

Appendix D - Asset Investment and Treasury Budget Report as at May 2019

Introduction

The following report provides an update on the Council's Capital Programme and the Treasury activity as at May 2019. It provides an estimate of the borrowing requirement for 2019/20 to fund this programme.

Capital Programme 2019/20

The revised Capital Programme budget as at May 2019 is £135.1m, which includes £37.1m for Invest to Save (I2S) Schemes. The agreed investment as per the Medium Term Financial Plan (MTFS) was £114.1m. The movement between the MTFS position and the £124.4m as at April 2019 was a result of extensive re-profiling of the budget during 2018/19 and the slippage of schemes from 2018/19 into 2019/20.

The revised Capital Programme is being reviewed with the target to bring overall spending down in year to the £80m mark (which is similar to what has been delivered in previous years). This re-profiling will be based on prioritisation and linkage to the Council's strategic direction and overall priorities.

The actual expenditure as at May 2019 is £3.8m (16.9% of the revised budget to date). The latest forecast for expenditure is £135.1m, therefore the Council is expecting to spend a further £131.3m before March 2020 however this does not factor in any assumptions linked to the review detailed previously.

The Council has a Capital Review Group (CRG) which meets monthly to ensure that the capital programme is not aspirational in terms of the timing of the delivery of schemes, to challenge and ensure the future five years programme is in line with the capital strategy, and monitor the expenditure and progress of schemes.

The following table shows the breakdown of the Council's Capital Programme 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
	£000	£000	£000	£000	£000
Governance	90	90	90	15	-
Growth & Regeneration	38,827	47,836	47,086	7,848	2,692
People & Communities	34,571	31,421	31,921	5,320	734
Resources	4,447	8,003	18,923	3,154	371
Invest to Save	36,199	37,086	37,086	6,181	(2)
TOTAL	114,134	124,436	135,106	22,518	3,795
Grants & Contributions	26,826	32,856	33,112	5,519	1,461
Capital Receipts (repayment of loans made to third parties)	23,150	23,150	23,150	-	-
Borrowing	64,158	68,430	78,844	16,999	2,334
TOTAL	114,134	124,436	135,106	22,518	3,795

Borrowing and Funding the Capital Programme

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 Capital Programme. The current plan assumes that 58.4% of the budgeted expenditure will be funded by borrowing.

The Council's total borrowing as at the end of May 2019 was £447.6m (see following table). The level of debt is measured against the Councils Authorised Limit for borrowing of £785.5m which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £670.6m. These limits are set to enable borrowing in advance of need to take advantage of favourable loan rates in consideration of future years capital programme.

The Council's Total Borrowing as at 31 May 2019

Borrowings	Less than 1yr £000	1-2yrs £000	2-5yrs £000	5-10yrs £000	10+yrs £000	Total £000	Ave. Interest Rate %
PWLB	0	5,628	11,000	20,715	332,244	369,587	3.53
Local Authority	38,000	22,500	0	0	0	60,500	1.17
Market Loans	0	0	0	0	17,500	17,500	4.53
Total Borrowing	38,000	28,128	11,000	20,715	349,744	447,587	3.39
% of total Borrowing	8%	6%	3%	5%	78%		
Borrowing Limit (PI)	40%	40%	80%	80%	100%		

The majority of the debt is taken on a 10+yr basis. PWLB's long term interest rates remain historically low which reflect investors' fears and confidence, currently favouring the safe haven of bonds due to continuing uncertainty of other countries financial markets.

The following table shows the activity in loans held by the Council for the year to date, with £10m of loans being repaid to date. A further £18m is due to be repaid in June.

Loans Portfolio £000		
April 2019 b/f		457,587
repayment of loans to date	(10,000)	
new loans in year	-	
net increase/(decrease) to date		(10,000)
Loans portfolio as at May 2019		447,587

Total interest payable on existing loans for the year (£447.6m) is expected to be £14.6m.

The Council currently holds £14.0m of S106 and POIS funding, of this £3.0m is earmarked for specific projects. The Capital Review Group (CRG) will continue to review the funding at the monthly meetings with a view to allocate the remaining funding to reduce the borrowing costs to the Council. CRG invites 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 May 2019 the Council's external investments totalled £9.7m.

Capital Receipts Used To Fund Minimum Revenue Provisions

Capital Receipts are used to repay debt, and this debt repayment is factored into the Minimum Revenue Provision as approved in the MTFS. Close monitoring of the receipts from asset sales is maintained as any change to the budget will 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 2020. The £10.8m Capital Receipts in the MTFS will be used to repay debt and forms part of the calculation of the reducing the overall debt through MRP.

Capital Receipts To Off Set Revenue MRP Charge RAG Status	MTFS Budget £000	Revised Budget £000	Received to Date £000	Not yet received £000
Green	-	-	-	-
Amber	10,819	10,819	7,661	5,291
Red	-	-	-	-
Total (not inc Investment Assets)	10,819	10,819	7,661	5,291
Investment Assets	-	-	-	-
Total Capital Receipts	10,819	10,819	7,661	5,291

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