should be made through the Property Investment Governance arrangements identified above.

Again, all acquisitions will need to meet the CIPFA prudential code and guidelines established by Cabinet.

Strategic Property Investment

Given the current economic position, there may be certain circumstances where development, within the borough, is not progressing in a way that the "market" would enable without intervention. It could be that bringing forward that development would assist the Council in achieving its strategic objectives. An example might be where a significant number of new jobs would be created.

In order to see the development come forward, the Council may decide to intervene and provide financial or technical support. Each case would be subject to a detailed report by the appointed agent and a detailed business case in accordance with the Property Investment Governance arrangements identified above.

Again, all the criteria set out above would need to be met, although in such cases, the Council could accept a proposal which would only return

the original outlay and not necessarily provide an additional yield.

Possible Business Failure

It is inevitable that in investing in these properties, there are risks and possible failure, although unlikely given the controls, could occur. It is therefore proposed to establish a fund of £500k to cover any potential scheme failure. This is also relevant for the report on commercial opportunities, also on the Cabinet agenda.

These are the only circumstances in which the Council will consider prudential borrowing at the present time.

Other capital projects will have to be funded from surplus received and through other funding sources.

Alternatives considered and why rejected

The Cabinet could have decided not to agree to the options but this would prevent any possible activity from the potential venture.

The Cabinet could have decided to propose different governance arrangements but the arrangements suggested in the report of the Assistant Director of Environment and Regulatory Services provide for clear decision making and transparency.

Background Papers

The Prudential Code, published by the Chartered Institute of Public Finance and Accountancy.
Report to cabinet on the capital programme July 2012

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: 21 September 2012
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INVESTMENTS AS AT 30 SEPTEMBER 2012

Type of Investment/Deposit	Counterparty	Issue Date	Maturity Date	Amount Invested	Current Interest Rate	Other information (if required)
Call account	Svenska Handelbanken			£4,000,000	0.8000	35 Days Notice
Money Market Fund	Prime Rate			£6,450,000	0.5635	
Fixed Term Deposit	Coventry BS	03/07/2012	03/10/2012	£1,000,000	0.8100	
Fixed Term Deposit	Ulster Bank Ltd	03/04/2012	03/10/2012	£2,000,000	1.4000	
Fixed Term Deposit	Ulster Bank Ltd	04/04/2012	04/10/2012	£1,000,000	1.5000	
Fixed Term Deposit	Coventry BS	27/07/2012	29/10/2012	£1,000,000	0.6400	
Fixed Term Deposit	Leeds BS	27/07/2012	29/10/2012	£1,000,000	0.5500	
Fixed Term Deposit	Nationwide BS	01/08/2012	01/11/2012	£1,000,000	0.5800	
Fixed Term Deposit	Nationwide BS	28/08/2012	28/11/2012	£1,000,000	0.5400	
Fixed Term Deposit	Barclays Bank Plc	06/09/2012	06/12/2012	£2,000,000	0.6100	
Fixed Term Deposit	Barclays Bank Plc	07/09/2012	07/12/2012	£1,000,000	0.6100	
Fixed Term Deposit	Ulster Bank Ltd	31/05/2012	15/03/2013	£2,000,000	1.7000	
Fixed Term Deposit	Lloyds TSB Bank	23/07/2012	04/07/2013	£3,000,000	3.0000	
Fixed Term Deposit	Lloyds TSB Bank	10/08/2012	12/08/2013	£2,000,000	2.8500	
	Total			£28,450,000		

Credit Limits	
Maximum Deposit	Suggested Term
£4,000,000	1yr
£8,000,000	2yrs
£2,000,000	3mths
£5,000,000	1yr
£2,000,000	3mths
£2,000,000	3mths
£2,000,000	3mths
£3,000,000	3mths
£3,000,000	3mths
£5,000,000	1yr
£5,000,000	1yr
£5,000,000	1yr

PRUDENTIAL INDICATORS

Capital Financing Requirement

2011/12 Actual £,000	2012/13 Estimate £,000	2012/13 Actual £,000
0	6,000	0

It has been agreed that £6m external funding may be needed to fund the council's capital programme in 2012/13.

Authorised Limit for External Debt

	2011/12 Actual £,000	2012/13 Estimate £,000	2012/13 Actual £,000
Borrowing	8,000	10,000	0
Other Long Term Liabilities	6,684	6,294	6,294
Total	14,684	16,294	6,294

This limit is the main limit set as a maximum for external borrowing. It fulfils the requirements under section 3 of the Local Government Act 2003. No borrowing was undertaken so no limits were breached.

Operational Limit for External Debt

	2011/12 Actual £,000	2012/13 Estimate £,000	2012/13 Actual £,000
Borrowing	4,000	6,000	0
Other Long Term Liabilities	6,684	6,294	6,294
Total	10,684	12,294	6,294

This limit should be the focus of day to day treasury management. It is similar to the Authorised Limit but excludes the allowance for temporary cash flow borrowing as perceived as not necessary on a day to day

Upper Limit for Fixed Interest Rate Exposure

2011/12 Actual %	2012/13 Estimate %	2012/13 Actual %
99	100	93

This is the maximum amount of net borrowing and investment that can be at a fixed rate. Due to the nature of the council's cashflows it is likely that this limit will only be approached towards the end of the financial year when there are less surplus funds available for short term investment.

Upper Limit for Variable Interest Rate Exposure

2011/12 Actual %	2012/13 Estimate %	2012/13 Actual %
48	80	53

This is the maximum amount of net borrowing and investment that can be at a variable rate. The limit set reflects the fact that during the year there can be excess surplus funds available for short term investment. These arise from timing differences between receipts received and

Principal Invested for more than 364 Days

2011/12 Actual £,000	2012/13 Estimate £,000	2012/13 Actual £,000
3,000	3,000	2,000

This indicator is set to reflect current advice from our Treasury Management Advisors.