

## Appendix D - Asset Investment and Treasury Budget Report as at January 2018

### Introduction

The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at January 2018. 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 January 2018 is £92.8m, which includes £15.3m 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 January 2018 is £59.9m (74.4% of the revised budget to date). The latest forecast provided by project managers predicts an overall spend of £92.8m, therefore the Council is expecting to spend a further £32.9m 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	1st April Budget	Current Budget FY	Revised Budget YTD	Actual YTD	Forecast Investment & Financing
	£000	£000	£000	£000	£000	£000
Governance	-	49	-	-	-	-
Growth & Regeneration	37,064	43,204	32,000	26,667	16,829	32,000
People & Communities	65,916	79,283	36,549	30,458	24,488	36,549
Resources	23,378	32,575	8,954	7,462	4,518	8,954
Invest to Save	92,954	169,546	15,288	12,740	14,054	15,288
<b>TOTAL</b>	<b>219,312</b>	<b>324,657</b>	<b>92,791</b>	<b>77,327</b>	<b>59,889</b>	<b>92,791</b>
Grants & Contributions	44,259	50,297	39,773	33,144	28,906	39,773
Capital Receipts	942	1,083	1,083	903	3,487	1,083
Borrowing for capital programme	174,111	273,277	51,935	43,280	27,496	51,935
<b>TOTAL</b>	<b>219,312</b>	<b>324,657</b>	<b>92,791</b>	<b>77,327</b>	<b>59,889</b>	<b>92,791</b>

The movement of £231.9m between the budget as at April 17 (£324.7m) and the current budget of £92.8m 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.

### **Day Opportunities Service Premises**

As part of the decision made by Cabinet to commission the Day Opportunities service from the college, there was a requirement for a full review of the premises used by the service with a view to creating fit for purpose locality hubs, and this work has progressed well. £500k was identified at point of transfer to carry out these works; this figure was based on a best estimate of what was required, although Cabinet also confirmed that, should additional funding be required, the capital receipt from any buildings vacated as part of the premises review could be used for this purpose.

There is a requirement to increase the amount of capital funding available to complete the works based on agreed specifications and quotes now received.

The additional resources required are set out in the table. Capital financing costs will be added to the MTFS as appropriate. These cost will be added to the next update of the capital programme.

Day Opportunities Service Premises	2017/18	2018/19	2019/20
	£000	£000	£000
Kingfisher Centre	250	-	-
Hampton Hub	60	-	-
Totals	310	-	-

### **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 56% of the budgeted expenditure will be funded by borrowing.

The Council's borrowing as at the end of January 2018 was £426.6m (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 1yr £000	1-2yrs £000	2-5yrs £000	5-10yrs £000	10+yrs £000	Total £000	Ave. Interest Rate %
PWLB	-	-	4,500	16,143	308,944	329,587	3.7
Local Authority	17,000	9,000	50,500	-	-	76,500	1.4
Market Loans	-	-	-	-	17,500	17,500	4.5
LEP Loan	-	3,000	-	-	-	3,000	0.0
Total Borrowing	17,000	12,000	55,000	16,143	326,444	426,587	3.3
% of total Borrowing	4%	3%	13%	4%	77%		
Borrowing Limit (PI)	40%	40%	80%	80%	100%		

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

Loans Portfolio £000		
<b>April 17 b/f</b>		<b>395,371</b>
Repayment of loans to date	(11,784)	
New loans in year	43,000	
Net increase/(decrease ) to date		31,216
<b>Loans portfolio as at November 17</b>		<b>426,587</b>

Total interest payable on existing loans for the year (£426.6m) is expected to be £13.5m.

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	4,737	3,487	1,250
Amber	1,975	9,097	-	9,097
Red	6,572	-	-	-
<b>Total</b>	<b>12,738</b>	<b>13,834</b>	<b>3,487</b>	<b>10,347</b>

**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 January 2018 the Council's external investments totalled £35.9m and have yielded £63k to date.