

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

### Introduction

The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at October 2018. It also provides an estimate of the borrowing requirement for 2018/19 to fund this plan.

### Asset Investment Plan 2018/19

The revised Asset Investment Plan budget as at October 2018 is £105.6m, which includes £11.7m for Invest to Save (I2S) Schemes. The agreed investment as per the Medium Term Financial Plan (MTFS) was £158.7m. The movement between the MTFS position and the £181.3m as at April 2018 was a result of slippages mainly due to delays completing projects from 2017/18.

The actual investment expenditure as at October 2018 is £43.2m (70.1% of the revised budget to date). The latest forecast, as per Tranches 1 and 2, it is anticipated that the capital investment schemes will slip further by the end of the financial year, and therefore based on a programme of £100m the Council are expecting to spend a further £56.8m before March 2019.

The Council has a Capital Review Group (CRG) which meets monthly specifically to reduce the current investment expenditure budget to £100m and the future 5 years and monitor the expenditure.

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 £000	1st April Budget £000	Current Budget FY £000	Revised Budget YTD £000	Actual YTD £000
Governance	49	49	-	-	-
Growth & Regeneration	53,669	61,721	42,668	24,890	22,107
People & Communities	60,453	66,333	41,047	23,944	17,533
Resources	16,195	1,119	10,123	5,905	3,239
Invest to Save	28,350	52,065	11,728	6,841	290
<b>TOTAL</b>	<b>158,716</b>	<b>181,287</b>	<b>105,566</b>	<b>61,580</b>	<b>43,169</b>
Grants & Contributions	40,486	46,335	39,484	23,032	33,842
Capital Receipts – repayment of loans	1,000	1,000	1,000	1,000	1,000
Borrowing	117,230	133,952	65,082	37,548	8,327
<b>TOTAL</b>	<b>158,716</b>	<b>181,287</b>	<b>105,566</b>	<b>61,580</b>	<b>43,169</b>

### 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 Treasury Management Strategy approved as part of the MTFS. The Council borrows only to fund the Asset Investment Plan. The current plan assumes that 64.57% of the budgeted expenditure will be funded by borrowing.

The Council's total borrowing as at the end of October 2018 was £413.6m (see following table). The level of debt is measured against the Council's Authorised Limit for borrowing of £706.5m

which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £659.7m. These limits are set to enable borrowing in advance of need to take advantage of favourable loan rates in consideration of future years capital investment programme.

Borrowings	Less than 1yr £000	1-2yrs £000	2-5yrs £000	5-10yrs £000	10+yrs £000	Total £000	Ave. Interest Rate %
PWLB	0	-	11,628	15,715	312,244	339,587	3.6
Local Authority	14,000	27,500	15,000	0	0	56,500	1.7
Market Loans	0	0	0	0	17,500	17,500	4.5
LEP Loan	0	0	0	0	0	-	-
<b>Total Borrowing</b>	<b>14,000</b>	<b>27,500</b>	<b>26,128</b>	<b>15,715</b>	<b>329,744</b>	<b>413,587</b>	<b>3.4</b>
% of total Borrowing	3%	7%	6%	4%	80%		
Borrowing Limit (PI)	40%	40%	80%	80%	100%		

The majority of the debt is taken on a 10+yr basis. The Corporate Director: Resources believes it to be prudent to take advantage of a relatively low long term fixed rate of interest as it mitigates some of the risk of PWLB rate rises. Long term interest rates remain relatively low e.g. the standard PWLB rate for 50yr loans including the certainty rate was 2.55% at end of October 2018. The historically low PWLB rates are a result of the investor fears and confidence creating an ebb and flow situation between favouring more risky assets i.e. equities, or the safe haven of bonds and have been fluctuating recently due to uncertainty over Brexit negotiations.

The following table shows the activity in Loans held by the Council for the year to date, with £16m of loans being repaid and £10m of new borrowing taken to fund the capital programme:

Loans Portfolio £000	
<b>April 2018 b/f</b>	<b>419,587</b>
repayment of loans to date	(16,000)
new loans in year	10,000
net increase/(decrease ) to date	<b>(6,000)</b>
<b>Loans portfolio as at October 2018</b>	<b>413,587</b>

Total interest payable on existing loans for the year (£413.6m) is expected to be £13.9m.

The CRG is now reviewing the Council's £17.1m of S106 and Planning Obligation Implementation Scheme (POIS) funding at the monthly meetings. To date £8.7m has been earmarked for specific projects but more work needs to be done by the services to allocate the remaining funding to reduce the borrowing costs to the Council. CRG will invite the S106 Officer to the meeting to discuss current investment projects which may be able to use this funding to reduce this funding balance further.

### 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 cashflow fluctuations. This financial year investment returns have been from Barclays (the Council's banking provider), CCLA Money Market funds, the Debt Management Office and Local Authorities.

As at October 2018 the Council's external investments totalled £5.2m and have yielded interest to date of £0.069m, which reflects both relatively the low cash balances held to minimise the cost of borrowing and low interest rates being available in the economic climate

### Capital Receipts

Capital Receipts are used as part of a contribution to fund the Minimum Revenue Provision as approved in the MTFS. Close monitoring of the receipts from asset sales is maintained as any significant change will now have a direct impact on the revenue position.

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 2019. The MTFS includes a contribution of £2.9m Capital Receipts to fund the MRP, with the revised receipts figure including a further £6.7m rolled forward from uncompleted disposals in 2017/18.

Capital Receipts To Off Set Revenue MRP Charge RAG Status	MTFS Budget £000	Revised Budget £000	Received to Date £000	Not yet received £000
<b>Green</b>	-	7,981	2,599	5,382
<b>Amber</b>	2,922	4,590	-	4,590
<b>Red</b>	-	-	-	-
<b>Total (not inc Investment Assets)</b>	<b>2,922</b>	<b>12,571</b>	<b>2,559</b>	<b>9,972</b>
Investment Assets	-	-	-	-
<b>Total Capital Receipts</b>	<b>2,922</b>	<b>12,571</b>	<b>2,599</b>	<b>9,972</b>

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