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Agenda Item No: **5**

Wolverhampton City Council

Cabinet Meeting

23 July 2014

Report title	Treasury Management – Annual Report 2013/14 and Activity Monitoring Quarter One 2014/15
Decision designation	RED
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources
Key decision	Yes
In forward plan	Yes
Wards affected	All
Accountable director	Simon Warren, Chief Executive Sarah Norman, Community Keith Ireland, Delivery Tim Johnson, Education and Enterprise
Originating service	Strategic Finance
Accountable employee(s)	Mark Taylor — Assistant Director Finance Tel — 01902 556609 Email — Mark.Taylor@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board — 10 July 2014

Recommendations for approval:

That Cabinet recommend to Full Council:

1. That authority is delegated to the Cabinet Member for Resources in consultation with the Assistant Director Finance to amend the Treasury Management Strategy to take advantage of opportunities to increase investment returns.

2. That it notes the contents of the report, and particularly that:

    1. The Council operated within the approved Prudential and Treasury Management Indicators, and also within the requirements set out in the Council's approved Treasury Management Policy Statement during 2013/14.

2. The Council is forecast to marginally exceed the self-determined upper limit on debt maturing within one year for part of 2014/15. This is as a result of taking advantage of the low interest rates available for short term borrowing. This position will be rectified by the end of the year.

3. Revenue savings of £10.7 million for the General Fund and £2.4 million for the Housing Revenue Account were generated from treasury management activities in 2013/14.

4. Revenue savings of £214,000 for the General Fund and £5.9 million for the Housing Revenue Account are forecast from treasury management activities in 2014/15.

1.0 Purpose

1.1 This report sets out the results of treasury management activities carried out in 2013/14, together with performance against the prudential indicators previously approved by Council. It also provides a monitoring and progress report on Treasury Management Activity for the first quarter of 2014/15, in line with the Prudential Indicators approved by Council in March 2014.

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 2011. 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 the 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 self-regulation by local authorities themselves. At its heart is CIPFA's Prudential Code for Capital Finance.

2.4 Cabinet (Resources) Panel received quarterly reports during 2013/14 to monitor performance against the strategy and Prudential Indicators previously approved by Council.

2.5 The Council continued to use Capita Asset Services, previously known as Sector Treasury Services Limited, as treasury management advisors throughout 2013/14 and 2014/15 to date. 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 The Strategy and Outturn for 2013/14

3.1 The strategy for 2013/14 was 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.

3.2 During the course of 2013/14, the Council followed the recommendations as set out in the Treasury Management Strategy 2013/14. This included the authorised borrowing limit set at £905.797 million, the Treasury Management Strategy, the Annual Investment Strategy, the Prudential Indicators and the Annual Minimum Revenue Provision (MRP) Statement.

3.3 The Treasury Management outturn for 2013/14 compared to budgets is shown in Table 1.

Table 1 – Treasury Management Budgets and Outturn 2013/14

	Approved Budget £000	Outturn £000	Variance £000
General Fund	22,767	12,069	(10,698)
Housing Revenue Account	15,774	13,354	(2,420)
Total	38,541	25,423	(13,118)

3.4 Overall there was a saving of £10.7 million for the General Fund for 2013/14 and a saving of £2.4 million for the HRA. Included within the General Fund figure is the one-off benefit of £10.0 million arising from the adjustment to the value of variable E calculation in respect of redemption of debt. This was approved by Councillors on the 23 October 2013 as part of the Five Year Budget and Medium Term Financial Strategy 2014/15 to 2018/19 report.

3.5 No institutions in which investments were made had any difficulty in repaying investments or interest in full during the year and no arrangements had to be made to prematurely withdraw funds from any investments as a result of a downgrade in their respective credit rating.

3.6 No debt was rescheduled in 2013/14. Opportunities for rescheduling are now minimal since the Public Works Loans Board (PWLB) amended their discount calculation basis, and no opportunity to reschedule arose during the year.

3.7 Table 2 shows the average rate of interest payable and receivable in 2012/13 and 2013/14.

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

	2012/13 Actual	2013/14 Actual
Average Interest Rate Payable	4.42%	3.97%
Average Interest Rate Receivable	0.71%	0.45%

Borrowing Outturn for 2013/14

3.8 The average debt interest rate fell from 4.42% in 2012/13 to 3.97% in 2013/14. This reduction was achieved by borrowing only when necessary to maintain sufficient cash flow balances and after monitoring the market to take advantage of the best available rates. A summary of the borrowing and repayment activities is shown below with the average interest rates; this activity has resulted in a lower overall average rate for the year.

Table 3 – Summary of Borrowing and Repayment Activities

	Short Term £000	Average Rate %	Long Term £000	Average Rate %
New Loans Raised	146,800	0.51%	23,000	4.17%
Repayment of Loans	(86,800)	0.41%	(38,976)	5.83%

3.9 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.

3.10 The Council's Capital Financing Requirement (CFR) increased from £750.5 million to £768.4 million throughout 2013/14. This reflects a net increase in the Council's underlying need to borrow for capital purposes. This was split between the General Fund and Housing Revenue Account at a rate of 59.4% and 40.6% respectively (2012/13: 58.0% and 42.0%).

3.11 Table 4 shows how the increase in actual external borrowing arose during the year.

Table 4 – Increase in Actual External Borrowing 2013/14

	£000
Opening Balance at 1 April 2013	**519,134**
Less: Repayments - Maturity Loans from PWLB - Temporary Loans	 (38,976) (86,800)
Subtotal	(125,776)
Add: New Borrowing -PWLB Loan -Temporary Loans	 23,000 146,800
Subtotal	169,800
Net borrowing 2013/14	**44,024**
Closing Balance at 31 March 2014	**563,158**

3.12 Appendix A shows a detailed breakdown of new loans and repayments made throughout the year.

3.13 Appendix B shows a graphical summary of current borrowing by type; fixed and variable as at March 2014 and as at June 2014.

Investment Outturn for 2013/14

3.14 The actual interest rate earned from investments fell from 0.71% in 2012/13 to 0.45% in 2013/14.

3.15 The approach during the year was to continue to use cash balances to finance capital expenditure so as to keep cash balances low. This minimised counterparty risk on investments and also maximised treasury management budget savings as investment rates were much lower than most new borrowing rates.

3.16 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.

4.0 2014/15 Forecast

4.1 The forecast outturn for treasury management activities in 2014/15 compared to budgets is shown in Table 5.

Table 5 – Treasury Management Budgets and Forecast Outturn 2014/15

	Approved Budget £000	Forecast Outturn £000	Variance £000
General Fund	24,480	24,266	(214)
Housing Revenue Account	16,975	11,089	(5,886)
Total	41,455	35,355	(6,100)

4.2 Overall a saving of £214,000 for the General Fund and a saving of £5.9 million for the HRA are projected for the year 2014/15, arising mainly as a result of the Council's strategy to use cash balances to finance capital expenditure rather than external borrowing. Borrowings are actively managed to achieve savings wherever possible.

Borrowing Forecast for 2014/15

4.3 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. Council in March 2014 approved a net borrowing requirement for 2014/15 of £168.3 million. No borrowing has been taken out during quarter one, and £5.0 million of temporary borrowing was repaid. £40.0 million of existing borrowing is due to be repaid between quarter's two to four. 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 current strategy. The forecast net borrowing requirement for 2014/15 is £157.3 million.

4.4 Table 6 shows the average rate of interest payable and receivable in 2013/14 and forecast for 2014/15.

Table 6 - Average Interest Rate Payable and Receivable in 2013/14 and 2014/15

	2013/14 Actual	2014/15 Forecast
Average Interest Rate Payable	3.97%	3.82%
Average Interest Rate Receivable	0.45%	0.45%

4.5 The average rate of interest payable by the Council is estimated to fall from 3.97% to 3.82% for 2014/15. Appendix C shows the maturity profile of external borrowing.

4.6 Any short term savings made by avoiding new long term external borrowing in 2014/15 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 one 2014/15 and shows that they have forecast that interest rates for both short and long term borrowing will increase up to March 2015. The Assistant Director Finance will continue to keep actual and forecast rates under close review.

Investment Forecast for 2014/15

4.7 The average rate of interest receivable by the Council is estimated to be at the same level of 0.45% for 2014/15. The Council had originally budgeted for a return of 0.50%. This reduction is due to the significantly reduced interest rates currently available and anticipated throughout the year.

4.8 The Council and it's treasury management advisers have identified that there are opportunities to increase investment returns by marginally increasing the risk appetite of the Council. It is therefore recommended that Authority is delegated to the Cabinet Member for Resources in consultation with the Assistant Director Finance to amend the Treasury Management Strategy to take advantage of opportunities to increase investment returns.

4.9 Table 7 shows the total amount of surplus funds invested for 2013/14 and the year to date 2014/15.

Table 7 - Total Amounts Invested 2014/15

	31 March 2014 £000	30 June 2014 £000
Business Reserve Accounts Money Market Funds	4 12,480	19,994 34,820
	12,484	**54,814**
Average cash balance for the year to date	29,372	59,979

4.10 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.

4.11 The Council's cash flow has been buoyant during the first quarter of the current financial year. The Council's cash balances have moved between a low of £31.8 million up to a maximum of £77.2 million and have averaged £60.0 million for the quarter. This is due to front-loaded grant payments being received in the year.

4.12 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).

4.13 The approved Treasury Management Code of Practice sets out the criteria to be used for creating/managing approved counter-party lists/limits. As a result of 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 E shows the council's current specified investments lending list.

4.14 In quarter one 2013/14 the Assistant Director Finance has not been required to use his discretion to temporarily exceed any upper limits with approved counter-parties.

4.15 Appendix F shows a comparison of the latest estimates of Prudential and Treasury Management Indicators over the medium term period with the equivalent figures previously approved by Council. Based on the latest forecasts the Council is expected to exceed its self-determined authorised upper limit for maturity structure of borrowing (TMI 2) less than one year. This will be temporary, covering June 2014 to January 2015, due to repayment of short term loans which were taken to benefit from low interest rates. The amount by which the debt maturity under one year is forecast to exceed the 10% limit ranges between 0.74% and 1.90%. This will be kept under review and if necessary revisited in the mid-year update.

4.16 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.

5.0 Financial implications

5.1 These are discussed in the body of the report.
[SH/10072014/V]

6.0 Legal implications

6.1 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.

6.2 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.
[TS/11072014/T]

7.0 Equalities implications

7.1 This report has no equality implications.

8.0 Environmental implications

8.1 This report has no environmental implications.

9.0 Human resources implications

9.1 This report has no human resources implications.

10.0 Corporate landlord implications

10.1 This report has no corporate landlord implications.

11.0 Schedule of background papers

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

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

Treasury Management Activity Monitoring – Mid Year Review 2013/14, Report to Cabinet (Resources Panel), 26 November 2013

Treasury Management Activity Monitoring Quarter Three 2013/14, Report to Cabinet (Resources Panel), 11 February 2014

Treasury Management Strategy 2014/15, Report to Cabinet, 25 February 2014

12.0 Schedule of Appendices

APPENDIX A

Borrowing in 2013/14

	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest
2013/14 Borrowing					
PWLB Fixed Maturity			years		
502933	26/03/2064	£1,700	50	4.07%	£69,190
502934	26/03/2064	£21,300	50	4.27%	£909,510
		£23,000		**4.17%**	**£978,700**
Temporary Loans			days		
Greater Manchester Pension	03/01/2014	£14,600	95	0.40%	£15,200
Shropshire Council	29/01/2014	£5,000	92	0.40%	£5,041
Greater Manchester Pension	31/01/2014	£12,000	92	0.43%	£13,006
Dacorum BC	03/02/2014	£3,000	94	0.37%	£2,859
Caerphilly BC	05/02/2014	£5,000	92	0.29%	£3,655
Hertfordshire Police & Crime	28/02/2014	£5,000	91	0.50%	£6,233
Derbyshire Superannuation	28/02/2014	£5,000	91	0.50%	£6,233
East Renfrewshire Council	28/02/2014	£1,500	91	0.50%	£1,870
Higland Council	17/02/2014	£5,000	45	0.42%	£2,589
Middlesbrough CC	21/02/2014	£5,000	49	0.43%	£2,886
Shropshire & Wrekin Fire	21/02/2014	£2,000	49	0.40%	£1,074
Leicester City Council	27/02/2014	£3,500	55	0.42%	£2,215
Ceredigion CC	21/02/2014	£1,500	28	0.35%	£403
Suffolk CC	31/03/2014	£1,000	66	0.41%	£741
Suffolk Police & Crime	31/03/2014	£2,000	66	0.41%	£1,483
Vale of Glamorgan Council	24/03/2014	£1,700	59	0.45%	£1,237
Greater Manchester Waste	28/02/2014	£3,000	31	0.41%	£1,045
Tendring DC	28/02/2014	£1,000	31	0.41%	£348
Portsmouth CC	31/03/2014	£5,000	61	0.45%	£3,760
Dacorum BC	11/03/2014	£3,000	36	0.38%	£1,124
Dacorum BC	25/03/2014	£2,000	50	0.38%	£1,041
LB of Croydon	30/01/2015	£5,000	364	0.67%	£33,408
Wandsworth BC	30/01/2015	£5,000	364	0.67%	£33,408
Northampton BC	30/01/2015	£5,000	364	0.65%	£32,411
Portsmouth CC	30/01/2015	£5,000	364	0.65%	£32,411
LB of Havering	30/01/2015	£5,000	364	0.65%	£32,411
Derbyshire CC	30/01/2015	£5,000	364	0.65%	£32,411
Caerphilly BC	02/05/2014	£5,000	86	0.35%	£4,123
Portsmouth CC	29/08/2014	£6,000	182	0.43%	£12,865
LB of Brent	28/08/2015	£5,000	546	1.00%	£74,795
Derbyshire Superannuation	29/08/2014	£4,000	182	0.45%	£8,975
Cambridge CC	29/08/2015	£3,000	546	1.00%	£44,877
LB of Hillingdon	28/09/2015	£7,000	550	0.95%	£100,205
		£146,800		**0.51%**	**£516,343**

APPENDIX A

Repayments in 2013/14

	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest
2013/14 Repayments					
PWLB Fixed Maturity			years		
465073	15/12/2013	£4,434	25.5	9.38%	£415,706
465088	03/02/2014	£4,434	25.5	9.38%	£415,706
465183	11/09/2013	£4,434	25	9.50%	£421,249
465754	15/02/2014	£3,503	25	9.25%	£324,029
495230	19/01/2014	£4,434	5	2.99%	£132,583
495231	19/01/2014	£4,434	5	2.99%	£132,583
495232	19/01/2014	£4,434	5	2.99%	£132,583
495233	19/01/2014	£4,434	5	2.99%	£132,583
495234	19/01/2014	£4,434	5	2.99%	£132,583
		£38,975		**5.83%**	**£2,239,605**
Temporary Loans			days		
Greater Manchester Pension	03/01/2014	£14,600	95	0.40%	£15,200
Shropshire Council	29/01/2014	£5,000	92	0.40%	£5,041
Greater Manchester Pension	31/01/2014	£12,000	92	0.43%	£13,006
Dacorum BC	03/02/2014	£3,000	94	0.37%	£2,859
Caerphilly BC	05/02/2014	£5,000	92	0.29%	£3,655
Hertfordshire Police & Crime	28/02/2014	£5,000	91	0.50%	£6,233
Derbyshire Superannuation	28/02/2014	£5,000	91	0.50%	£6,233
East Renfrewshire Council	28/02/2014	£1,500	91	0.50%	£1,870
Higland Council	17/02/2014	£5,000	45	0.42%	£2,589
Middlesbrough CC	21/02/2014	£5,000	49	0.43%	£2,886
Shropshire & Wrekin Fire	21/02/2014	£2,000	49	0.40%	£1,074
Leicester City Council	27/02/2014	£3,500	55	0.42%	£2,215
Ceredigion CC	21/02/2014	£1,500	28	0.35%	£403
Suffolk CC	31/03/2014	£1,000	66	0.41%	£741
Suffolk Police & Crime	31/03/2014	£2,000	66	0.41%	£1,483
Vale of Glamorgan Council	24/03/2014	£1,700	59	0.45%	£1,237
Greater Manchester Waste	28/02/2014	£3,000	31	0.41%	£1,045
Tendring DC	28/02/2014	£1,000	31	0.41%	£348
Portsmouth CC	31/03/2014	£5,000	61	0.45%	£3,760
Dacorum BC	11/03/2014	£3,000	36	0.38%	£1,124
Dacorum BC	25/03/2014	£2,000	50	0.38%	£1,041
		£86,800		**0.41%**	**£74,043**

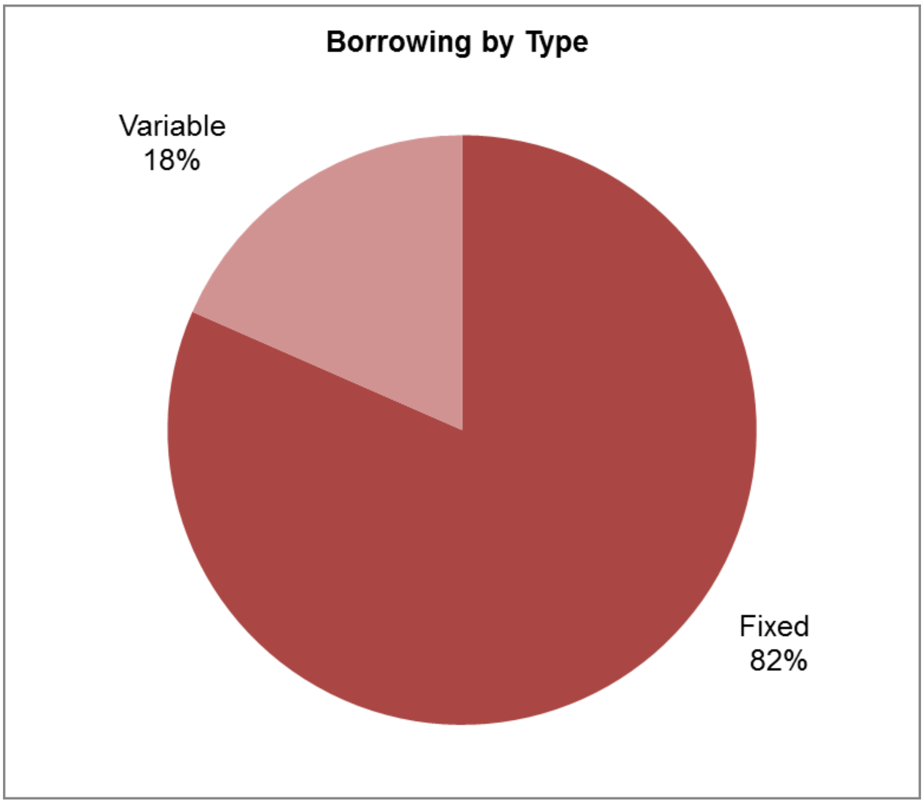
APPENDIX A

Borrowing and Repayments in 2014/15

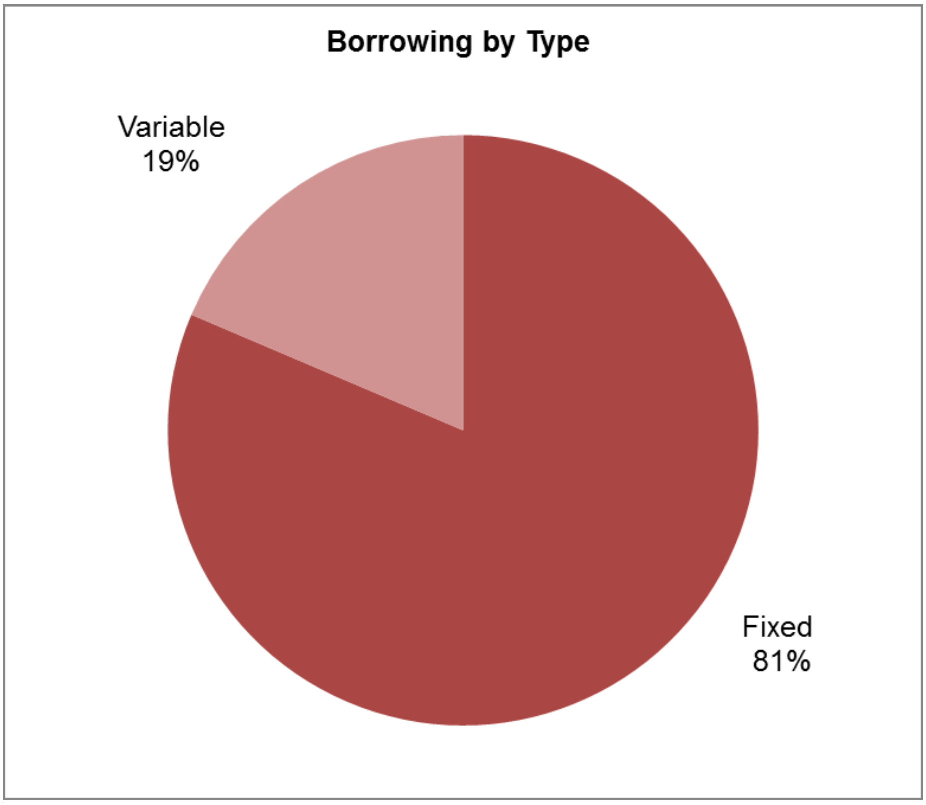
	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest
2014/15 Borrowing					
No activity for quarter 1					
2014/15 Repayments					
Temporary Loans			days		
Caerphilly BC	02/05/2014	£5,000	86	0.35%	£4,123
		£5,000		**0.35%**	**£4,123**

APPENDIX B

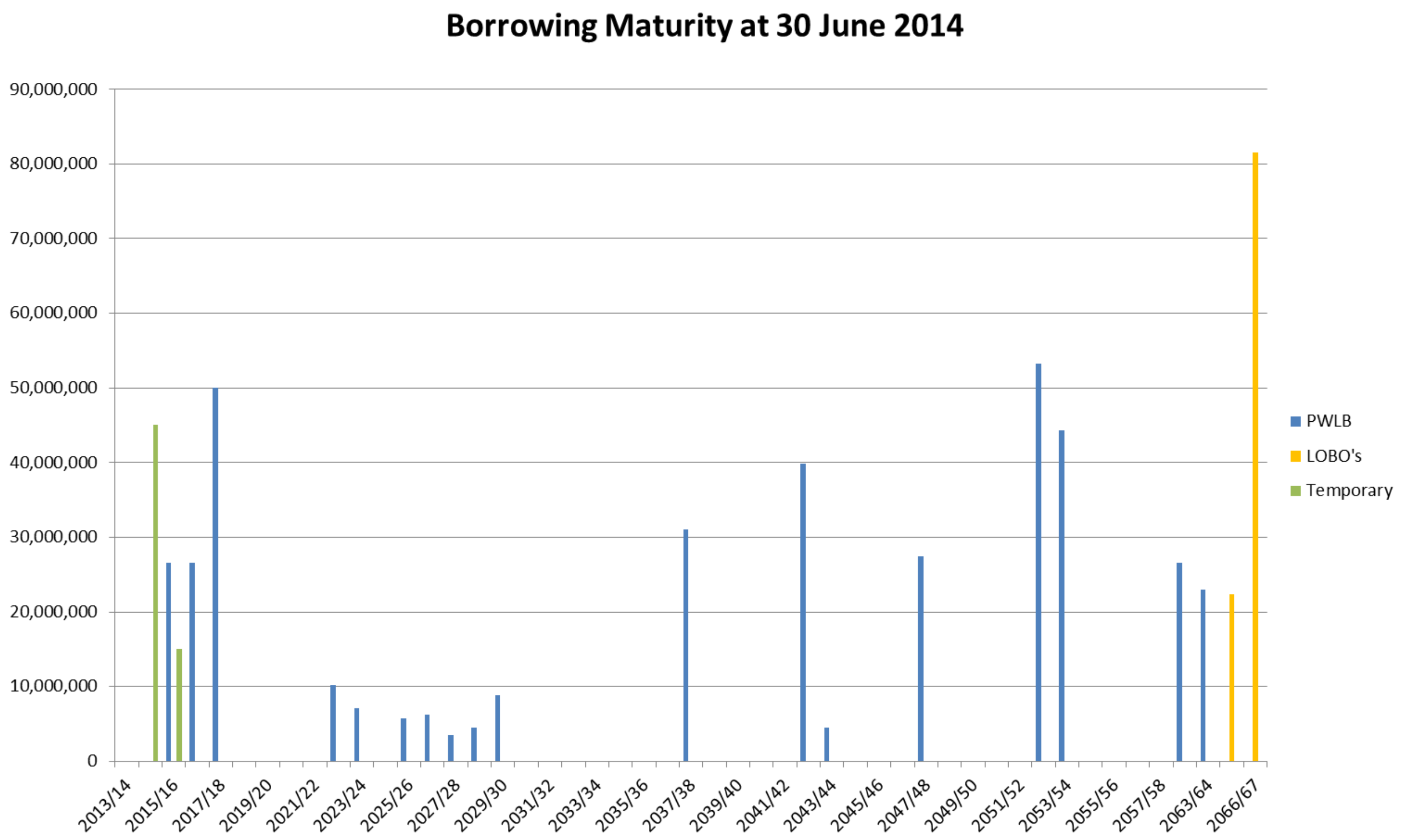
Borrowing: Graphical Summary
As at 31 March 2014



As at 30 June 2014



APPENDIX C


Borrowing Maturity at 30 June 2014
90,000,000
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
2013/14
2015/16
2017/18
2019/20
2021/22
2023/24
2025/26
2027/28
2029/30
2031/32
2033/34
2035/36
2037/38
2039/40
2041/42
2043/44
2045/46
2047/48
2049/50
2051/52
2053/54
2055/56
2057/58
2063/64
2066/67
PWLB
LOBO's
Temporary

APPENDIX D

Economic Background

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

During the quarter ended 30th June 2014:-

- Indicators suggested that the economic recovery accelerated;
- Household spending rose again;
- Inflation fell to its lowest level since September 2009;
- The ILO measure of unemployment fell further to 6.6%;
- The MPC suggested that the economy might warrant higher interest rates before the end of the year;
- Low tax receipts put the fiscal tightening slightly off track;
- The European Central Bank (ECB) made announcements designed to boost bank lending and counter the risk of deflation.

After a healthy quarterly expansion in UK GDP of 0.8% in Q1, some of the early indicators point to growth accelerating in the second quarter. On the basis of past form, the CIPS/Markit business activity surveys point to quarterly GDP growth of around 1.5% in Q2. Admittedly, the composite PMI has tended to overstate the pace of the recovery over the past year. However, survey data was also encouraging on the strength of the recovery in Q2. All of the headline figures in April's industrial production release were encouraging. Indeed, even if production only manages to hold steady in the remaining two months of the quarter, it would still be 0.7% higher in Q2 overall than in Q1. That said, the £2.5bn trade deficit in April, compared to £1.7bn last year, highlights that the recovery is still struggling to rebalance towards exports.

Meanwhile, household spending looks to have supported further GDP growth in Q2. While retail sales volumes fell by 0.5% on the previous month in May, following strong growth in April, the underlying trend remains strong as a combination of rapid jobs growth and falling prices continues to fuel a recovery in consumer spending. In addition, the more forward-looking survey balances of expected sales also point to solid growth in consumer spending in the near-term. Furthermore, non-high street spending remained robust too. Annual growth in new car registrations averaged around 5% in April and May and the Bank of England's Agents' Survey recorded the measure of consumer services turnover at its joint highest level in May since 1998. So it still seems likely that overall household spending strengthened in the second quarter.

The labour market has continued its strong recovery. Employment rose by a huge 345,000 in the three months to April, by far the biggest increase since records began in 1971. Despite an increase in the workforce, employment growth was enough to bring the headline (three-month average) unemployment rate down to 6.6% in April. In addition, the timelier claimant count measure of unemployment fell by 27,400 in May, potentially pointing to further falls in the broader ILO measure of unemployment. Nonetheless, pay growth has remained subdued, with headline annual growth (three month average) in average earnings (including bonuses) falling to 0.7% in April, well below inflation of 1.8%. Since real earnings have yet to rise, some consumers may be overstretching their finances in order to spend more.

APPENDIX D

Meanwhile, after sending dovish messages through the May Inflation Report, the MPC's communications have now gone full circle, from trying to prevent interest rate expectations from rising too quickly via the introduction of forward guidance last summer, to trying to raise them now. A number of Committee members, including Governor Mark Carney, have warned of not-too-distant policy tightening.

Indeed, the main factor that could dissuade the MPC from starting on an earlier path for increasing Bank Rate is inflation. CPI inflation fell to 1.5% in May, the lowest rate since late 2009. Recent developments, including sterling's further appreciation, falls in producer price inflation and very weak wages growth, suggest that CPI inflation could fall to as low as 1% later this year.

Meanwhile, May's public borrowing figures contained tentative signs that the coalition is struggling to bring down the deficit in line with fiscal plans this year. The underlying measure of borrowing (PSNB ex. excluding APF and Royal Mail pension fund transfers) was £13.3bn in May, exceeding the consensus forecast of £12.2bn. The increase was largely driven by a drop in tax receipts, rather than strong increases in spending. Spending in April and May is around 9% higher than it was in the same period last year. However, it is still too early in the fiscal year to draw conclusions from these figures.

One risk which continues to linger is an overheating housing market. Fears that a nationwide bubble is building will not have been assuaged by the Financial Policy Committee's (FPC) relatively timid action announced alongside June's Financial Stability Report. Indeed, the 15% limit on the proportion of the volume of new mortgages that can be advanced at a multiple of 4.5 times income or more is unlikely to prevent a further rise in high loan-to-income ratio lending, given that the limit is a fair way above the actual current proportion of 10%. Furthermore, the tweaks to the existing stress tests used to assess mortgage applicants seem unlikely to make a material difference either. Admittedly, the housing market has already shown some signs of slowing of its own accord. Indeed, approvals for new mortgages fell to an eleven-month low in May, and the new buyer enquiries balance of the RICS Housing Market Survey has continued to moderate. However, with supply remaining tight, further strong increases in house prices in the near-term look likely. Although the FPC could announce further measures at a later date, the timidity of its actions so far may have slightly increased the chances that the MPC could raise Bank Rate in the not too distant future.

Internationally, the robust 217,000 increase in US non-farm payrolls in May is another encouraging sign that the economy is getting back on the right track after the weather-related weakness during the winter. The 0.6% m/m rise in US industrial production in May also suggests that activity is bouncing back. Meanwhile, the US Federal Reserve continued tapering its asset purchases by a further $10bn in June's policy meeting and highlighted that the benign outlook for inflation means monetary policy will remain loose for some time. The Fed lowered its forecasts for GDP growth and unemployment, but the FOMC's policy statement made no reference to the recent build up of price pressures.

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Activity indicators for the Eurozone suggest that the recovery only gained a little momentum in Q2. Moreover, the spectre of deflation continues to hang over the region. HICP inflation fell from 0.7% to 0.5% in May, the joint weakest rate since 2009 and far beneath the ECB's 2% price stability ceiling. Furthermore, unit labour costs have risen by just 0.1% in the past year. As developments in wages tend to affect wider measures of inflation after a short lag, the latest data suggests that consumer price inflation could fall even further. Accordingly, the ECB made a number of announcements in June designed to boost bank lending and counter deflationary risks, including rate cuts and potential asset purchases. However, the policies involved are not as bold as they might seem. The interest rate cuts were very small and the decision not to sterilise bond purchases made under the Securities Markets Programme amounts to just 1.7% of GDP.

In the UK, equities continued to underperform, despite improving expectations for the strength and sustainability of the UK's recovery. Indeed, they have continued to underperform US equities, even though the consensus expects the UK to grow faster than the US in 2014. Meanwhile, gilt yields edged up – particularly at the short-end of the curve – following the MPC's communications in June, which were more hawkish than May's Inflation Report. In contrast, forward rates at the long end of the curve fell further, although it is not clear whether this is a result of pessimism about the UK's growth prospects in the long run, or a decline in the term premium which reflects uncertainty about the future path of interest rates.

Interest rate forecast

The Council's treasury advisor, Capita, provides the following forecast:

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
5yr PWLB rate	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.40%	4.40%
25yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%
50yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%

Capita Asset Services undertook a review of its interest rate forecasts in May, after the Bank of England's Inflation Report. However, more recent developments to the Bank of England's forward guidance have necessitated a second updating in this quarter carried out on 30 June. This latest forecast now includes a first increase in Bank Rate in quarter 1 of 2015 (previously quarter 4 of 2015).

APPENDIX D

Summary Outlook

UK economy

Over the last four quarters, we have had a continuing run of strong economic news which has consolidated confidence that the UK economy is recovering strongly. However, please note that the Governor said the economy "has only just begun to head back towards normal" after the slowest ever recovery from a recession. Widespread disbelief that unemployment would take nearly three years to fall to 7%, as the Bank forecast at the time of the August Inflation Report, has indeed proved to be well founded as the rate fell to 6.8% in Q1 2014 and then to 6.6% in quarter 2. Accordingly, this latest Inflation Report has seen the Bank provide a view of the economy as moving from a recovery supported by household spending to a more broadly based expansion sustained by:-

- Growth in business investment;
- A change from falling to rising real wages (average wage increases started to exceed the rate of CPI inflation over the last quarter but more recently, this situation has reversed back again);
- Increasing employment;
- Productivity growth to support those real wage increases and improve export competitiveness – expected to reach 2.5% by the end of 2014.

Key economic statistics in the Inflation Report were as follows: -

- GDP has grown at an annual rate of 3.1% over the last four quarters;
- Bank of England GDP forecasts: 2014 unchanged at 3.4%, 2015 upped from 2.7% to 2.9%, and for 2016 unchanged at 2.8%;
- Inflation to be well behaved over the next two years: rising to 2.0% in two years' time from 1.7% in Q2 2015;
- Growth of productivity has only started to marginally improve, although it is expected to gradually rise back to its average historical rate.

We have reservations that the Bank's current forecasts for GDP growth may be over optimistic and that strong economic growth could weaken as the main impetus has come from consumer spending and an uplift in borrowing to buy property. Whilst the release of this burst of pent up demand to buy property is having a very welcome effect on the economy, this surge is likely to fade in time and will then leave a question mark over where growth is going to come from. Basically, there are four main areas of demand in the UK economy: -

- Consumers – but most consumers are maxed out on borrowing and trying to pay down debt. In addition, although average wage inflation is now higher than CPI inflation, many consumers are still experiencing declining disposable income as their wage increases are continuing to be less than inflation. This will not reverse until productivity and business investment improve, so as to warrant paying higher wages than are being paid currently. It is mainly higher wages that could provide a solid stimulus to an increase in

consumer expenditure which would then underpin strong growth. There are also concerns that a significant number of mortgage holders are going to find it very difficult to manage increases in Bank Rate, and so in mortgage rates, when they do start.
- Government – again, maxed out on borrowing and committed to austerity programmes to reduce its expenditure. Further austerity measures are still to come.
- Foreigners buying our exports – but the EU, our major export market, is likely to experience tepid growth, at best, for the next few years. Also the rise in the value of Sterling means that imports are becoming cheaper which will cause UK consumers to increase purchases of cheaper imported goods in preference to UK produced competing products, so depressing UK GDP growth.
- Business investment in fixed capital formation; but this has fallen from 13.5% to 10.4% of GDP over 2008 - 2013. However, there are encouraging signs that businesses are catching the upturn in optimism and are beginning to increase investment and exports into new markets in emerging countries. However, it will take a significant length of time for this start to make a material impact on total UK GDP growth rates and to take over the baton from consumers.

Global economy

We can only repeat our previous warnings that we are in times when events can precipitate major volatility in markets. During this year we have seen a flight to safe havens resulting from investment flows out of emerging countries back to western economies as the prospects for higher growth in these economies has improved. This has been triggered by the Fed's start to tapering and successive months of reducing QE purchases by $10bn per month.

As for the EZ, while Ireland and Portugal have made very good progress and have been able to exit from their bail out programmes, there remains the prospect that Greece could require a third bailout package, though not one on the same scale as the first two.

A further concern over the EZ is the potential "Japanification" of the economy as some countries are now experiencing, or are very near to, deflation. Deflation causes a real increase in the value of debt. This is dangerous in itself for already heavily indebted countries but even more so where countries are still running up annual deficits of 3% or more. We are, therefore, concerned that some EZ countries experiencing low growth, will, over the next few years, see a significant increase in total government debt to GDP ratios. There is a potential danger for these ratios to rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians. All eyes are currently on the ECB in terms of whether they will provide further policy support, having resorted to negative interest rates in June in an effort to encourage financial institutions to lend into the "real economy".

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Capita's forward view

We would remind clients of the view that we expressed in our previous interest rate revision newsflashes of just how unpredictable PWLB rates and bond yields are as we are experiencing volatility which is highly correlated to geo-political developments.

As there remain the threat of potential risks from a number of sources caution must be exercised in respect of all interest rate forecasts at the current time. The general expectation for an eventual trend of gently rising gilt yields and PWLB rates is predicted to remain unchanged, as market fundamentals will focus on the improved UK economic performance as well as issues such as the sheer volume of UK gilt issuance (and also US Treasury issuance) and the price of those new debt issues. Negative (or positive) developments on the geo-political front as well as any fresh issues regarding an EZ-related sovereign debt crisis could significantly impact safe-haven flows of investor money into UK, US and German bonds and produce shorter term movements away from our central forecasts.

Our interest rate forecast is based on an initial assumption that we will not be heading into a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and, therefore, has the potential to dampen UK growth, as the EU is our biggest export market.

Our PWLB forecasts are based around a balance of risks. However, we would flag up the potential for upside risks, especially for longer term PWLB rates, as follows:-

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a greater flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Downside risks currently include:-

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into "economic warfare" between the West and Russia, where Russia resorted to using its control over gas supplies to Europe. Heightened political risks in the Middle East and East Asia could also trigger safe haven flows back into bonds.
- A failure to rebalance UK growth towards exporting and business investment causing a weakening of overall economic growth beyond 2014.
- A resurgence of the EZ sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios.
- Recapitalising of European banks requiring more government financial support.

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- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which still face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- There are also increasing concerns that the reluctance of western economies to raise interest rates significantly for some years. This plus the huge QE measures which remain in place (and may be added to by the ECB in the near future), has created potentially unstable flows of liquidity searching for yield and therefore heightened the potential for an increase in risks in order to get higher returns. This is a return of the same environment which led to the 2008 financial crisis.

APPENDIX E

Wolverhampton City Council
Specified Investments Lending List as at 30 June 2014

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)	10,000	6 mths
Bank of Nova Scotia	Canada (AAA)	10,000	6 mths
Canadian Imperial Bank of Commerce	Canada (AAA)	10,000	6 mths
Clearstream Banking	Luxembourg (AAA)	20,000	12 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
Hong Kong and Shanghai Banking Corporation Ltd	Hong Kong (AA+)	10,000	6 mths
HSBC Bank plc	UK (AAA)	10,000	6 mths
HSBC Bank USA	USA (AAA)	5,000	3 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)	5,000	3 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	20,000	12 mths
Royal Bank of Canada	Canada (AAA)	10,000	6 mths
Standard Chartered Bank	UK (AAA)	10,000	6 mths
Svenska Handelsbanken AB	Sweden (AAA)	10,000	6 mths
Toronto Dominion Bank	Canada (AAA)	20,000	12 mths
United Overseas Bank Ltd	Singapore (AAA)	20,000	12 mths
Wells Fargo Bank NA	USA (AAA)	10,000	6 mths
Westpac Banking Corporation	Australia (AAA)	10,000	6 mths
Nationalised Banks			
Lloyds Banking Group plc			
Bank of Scotland plc	UK (AAA)	10,000	3 mths
Lloyds Bank plc	UK (AAA)	10,000	3 mths
Royal Bank of Scotland Group plc			
National Westminster Bank plc	UK (AAA)	10,000	3 mths
The Royal Bank of Scotland plc	UK (AAA)	10,000	3 mths
Money Market Funds	**Fund Rating**		
Invesco Aim STIC Account	Fitch AAAmmf	20,000	Instant Access
Ignis Sterling Liquidity Fund	Fitch AAAmmf	20,000	Instant Access
Prime Rate Sterling Liquidity 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.

APPENDIX F

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

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 *				As at 30 June 2014			
	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
General Fund	9.3%	10.3%	14.0%	15.6%	4.7%	10.2%	13.2%	15.0%
HRA	13.3%	12.3%	12.1%	12.6%	13.9%	11.2%	12.4%	13.8%

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

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 *				As at 30 June 2014			
	2013/14 Forecast £	2014/15 Forecast £	2015/16 Forecast £	2016/17 Forecast £	2013/14 Actual £	2014/15 Forecast £	2015/16 Forecast £	2016/17 Forecast £
For Band D council tax								
Implications of the Capital Programme for Year	222.50	201.41	236.60	243.92	40.11	164.06	221.11	225.48
Financial Year Impact	222.50	201.41	236.60	243.92	40.11	164.06	221.11	225.48
For average weekly housing rents								
Implications of the Capital Programme for Year	3.10	4.65	5.34	6.13	0.85	4.09	6.35	7.55
Financial Year Impact	3.10	4.65	5.34	6.13	0.85	4.09	6.35	7.55
For Band D council tax								
Implications of the Capital Programme for Year	0.13	2.02	(7.64)	(15.44)	(34.12)	(37.35)	(15.47)	(18.44)
Marginal Impact to Treasury Management Strategy	0.13	2.02	(7.64)	(15.44)	(34.12)	(37.35)	(15.47)	(18.44)
For average weekly housing rents								
Implications of the Capital Programme for Year	-	-	-	-	(1.90)	(0.56)	1.02	1.42
Marginal Impact to Treasury Management Strategy	-	-	-	-	(1.90)	(0.56)	1.02	1.42

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

PI 3 - Estimates and actual capital expenditure.
Full details of capital expenditure plans and funding can be found in the Capital Budget Outturn 2013/14 including Quarter One Monitoring 2014/15 report.

	Approved by Cabinet *				As at 30 June 2014			
	2013/14 Forecast £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000	2013/14 Actual £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000
General Fund	137,040	111,799	36,889	18,290	117,531	125,220	48,007	14,657
HRA	52,359	57,928	30,477	33,228	43,061	84,431	50,503	38,233
	189,399	169,727	67,366	51,518	160,592	209,651	98,510	52,890

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

APPENDIX F

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 *				As at 30 June 2014			
	2013/14 Forecast £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000	2013/14 Actual £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000
General Fund	472,390	570,638	573,285	556,896	456,723	558,507	576,424	559,293
HRA	318,992	352,603	347,163	340,438	311,691	339,254	352,679	350,420
	791,382	923,241	920,448	897,334	768,414	897,761	929,103	909,713

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

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 *				As at 30 June 2014			
	2013/14 Limit £000	2014/15 Limit £000	2015/16 Limit £000	2016/17 Limit £000	2013/14 Actual £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000
Borrowing	838,982	896,862	909,345	919,984	705,391	853,899	904,770	911,102
Other Long Term Liabilities	66,815	109,740	98,092	96,145	63,144	109,740	98,092	96,145
Total	905,797	1,006,602	1,007,437	1,016,129	768,535	963,639	1,002,862	1,007,247

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

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 *				As at 30 June 2014			
	2013/14 Limit £000	2014/15 Limit £000	2015/16 Limit £000	2016/17 Limit £000	2013/14 Actual £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000
Borrowing	820,095	870,926	901,661	916,319	705,391	824,197	888,655	906,612
Other Long Term Liabilities	66,815	100,057	98,092	96,145	63,144	100,057	98,092	96,145
Total	886,910	970,983	999,753	1,012,464	768,535	924,254	986,747	1,002,757

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

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 *				As at 30 June 2014			
	2013/14 Forecast £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000	2013/14 Actual £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000
HRA Debt Limit	356,770	356,770	356,770	356,770	356,770	356,770	356,770	356,770
HRA Capital Financing Requirement	318,992	352,603	347,163	340,438	311,691	339,254	352,679	350,420
Headroom	37,778	4,167	9,607	16,332	45,079	17,516	4,091	6,350

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

APPENDIX F

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

	Approved by Cabinet **				As at 30 June 2014			
	2013/14 Forecast £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000	2013/14 Actual £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	795,905	920,448	923,241	920,448	929,102	929,102	929,102	929,102
Gross Debt	617,330	804,343	833,112	845,824	626,301	782,020	844,513	860,523
Capital Financing Requirement Greater than Gross	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

** 2013/14 approved by Cabinet 18 September 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

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

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 Cabinet *				As at 30 June 2014			
	2013/14 Limit	2014/15 Limit	2015/16 Limit	2016/17 Limit	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
Upper limit for fixed rate	100%	100%	100%	100%	82%	85%	86%	86%
Upper limit for variable rate	20%	20%	20%	20%	18%	15%	14%	14%

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

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 Cabinet *		As at 30 June 2014	
	Upper Limit	Lower Limit	2013/14 Actual Borrowing	2014/15 Forecast Borrowing
Under 12 months	10%	0%	9.80%	7.28%
12 months and within 24 months	15%	0%	9.06%	4.65%
24 months and within 5 years	20%	0%	16.68%	17.49%
5 years and within 10 years	20%	0%	3.76%	3.03%
10 years and above	90%	50%	60.70%	67.55%

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

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 1.5 of the Annual Investment Strategy).

	Approved by Cabinet *				As at 30 June 2014			
	2013/14 Limit £000	2014/15 Limit £000	2015/16 Limit £000	2016/17 Limit £000	2013/14 Actual £000	2014/15 Forecast £000	2015/16 Forecast £000	2016/17 Forecast £000
Upper limit for more than 364 days	35,000	35,000	35,000	35,000	-	35,000	35,000	35,000

* 2013/14 approved by Cabinet 26 February 2013, 2014/15 onwards approved by Cabinet 25 February 2014.

APPENDIX G

Disclosure for Certainty Rate

Certainty Rate
This table details the information that is required to enable the Council to submit a return for 2014/15.

	As at 25 February 2014			As at 30 June 2014		
	2013/14 Forecast £000	2014/15 Forecast £000	2015/16 Forecast £000	2013/14 Actual 000	2014/15 Forecast £000	2015/16 Forecast £000
Net Borrowing Requirement:						
Borrowing to Finance approved Capital Expenditure	81,410	103,742	30,735	35,945	118,806	64,458
Existing Maturity Loans to be Replaced During the Year	135,777	90,000	76,605	150,182	65,000	41,605
Less:						
Minimum Revenue Provision for Debt Repayment	(12,235)	(13,646)	(17,394)	(1,869)	(12,783)	(15,808)
Voluntary Debt Repayment	(10,057)	(11,804)	(14,169)	(14,458)	(13,711)	(15,343)
	(22,292)	(25,450)	(31,563)	(16,327)	(26,494)	(31,151)
Loans Replaced Less Debt Repayment	113,485	64,550	45,042	133,855	38,506	10,454
Net Advance Requirement	194,895	168,292	75,777	169,800	157,312	74,912