

**Open**

# **Cabinet**

# **Agenda**

**6pm**  
**Tuesday, 19th November 2013**  
**Council Chamber**  
**Wyre Forest House**  
**Finepoint Way**  
**Kidderminster**



## Cabinet

### **The Cabinet Members and their responsibilities:-**

<b>Councillor J-P Campion</b>	<b>Leader of the Council</b>
<b>Councillor M J Hart</b>	<b>Deputy Leader, Environmental Services</b>
<b>Councillor N J Desmond</b>	<b>Resources and Transformation</b>
<b>Councillor I Hardiman</b>	<b>Community Well-Being</b>
<b>Councillor A Hingley</b>	<b>Place-Shaping</b>

### **Scrutiny of Decisions of the Cabinet**

The Council has one Scrutiny Committee that has power to investigate policy issues and question members of the Cabinet who have special responsibility for a particular area of the Council's activities. The Cabinet also considers recommendations from this Committee.

In accordance with Section 10 of the Council's Constitution, Overview and Scrutiny Procedure Rules, and Standing Order 2.4 of Section 7, any item on this agenda may be scrutinised by the Scrutiny Committee if it is "called in" by the Chairman or Vice-Chairman of the Overview & Scrutiny Committee and any other three non-Cabinet members.

*The deadline for "calling in" Cabinet decisions is 5pm on Wednesday 4<sup>th</sup> December 2013.*

Councillors wishing to "call in" a decision on this agenda should contact Sue Saunders, Committee and Electoral Services Officer, Wyre Forest House, Finepoint Way, Kidderminster. Telephone: 01562 732733 or email [susan.saunders@wyreforestdc.gov.uk](mailto:susan.saunders@wyreforestdc.gov.uk)

### **Urgent Key Decisions**

If the Cabinet needs to take an urgent key decision, the consent of the Scrutiny Committee Chairman must be obtained. If the Scrutiny Committee Chairman is unable to act the Chairman of the Council or in his/her absence the Vice-Chairman of the Council, must give consent. Such decisions will not be the subject to the call in procedure.

### **Declaration of Interests by Members – interests of members in contracts and other matters**

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of this constitution for full details.

### **Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)**

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

### **For further information**

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sue Saunders, Committee and Electoral Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732733 or email [susan.saunders@wyreforestdc.gov.uk](mailto:susan.saunders@wyreforestdc.gov.uk)

Documents referred to in this agenda may be viewed on the Council's website - [www.wyreforestdc.gov.uk/council/meetings/main.htm](http://www.wyreforestdc.gov.uk/council/meetings/main.htm)

### **WEBCASTING NOTICE**

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At the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act 1998. The footage recorded will be available to view on the Council's website for 6 months and shall be retained in accordance with the Council's published policy.

**By entering the meeting room and using the public seating area, you are consenting to be filmed and to the possible use of those images and sound recordings for webcasting and or training purposes.**

If members of the public do not wish to have their image captured they should sit in the Stourport and Bewdley Room where they can still view the meeting.

If any attendee is under the age of 18 the written consent of his or her parent or guardian is required before access to the meeting room is permitted. Persons under 18 are welcome to view the meeting from the Stourport and Bewdley Room.

**If you have any queries regarding this, please speak with the Council's Legal Officer at the meeting.**

Wyre Forest District Council

Cabinet

Tuesday, 19th November 2013

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

<b>Agenda item</b>	<b>Subject</b>	<b>Page Number</b>
<b>1.</b>	<b>Apologies for Absence</b>	
<b>2.</b>	<b>Declarations of Interests by Members</b>  In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered.  Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
<b>3.</b>	<b>Minutes</b>  To confirm as a correct record the Minutes of the meeting held on the 22 <sup>nd</sup> October 2013.	6
<b>4.</b>	<b>CALL INS</b> a verbal update will be given on any decisions which have been "called in" since the last meeting of the Cabinet.	
<b>5.</b>	<b>Items Requiring Urgent Attention</b>  To consider any item which, in the opinion of the Chairman requires consideration at the meeting as a matter of urgency.	
<b>6.</b>	<b>Public Participation</b>  In accordance with the Council's Scheme for Public Speaking at Meetings of Full Council/Cabinet, to allow members of the public to present petitions, ask questions, or make statements, details of which have been received by 12 noon on Monday 11 <sup>th</sup> November 2013. (See front cover for contact details).	
<b>7.</b>	<b><i>Leader of the Council</i></b>	
<b>7.1</b>	<b>Leader's Announcements</b>	

<b>8. Securing the Economic Prosperity of the District/ Delivering Together, With Less/Improving Community Well-Being</b>		
<b>8.1</b>	<p style="text-align: right;"><b>Councillor N J Desmond</b></p> <p><b>Development of Medium Term Financial Strategy 2014/19</b></p> <p>To consider a report from the Chief Financial Officer which recommends to Council the medium term financial strategy and Cabinet proposals. To also consider the recommendations from the Strategic Review Committee meeting on 18<sup>th</sup> November 2013. (Report to follow)</p>	-
<b>8.2</b>	<p style="text-align: right;"><b>Councillor N J Desmond</b></p> <p><b>Treasury Management Strategy Statement and Annual Investment Strategy Mid Year Review Report 2013/14</b></p> <p>To consider a report from the Chief Financial Officer which recommends to Council that the Treasury Management Mid-year Review and the updated Prudential Indicators as detailed in the report are approved. To also consider the recommendations from the Overview &amp; Scrutiny Committee meeting on 7<sup>th</sup> November 2013.</p>	11

<b>9.</b>	<b>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</b>	
<b>10.</b>	<p><b>Exclusion of the Press and Public</b></p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in paragraph 3 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

<b>11.</b>	<b>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</b>	
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**WYRE FOREST DISTRICT COUNCIL  
CABINET**

**COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER  
22ND OCTOBER 2013 (6.00 PM)**

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**Present:**

Councillors: J-P Champion, N J Desmond, I Hardiman, M J Hart and A T Hingley.

**Observers:**

Councillors: G W Ballinger, S J M Clee, M Price and J A Shaw.

**CAB.27 Apologies for Absence**

There were no apologies for absence.

**CAB.28 Declarations of Interests by Members**

Councillor M J Hart declared an interest in agenda item no. 9.2 - National Non Domestic Rate (NNDR) Relief as he was a Trustee of the Scouts.

**CAB.29 Minutes**

**Decision: The minutes of the Cabinet meeting held on 17<sup>th</sup> September 2013 be confirmed as a correct record and signed by the Chairman.**

**CAB.30 Call Ins**

No decisions had been called in since the last Cabinet meeting.

**CAB.31 Items Requiring Urgent Attention**

There were no items requiring urgent attention.

**CAB.32 Leader's Announcements**

There were no Leader's announcements.

**CAB.33 Development of New Corporate Plan 2014/19**

A report was considered from the Chief Executive which recommended to Council the draft Corporate Plan for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2019. The recommendations from the Strategic Review Committee meeting on 9<sup>th</sup> October 2013 were also considered

The Chairman of the Strategic Review Committee informed Members that Councillor E Davies had led the review group and the recommendations had been unanimously agreed. The Focus Groups had been led by Members and approximately 150 people and 41 local organisations had attended. There had also been approximately 630 responses to the consultation. The top four topics that the public has chosen had been fed into the two priorities. The review group and the Head of Transformation and Communications were thanked for their work.

The Leader of the Council stated that the proposed two priorities offered opportunities for people to contribute to, both in terms of finance and safer communities. Members were supportive of the proposed priorities.

Councillor G W Ballinger arrived at the meeting at this point, (6.05pm).

**Decision: Recommend to Council: The draft Corporate Plan 2014/19, as set out in Appendix 2 of the report to Cabinet, be adopted.**

**CAB.34 Development of Medium Term Financial Strategy 2014/19**

A report was considered from the Chief Financial Officer which sought Cabinet's consideration of the workable options for the medium term financial strategy that had been developed by the Strategic Review Committee. The recommendations from the Strategic Review Committee meeting on 9<sup>th</sup> October 2013 were also considered.

The Chairman of the Strategic Review Committee informed Members that the panel had met 23 times over the Summer period and he thanked all Members who had played an active role. In addition, the Chief Executive, Head of Transformation and Communications, and the Chief Financial Officer had led work groups and they were also thanked. The recommendations from the Committee had been unanimously agreed and had identified the £2m savings required in 2016-17.

The Cabinet Member for Transformation and Resources thanked Members of the Strategic Review Committee for their detailed report and the work that had been done. The Council had taken a different stance in preparing the budget for the forthcoming year and all political groups had been involved in the process. The Cabinet would now prepare their report for the November meeting and the report would be used as part of that. It was a challenging period for the Council and services that were provided would be looked at when the recommendations were prepared in order to deliver the required savings.

The Leader of the Council acknowledged all the hard work that had been carried out to date with the financial strategy and stated that there had been some interesting debates. The Council now had difficult decisions to make and it was hoped that a good debate would be held at Council in November 2013.

**Decision: The workable options for the medium term financial strategy be noted and it be agreed to bring forward its recommendations to Council at its meeting on 19<sup>th</sup> November 2013.**

**CAB.35 National Non Domestic Rate (NNDR) Relief**

A report was considered from the Director of Economic Prosperity and Place which detailed responses to the consultation that had been undertaken and to agree to a new scheme of NNDR relief from 1<sup>st</sup> April 2014. The recommendations from the Overview & Scrutiny Committee meeting on 3<sup>rd</sup> October 2013 were also considered.

Members were informed that the new scheme would not affect the vast number of recipients. However, the most affected organisation would be The Community Housing Group as their rate relief would be reduced to zero.

**Decision:**

- 1. The operating principles for a new scheme of NNDR relief from 1<sup>st</sup> April 2014 as set out in paragraph 4.1 of the report to Cabinet be agreed.**
- 2. The eligibility criteria for a new scheme of NNDR relief from 1<sup>st</sup> April 2014 as set out at Appendix 1 to the report to Cabinet be agreed.**
- 3. Delegated authority be granted to the Director of Economic Prosperity and Place in consultation with the Cabinet Member for Resources and Transformation to decide whether to include or exclude leisure centres from the scheme once the negotiations on the new leisure centre are completed.**

**CAB.36 Revised Local Development Scheme (2013-16)**

A report was considered from the Director of Economic Prosperity and Place which recommended to Council proposals for the revision of the Local Development Scheme (Project Plan), which will guide the future production of the District's Local Plans. To also consider the recommendations from the Overview and Scrutiny Committee meeting on 3<sup>rd</sup> October 2013.

Members were informed that to ensure plans were kept up to date, there would be a challenging work schedule for officers to adhere to. Members were also pleased with the process that had been followed.

**Decision:**

**Recommend to Council:**

- 1. The Proposed Draft Revised Local Development Scheme (2013-16) be endorsed and published as a basis for the future production of the District's Local Plans.**
- 2. Delegated authority be granted to the Director of Economic Prosperity and Place to undertake any necessary formatting amendments to the Draft Revised Local Development Scheme prior to its publication.**



**CAB.37 Recommendations from Committees**

**Overview & Scrutiny Committee, 3<sup>rd</sup> October 2013**

**(a) Community Infrastructure Levy**

**Decision:** The progression of a Community Infrastructure Levy Charging Schedule be postponed and the position be reviewed again later in 2014.

**(b) Wyre Forest Health Action Plan Update**

**Decision:** The Wyre Forest Health Action Plan 2013/14, as attached at Appendix 2 to the report to the Overview and Scrutiny Committee, be approved.

**CAB.38 New Leisure Centre for Wyre Forest**

A report was considered from the Director of Wellbeing and Environment which updated Cabinet on the New Leisure Centre for Wyre Forest.

Members discussed the exempt report in detail. A briefing session had also been held which Members had found helpful. In response to a point raised by a Member, the Leader of the Council suggested a Member group be convened to look at some of the concerns raised. The meeting was adjourned at 7.06pm and reconvened at 7.10pm.

Councillor J Shaw left the meeting at 7.08pm.

**Decision:**

- 1. Negotiations to acquire the former site cannot be progressed due to it being uneconomically viable to proceed. This decision will protect the Council's interest and follows extensive due diligence processes**
- 2. The Director for Wellbeing & Environment and the Director for Economic Prosperity and Place in consultation with the Cabinet Member for Wellbeing & Environment be authorised to enter into negotiations for the acquisition of the preferred site for the new leisure centre identified in the exempt report and to acquire the site in accordance with the business case appended to the exempt report to Cabinet.**
- 3. The evaluation model to be used in the Invitation to Tender be approved subject to any minor variations as may be deemed appropriate by the Director for Wellbeing & Environment in consultation with the Cabinet Member (CWE).**

- 4. Delegated authority be granted to the Director for Wellbeing & Environment in consultation with the Cabinet Member (CWE) to award the contract for the Design, Build, Operate and Maintain of the new leisure centre in accordance with the evaluation model, with due regard to the caveats/conditions outlined in 7.10 of the report to Cabinet.**
- 5. Cabinet notes that despite extensive efforts a CAT has not been possible for Stourport Sports Centre to date and no application will now be considered as we move to contract stage. No further interest in a CAT will be considered.**
- 6. Account will be taken of the revised business plan and consequent revisions to the capital programme and revenue budget, as part of its recommendations to Council on the medium term financial strategy. This will encompass changes to funding arrangements, including a potential grant and also consideration of the creation of a revenue reserve.**
- 7. Delegated authority be granted to the Director for Wellbeing & Environment in consultation with the Chief Financial Officer to continue to actively pursue opportunities to drive down the overall revenue costs of this project, including maximising external funding, and cost reductions through the competitive tender process.**

The meeting closed at 7.15 pm.

**WYRE FOREST DISTRICT COUNCIL**

**CABINET**  
**19<sup>TH</sup> NOVEMBER 2013**

**Treasury Management Strategy Statement and  
Annual Investment Strategy  
Mid-year Review Report 2013/14**

<b>OPEN</b>	
<b>SUSTAINABLE COMMUNITY STRATEGY THEME:</b>	Stronger Communities
<b>CORPORATE PLAN PRIORITY:</b>	Delivering Together, With Less
<b>CABINET MEMBER:</b>	Councillor N J Desmond
<b>RESPONSIBLE OFFICER:</b>	Chief Financial Officer
<b>CONTACT OFFICERS:</b>	Tracey Southall - Ext. 2100 tracey.southall@wyreforestdc.gov.uk Lisa Hutchinson - Ext. 2120 lisa.hutchinson@wyreforestdc.gov.uk
<b>APPENDICES:</b>	Appendix 1 - Prudential and Treasury Indicators

**1. PURPOSE OF REPORT**

- 1.1 To provide Members with a mid-year review of the Council's treasury management policies, practices and activities in accordance with the revised CIPFA Treasury Management Code of Practice.

**2. RECOMMENDATION**

**Cabinet recommends to Council to:-**

- 2.1 **Approve this Treasury Management Mid-year Review.**
- 2.2 **Approve the updated Prudential Indicators in this report.**

**3. BACKGROUND**

- 3.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.
- 3.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve

arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

3.3 Accordingly, Treasury management is defined as:

“The management of the local authority’s investments and 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.”

3.4 The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council on 29<sup>th</sup> February 2012.

3.5 The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement that sets out the policies and objectives of the Council’s Treasury Management activities.
2. Creation and maintenance of Treasury Management Practices that set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Full Council of an Annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
4. 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.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Treasury Management Review Panel who considered and endorsed this report on 6<sup>th</sup> November 2013, and made recommendations to the Overview and Scrutiny Committee held on 7<sup>th</sup> November 2013. Cabinet and Council approval is now sought.

3.6 This mid-year report has been prepared in compliance with CIPFA’s Code of Practice on Treasury Management, and covers the following:

- An economic update for the 2013/14 financial year to 30<sup>th</sup> September 2013;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2013/14;
- A review of the Council's borrowing strategy for 2013/14;
- A review of any debt rescheduling undertaken during 2013/14;
- A review of compliance with Treasury and Prudential Limits for 2013/14.

**4. ECONOMIC UPDATE - (as provided by Capita Asset Services – Treasury Solutions (Treasury Advisors)**

**4.1 Economic performance to date**

During 2013/14 economic indicators suggest that the economy is recovering, albeit from a low level. After avoiding recession in the first quarter of 2013, with a 0.3% quarterly expansion the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick-up in retail sales, mortgages, house prices and new car registrations.

The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. Pay growth also rebounded strongly in April, although this was mostly driven by high earners delaying bonuses until after April's cut in the top rate of income tax. Excluding bonuses, earnings rose by just 1.0% year on year, well below the rate of inflation at 2.7% in August, causing continuing pressure on household's disposable income.

The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Together with the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom years pre-2008.

Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 started to come down, but only slowly, as Government expenditure cuts took effect and economic growth started to show through in a small increase in tax receipts. The 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan, and monetary policy was unchanged in advance of the new Bank of England Governor, Mark Carney, arriving. Bank Rate remained at 0.5% and quantitative easing (QE) also stayed at £375bn. In August, the Monetary Policy Committee (MPC) provided forward guidance that Bank Rate is unlikely to change until unemployment first

falls to 7%, which was not expected until mid 2016. However, 7% is only a point at which the MPC will review Bank Rate, not necessarily take action to change it. The three month to July average rate was 7.7%.

Consumer Price Index (CPI) inflation (MPC target of 2.0%), fell marginally from a peak of 2.9% in June to 2.7% in August. The Bank of England expects inflation to fall back to 2.0% in 2015.

Financial markets sold off sharply following comments from Ben Bernanke (the United States Federal Reserve (Fed) chairman) in June that suggested the Fed may 'taper' its asset purchases earlier than anticipated. The resulting rise in United States (US) Treasury yields was replicated in the United Kingdom (UK). Equity prices fell initially too, as Fed purchasing of bonds has served to underpin investor moves into equities out of low yielding bonds. However, as the market moves to realign its expectations, bond yields and equities are likely to rise further in expectation of a continuing economic recovery. Increases in payroll figures have shown further improvement, helping to pull the unemployment rate down from a high of 8.1% to 7.3%, and continuing house price rises have helped more households to escape from negative equity. In September, the Fed surprised financial markets by not starting tapering as it felt the run of economic data in recent months had been too weak to warrant taking early action. Bond yields fell sharply as a result, though it still only remains a matter of time until tapering does start.

Tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a renewed flare-up. Economic survey data improved consistently over the first half of the year, pointing to a return to growth in Q2, so ending six quarters of Eurozone recession.

#### 4.2 Capita Asset Services' (Capita) view for the next six months of 2013/14

Economic forecasting remains difficult with so many external influences weighing on the UK. Volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds. Downside risks to UK gilt yields and Public Works Loan Board (PWLB) rates include:

- 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.

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- The Italian political situation is frail and unstable: the coalition government fell on 29<sup>th</sup> September 2013.
- 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 European Union (EU) and US, depressing economic recovery in the UK.
- Geopolitical risks e.g. Syria, Iran, North Korea, that could trigger safe haven flows back into bonds.

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

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- Increased investor confidence that sustainable robust world economic growth is firmly expected, together with a reduction or end of QE operations in the US, causing a further 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.
- In the longer term - a 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.
- 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, causing the ratio of total Government debt to Gross Domestic Product (GDP) to rise to levels that provoke major concern.

The overall balance of risks to economic recovery in the UK is now 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, and it remains exposed to vulnerabilities in a number of key areas. 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. Near-term, there is some residual risk of further QE if there is a dip in strong growth or if the MPC were to decide to take action to combat the market's expectations of an early first increase in Bank Rate. If the MPC does 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, such action could cause gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The tension in the US over passing a Federal budget for the new financial

## Agenda Item No. 8.2

year starting on 1 October and raising the debt ceiling in mid October could also see bond yields temporarily dip until agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed will cause bond yields to rise.

### 4.3 Capita's interest rate forecast:

4.3.1 The Council's treasury advisor, Capita, provides the following forecast (the forecasts are for PWLB certainty rates; ie, 20 basis points below the standard PWLB rates):

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	2.50%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
10yr PWLB rate	3.70%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
25yr PWLB rate	4.40%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
50yr PWLB rate	4.50%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%

4.3.2 Expectations for the first change in Bank Rate in the UK are now dependent on how to forecast when unemployment is likely to fall to 7%. Financial markets have taken a very contrary view to the MPC and have aggressively raised short term interest rates and gilt yields due to their view that the strength of economic recovery is now so rapid that unemployment will fall much faster than the Bank of England forecasts. They therefore expect the first increase in Bank Rate to be in quarter 4 of 2014. There is much latitude to disagree with this view as the economic downturn since 2008 was remarkable for the way in which unemployment did not rise to anywhere near the extent likely, unlike in previous recessions. This meant that labour was retained, productivity fell and now, as the MPC expects, there is major potential for unemployment to fall only slowly as existing labour levels are worked more intensively and productivity rises back up again. The size of the work force is also expected to increase relatively rapidly and there are many currently self employed or part time employed workers who are seeking full time employment. Capita take the view that the unemployment rate is not likely to come down as quickly as the financial markets are currently expecting and that the MPC view is more realistic. The prospects for any increase in Bank Rate before 2016 are therefore seen as being limited. However, some forecasters are predicting that even the Bank of England forecast is too optimistic



as to when the 7% level will be reached and so do not expect the first increase in Bank Rate until spring 2017.

**5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE**

- 5.1 The Treasury Management Strategy Statement (TMSS) for 2013/14 was approved by this Council on 27<sup>th</sup> February 2013.
- 5.2 There are no policy changes to the TMSS that require Council approval. The details in this report update the position in the light of the updated economic position and budgetary changes already approved.
- 5.3 The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
- Security of Capital
  - Liquidity
- 5.4 The Council will also aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions, using Capita's suggested creditworthiness approach, including sovereign credit rating and credit default swap (CDS) overlay information provided by Capita. However, consideration is given to special tranche rates that are occasionally offered by those banks that are part-nationalised. The Council placed an investment on 25<sup>th</sup> July 2012 with Lloyds Bank plc for just under 12 months duration. That loan matured on 4<sup>th</sup> July 2013 and was in accordance with our risk appetite to improve yield and in line with the Council's treasury advisor's guidance and counterparty creditworthiness indicators at that time.
- 5.5 A breakdown of the Council's current investment portfolio as at 30<sup>th</sup> September 2013 is shown in Section 7 of this report.
- 5.6 Borrowing rates have increased slightly during the first six months of the 2013/14 financial year. The Council will be required to undertake further external borrowing during the next six months and will monitor the market to secure the most advantageous rates. Investments during the first six months of the year have been in line with the strategy, and there have been no deviations from the strategy.
- 5.7 As outlined in Section 4 above, there is still considerable uncertainty and volatility in the financial and banking market, both globally and in the UK.

**6. THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)**

- 6.1 This part of the report is structured to update:
- The Council's capital expenditure plans;
  - How these plans are being financed;
  - The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
  - Compliance with the limits in place for borrowing activity.

6.2 Prudential Indicator for Capital Expenditure

This table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed for the Budget.

<b>Capital Expenditure by Service/Major Schemes</b>	<b>2013/14 Original Estimate £'000</b>	<b>Mid Year Position £'000</b>	<b>2013/14 Revised Estimate £'000</b>
New Headquarters - Accommodation	106	21	665
Contribution towards replacement of Civic Facilities in Stourport-On-Severn	-	-	450
Chief Executive	610	43	1,070
Community Well-being and Environment	2,019	632	2,137
Economic Prosperity and Place	2,794	235	2,184
Vehicle, Equipment and Systems Renewals	875	122	426
<b>Total</b>	<b>6,404</b>	<b>1,053</b>	<b>6,932</b>

6.3 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

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Capital Expenditure	2013/14 Original Estimate £'000	Mid Year Position £'000	2013/14 Revised Estimate £'000
Supported (Revenue Support Grant Settlement)	-	-	-
Unsupported	6,404	1,053	6,932
<b>Total spend</b>	<b>6,404</b>	<b>1,053</b>	<b>6,932</b>
Financed by:			
Capital receipts	1,244	64	1,495
Capital grants	1,393	642	1,588
Revenue	263	-	13
<b>Total financing</b>	<b>2,900</b>	<b>706</b>	<b>3,096</b>
<b>Borrowing need</b>	<b>3,504</b>	<b>347</b>	<b>3,836</b>

### 6.4 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

#### Prudential Indicator – Capital Financing Requirement

The latest estimate of the Capital Financing Requirement is lower due to slippage in several capital schemes.

#### Prudential Indicator – External Debt / the Operational Boundary

	2013/14 Original Estimate £'000	2013/14 Revised Estimate £'000
<b>CFR</b>	9,683	9,040
<b>External Debt/Operational Boundary</b>	15,000	15,000

### 6.5 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, debt will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and next two financial years. This allows some flexibility for borrowing for the current and future years. The Council has approved a policy setting out the parameters for borrowing in advance of need which will be adhered to if this proves prudent (TMSS Section 8.5).

<b>Limits to Borrowing Activity</b>	<b>2013/14 Original Estimate £'000</b>	<b>2013/14 Revised Estimate £'000</b>
Gross Borrowing	9,027	7,856
Less Investments	(4,281)	(5,000)
Less Icelandic Investments (currently frozen)	(1,414)	(1,441)
Net Borrowing	3,332	1,415
CFR (year end position)	9,683	9,040

The Chief Financial Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

- 6.6 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<b>Authorised Limit for External Debt</b>	<b>2013/14 Original Indicator £'000</b>	<b>2013/14 Revised Indicator £'000</b>
Borrowing	20,000	20,000

## **7. INVESTMENT PORTFOLIO 2013/14**

- 7.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 4, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. Indeed, the introduction of the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Euro zone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

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- 7.2 The investment portfolio yield for the first six months of the year against the benchmark (7 Day LIBID) is shown below:

Benchmark	Benchmark Return	Council Performance to 30/09/2013	Investment Interest Earned to 30/09/2013
7 day LIBID	0.36%	0.31%	£44,540

As illustrated, the authority slightly underperformed the benchmark by 5 bank basis points (bps). This was mainly due to the constraints of the Counterparty List that have necessitated the frequent use of the DMO at 0.25%. The Money Market Fund interest has also reduced to 0.38%. The Council's original budgeted investment return for 2013/14 is £25,000, and performance for the year to date is £44,540. The main reason for this increase is that the Council currently has more funds to invest due to Capital Programme slippage. The Council is also a member of the Capita Benchmarking Club, the results of which are reported separately to the Treasury Management Review Panel.

- 7.3 The tables below show investments held at 1<sup>st</sup> April 2013 compared to investments held at 30<sup>th</sup> September 2013, excluding Icelandic investments.

Investments Held With	1 <sup>st</sup> April 2013 £	Average Rate of Return	Duration
Royal Bank of Scotland	680,000	0.85%	Instant Access
NatWest Bank	1,020,000	0.60%	Instant Access
Lloyds TSB Bank	700,000	0.50%	Instant Access
Lloyds TSB Bank	1,000,000	3.00%	Fixed to 04/07/13
Ignis Money Market Fund	1,700,000	0.3924%	Instant Access
Bank of England	1,795,000	0.25%	Overnight
<b>Total</b>	<b>6,895,000</b>		

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Investments Held With	30 <sup>th</sup> September 2013 £	Average Rate of Return	Duration
Royal Bank of Scotland	1,785,000	0.60%	Instant Access
NatWest Bank	415,000	0.40%	Instant Access
Lloyds TSB Bank	200,000	0.40%	Instant Access
NatWest Bank	1,000,000	0.80%	95 Day Notice Account
Lloyds TSB Bank	1,000,000	1.05%	Fixed to 07/01/14
Lloyds TSB Bank	1,000,000	0.85%	Fixed to 04/10/13
Barclays Bank	2,000,000	0.40%	Fixed to 17/10/13
Lloyds TSB Bank	1,000,000	0.70%	Fixed to 06/12/13
Nationwide Building Society	1,000,000	0.38%	Fixed to 25/10/13
Ignis Money Market Fund	2,840,000	0.3847%	Instant Access
<b>Total</b>	<b>12,240,000</b>		

7.4 As illustrated in the economic background section above, investment rates available in the market are at a historical low point. The average level of funds available for investment purposes in the first six months of 2013/14 was £14,561,374. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

7.5 Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function. However, yields continue to be low whilst the Council adheres to the low risk strategy due to the current economic climate.

## 8. **EXTERNAL BORROWING**

8.1 The Council's capital financing requirement (CFR) – as at 1<sup>st</sup> April 2013 was £5.505m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council's external borrowing totalled £3m at 1<sup>st</sup> April 2013. Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR) new external borrowing of £1m was undertaken from the PWLB on 2<sup>nd</sup> April 2013. The loan was for 5 years at a rate of 1.52%.

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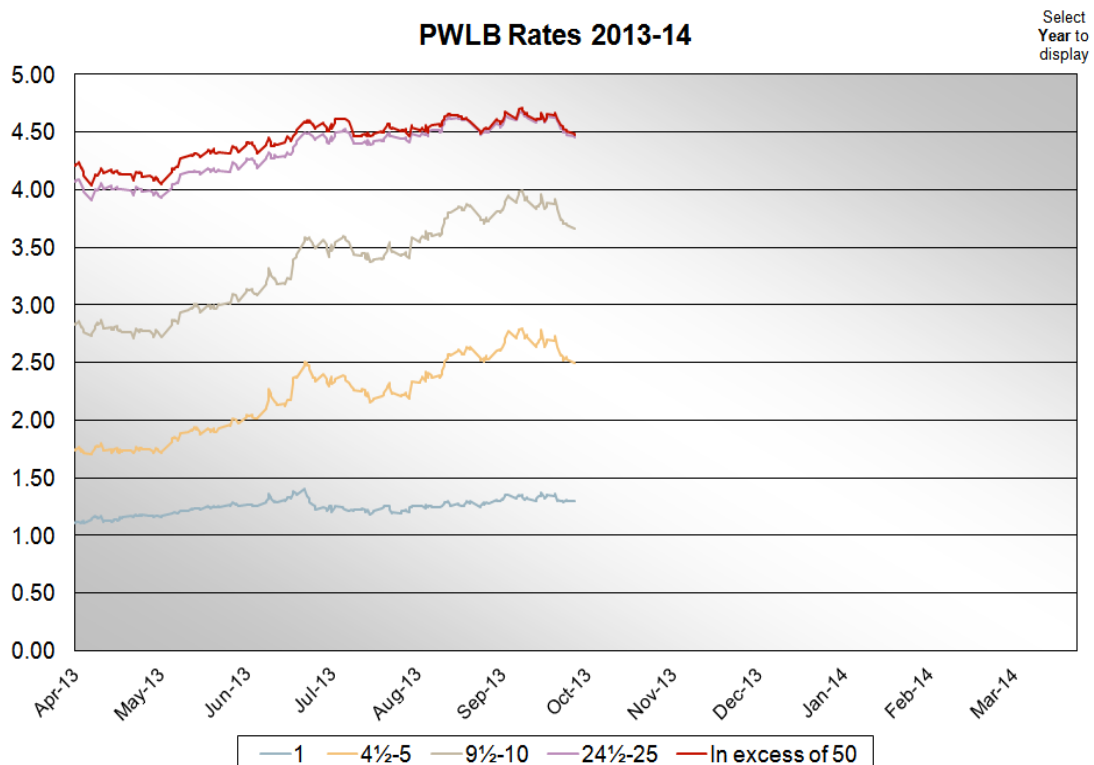
8.2 The table below shows the Council's external borrowing as at 30<sup>th</sup> September 2013.

Lender	Date	Principal	Type	Interest Rate	Maturity
Market - Borough of Kings Lynn & West Norfolk	14/01/13	£2m	Fixed interest rate	0.75%	14/07/14 (1.5 years)
PWLB	15/03/13	£1m	Fixed interest rate	2.62%	15/03/22 (9 years)
PWLB	02/04/13	£1m	Fixed interest rate	1.52%	02/04/18 (5 years)

8.3 It is anticipated that further borrowing will be undertaken during this financial year.

8.4 As outlined below, the general trend has been an increase in interest rates during the six months, across all maturity bands.

8.5 The graph below shows the movement in PWLB rates for the first six months of the year.



**9. DEBT RESCHEDULING**

- 9.1 There has been no requirement for debt rescheduling during the first six months of 2013/14.

**10. COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS**

- 10.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Policy and Strategy Report.
- 10.2 During the financial year to date the Chief Financial Officer confirms that the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.
- 10.3 The Prudential and Treasury Indicators are shown in Appendix 1. These have been updated for the slippage in the Capital Programme and the associated requirements to undertake external borrowing.

**11. LOCAL ISSUES**

- 11.1 The most significant issue to affect the Council relates to the exposure of investments with links to Icelandic Banks. The Council established the Treasury Management Review Panel which examined the circumstances leading up to the placing of the particular investments and continues to consider recommendations in relation to the Council's lending lists and other relevant Treasury Management matters.
- 11.2 The Council had £9m invested in Icelandic Banks at the time of collapse. Ten dividends have been received up to 30<sup>th</sup> September 2013 from Kaupthing Singer & Freidlander (KSF). Fourteen dividends have been received up to 30<sup>th</sup> September 2013 from Heritable Bank. Four dividends have been received up to 30<sup>th</sup> September 2013 from Landsbanki. The Council expects to receive further dividends in future years.
- 11.3 The table below details the Council's Icelandic investments as at 30<sup>th</sup> September 2013.



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<b>Bank</b>	<b>Original Investment £</b>	<b>Interest Claimed £</b>	<b>Total Claim £</b>	<b>Dividends Received £</b>	<b>Balance Outstanding including Interest Due £</b>	<b>Balance Outstanding Principal Only £</b>
Landsbanki	3,000,000	183,097	3,183,097	1,665,170	1,517,927	1,430,611
Kaupthing Singer & Friedlander	5,000,000	156,378	5,156,378	4,073,539	1,082,839	1,050,000
Heritable Bank	1,000,000	31,110	1,031,110	969,422	61,688	60,157
<b>Total</b>	<b>9,000,000</b>	<b>370,585</b>	<b>9,370,585</b>	<b>6,708,131</b>	<b>2,662,454</b>	<b>2,540,768</b>

- 11.4 Over this, and the ensuing years, the funds available for investment will reduce as the Council progresses its Transformation Agenda in areas such as the finalisation of the New Headquarters account, the completion of the ICT Strategy, the Carbon Management Plan and the Future Leisure Provision. Each of these schemes are being pursued to ensure that the Council can reduce the on-going cost of delivering services.
- 11.5 Over the coming years the Council is also scheduled to make disposals of assets. Careful consideration will be made on each opportunity to ensure that the Council sells at a time that maximises the return to the authority.
- 11.6 The Council's current banking contract with the Co-operative Bank expires on the 31<sup>st</sup> March 2014 and is currently out to tender with the return date for submissions being 4<sup>th</sup> November 2013. The Council anticipates appointing the successful tenderer before Christmas to allow sufficient time for any changes that may be required to systems. Members will be aware of the briefings issued as a result of the result credit rating downgrades and other associated media reports concerning the Co-operative Bank. Appropriate consideration of credit ratings has been included as part of the tender process to ensure the Council is protected as far as possible, going forward, and the position continues to be carefully monitored in close liaison with Capita.
- 11.7 As the capital programme expenditure progresses and balances of reserves that contribute to the make-up of the cash reserves available for investment reduce, external rather than internal, borrowing will be used as an affordable means of funding for approved projects. The timing of this borrowing is crucial, particularly given the forecast albeit gradual increase in borrowing interest rates. Advice will be sought, as usual from Capita and appropriate market information referenced. The Chief Financial Officer currently considers that cash balances should be held at no less than £5m for a Council of our size. This forecast reduction in daily cash balances, together with the current limitations on the counterparty list, that are highly likely to continue, will make longer term investments unviable and it is therefore highly likely

investments yields will decrease as projected in the new revenue base budget.

- 11.8 The financial situation facing this Council is extremely challenging. The further significant cuts in local government funding announced in the Spending Round on 26<sup>th</sup> June and proposals to top-slice the New Homes Bonus mean we face an even greater challenge producing a balanced budget. In broad terms the Council should expect its net revenue budget to fall by about 20% to under £11m compared to the present figure of £12.8m. These austere times will have an impact on the Treasury Management activity both in terms of sums available to invest and the type of activities the Council may engage in. For example a Major Investment Fund is being considered and this could involve significant borrowing if proven to be affordable. This will be closely monitored and included within the Treasury Reports as appropriate.

**12. KEY ISSUES**

- 12.1 The Key issues are contained in sections 3 to 11 of this report.
- 12.2 As reported previously, the returns the Council is currently receiving from investments are significantly lower than those achieved during years up to 2007/08. Although we are forecasting increases in interest rates in later years, increases are expected to be modest and implemented over a long period. This together with the lower sums available to invest as detailed in this report will result in lower investment income.

**13. FINANCIAL IMPLICATIONS**

- 13.1 The Financial Implications of the treasury management function will be included in the Council's Medium Term Financial Strategy and Budget and Policy Framework, currently being prepared.

**14. LEGAL AND POLICY IMPLICATIONS**

- 14.1 The Local Government Act 2003 supplemented by Regulations set out a new framework for a prudential system for local authority capital finance. This Act, together with CIPFA's Prudential Code for Capital Finance in Local Authorities, came into effect on 1<sup>st</sup> April 2004. This code together with recent revised editions, guides decisions on what Local Authorities can afford to borrow and has statutory backing under Regulations issued in accordance with the Local Government Act 2003.
- 14.2 Adoption of the CIPFA Code of Practice on Treasury Management in the Public Services as part of the Authority's Standing Orders and Financial Regulations, gives it the status of a "code of practice made or approved by or under any enactment", and hence proper practice under the provisions of the Local Government and Housing Act 1989.

**15. RISK MANAGEMENT**

- 15.1 The Council is aware of the risks of passive management of the treasury portfolio. With the support of its external consultants we continue to proactively manage our investments. Capita Asset Services – Treasury Solutions (formerly Sector Treasury Services) are the Council's advisors, appointed from 1<sup>st</sup> September 2010. The contract for Treasury Services was recently extended by a further 2 years on favourable terms.
- 15.2 Shorter-term variable rates and likely future movement in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the lending list, accurately forecasting returns can be difficult.

**16. EQUALITY IMPACT ASSESSMENT**

- 16.1 This is a financial report and there is no requirement to consider an Equality Impact Assessment.

**17. CONCLUSION**

- 17.1 See Recommendations.

**18. CONSULTEES**

- 18.1 Capita Asset Services – Treasury Solutions (Treasury Advisors).  
18.2 Leader of the Council.  
18.3 Cabinet Member for Resources and Transformation.  
18.4 Corporate Management Team.  
18.5 Treasury Management Review Panel.  
18.6 Overview and Scrutiny Committee.

**19. BACKGROUND PAPERS**

- 19.1 Local Government Act 2003.  
19.2 CIPFA's Revised Prudential Code for Capital Finance in Local Authorities, 2011.  
19.3 CIPFA's Revised Code of Practice on Treasury Management in the Public Services, 2011.  
19.4 Local Government and Housing Act 1989.  
19.5 Council 27/02/13 – Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and updated Prudential Indicators 2013/14.  
19.6 Council 25/09/13 - Annual Report on Treasury Management Service and Actual Prudential Indicators 2012/13.

**APPENDIX 1 Prudential and Treasury Indicators**

<b>PRUDENTIAL INDICATORS</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>actual</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>	5,546	6,932	13,996	887	794
<b>TOTAL</b>	5,546	6,932	13,996	887	794
<b>Ratio of financing costs to net revenue stream</b>	0.88%	2.92%	6.45%	12.56%	13.07%
<b>Gross Borrowing</b>					
brought forward 1 April	3,023	7,856	18,213	18,581	16,928
carried forward 31 March	7,856	18,213	18,581	16,928	17,533
<b>Capital Financing Requirement as at 31 March</b>	5,505	9,040	19,070	18,761	18,413
<b>Annual change in Capital Financing Requirement</b>	935	3,535	10,030	(309)	(348)
<b>Incremental impact of capital investment decisions</b>		<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase in council tax (band D) per annum		12.33	19.57	28.80	31.29

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TREASURY MANAGEMENT INDICATORS	2012/13	2013/14	2014/15	2015/16	2016/17
	actual	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000
<b>Authorised Limit for external debt -</b>					
borrowing	20,000	20,000	30,000	33,000	33,000
other long term liabilities	0	0	0	0	0
<b>TOTAL</b>	<b>20,000</b>	<b>20,000</b>	<b>30,000</b>	<b>33,000</b>	<b>33,000</b>
<b>Operational Boundary for external debt -</b>					
borrowing	15,000	15,000	25,000	27,000	27,000
other long term liabilities	0	0	0	0	0
<b>TOTAL</b>	<b>15,000</b>	<b>15,000</b>	<b>25,000</b>	<b>27,000</b>	<b>27,000</b>
<b>Actual external debt</b>	<b>3,023</b>	<b>7,856</b>	<b>18,213</b>	<b>18,581</b>	<b>16,928</b>
<b>Upper limit for fixed interest rate exposure</b>					
Net principal re fixed rate investments	100%	100%	100%	100%	100%
<b>Upper limit for variable rate exposure</b>					
Net principal re variable rate borrowing / investments	100%	100%	100%	100%	100%
<b>Upper limit for total principal sums invested for over 364 days</b>	£	£	£	£	£
(per maturity date)	2m	2m	2m	2m	2m

Maturity structure of fixed rate borrowing during 2013/14	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

**WYRE FOREST DISTRICT COUNCIL**

**Cabinet  
19<sup>th</sup> November 2013**

**Overview and Scrutiny Committee  
7<sup>th</sup> November 2013**

**Recommendations from Treasury Management Review Panel:  
Treasury Management Strategy Statement and Annual Investment Strategy  
Mid-year Review Report 2013/14**

The Committee considered a report from the Chief Financial Officer which provided Members with a mid-year review of the Council's treasury management policies, practices and activities in accordance with the revised CIPFA Treasury Management Code of Practice.

**Recommend to Cabinet to recommend to Council:**

**The Treasury Management Mid-Year Review and updated Prudential Indicators be approved.**