

Appendix 4 - Asset Investment and Treasury Budget Report as at November 2017

Introduction

The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at November 2017. It also provides an estimate of the borrowing requirement for 2017/18 to fund the Asset Investment Plan.

Asset Investment Plan 2017/18

The revised Asset Investment Plan budget as at November 2017 is £103.9m, which includes £23.6m for Invest to Save (I2S) Schemes. The agreed investment as per the Medium Term Financial Plan (MTFS) was £219.3m. The movement between the MTFS position and the £324.7m as at Apr-17 was a result of slippages mainly due to delays completing projects from 2016/17.

The actual investment expenditure as at November 2017 is £46.7m (67.5% of the revised budget to date). The latest forecast provided by project managers predicts an overall spend of £103.9m, therefore the Council is expecting to spend a further £57.2m before Mar-18. The following table shows the breakdown of the Council's Asset Investment over the directorates and how this investment is to be financed.

Directorate	MTFS Budget	1.4.17 Budget	Current Budget FY	Revised Budget YTD	Actual YTD	Forecast Invest & Finance
	£000	£000	£000	£000	£000	£000
Governance	-	49	-	-	-	-
Growth & Regeneration	38,564	44,704	25,801	17,201	11,332	25,801
People & Communities	64,416	77,783	42,510	28,340	18,578	42,510
Resources	23,378	32,575	12,004	8,003	3,127	12,004
Invest to Save	92,954	169,546	23,588	15,726	13,710	23,588
TOTAL	219,312	324,657	103,904	69,269	46,747	103,904
Grants & Contributions	44,259	50,297	38,603	25,735	23,508	38,603
Capital Receipts	942	-	1,083	722	-	1,083
Borrowing	174,111	274,360	64,218	42,812	23,239	64,218
TOTAL	219,312	324,657	103,904	69,269	46,747	103,904

The movement of £209.1m between the budget as at April 17 (£324.7m) and the current budget of £103.9m follows a comprehensive review of the Asset Investment Plan. The Invest to Save projects have been cut significantly, and a number of other large projects across all directorates have been reprofiled to more accurately reflect the spending over future years. The Asset Investment Plan can be funded via three core elements, external third party income (including grants); capital receipts generated from the sale of Council assets: and borrowing from the external market. For the 2016/17 MTFS onwards the approved strategy is to use Capital Receipts as part of a contribution to the Minimum Revenue Provision (MRP) therefore they are no longer factored into the funding of the Asset Investment.

Borrowing and Funding the Asset Investment Plan

It is a statutory duty for the Council to determine and keep under review the level of borrowing it considers to be affordable. The Council's approved Prudential Indicators (affordable, prudent and sustainable limits) are outlined in the approved Treasury Management Strategy. The Council borrows only to fund the Asset Investment Plan. The current plan assumes that 61.8% of the budgeted expenditure will be funded by borrowing.

The Council's borrowing as at the end of November 2017 was £416.6m (see table below). The debt is measured against the Council's Authorised Limit for borrowing of £914.1m which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £811.0m.

Borrowings	Less than 1 year	1-2 years	2-5 years	5-10 years	10+ years	Total	Average Interest Rate %
PWLB	-	-	4,500	16,143	308,944	329,587	3.7
Local Authority	7,000	9,000	50,500	-	-	66,500	1.4
Market Loans	-	-	-	-	17,500	17,500	4.5
LEP Loan	-	3,000	-	-	-	3,000	0.0
Total Borrowing	7,000	12,000	55,000	16,143	326,444	416,587	3.3
% of total Borrowing	2%	3%	13%	4%	78%		
Borrowing Limit (PI)	40%	40%	80%	80%	100%		

Loans Portfolio £000		
April 17 b/f		395,371
Repayment of loans to date	(11,784)	
New loans in year	33,000	
Net increase/(decrease) to date		21,216
Loans portfolio as at November 17		416,587

The table below shows the activity in Loans held by the Council for the year to date:

Total interest payable on existing loans for the year (£416.6m) is expected to be £13.5m.

As at November 2017 the Council held £23.2m of S106 and Planning Obligation Implementation Scheme (POIS) funding available for funding Asset Investment projects. To date £6.1m has been earmarked for specific projects. The process for allocation requires project managers to successfully submit project plans meeting the criteria for which the contributions were intended. The S106 Officer is responsible for approving S106 allocations.

The Capital Receipts are monitored on a monthly basis and each sale given a status of Red, Amber or Green to identify the likely receipt before March 2018. The MTFS includes a contribution of £12.7m Capital Receipts, which includes £2.2m rolled forward from uncompleted disposals in 16/17. Any shortfall of actual cash receipts in year will therefore have a direct impact on the final Revenue position and in turn the underpinning of the MTFS approach. The revenue forecast assumes that 100% of green receipts and 50% of amber receipts are achieved.

Capital Receipts				
RAG Status	Budgeted Income per MTFS £000	Revised Budget £000	Received to Date £000	Not yet received £000
Green	4,191	4,059	25	4,034
Amber	1,975	21,706	-	21,706
Red	6,572	1,375	-	1,375
Total	12,738	27,140	25	27,115

Investments

The Council aims to achieve the optimum interest on investments commensurate with the proper levels of security and liquidity. In the current economic climate the Council considers it appropriate to keep investments short term to cover cash-flow fluctuations, and only invest with Barclays (the Council's banking provider) and Bank of Scotland (part of the Lloyds Banking Group), the Debt Management Office and Local Authorities although the Council has recently opened a Money Market Fund account to help mitigate the investment risks, whilst increasing returns.

As at November 2017 the Council's external investments totalled £39.2m and have yielded £0.049m to date.

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