Agenda Item No: **6**

CITY OF WOLVERHAMPTON COUNCIL

Cabinet Meeting

9 December 2015

Report title	Treasury Management Activity Monitoring – Mid Year Review 2015/16		
Decision designation	RED		
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources		
Key decision	Yes		
In forward plan	Yes		
Wards affected	All		
Accountable director	Mark Taylor, Director of Finance		
Originating service	Strategic Finance		
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 550478 Claire.Nye@wolverhampton.gov.uk	
Report to be/has been considered by	Strategic Executive Board Council Confident, Capable Council Scrutiny Panel		17 November 2015 16 December 2015 3 February 2016

Recommendation(s) for action or decision:

1. The Cabinet recommends that Council notes:

   (a) A mid-year review of the Treasury Management Strategy Statement has been undertaken and the Council has operated within the limits and requirements approved in March 2015.

   (b) Savings of £1.9 million for the General Fund and £2.9 million for the Housing Revenue Account (HRA) are forecast from treasury management activities in 2015/16.

   (c) In the event of updated capital programme figures being reported to Cabinet (Resources) Panel on 15 December 2015, a revised version of this report will be presented to Council on 16 December 2015.

1.0 Purpose

1.1 This report provides a monitoring and progress report on treasury management activity for the second quarter of 2015/16 as part of the mid-year review, in line with the Prudential Indicators approved by Council in March 2015.

2.0 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. For further information on the requirements of the Code please refer to the Treasury Management Strategy 2015/16 report which can be accessed online on the Council's website by following the link:

http://wolverhampton.moderngov.co.uk/documents/s8386/Treasury%20Management%20Strategy%20201516.pdf

2.2 Treasury management 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 is based largely on self-regulation by local authorities themselves. At its heart is CIPFA's Prudential Code for Capital Finance.

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

2.5 The Council continues to use Capita Asset Services as its treasury management advisors throughout 2015/16. 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.

3.0 2015/16 forecast

3.1 The forecast outturn for treasury management activities in 2015/16 compared to budget is shown in Table 1.

Table 1 – Treasury management budget and forecast outturn 2015/16

	Approved Budget £000	Forecast Outturn £000	Variance £000
General Fund	13,428	11,567	(1,861)
Housing Revenue Account	14,157	11,282	(2,875)
Total	27,585	22,849	(4,736)

3.2 A saving of £2.3 million for the General Fund is projected for the year 2015/16. As a result of this, £450,000 has been vired from the General Fund treasury management budget to fund an undeliverable saving in the People directorate linked to the implementation of the National Living Wage. This virement was approved by Cabinet (Resources) Panel at its meeting of 17 November 2015 and has been reflected in Table 1.

3.3 Therefore, the projected saving has reduced to £1.9 million for the General Fund and £2.9 million for the HRA for the year 2015/16. This is mainly due to a reduced borrowing need in year because of slippage in the capital programme. The Council's strategy is to continue to use cash balances to finance capital expenditure rather than external borrowing. Borrowings are actively managed to achieve savings wherever possible.

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 figures which were approved by Council in March 2015.

3.5 The forecasts in this report are based on the capital programme requirements included in the report 'Capital programme 2015/16 to 2019/20 quarter two review' also being presented at this meeting. In the event of updated capital programme figures being reported to Cabinet (Resources) Panel on 15 December 2015, a revised version of this treasury report will be presented to Council on 16 December 2015 which will include the impact of any such changes.

4.0 Borrowing forecast for 2015/16

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 2014/15 and forecast for 2015/16.

Table 2 – Average interest rate payable in 2014/15 and 2015/16

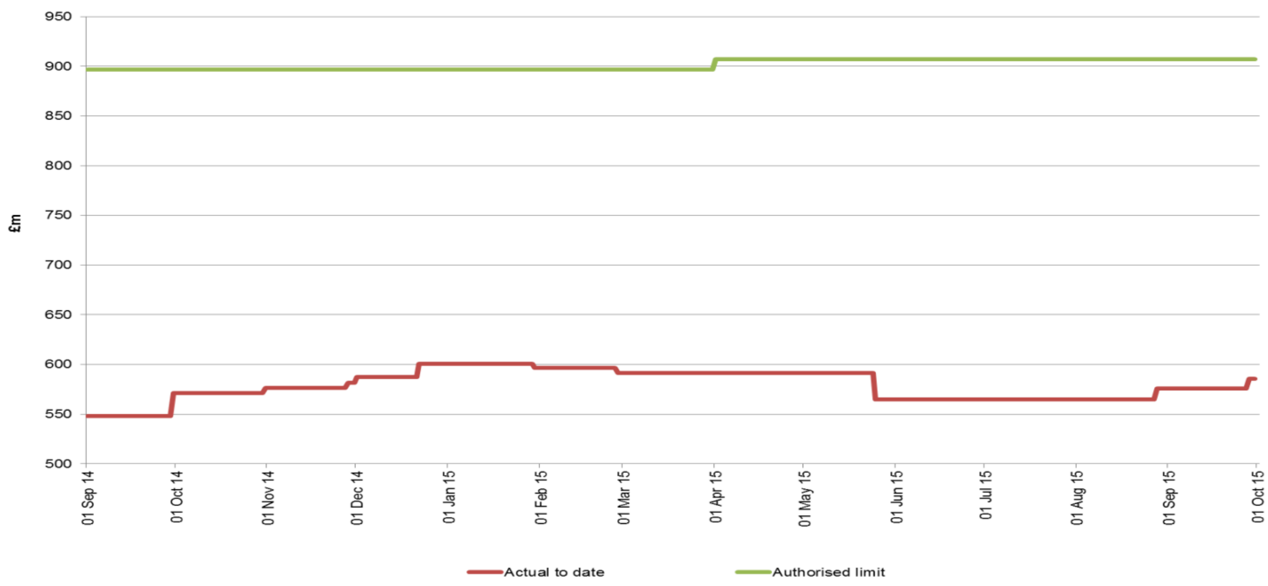
	2014/15 Actual	2015/16 Forecast
Average Interest Rate Payable	3.67%	3.95%

4.3 Each year it is necessary to raise new loans to finance capital expenditure and to replace existing maturing borrowing. 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 borrowing) are used to reduce the external borrowing requirement. Decisions to take borrowing will be made by the Director of 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 B shows the maturity profile of external borrowing.

4.4 Any short term savings made by avoiding new long term external borrowing in 2015/16 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 Public Works Loan Board (PWLB) long term rates are forecast to be significantly higher. Appendix C includes the Capita commentary for quarter two 2015/16 and forecasts that interest rates for both short and long term borrowing will increase up to June 2018. The Director of Finance will continue to keep actual and forecast rates under close review.

4.5 The Council's borrowing profile continues to operate within the overall limits previously approved by Council, as shown in Chart 1.

Chart 1: Comparison of borrowing within approved borrowing limits over the previous 12 months



4.6 The level of borrowing at 30 September 2015 is £585.8 million. Appendix D shows a summary of this position along with a detailed breakdown of new loans and repayments made throughout the year. £50.2 million of existing borrowing is due to be repaid between quarter's three and four.

4.7 In March 2015, Council approved a net borrowing requirement for 2015/16 of £189.9 million. The forecast net borrowing requirement for 2015/16 is £180.5 million, as shown in appendix E. This appendix also shows the details for the disclosure for certainty rate, which enables the Council to access discounted borrowing at 0.20% below normal PWLB rates.

5.0 Investment forecast for 2015/16

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

5.2 Table 3 shows the total amount of surplus funds invested as at 30 June 2015 and 30 September 2015.

Table 3 – Total amounts invested 2015/16

	30 June 2015 £000	30 September 2015 £000
Business Reserve Accounts Money Market Funds	7 4,970	- 6,630
	4,977	**6,630**
Average cash balance for the year to date	24,501	17,286

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 balance for the second quarter of the current financial year has moved between a low of £0.4 million and a maximum of £21.3 million. The average cash balance for the quarter being £10.1 million.

5.5 Table 4 shows the budgeted average rate of interest receivable in 2015/16 and the forecast for the year.

Table 4 – Average interest rate receivable in 2015/16

	2015/16 Budget	2015/16 Forecast
Average Interest Rate Receivable	0.60%	0.46%

5.6 The low interest rates will have minimal impact on the budget due to savings generated by avoiding the cost of borrowing.

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 borrowing (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 counterparty lists and limits. As a result of any changes to credit criteria, the Director of 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 F shows the Council's current specified investments lending list.

5.10 In quarter two 2015/16 the Director of Finance has not been required to use his discretion to temporarily exceed any upper limits with approved counter-parties.

6.0 Financial implications

6.1 The financial implications are discussed in the body of this report.
[SH/11112015/W]

7.0 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 regulates 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.

[Legal Code: TS/06112015/F]

8.0 Equalities implications

8.1 This report has no equality implications.

9.0 Environmental implications

9.1 This report has no environmental implications.

10.0 Human resources implications

10.1 This report has no human resources implications.

11.0 Corporate landlord implications

11.1 This report has no corporate landlord implications.

12.0 Schedule of background papers

Treasury Management Strategy 2015/16, Report to Cabinet, 25 February 2015

Treasury Management – Annual Report 2014/15 and Activity Monitoring Quarter One 2015/16, Report to Cabinet, 22 July 2015

Revenue Budget Monitoring 2015/16, Report to Cabinet (Resources) Panel, 17 November 2015

Capital programme 2015/16 to 2019/20 quarter two review, Report to Cabinet, 9 December 2015

13.0 Schedule of appendices

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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 Council 4 March 2015			As at 30 September 2015		
	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast
General Fund	6.1%	8.2%	8.9%	5.1%	7.3%	8.4%
HRA	11.3%	13.2%	13.0%	33.0%	33.9%	34.7%

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 Council 4 March 2015			As at 30 September 2015		
	2015/16 Forecast £	2016/17 Forecast £	2017/18 Forecast £	2015/16 Forecast £	2016/17 Forecast £	2017/18 Forecast £
Financial year impact						
Implications of the capital programme for year:						
For Band D council tax	202.52	235.55	239.70	100.75	147.55	166.16
For average weekly housing rents	6.21	6.69	7.38	2.41	4.14	5.07
Marginal impact to previous quarter						
Implications of the capital programme for year:						
For Band D council tax	-	-	-	(7.60)	10.54	20.73
For average weekly housing rents	-	-	-	(1.18)	(0.97)	(1.01)

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 2015/16 report.

	Approved by Council 4 March 2015			As at 30 September 2015		
	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000
General Fund	78,032	39,093	9,305	115,890	71,366	33,408
HRA	62,501	29,057	30,326	62,762	46,133	33,982
	140,533	68,150	39,631	178,652	117,499	67,390

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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 Council 4 March 2015			As at 30 September 2015		
	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000
General Fund	598,167	617,974	618,602	578,888	607,732	617,862
HRA	344,687	333,959	323,772	314,519	318,463	311,513
	942,854	951,933	942,374	893,407	926,195	929,375

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 Council 4 March 2015		
	2015/16 Limit £000	2016/17 Limit £000	2017/18 Limit £000
Borrowing	906,895	915,620	923,031
Other Long Term Liabilities	96,557	94,671	92,574
Total Authorised Limit	1,003,452	1,010,291	1,015,605
Actual and Forecast External Debt as at 30 September 2015	784,390	835,143	857,035
Variance (Under) / Over Authorised limit	(219,062)	(175,148)	(158,570)

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

	Approved by Council 4 March 2015		
	2015/16 Limit £000	2016/17 Limit £000	2017/18 Limit £000
Borrowing	880,937	908,683	920,161
Other Long Term Liabilities	96,557	94,671	92,574
Total Operational Boundary Limit	977,494	1,003,354	1,012,735
Actual and Forecast External Debt as at 30 September 2015	784,390	835,143	857,035
Variance (Under) / Over Operational Boundary Limit	(193,104)	(168,211)	(155,700)

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Debt and Treasury Management - Prudential and Treasury Management Indicators

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 Council 4 March 2015			As at 30 September 2015		
	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000
HRA Debt Limit	356,770	356,770	356,770	356,770	356,770	356,770
HRA Capital Financing Requirement	344,687	333,959	323,772	314,519	318,463	311,513
Headroom	12,083	22,811	32,998	42,251	38,307	45,257

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

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 replaced PI 8 net debt and the capital financing requirement from 2013/14 onwards.

	Approved by Council 4 March 2015			As at 30 September 2015		
	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	951,933	951,933	951,933	929,374	929,374	929,374
Gross Debt	835,260	861,120	870,501	784,390	835,143	857,035
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

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Debt and Treasury Management - Prudential and Treasury Management Indicators

Treasury Management Indicators (TMI)

TMI 1 - 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 Council 4 March 2015			As at 30 September 2015		
	2015/16 Limit	2016/17 Limit	2017/18 Limit	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast
Upper limit for fixed rate	100%	100%	100%	85%	86%	86%
Upper limit for variable rate	20%	20%	20%	15%	14%	14%

TMI 2 - Upper and lower limits to the maturity structure of its borrowing.
These limits relate to the % of fixed rate debt maturing.

	Approved by Council 4 March 2015		As at 30 September 2015
	Upper Limit	Lower Limit	2015/16 Forecast Borrowing
Under 12 months	25%	0%	12.68%
12 months and within 24 months	25%	0%	11.23%
24 months and within 5 years	40%	0%	7.98%
5 years and within 10 years	50%	0%	3.68%
10 years and above	90%	50%	64.43%

TMI 3 - 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 1.6 of the Annual Investment Strategy).

	Approved by Council 4 March 2015			As at 30 September 2015		
	2015/16 Limit £000	2016/17 Limit £000	2017/18 Limit £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000
Upper limit for more than 364 days	35,000	35,000	35,000	35,000	35,000	35,000

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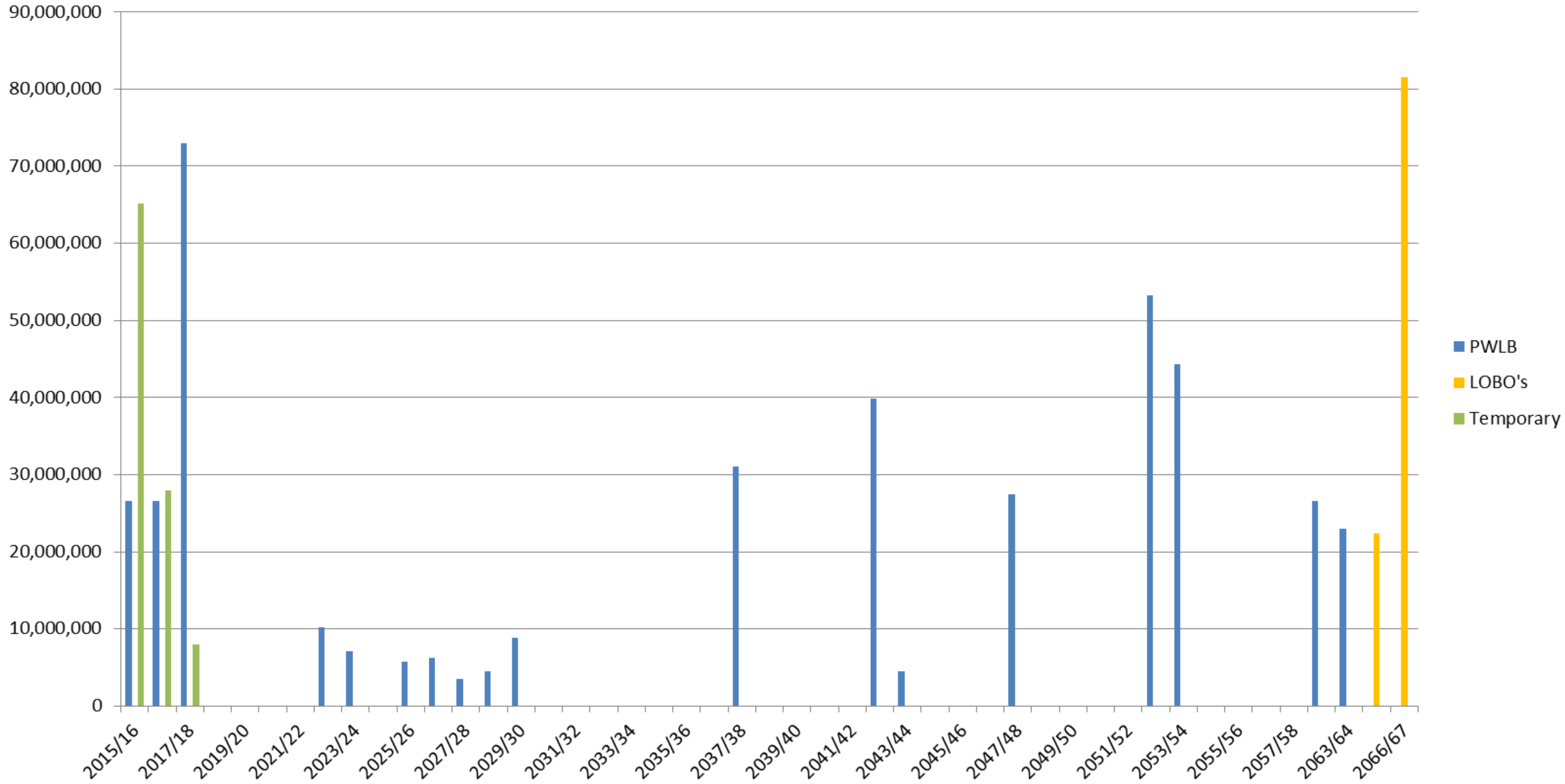
Borrowing Maturity at 30 September 2015



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Economic Background

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

UK

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.

The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

USA

The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015. While there had been confident expectations during the summer that the Fed. could start increasing rates at its meeting on 17

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September, or if not by the end of 2015, the recent downbeat news about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 into 2016.

Eurozone

In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Interest rate forecasts

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

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PWLB rates to fall below the above forecasts for quarter 4 2015. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

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Despite market turbulence since late August causing a sharp downturn in PWLB rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The disappointing US nonfarm payrolls figures and UK PMI services figures at the beginning of October have served to reinforce a trend of increasing concerns that growth is likely to be significantly weaker than had previously been expected. This, therefore, has markedly increased concerns, both in the US and UK, that growth is only being achieved by monetary policy being highly aggressive with central rates at near zero and huge QE in place. In turn, this is also causing an increasing debate as to how realistic it will be for central banks to start on reversing such aggressive monetary policy until such time as strong growth rates are more firmly established and confidence increases that inflation is going to get back to around 2% within a 2-3 year time horizon. Market expectations in October for the first Bank Rate increase have therefore shifted back sharply into the second half of 2016.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:-

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

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

- Uncertainty around the risk of a UK exit from the EU.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.

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- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.

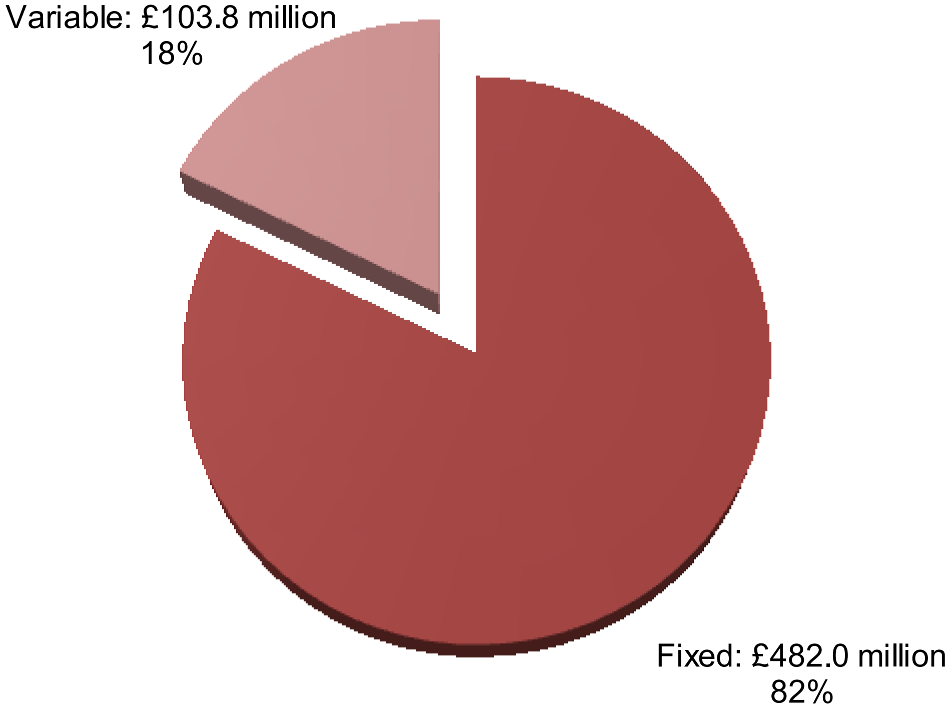
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

APPENDIX D

Borrowing: Graphical Summary

As at 30 September 2015

Borrowing by Type



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Borrowing and Repayments in 2015/16

	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £
2015/16 Borrowing					
Temporary Loans			days		
Bristol City Council	26/08/2016	14,000	364	0.60%	84,000
Bristol City Council	26/08/2016	3,000	364	0.60%	18,000
Wokingham Borough Council	26/08/2016	2,000	364	0.58%	11,600
LB of Hillingdon	26/09/2016	7,000	364	0.60%	42,000
Solihull DC	26/09/2016	2,000	364	0.60%	12,000
LB of Barking & Dagenham	28/09/2017	8,000	731	0.94%	75,200
		36,000		**0.65%**	**242,800**
2015/16 Repayments					
PWLB Fixed Maturity			years		
497365	25/05/2015	26,605	5	2.37%	630,539
		26,605		**2.37%**	**630,539**
Temporary Loans			days		
London Borough of Brent	28/08/2015	5,000	546	1.00%	50,000
Cambridge City Council	28/08/2015	3,000	546	1.00%	30,000
London Borough of Hillingdon	28/09/2015	7,000	550	0.95%	66,500
		15,000		**0.98%**	**146,500**

APPENDIX E

Disclosure for Certainty Rate

Certainty Rate
This table details the information that is required to enable the Council to submit a return for 2015/16.

	As at 25 February 2015			As at 30 June 2015		
	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000
Net Borrowing Requirement:						
Borrowing to Finance approved Capital Expenditure	103,832	27,746	11,478	96,562	52,639	23,989
Existing Maturity Loans to be Replaced During the Year	101,805	76,605	123,000	103,055	82,355	146,000
Less:						
Minimum Revenue Provision for Debt Repayment	0	0	0	0	0	0
Voluntary Debt Repayment	(15,729)	(16,781)	(18,940)	(19,103)	(17,965)	(18,712)
	(15,729)	(16,781)	(18,940)	(19,103)	(17,965)	(18,712)
Loans Replaced Less Debt Repayment	86,076	59,824	104,060	83,952	64,390	127,288
Net Advance Requirement	189,908	87,570	115,538	180,514	117,029	151,277

APPENDIX F

City of Wolverhampton Council
2015/16 Specified Investments Lending List as at 30 September 2015

Institution	Country (Sovereign Rating)	Limit £000	Term Limit
Australia & New Zealand Banking Group Ltd	Australia (AAA)	10,000	6 mths
Bank Netherlandse Gemeenten	Netherlands (AAA)	20,000	12 mths
Bank of Montreal	Canada (AAA)	10,000	6 mths
Bank of New York Mellon, The	USA (AAA)	20,000	12 mths
Bank of Nova Scotia	Canada (AAA)	10,000	6 mths
Canadian Imperial Bank of Commerce	Canada (AAA)	10,000	6 mths
Commonwealth Bank of Australia	Australia (AAA)	10,000	6 mths
Cooperatieve Centrale Raiffeisen - Boerenleenbank BA	Netherlands (AAA)	10,000	6 mths
DBS Bank Ltd	Singapore (AAA)	10,000	6 mths
HSBC Bank plc	UK (AA+)	10,000	6 mths
JP Morgan Chase Bank NA	USA (AAA)	10,000	6 mths
National Australia Bank Ltd	Australia (AAA)	10,000	6 mths
Nordea Bank AB	Sweden (AAA)	10,000	6 mths
Nordea Bank Finland plc	Finland (AAA)	10,000	6 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	10,000	6 mths
Royal Bank of Canada	Canada (AAA)	10,000	6 mths
Standard Chartered Bank	UK (AA+)	10,000	6 mths
Svenska Handelsbanken AB	Sweden (AAA)	10,000	6 mths
Toronto Dominion Bank	Canada (AAA)	10,000	6 mths
United Overseas Bank Ltd	Singapore (AAA)	10,000	6 mths
Wells Fargo Bank NA	USA (AAA)	10,000	6 mths
Westpac Banking Corporation	Australia (AAA)	10,000	6 mths
Nationalised Banks			
Royal Bank of Scotland Group plc			
National Westminster Bank plc	UK (AA+)	10,000	3 mths
The Royal Bank of Scotland plc	UK (AA+)	10,000	3 mths
Money Market Funds	**Fund Rating**		
Invesco STIC Account	Fitch AAAmmf	20,000	Instant Access
Standard Life Investments Sterling Liquidity Fund	Fitch AAAmmf	20,000	Instant Access
Federated Short-Term Sterling Prime Fund	Fitch AAAmmf	20,000	Instant Access
Black Rock Sterling Liquidity Fund	Moody's Aaa-mf	20,000	Instant Access
Scottish Widows Sterling Liquidity Fund	Moody's Aaa-mf	20,000	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.