

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

Introduction

The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at September 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 September 2018 is £117.5m, which includes £16.1m 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 September 2018 is £36.5m (62.1% of the revised budget to date). The latest forecast for expenditure is that it should not exceed £100.0m, therefore the Council is expecting to spend a further £63.5m 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	-	-	-
Growth & Regeneration	53,669	61,721	47,939	23,970	18,331
People & Communities	60,453	66,333	43,336	21,668	14,735
Resources	16,195	1,119	10,120	5,060	3,137
Invest to Save	28,350	52,065	16,107	8,053	272
TOTAL	158,716	181,287	117,502	58,751	36,475
Grants & Contributions	40,486	46,335	42,158	21,079	18,322
Capital Receipts – repayment of loans	1,000	1,000	24,150	500	1,000
Borrowing	117,230	133,952	51,194	37,172	17,153
TOTAL	158,716	181,287	117,502	58,751	36,475

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 £51m of the budgeted expenditure will be funded by new borrowing alongside £24m from the repayment of loans.

The Council's total borrowing as at the end of September 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	20,000	22,500	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	-	-
Total Borrowing	14,000	20,000	34,128	15,715	329,744	413,587	3.4
% of total Borrowing	3%	5%	8%	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 2.56% at end of September 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		
April 2018 b/f		419,587
repayment of loans to date	(16,000)	
new loans in year	10,000	
net increase/(decrease) to date		(6,000)
Loans portfolio as at September 2018		413,587

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

As at September 2018 the Council held £16.8m of S106 and Planning Obligation Implementation Scheme (POIS) funding available for funding Asset Investment projects. To date £8.7m 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 September 2018 the Council's external investments totalled £12.2m 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
Green	-	7,901	2,604	5,297
Amber*	2,922	4,670	-	4,670
Red	-	-	-	-
Total (not inc Investment Assets)	2,922	12,571	2,604	9,967
Investment Assets	-	-	-	-
Total Capital Receipts	2,922	12,571	2,604	9,967

*Revised budget includes an amount relating to Bayard Place

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