

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

Introduction

The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at July 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 July 2018 is £133.3m, which includes £18.0m 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 July 2018 is £24.1m (54.2% of the revised budget to date). The latest forecast provided by project managers predicts an overall spend of £133.3m, therefore the Council's project managers are expecting to spend a further £109.2m before March 2019.

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	49	16	-
Growth & Regeneration	53,669	61,721	53,122	17,707	11,255
People & Communities	60,453	66,305	52,215	17,405	9,891
Resources	16,195	1,148	9,891	3,298	2,725
Invest to Save	28,350	52,064	18,007	6,002	218
TOTAL	158,716	181,287	133,284	44,428	24,089
Grants & Contributions	40,486	46,335	41,780	13,927	12,718
Capital Receipts – repayment of loans	1,000	1,000	1,000	333	1,000
Borrowing	117,230	133,952	90,504	30,168	10,371
TOTAL	158,716	181,287	133,284	44,428	24,089

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 67.9% of the budgeted expenditure will be funded by borrowing.

The Council's total borrowing as at the end of July 2018 was £406.6m (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	3-5yrs £000	6-10yrs £000	10+yrs £000	Total £000	Ave. Interest Rate %
PWLB	0	500	11,128	15,715	302,244	329,587	3.7
Local Authority	17,000	37,500	5,000	0	0	59,500	1.4
Market Loans	0	0	0	0	17,500	17,500	4.5
LEP Loan	0	0	0	0	0	-	-
Total Borrowing	17,000	38,000	16,128	15,715	319,744	406,587	3.4
% of total Borrowing	4%	9%	4%	4%	79%		
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 2.40% at end of July 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 £13m of loans being repaid and no new loans yet taken to fund the capital programme:

Loans Portfolio £000		
April 2018 b/f		419,587
repayment of loans to date	(13,000)	
new loans in year	-	
net increase/(decrease) to date		(13,000)
Loans portfolio as at July 2018		406,587

Total interest payable on existing loans for the year (£406.6m) is expected to be £13.8m.

As at July 2018 the Council held £16.8m of S106 and Planning Obligation Implementation Scheme (POIS) funding available for funding Asset Investment projects. To date £7.0m 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.

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 July 2018 the Council's external investments totalled £9.5m and have yielded interest to date of £0.052m, 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
Green	-	-	-	-
Amber*	2,922	12,034	165	11,869
Red	-	-	-	-
Total (not inc Investment Assets)	2,922	12,034	165	11,869
Investment Assets	-	-	-	-
Total Capital Receipts	2,922	12,034	165	11,869

*Revised budget includes an amount relating to Bayard Place

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