Agenda Item No: **7**

Cabinet (Resources) Panel

26 November 2013

Report Title	Treasury Management Activity Monitoring- Mid Year Review 2013/14	
Decision designation	RED	
Cabinet Member with Lead Responsibility	Councillor Andrew Johnson Resources	
Key Decision	Yes	
In Forward Plan	Yes	
Wards Affected	All	
Accountable Strategic Directors	Simon Warren, Chief Executive Sarah Norman, Community Keith Ireland, Delivery Tim Johnson, Education and Enterprise	
Originating service	Strategic Finance	
Accountable employee(s)	Mark Taylor Tel Email	Assistant Director Finance 01902 55(6609) Mark.Taylor@wolverhampton.gov.uk
Report has been considered by	Strategic Executive Board	14 November 2013

Recommendations for noting:

The Cabinet is recommended to note for Council approval, the contents of the report and particularly that:

(i) Overall the council is continuing to operate within the Prudential and Other Indicators approved by the council, and also within the requirements set out in the council's approved Treasury Management Policy Statement.

(ii) Revenue savings of £870,000 for the General Fund and £2.8 million for the Housing Revenue Account are forecast from treasury management activities in 2013/14.

(iii) A mid-year review of the Treasury Management Strategy Statement has been undertaken and the Council has operated within the limits and requirements approved by Council in March and September 2013.

TREASURY MANAGEMENT ACTIVITY MONITORING- MID YEAR REVIEW 2013/14

1. Purpose

1.1 This report provides a monitoring and progress report on Treasury Management Activity for the second quarter of 2013/14 as part of the mid-year review, in line with the revised Prudential Indicators approved by Council in September 2013.

1.2 Overall, the council is continuing to operate within the Prudential and Treasury Management Indicators approved by the council, and also within the requirements set out in the council's approved Treasury Management Policy Statement.

1.3 The council's treasury management activities are forecast to deliver savings of £870,000 for the General Fund and £2.8 million for the HRA for 2013/14.

1.4 The council has continued to use Capita Asset Services as its treasury management advisors throughout 2013/14.

2. Background

2.1 The treasury management activities of the council are underpinned by The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2012. The primary requirements of the Code are the:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the council will seek to achieve those policies and objectives.
- Receipt by Cabinet / Council of an annual strategy report for the year ahead, a mid-year review report and an annual review report of the previous year.
- Delegation by the council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Nomination of the Confident, Capable Council Scrutiny Panel to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2.2 Treasury management in this context is defined as:

"The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.3 The system of controls on local authority capital investment has been in place since 1 April 2004. This replaced the previous complex regulatory framework governing local authority capital expenditure. The current system is one based largely on selfregulation by local authorities themselves. At its heart is CIPFA's Prudential Code for Capital Finance.

2.4 The Cabinet (Resources) Panel receive quarterly reports throughout the year to monitor performance against the strategy and Prudential Indicators that have previously been approved by the council.

2.5 The council continued to use Capita Asset Services, previously known as Sector Treasury Services Limited, as its treasury management advisors throughout 2013/14. Capita provides market data and intelligence on which the council can make decisions regarding all aspects of treasury management activities and in particular, managing the risks associated with investing surplus cash.

3. 2013/14 Forecast Outturn

3.1 The forecast outturn for treasury management activities in 2013/14 compared to budget is shown in Table 1 below.

Table 1 – Treasury Management Budget and Forecast Outturn 2013/14

	Approved Budget £000	Forecast Outturn £000	Variance £000
General Fund	22,767	21,897	(870)
Housing Revenue Account	15,774	12,996	(2,778)
Total	38,541	34,893	(3,648)

3.2 The strategy to date in 2013/14 has been to maintain cash balances at a reduced level, therefore keeping to a minimum the credit risk incurred by holding investments and to avoid the higher costs of external borrowing compared to interest foregone on cash balances, thereby generating revenue savings.

3.3 Overall a saving of £870,000 for the General Fund and a saving of £2.8 million for the HRA are projected for the year 2013/14.

3.4 Appendix A shows a comparison of the latest estimates of Prudential and Treasury Management Indicators over the medium term period with the equivalent revised figures which were approved by the council in September 2013. Based on the latest capital expenditure forecast the council is currently forecast to breach its self-determined authorised limit for external debt during 2014/15 and beyond. This will be kept under review and if necessary revisited in the quarter 3 update.

3.5 Appendix B shows a summary of the long term cash flow, and incorporates income and expenditure as a result of the General Fund and HRA revenue and capital programmes.

4. Borrowing Forecast for 2013/14

4.1 The council's need to borrow and the rates available continue to be monitored in order to achieve optimum results. The council's medium term forecast is regularly updated to reflect actual borrowing that takes place along with any revisions to future anticipated borrowing.

4.2 Table 2 shows the average rate of interest payable in 2012/13 and forecast for 2013/14.

Table 2- Average Interest Rate Payable in 2012/13 and 2013/14

	2012/13 Actual	2013/14 Forecast
Average Interest Rate Payable	4.42%	4.20%

4.3 The average rate of interest payable by the council is estimated to fall from 4.42% to 4.20% for 2013/14. New borrowing forecast for the year is expected to be at significantly lower rates as shown in Table 3 below.

Table 3- Rates available for PWLB borrowing (incl. Certainty rate discount)

Current Rates	As at 30 September 2013
5 Year Maturity Loan Rate	2.30%
10 Year Maturity Loan Rate	3.58%
25 Year Maturity Loan Rate	4.25%

4.4 Each year it is necessary to raise new loans to finance capital expenditure and to replace existing maturing debt. The council's policy is to prioritise the use of capital receipts to finance capital expenditure. Balances which are set aside to meet credit liabilities (i.e. to repay debt) are used to reduce the external borrowing requirement. Decisions to take borrowing will be made by the Assistant Director Finance when it is judged that rates are likely to be at their lowest levels, and probably about to rise according to market indications, and only when an inflow of funds is required to meet imminent cash flow commitments. This will keep overall surplus cash balances to a minimum, in line with the current strategy. Appendix C shows the maturity profile of current external borrowing.

4.5 Any short term savings made by avoiding new long term external borrowing in 2013/14 and thereafter will also need to be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher. Appendix D includes Capita commentary for quarter two 2013/14 and shows that they have forecast that interest rates for both short and long term borrowing will remain stable up to March 2014. The Assistant Director Finance will continue to keep actual and forecast rates under close review.

4.6 The forecast net borrowing requirement for 2013/14 is £120.0 million, as shown in Appendix B. £14.6 million of temporary borrowing has been taken out during quarter two, and £4.4 million of PWLB borrowing repaid. Appendix E shows a detailed breakdown of new loans and repayments made throughout the year.

4.7 Appendix F shows a graphical summary of current borrowing by type; fixed and variable as at September 2013.

4.8 Appendix G shows details for the disclosure for certainty rate, which will enable the council to submit a return for 2014/15 and thereby secure access to discounted borrowing at 0.20% below normal PWLB rates.

5 Investment Forecast for 2013/14

5.1 The approach during the year was to continue to use cash balances to finance capital expenditure so as to keep cash balances low.

5.2 Table 4 shows the total amount of surplus funds invested as at 28 June 2013 and 30 September 2013.

Table 4- Total Amounts Invested 2013/14

	28 June 2013 £000	30 September 2013 £000
Business Reserve Accounts Money Market Funds	19,916 22,190	4 70
	42,106	**74**
Average cash balance for the year to date	56,728	44,273

5.3 Money Market Funds and Business Reserve Accounts are the main investments used as these have high credit ratings and instant access. This is based on the council's low appetite for risk.

5.4 The council's cash flow balances have reduced during the second quarter of the current financial year, moving between a low of £74,000 up to a maximum of £54.0 million and have averaged £44.3 million for the quarter.

5.5 Table 5 shows the average rate of interest receivable in 2012/13 and forecast for 2013/14.

Table 5- Average Interest Rate Receivable in 2012/13 and 2013/14

	2012/13 Actual	2013/14 Forecast
Average Interest Rate Receivable	0.71%	0.38%

5.6 The average rate of interest receivable by the council is estimated to fall significantly from 0.71% to 0.38% for 2013/14. This reduction is due to the significantly reduced interest rates currently available and anticipated throughout the year.

5.7 The council will avoid locking into longer term deals while investment rates are at historically low levels. Investment rates are expected to continue to be below long term borrowing rates, in which case, the council can minimise its overall net treasury costs in the short term by continuing to avoid new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing).

5.8 The council manages its investments in-house and invests only in the institutions listed in the council's approved lending list, which is reviewed each time a counterparty is subject to a credit rating amendment. The council's strategy allows for investments for a range of periods from overnight to five years, depending on the council's cash flows, its interest rate view and the interest rates on offer. However, in order to maintain sufficient liquidity whilst total investment levels are relatively low, most investments have been placed for shorter durations.

5.9 The approved Treasury Management Code of Practice sets out the criteria to be used for creating and managing approved counter-party lists and limits. As a result of any changes to credit criteria, the Assistant Director Finance is authorised to make changes to the list of approved counterparties. In the event that any of these counterparties fall below the council's minimum lending criteria, activity in that account will temporarily cease and any balance withdrawn immediately. Appendix H shows the council's current specified investments lending list.

5.10 In quarter two 2013/2014 the Assistant Director Finance has not been required to use his discretion to temporarily exceed any upper limits with approved counter-parties.

6. Financial Implications

6.1 The financial implications are discussed in the body of this report.

[SM/11112013/Z]

7. Legal Implications

7.1 Treasury Management relates to the management of the council's cash flow, borrowing and cash investments. This involves seeking the best rates of interest for borrowing, earning interest on investments, whilst managing risk in making financial decisions and adopting proper accounting practice.

7.2 The area is heavily regulated. The Local Government and Housing Act 1989 regulate the operation of the Housing Revenue Account. The 'CIPFA Code of Practice for Treasury Management in the Public Services', contains Treasury Management indicators and advice on Treasury Management Strategy. Investment strategy is regulated by 'DCLG Guidance on Local Government Investments' issued initially in 2004 and re-issued in 2010. Part 2 of this Guidance is statutory guidance.

[JH/071113/Z]

8. Environmental Implications

8.1 This report has no environmental implications.

9. Equality Implications

9.1 This report has no equality implications.

10. Background Papers

Block 10 and 11, Wolverhampton Interchange, Report to Cabinet, 18 September 2013

Annual Treasury Report 2012/13 and Treasury Management Activity Monitoring-Quarter One 2013/14, Report to Cabinet, 24 July 2013

Treasury Management Strategy 2013/14, Report to Cabinet, 26 February 2013

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APPENDIX A

DEBT AND TREASURY MANAGEMENT - PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

Prudential Indicators (PI)

PI for Affordability - These indicators are used to ensure the total capital investment of the council is within a sustainable limit and the impact of these decisions are considered with regard to acceptable council tax and housing rent levels.

PI 1 - Estimates and Actual ratio of financing costs to net revenue stream.
This represents the cost of financing capital expenditure as a % of net revenue for both the General Fund and HRA.

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Forecast	2014/2015 Forecast	2015/2016 Forecast	2013/2014 Forecast	2014/2015 Forecast	2015/2016 Forecast
General Fund	9.3%	12.3%	12.9%	8.5%	10.6%	11.7%
HRA	13.3%	12.9%	11.8%	13.6%	12.6%	11.8%

PI 2 - Estimates of the incremental impact of capital investment decisions on the council tax and housing rents.
The council could consider different options for its capital investment programme in relation to their different impact on the council tax and housing rents. Negatives reflect a reduction in total capital expenditure.

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Forecast £	2014/2015 Forecast £	2015/2016 Forecast £	2013/2014 Forecast £	2014/2015 Forecast £	2015/2016 Forecast £
For Band D council tax (After council tax reform)						
Implications of the Capital Programme for Year	103.15	145.53	163.21	103.38	213.70	245.98
Financial Year Impact	103.15	145.53	163.21	103.38	213.70	245.98
For average weekly housing rents						
Implications of the Capital Programme for Year	0.91	1.67	1.75	2.71	4.59	5.27
Financial Year Impact	0.91	1.67	1.75	2.71	4.59	5.27
For Band D council tax (After council tax reform)						
Implications of the Capital Programme for Year	-	12.25	12.25	(33.04)	37.58	41.42
Marginal Impact to 2013/14 Treasury Management Strategy	-	12.25	12.25	(33.04)	37.58	41.42
For average weekly housing rents						
Implications of the Capital Programme for Year	-	-	-	0.87	1.73	2.33
Marginal Impact to 2013/14 Treasury Management Strategy	-	-	-	0.87	1.73	2.33
For Band D council tax (Before council tax reform)						
Implications of the Capital Programme for Year	80.22	113.18	126.93	80.41	166.21	191.32
Financial Year Impact	80.22	113.18	126.93	80.41	166.21	191.32
For Band D council tax (Before council tax reform)						
Implications of the Capital Programme for Year	-	9.53	9.53	(25.69)	29.23	32.22
Marginal Impact to 2013/14 Treasury Management Strategy	-	9.53	9.53	(25.69)	29.23	32.22

PI 3 - Estimates and actual capital expenditure.
Full details of capital expenditure plans and funding can be found in the Quarter Two Capital Budget Monitoring report.

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M
General Fund	137.040	67.287	21.388	156.323	97.738	28.178
HRA	52.359	43.271	23.621	75.255	57.928	30.477
	189.399	110.558	45.009	232.819	156.828	59.282

APPENDIX A

DEBT AND TREASURY MANAGEMENT - PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

PI 4 - Estimates and actual capital financing requirement General Fund and HRA.
The capital financing requirement measures the authority's underlying need to borrow for a capital purpose.

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M
General Fund	472.390	481.236	473.693	485.152	574.352	573.362
HRA	318.992	314.669	299.326	339.311	348.960	341.259
	791.382	795.905	773.019	824.463	923.312	914.621

PI 5 - Authorised limit for external debt.
These limits apply to the total external debt gross of investments and separately identify borrowing from other long term liabilities such as finance leases including Private Finance Initiatives (PFI).

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Limit £M	2014/2015 Limit £M	2015/2016 Limit £M	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M
Borrowing	838.982	865.165	871.073	839.116	931.539	960.236
Other Long Term Liabilities	66.815	113.975	102.951	63.186	109.740	98.092
Total	905.797	979.140	974.024	902.302	1,041.279	1,058.328

PI 6 - Operational boundary for external debt.
This is based on the same estimates as the authorised limit but directly reflects the Assistant Director Finance's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included.

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Limit £M	2014/2015 Limit £M	2015/2016 Limit £M	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M
Borrowing	820.095	856.151	868.089	839.116	931.539	960.236
Other Long Term Liabilities	66.815	104.293	102.951	63.186	109.740	98.092
Total	886.910	960.444	971.040	902.302	1,041.279	1,058.328

PI 7 - HRA limit on indebtedness.
This maximum debt limit has been set by Government as part of the self-financing regime and is compared to the HRA capital financing requirement.

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M
HRA Debt Limit	356.771	356.771	356.771	356.770	356.770	356.770
HRA Capital Financing Requirement*	318.992	314.669	299.326	339.311	348.960	341.259
Headroom	37.779	42.102	57.445	17.459	7.810	15.511

APPENDIX A

DEBT AND TREASURY MANAGEMENT - PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

PI for Prudence - Ensuring that external debt is sustainable and compliance with good professional practice are essential features of prudence.

PI 8a - Gross debt and the capital financing requirement.
"In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years". This new indicator by CIPFA replaces PI 8 net debt and the capital financing requirement from 2013/2014 onwards.

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M
Forecast Capital Financing Requirement at end of Second Year	791.382	795.382	795.382	923.312	923.312	923.312
Gross Debt	617.330	652.134	662.730	681.246	810.540	837.272
Capital Financing Requirement Greater than Gross Debt	Yes	Yes	Yes	Yes	Yes	Yes

PI 9 - Has the local authority adopted the CIPFA Treasury Management in the Public Services: Code of Practice.	Yes

Treasury Management Indicators (TMI)

TMI 2 - Upper limits on fixed interest and variable interest exposures.
These relate to the levels of net outstanding principal sums exposed to fixed and variable interest rates.

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Limit	2014/2015 Limit	2015/2016 Limit	2013/2014 Forecast	2014/2015 Forecast	2015/2016 Forecast
Upper limit for fixed rate	100%	100%	100%	83%	85%	86%
Upper limit for variable rate	20%	20%	20%	17%	15%	14%

TMI 3 - Upper and lower limits to the maturity structure of borrowing.
These limits relate to the % of fixed rate debt maturing.

	Approved by Cabinet 18 September 2013			As at September 2013		
	Upper Limit	Lower Limit	March 2013 Forecast	2013/2014 Forecast Borrowing	2014/2015 Forecast Borrowing	2015/2016 Forecast Borrowing
Under 12 months	10%	0%	9.29%	0.00%	4.39%	4.19%
12 months and within 24 months	15%	0%	6.34%	10.35%	4.39%	0.00%
24 months and within 5 years	20%	0%	13.34%	0.00%	0.00%	0.00%
5 years and within 10 years	20%	0%	4.12%	3.36%	3.80%	4.61%
10 years and above	90%	50%	66.91%	86.29%	87.42%	91.20%

TMI 4 - Upper limits to the total of principal sums invested longer than 364 days.
This details the maximum amount which can be invested for up to 5 years (as per paragraph 1.5 of the Annual Investment Strategy).

	Approved by Cabinet 18 September 2013			As at September 2013		
	2013/2014 Limit £M	2014/2015 Limit £M	2015/2016 Limit £M	2013/2014 Forecast £M	2014/2015 Forecast £M	2015/2016 Forecast £M
Upper limit for more than 364 days	35.000	35.000	35.000	35.000	35.000	35.000

APPENDIX B

Long Term Cash Flow Summary

	FREQUENCY	2013 2014 £M	2014 2015 £M	2015 2016 £M	2016 2017 £M	2017 2018 £M	2018 2019 £M
GENERAL FUND							
Cash Inflows							
Council Tax		73.297	75.129	77.008	78.933	80.906	82.929
Revenue Support Grant & Top Up Grant		139.177	121.274	109.151	103.506	92.186	87.768
Business Rates		35.509	36.704	39.292	41.030	43.474	42.540
Other Government Grants		363.250	362.850	358.953	359.268	359.151	359.151
Fees and Charges		50.000	50.000	50.000	50.000	50.000	50.000
Interest Receivable		0.064	0.064	0.064	0.064	0.064	0.064
Less: Provision for Bad Debts		(0.375)	(0.375)	(0.375)	(0.375)	(0.375)	(0.375)
Total Cash Inflows		**660.922**	**645.646**	**634.093**	**632.426**	**625.406**	**622.077**
Cash Outflows							
Total Revenue Expenditure		(615.160)	(621.650)	(633.337)	(647.581)	(659.514)	(669.947)
Adjustments for Non-Cash Transactions		(25.398)	(23.053)	(21.227)	(18.706)	(16.656)	(14.856)
Savings Achieved		-	26.693	48.933	64.844	83.797	97.559
Adjusted Revenue Expenditure		(640.558)	(618.010)	(605.631)	(601.443)	(592.373)	(587.244)
Interest Payable		(9.933)	(11.933)	(13.933)	(15.933)	(17.933)	(19.933)
Interest Payable Adjustment		1.632	1.490	1.519	2.031	2.673	3.278
Total Cash Outflows		**(648.859)**	**(628.454)**	**(618.045)**	**(615.345)**	**(607.633)**	**(603.899)**
Net Cash Inflow/(Outflow)		**12.063**	**17.193**	**16.048**	**17.081**	**17.773**	**18.178**
Non-Cash Transactions							
Depreciation of Fixed Assets		-	-	-	-	-	-
Provision for Redemption of Debt		(13.900)	(13.900)	(13.900)	(13.900)	(13.900)	(13.900)
Adjustment for Premiums and Discounts		-	-	-	-	-	-
Revenue Contributions to Capital		(0.203)	(0.548)	(0.150)	(0.150)	(0.200)	-
Other Transfers (to)/from Reserves		(0.255)	(0.255)	(0.479)	(1.000)	(1.000)	(1.000)
Corporate Use of Reserves							
Transfer of Collection Fund Surplus		0.211	(1.000)	-	-	-	-
Use of General Reserves		3.716	-	-	-	-	-
Transfer of Provisional Surplus to General Balance		(1.632)	(1.490)	(1.519)	(2.031)	(2.673)	(3.278)
Total Non-Cash Transactions		**(12.063)**	**(17.193)**	**(16.048)**	**(17.081)**	**(17.773)**	**(18.178)**
BALANCE		**-**	**-**	**-**	**-**	**-**	**-**

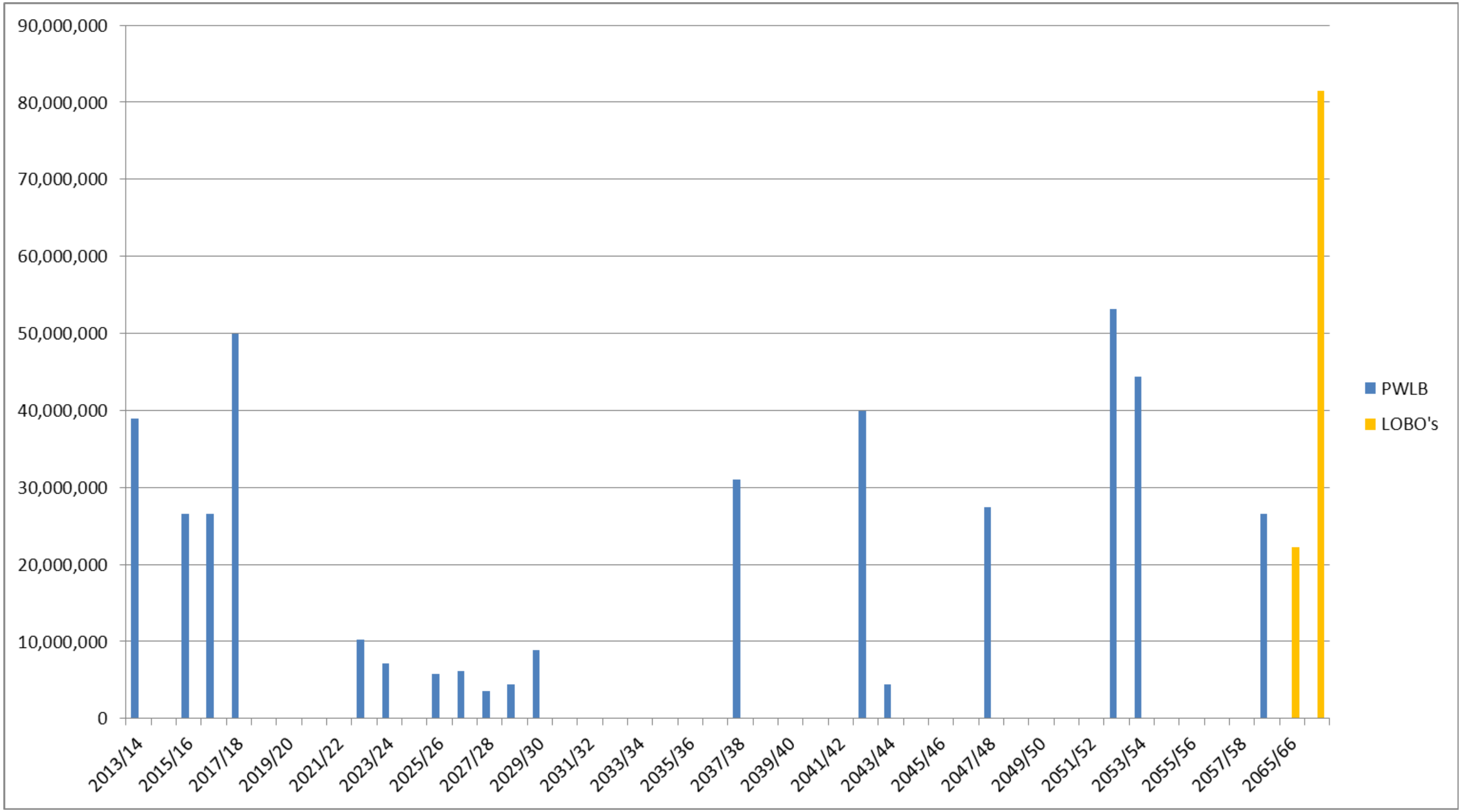
HOUSING REVENUE ACCOUNT							
Cash Inflows							
Rents and Service Charges	Weekly	93.965	97.866	100.287	102.475	104.685	107.071
Less: Provision for Bad Debts	Weekly	(1.724)	(2.000)	(2.075)	(2.148)	(2.223)	(2.301)
Non-dwelling rents	Monthly	1.591	1.638	1.667	1.696	1.726	1.757
Investment Income	Monthly	0.002	0.001	0.001	-	-	-
Total Cash Inflows		**93.834**	**97.505**	**99.880**	**102.023**	**104.188**	**106.527**
Cash Outflows							
Management and Maintenance Expenditure	Monthly	(45.399)	(45.380)	(45.509)	(45.639)	(45.771)	(45.907)
Interest Payable	Monthly	(16.131)	(17.024)	(17.119)	(16.741)	(16.369)	(15.924)
Interest Payable Adjustment		2.448	2.234	2.278	3.047	4.010	4.917
Total Cash Outflows		**(59.082)**	**(60.170)**	**(60.350)**	**(59.333)**	**(58.130)**	**(56.914)**
Net Cash Inflow/(Outflow)		**34.752**	**37.335**	**39.530**	**42.690**	**46.058**	**49.613**
Non-Cash Transactions							
Depreciation of Fixed Assets		(21.908)	(21.861)	(21.807)	(21.752)	(21.695)	(21.639)
Provision for Redemption of Debt		(10.528)	(13.362)	(15.763)	(18.223)	(20.539)	(22.148)
Additional Provision for Redemption of Debt		(2.448)	(2.234)	(2.278)	(3.047)	(4.010)	(4.917)
Adjustment for Premiums and Discounts		0.004	0.114	0.293	0.287	0.120	0.011
Use of Reserves		0.128	0.008	0.025	0.045	0.066	(0.920)
Total Non-Cash Transactions		**(34.752)**	**(37.335)**	**(39.530)**	**(42.690)**	**(46.058)**	**(49.613)**
BALANCE		**-**	**-**	**-**	**-**	**-**	**-**

CAPITAL PROGRAMME							
Total expenditure		(232.819)	(156.828)	(59.282)	(50.855)	(43.020)	-
Net Cash Outflow		**(232.819)**	**(156.828)**	**(59.282)**	**(50.855)**	**(43.020)**	**-**
Grants & Contributions		104.857	40.575	8.687	8.687	5.587	-
Capital Receipts		5.441	1.421	1.173	1.154	1.160	-
Net Cash Inflow		**110.298**	**41.996**	**9.860**	**9.841**	**6.747**	**-**
Non-cash transactions							
Prudential Borrowing		96.461	92.423	28.697	18.870	15.510	-
Revenue Contributions		0.203	0.548	0.150	0.150	0.200	-
Major Repairs Reserve		25.857	21.861	20.575	21.994	20.563	-
Total Non-cash Transactions		**122.521**	**114.832**	**49.422**	**41.014**	**36.273**	**-**
BALANCE		-	-	-	-	-	-

SUMMARY CASH POSITION		2013/14 £M	2014/15 £M	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M
Opening Cash		**4.559**	**9.877**	**9.573**	**9.124**	**7.880**	**35.438**
Total Expenditure		(940.760)	(845.452)	(737.677)	(725.533)	(708.783)	(660.813)
Total Income		865.054	785.147	743.833	744.290	736.341	728.604
Repayment of Borrowing		(38.976)	-	(26.605)	(50.000)	-	
Closing Cash		**(110.123)**	**(50.427)**	**(10.876)**	**(22.120)**	**35.438**	**103.229**
Non-cash Transactions		75.706	60.304	(6.156)	(18.757)	(27.558)	(67.791)
Balance		(0.000)	0.000	-	-	(0.000)	0.000
Borrowing Requirement		120.000	60.000	20.000	30.000	-	-

APPENDIX C

EXTERNAL BORROWING: MATURITY PROFILE



ECONOMIC BACKGROUND

The following economic background has been provided by the Council's Treasury Advisors, Sector

The quarter ended 30 September saw:

- Indicators suggested that the economic recovery accelerated;
- Household spending growth remained robust;
- Inflation fell back towards the 2% target;
- The Bank of England introduced state-contingent forward guidance;
- 10-year gilt yields rose to 3% at their peak and the FTSE 100 fell slightly to 6460;
- The Federal Reserve decided to maintain the monthly rate of its asset purchases.

Interest rate forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%
10yr PWLB rate	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%
25yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%
50yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%

Capita Asset Services undertook a review of its interest rate forecasts in late September as a result of an increase in confidence in economic recovery, chiefly in the US, but more recently, also in the UK and Eurozone. The latest forecast now includes a first increase in Bank Rate in quarter 3 of 2016 (previously quarter 4).

Our forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.
Near-term, there is some residual risk of further QE - if there is a dip in strong growth or if the MPC takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years. This could cause shorter-dated gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The failure in the US, (at the time of writing), over passing a Federal budget for the new financial year starting on 1 October, and the expected tension over raising the debt ceiling in mid October, could also see bond yields temporarily dip until any binding agreement

is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed could cause bond yields to rise.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

Downside risks currently include:

- The conflict in the UK between market expectations of how quickly unemployment will fall as opposed to the Bank of England’s forecasts
- Prolonged political disagreement over the US Federal Budget and raising the debt ceiling
- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Weak growth or recession in the UK’s main trading partners - the EU and US, depressing economic recovery in the UK.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling’s safe-haven status on a sustainable improvement in financial stresses in the Eurozone.

- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth which could result in the ratio of total government debt to GDP to rise to levels that undermine investor confidence in the UK and UK debt.

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

APPENDIX E

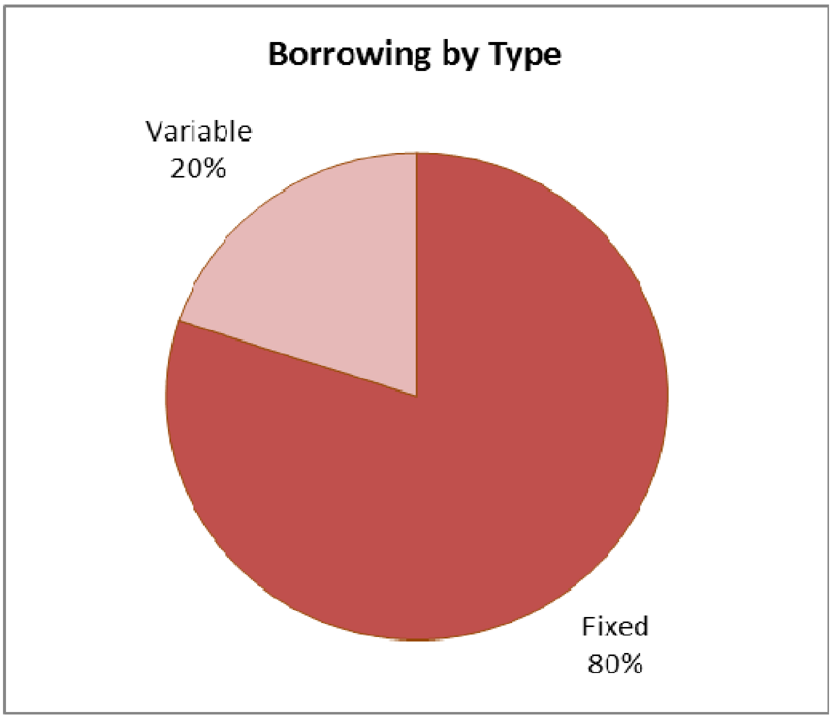
BORROWING AND REPAYMENTS TO DATE IN 2013/2014

	Maturity Date	Amount (£000)	Length	Interest Rate	Full Year Interest (£000)
2013/14 Repayments-					
PWLB Fixed Maturity			years		
465183	11/09/2013	4,434.0	25	9.500%	421.2
		4,434.0		**9.500%**	**421.2**
2013/14 Borrowing-					
Temporary Loans			days		
Greater Manchester Pension Fund	03/01/2014	14,600.0	95	0.400%	15.2
		14,600.0		**0.400%**	**15.2**

APPENDIX F

BORROWING: GRAPHICAL SUMMARY

As at 30 September 2013



APPENDIX G

CERTAINTY RATE DISCLOSURE

Certainty Rate

This table details the information that is required to enable the Council to submit a return for 2013/14.

	2013/14 Estimate £M	2014/15 Estimate £M	2015/16 Estimate £M
Net Borrowing Requirement:			
Borrowing to Finance approved Capital Expenditure	98.926	92.423	28.697
Existing Maturity Loans to be Replaced During the Year	38.977	-	26.605
Less:			
Minimum Revenue Provision for Debt Repayment	(12.160)	(15.914)	(19.015)
Voluntary Debt Repayment	(10.963)	(14.541)	(16.430)
	(23.123)	(30.455)	(35.445)
Loans Replaced Less Debt Repayment	15.854	(30.455)	(8.840)
Net Advance Requirement	114.780	61.968	19.857

APPENDIX H

Wolverhampton City Council
2013/14 Specified Investments Lending List as at 30 September 2013

Institution	Country (Sovereign Rating)	Limit £m	Term Limit
Australia & New Zealand Banking Group Ltd	Australia (AAA)	10	6 mths
Bank Netherlandse Gemeenten	Netherlands (AAA)	20	12 mths
Bank of Montreal	Canada (AAA)	10	6 mths
Bank of Nova Scotia	Canada (AAA)	10	6 mths
Canadian Imperial Bank of Commerce	Canada (AAA)	10	6 mths
Clearstream Banking	Luxembourg (AAA)	20	12 mths
Commonwealth Bank of Australia	Australia (AAA)	10	6 mths
Boerenleenbank BA	Netherlands (AAA)	10	6 mths
DBS Bank Ltd	Singapore (AAA)	10	6 mths
Hong Kong and Shanghai Banking Corporation	Hong Kong (AA+)	10	6 mths
HSBC Bank plc	UK (AAA)	10	6 mths
HSBC Bank USA	USA (AAA)	5	3 mths
National Australia Bank Ltd	Australia (AAA)	10	6 mths
Nordea Bank AB	Sweden (AAA)	10	6 mths
Nordea Bank Finland plc	Finland (AAA)	5	3 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	20	12 mths
Royal Bank of Canada	Canada (AAA)	10	6 mths
Standard Chartered Bank	UK (AAA)	10	6 mths
Svenska Handelsbanken AB (35 Day Notice a/c	Sweden (AAA)	10	6 mths
Toronto Dominion Bank	Canada (AAA)	20	12 mths
United Overseas Bank Ltd	Singapore (AAA)	20	12 mths
Westpac Banking Corporation	Australia (AAA)	10	6 mths
Nationalised Banks			
Lloyds Banking Group plc			
Bank of Scotland plc (Corporate Instant Acces	UK (AAA)	10	3 mths
Lloyds TSB Bank plc	UK (AAA)	10	3 mths
Royal Bank of Scotland Group plc			
National Westminster Bank plc (Call a/c)	UK (AAA)	10	3 mths
The Royal Bank of Scotland plc	UK (AAA)	10	3 mths
Ulster Bank Ltd	UK (AAA)	10	3 mths
Money Market Funds	**Fund Rating**		
Invesco Aim STIC Account	Fitch AAAmmf	20	Instant Access
Ignis Sterling Liquidity Fund	Fitch AAAmmf	20	Instant Access
Prime Rate Sterling Liquidity Fund	Fitch AAAmmf	20	Instant Access
Black Rock Sterling Liquidity Fund	Moody's Aaa-mf	20	Instant Access
Scottish Widows Sterling Liquidity Fund	Moody's Aaa-mf	20	Instant Access

Non-rated Institutions

County Councils, London Boroughs, Metropolitan Districts and Unitary Authorities - limits £6m and 12 months.

Shire District Councils, Fire and Civil Defence Authorities, Passenger Transport Authorities and Police Authorities - limits £3m and 12 months.