APPENDIX C

CIPFA Prudential Code

Treasury Management Indicators 2007/8 to 2009/10

1. **Upper limit for fixed interest rate exposures**
   (a) Borrowing
   (b) Investments
   In both cases it is proposed to put the upper limit at 100% for all three years. It has been normal practice to fix interest rates on both.
2. **Upper limit for variable interest rate exposures**
   (a) Borrowing
   Long-term borrowing is normally fixed. However, it is possible to anticipate economic circumstances where long-term interest rates may be lower in years ahead. In such circumstances it would make sense to borrow at variable rates in the near term and fix them at a future point when they are (hopefully!) lower. For this reason it is proposed to put this limit also at 100% each year.
   (b) Investments
   It is not usual policy to invest at variable rates, although, because investments are made most days, the result is similar to investing at variable rates. It is proposed to put this limit at 25% each year.
3. **Upper and lower limits for debt maturity**
   Our normal practice is to spread the County Council's debt fairly evenly over a number of years. Currently, debt is spread over 60 years with a maximum of any one year's maturity around 15% of the total. However, since the County Council's future borrowing requirement is fairly sizeable in relation to current debt, it is proposed to set the upper limit at 25%, and the lower limit at 0%.
4. **Upper limit for investments over 364 days**
   This indicator is designed to prevent the County Council committing investments for longer periods and consequently running out of cash in the short term. The market has developed “callable” investments nominally over a year, but which can be repaid early by the bank at stipulated periods. To take advantage of these instruments it is proposed to increase the limit to such investments from 10% to 15% of outstanding loans at the date they are made.

Summary

Indicator	2007/8	2008/9	2009/10
1.(a) Upper limit for fixed interest rate exposures - borrowing	100%	100%	100%
1.(b) Upper limit for fixed interest rate exposures - investments	100%	100%	100%
2.(a) Upper limit for variable interest rate exposures - borrowing	100%	100%	100%
2.(b) Upper limit for variable interest rate exposures - investments	25%	25%	25%
3.(a) Upper limit for debt maturity	25%	25%	25%
3.(b) Lower limit for debt maturity	0%	0%	0%
4. Upper limit for investments over 364 days	15%	15%	15%