

<b>REPORT TO:</b>	Executive Board
<b>REPORT NO:</b>	HF/10/19
<b>DATE:</b>	12 February 2019
<b>LEAD MEMBER:</b>	Councillor Mark Pritchard (Organisation - Finance, Performance, Health and Safety and Governance)
<b>CONTACT OFFICER:</b>	Mark Owen (Tel: 292701)
<b>SUBJECT:</b>	Capital Programme 2018/19 – 2022/23
<b>WARD:</b>	N/A

## 1. PURPOSE OF THE REPORT

To review the 2018/19 – 2022/23 Capital Programme and Treasury Management Activity.

## 2. EXECUTIVE SUMMARY

- 2.1 The total capital expenditure in 2018/19 including the Housing Revenue Account (HRA) is estimated to be £69,243k. This is £1,161k less than the total approved by the Executive Board at its meeting on 9 October 2018 (HF/108/18). The main reasons for the net decrease are:
- Slippage of spend on non HRA projects from 2018/19 to 2019/20 of £1,760k.
  - A net increase in spend of £2,409k on non HRA projects.
  - A net decrease in spend in the HRA Capital programme of £3,787k.
  - Additional Welsh Government General Capital Funding £1,977k.
- 2.2 The Capital Programme is fully funded by borrowing supported by the Welsh Government, grants and contributions, capital receipts and prudential borrowing and interest free loans from Welsh Government and Salix.
- 2.3 The Cabinet Secretary for Finance announced on 20 November 2018, in the Draft Budget for 2019/20, proposals for an extra £100m to be made available for local authorities General Capital Fund over 3 years. The first instalment of £50m will be paid in 2018/19 with £30m in 2019/20 and £20m in 2020/21. The authority received notification on 10 January that its share of the extra allocation for 2018/19 is £1,977k.

- 2.4 Following the announcement of the final local government settlement on 19 December 18 the Welsh Government General Capital Funding for 2019/20 is £6,879k an increase of £1,232k from the 2018/19 allocation and £1,379k more than previously estimated in the capital programme. The increase is currently shown in appendix 1 as unallocated.
- 2.5 It is proposed that the additional General Capital Funding being received in 2018/19 and 2019/20 is used to address the major issues identified as requiring capital investment to maintain property assets to a satisfactory standard, this is recommended to the Board.

### **3 RECOMMENDATIONS**

- 3.1 The additional allocation of Welsh General Capital Funding in 2018/19 and 2019/20 to address major issues in the Authority's property assets, as outlined in paragraph 2.5, is approved.**
- 3.2 The rolling programme for 2018/19 to 2022/23 as detailed in Appendices 2 and 3 is approved.**
- 3.3 The capital programme is next reviewed and reported to the Executive Board in July 2019.**
- 3.4 The Treasury Management Activity in Appendix 4 are noted.**

### **REASONS FOR RECOMMENDATIONS**

- (i) This report follows an earlier monitoring report in October in compliance with Financial Regulation 3.13 that requires that the Head of Finance monitors and reports to Members on the Capital Programme.
- (ii) Local Authorities are required under the Local Government Act 2003 to comply with the CIPFA Treasury Management Code. The indicators presented in Appendix 4 fulfil the requirements of the Code.

### **4. BACKGROUND INFORMATION**

#### **Capital Programme 2018/19**

- 4.1 The Executive Board approved the last revision of the capital programme 2018/19 to 2022/23 on 9 October 2018 (HF/108/18). Appendix 1 provides a summary of expenditure by service, the financing of that expenditure and the variance between the actual programme and the previously approved position.
- 4.2 The Cabinet Secretary for Finance announced on 20 November 2018, in the Draft Budget for 2019/20, proposals for an extra £100m to be made available for local authorities General Capital Fund over 3 years. The first instalment of £50m will be paid in 2018/19 with £30m in 2019/20 and £20m in 2020/21. The authority received notification on 10 January that its share of the extra allocation for 2018/19 is £1,977k.

- 4.3 It is proposed that the additional General Capital Funding being received in 2018/19 and 2019/20 is used to address the major issues identified as requiring capital investment to maintain property assets to a satisfactory standard.
- 4.4 The actual expenditure on all capital schemes is £69,243k, a net decrease of £1,161k compared with the projected expenditure reported to the Executive Board in October 2018. The significant changes are as follows;-

#### **Slippage of Expenditure to 2019/20**

- 4.5 Changes to the phasing of expenditure have resulted in £1,760k of spending originally planned in 2018/19 to be rescheduled to 2019/20. Projects where significant slippage has occurred are set out below:
- ICT Infrastructure (-£254k). Delays due to identifying an appropriate site for the new data centre. This has now been identified and implementation is underway scheduled for completion by June 2019, following which additional costs to amend and improve the network will be incurred.
  - Affordable Housing Highways Improvements (-£150k). The development of social housing by a Registered Social Landlord has been delayed due to site conditions. The road improvements will be undertaken once the issues have been resolved.
  - Secondary Schools Reorganisation Phase II (-£760k). Delayed due to the prioritisation of the 21st Century Schools Band A Programme. Schemes are planned for The Maelor School Penley with the work being undertaken in 2019/20.
  - Flexible Learning Centre Ysgol Clywedog (-£248k). See paragraph 4.19 and 4.20.
  - Street Lighting (-£265k). A procurement exercise is currently being undertaken which will determine costs for the next two years installation.

#### **Other Changes**

- 4.6 Other variations between the revised capital programme reported in October and the actual expenditure account for a net increase in planned spending of £2,409k. The main reasons are as follows.
- Leisure Improvements (+£130k). Additional improvements to leisure facilities, including changing rooms and lighting at Waterworld, floodlight replacement for the all-weather pitch at Ysgol Morgan Llwyd and improvements at Queensway Stadium.
  - Minor Building Works (+£241k). An increase in urgent capital investment on property assets following the results of building condition surveys. These works are currently to be funded from the Repairs and Maintenance Revenue budget.
  - Disabled Facilities Grant (-£150k). Funding transferred to Social Care adaptations.

- Town Centre Improvements (+£53k). Additional costs due to unforeseen ground conditions beneath the previous block paving and public utility services near the surface of the previous paving. The additional expenditure will be funded from the capital reserve.
- 21<sup>st</sup> Century Schools Programme Band A (-£450k). See paragraph 4.19.
- Ysgol Penrhyn, New Broughton (+£50k). Construction of a new main entrance funded from section 106 agreements.
- Llay Park Primary School Fire Damage (+£266k) Following a fire at the school in September 2017, work has been undertaken to repair damage to the school kitchen, including building, roof works and replacement kitchen equipment. An insurance contribution is due to be received with the £25k excess being funded from a Catering revenue contribution. The income is shown as an insurance contribution in appendix 3.
- Pen-y-cae Pupil Referral unit (+£215k). Additional refurbishment to the former Pen-y cae Junior School site for the relocation of the Pupil Referral Unit from Dodd's lane Gwersyllt. £50k will be funded from previously unallocated schools minor works allocation with £165k from Education revenue reserves.
- Intermediate Care Fund Schemes (+£1,070k). See paragraph 4.24.
- Public Highways Refurbishment grant (+£744k). See paragraph 4.26.
- Wrexham Industrial Estate Access Road (+£106k). Settlement of claims for the access road.
- Social Care Adaptations (+£150k) Funding has been transferred from Disabled facilities grants to fund additional costs of Social Care Minor Adaptations.

## **HRA Capital Programme**

4.7 Changes to the projected HRA Capital Programme have resulted in a decrease of anticipated expenditure for 2018/19 of £3,787k. The main variances to the programme are:

- Kitchens (-£200k). The amount of kitchens originally anticipated has reduced slightly in the final quarter. There has been a mixture of kitchens installed in voids and tenanted properties. There are still a small number of kitchens to be installed in tenanted properties, of which a new procurement exercise is underway to deliver these works, as well as testing the market for value for money.
- Bathrooms (-£250k). The number of bathrooms and associated works has reduced slightly due to contractor capacity. There is a new framework in place which provides additional contractor options, however, recruiting suitable labour to deliver the quality that is required has proved challenging. The bathrooms works are continuing, but at a slower pace, which, ensures quality rather than quantity.

- Roofs & Structures (-£700k). A new framework has been set up for re-roofing, which has led to some delays and challenges. This has had an impact in terms of achieving this year's target. Officers and the new contractors are committed to still delivering and achieving the targets, but the retendering process and other challenges will affect the overall programme slightly.
- External Works (-£500k). Additional contractors have been procured, but an increase in the scope of works as well as some contractors struggling to recruit additional and competent labour has had an impact on this programme.
- Environmental Improvements (-£150k). A restructure has taken place and additional staff have been recruited to assist with the overall delivery of this budget. The majority of the schemes that are submitted are of a small value, therefore, the delivery of schemes and completion of schemes within the annual budget target has not been met.
- Fire Risk Works (-£250k). The Government have introduced enhanced and more rigorous testing of fire doors and associated components. This has led to substantial delay for a large number of companies who manufacture and supply fire doors. This, in turn, has led to the production of fire doors being suspended, which has had an impact on this element of the programme.
- New Build Development (-£1.780k). Commencement on site has been delayed with works due to start July 2019.
- Sheltered Housing (Intermediate Care Fund) (+£43k). Notification has been received from Welsh Government of capital grant funding for a secure garden at Royal Court and Wi-Fi in the Moorlands supported accommodation.

## **Funding**

- 4.8 In funding the capital expenditure, the £7,624k Welsh Government General Capital Funding (GCF), and £7,572k Welsh Government Major Repairs Allowance (MRA) are planned to be used in full.
- 4.9 Specific grants and contributions are estimated at £21,198k. £3,140k is to be funded from Capital Receipts, £29,281k by Unsupported (Prudential) Borrowing, and £428k from interest free loans from the Welsh Government and Salix.

## **Capital Programme 2018/19 – 2022/23**

- 4.10 The revised programme includes: -
- revised forecasts of expenditure on committed schemes.
  - projects which have received specific funding or been agreed by the Executive Board.
  - Annual capital provisions.
- 4.11 The resources available to fund the programme comprise Welsh Government unencumbered and encumbered supported borrowing, grants, contributions, capital receipts and prudential system unsupported borrowing.

- 4.12 By their very nature, capital programmes are dynamic and during the course of the year further funds may be made available for specific schemes. A close watch will also be needed to ensure that sufficient capital receipts are realised. It is therefore recommended that the capital programme is reconsidered and reviewed again in July 2019.
- 4.13 Specific issues on funding and spend on schemes in the programme are discussed below:

## **Funding**

### **Capital Receipts**

- 4.14 As shown in Appendix 1, the proposed capital programme will require capital receipts funding of an estimated £8.7 million from 2018/19 onwards. The corporate usable capital receipts available at 1 April 2018 were £13.1 million, which, together with a programme of asset sales for 2018/19 and 2019/20 estimated to realise £4.6m (including £2.3m HRA), gives an anticipated surplus of £9.0m. In accordance with Executive Board capital receipts policy, £4.9m is earmarked for specific school improvements, £0.4m for the Commercial Estate and £0.7m for Affordable Housing projects. The remaining £3m is ring-fenced for use on the HRA capital programme.

### **Welsh Government General Capital Funding**

- 4.15 The 2019/20 final Revenue and Capital Settlement announced by the Welsh Government on 19 December 2018 allocated Wrexham General Capital Funding (GCF) of £6,879k, an increase of £1,232k from the original 2018/19 allocation. This includes the authority's share of extra GCF made available to local authorities over 3 years (see paragraph 2.3)

## **Spending**

### **Schemes Approved since the preparation of last monitoring report to the Executive Board on 9 October 2018.**

#### **Stiwt Arts Trust Limited**

- 4.16 On 11 December 2018 Executive Board (HHE/47/18) authorised the Head of Housing and Economy to provide a one off capital contribution of £25k from the Councils Heritage and Well-being capital fund for essential refurbishment at The Stiwt. The contribution is a reallocation of funding previously awarded for a scheme at the Museum as part of the capital bidding process in 2014.

#### **Erlas**

- 4.17 The Executive Board (HHE/55/18) authorised the Head of Housing and Economy to carry out relevant ecological surveys and mitigation measures required to enable the demolition of Erlas House. An indicative timeline for the surveys and ecological licence and mitigation work suggests a demolition date of around September 2020.

## Variations to Approved Schemes

### HRA Capital programme 2019-2023

- 4.18 The Executive Board (HHE/03/19) is due to consider and approve the draft HRA Business Plan 2019/20 on 12 February 2019 for submission to Welsh Government. The report includes the projected Welsh Housing Quality Standard Programme to December 2020 and the continuation of the programme thereafter. The main changes to the programme from previously approved are:-
- Kitchens and Bathrooms – the programme has been increased to undertake a ‘mopping up’ exercise to try to install kitchens and bathrooms in properties that have previously refused to have works undertaken. Going forward this specific area of work will reduce as it is anticipated that the replacement of kitchens and bathrooms will be picked up as part of the void refurbishment process.
  - Roofs, Structures and Associated Components – the programme has increased due to the remaining amount of work required to achieve WHQS by 2020. There has been some slippage from the previous year due to weather condition. The future programme will decrease significantly from the 2019/20 levels but there will still be an ongoing planned programme of works as each of the components require replacement.
  - Major Repairs – the programme has increased due to the improvement to the lettable standard. The void specification now including external works and landscaping to gardens. The changes to the lettable standard will ensure that void properties that were not brought up to WHQS requirements, for a variety of reasons e.g. kitchen and bathroom refusal, will be refurbished to the appropriate standard when the property becomes void or as a result of a decant. It is estimated that the level of void expenditure will remain the same for the next few years but should start to reduce over time and more and more properties are brought up to the revised lettable standard.
  - External Works – the programme has increased significantly to meet the requirements of WHQS. The specification for the external works has also been revised to include upgraded fencing and other materials. This will provide a better product for the tenant and to also reduce future maintenance costs. It is also proposed to incorporate a more ‘joined up’ approach with the Environmental programme. The intention is to look at the relevant issues within each ward and coordinate the works to achieve an outcome that is more beneficial to the residents.
  - New Build Development/Buy Back - this programme has been revised to take into account of the current buy-back scheme and slippage into next year of the new build developments at Nant Silyn and Plas Madoc. There has also been an allowance made for a potential future development in the Croesnewydd Road area (2023/24).
  - Plas Madoc Estate Remodelling –a provision has been made within the programme to look at remodelling some of the three storey dwellings in Plas Madoc. This will incorporate the ground floor garages, which are currently let separately, into the property to create a three storey ‘town house’.

## **21<sup>st</sup> Century Schools Programme**

- 4.19 In December 2011 the Welsh Government announced 50% funding for Wrexham's 21<sup>st</sup> Century School Band A Programme of £22.3m. Approval was granted for nine schemes with six of the schemes, Hafod Y Wern, Gwenfro, Alexandra, Plas Coch, Bryn Alyn and Penycae, being completed. Following final costs being received for the completed schemes a revised funding profile was submitted to Welsh Government, with approval for a variation to scheme costs received on 11 January 2019. The revised costs for all schemes are included in the schedules in appendix 2.
- 4.20 Following completion of the first six schemes and commencement on site at Ysgol Morgan Llwyd and Gwersyllt Primary School, a Business Case was submitted to Welsh Government for the final scheme at Ysgol Clywedog. The scheme will create a new reception and entrance together with an area for flexible learning/training.
- 4.21 In November 2018 the Cabinet Secretary for Education announced that the Welsh Government's intervention rate for capital projects within Band B of the 21<sup>st</sup> Century Schools Programme would be increased to 65%. The Band B schemes are not currently included in the schedules in appendix 2 but will be included when further information is received.

## **Projects Funded by Specific Grants**

### **Welsh Medium Capital Grant /Childcare Offer Capital Grant**

- 4.22 Notification was received from Welsh Government in October 2018 that the Authority had been awarded £850k in relation to the Welsh Medium Capital grant and £450k from the Childcare Offer Capital Grant Programme.
- 4.23 Following a period of consultation, Executive Board on 8 January 2019(HEd/01/19) gave approval to proceed to statutory notices regarding the proposal to increase pupil capacity at Ysgol Bro Alun. Subject to the views of the public notices the proposed extension to the school would be 100% funded from the grants.

### **Intermediate Care Fund Grant**

- 4.24 In December 2018 notification was received from Welsh Government that the Authority had been awarded capital funding from the Intermediate Care Fund. £600k will be used to upgrade SEN units and furniture in schools, £36k for new windows at Tapley Avenue Respite Service, and £578k for the 'Live at Home' scheme for capital improvements to support individuals to stay at home.

### **Local Transport Fund**

- 4.25 The Welsh Government notified the Authority on 30 November 2018 that it had been awarded an additional £17k from the Local Transport Fund. The funding is to be used for a development scheme at Ruabon Station (£10k) and improvements to the Vauxhall Industrial Estate to New Hall Lane Active Travel route (£7k).



## **Public Highways Refurbishment Grant**

- 4.26 As part of the final Revenue and Capital Welsh Government Settlement announced in December, an additional £20m will be made available in 2018/19 and 2019/20 for capital investment in local authority roads refurbishment schemes across Wales. Notification was received from Welsh Government on 31 January 2019 that the Authority would receive £744k in 2018/19 and £743k in 2019/20.

## **Treasury Management report**

- 4.27 The Local Government Act 2003 requires Local Authorities to comply with the CIPFA Treasury Management Code to demonstrate compliance with the code. Authorities are required to adopt and monitor treasury indicators to show that their capital plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. The Council's Financial Regulations (4.12) delegate responsibility for regular monitoring of Treasury Management to the Executive Board. Accordingly, a report on Treasury Management activity up to 31 December 2018, is included in Appendix 4.

## **5. IMPLICATIONS**

- 5.1 **Policy Framework** – The process of producing the capital programme falls within the corporate theme of Organisation. However, individual projects will be prioritised under the People, Economy and Place themes.
- 5.2 **Budget** – The total capital programme for 2018/19 is £69.2 million, funding details are provided in Appendix 1.
- 5.3 **Legal** – Significant legal implications of individual projects are the subject of separate, project specific reports.
- 5.4 **Staffing** – There are no direct staffing implications as a result of this report.
- 5.5 **Equality/Human Rights** – Equality Impact Assessments are undertaken in relation to specific projects.
- 5.6 **Risks** – The risks which could impact on this Programme are:-
- Capital receipts are not delivered to the planned level.
  - General Capital funding levels reduced.
  - Projects overspend.

## **6. CONSULTATION**

- 6.1 The Joint Member/Officer Corporate Land and Buildings Strategy Group received the 'Allocation of funding to capital projects 2022/23' report on 5 September 2018.

## **7. EVALUATION OF OPTIONS**

- 7.1 Options are considered on a project by project basis in accordance with the Project Management Toolkit.

<b>BACKGROUND PAPERS</b>	<b>LOCATION</b>	<b>WEBSITE INFO.</b>
Executive Board - October 2018 HF/108/18	Wrexham County Borough Council Website	<a href="http://moderngov.wrexham.gov.uk/ieListDocuments.aspx?CId=129&amp;MId=4154">http://moderngov.wrexham.gov.uk/ieListDocuments.aspx?CId=129&amp;MId=4154</a>

## SUMMARY

	Original Programme 2018/19 £	Revised Programme 2018/19 £	Revised Forecast 2018/19 £	Variance (Over/-Under) £	Planned Programme 2019/20 £	Planned Programme 2020/21 £	Planned Programme 2021/22 £	Planned Programme 2022/23 £
<b>Forecast Expenditure</b>								
Corporate Schemes	1,281,012	681,012	559,412	-121,600	866,306	250,000	250,000	250,000
Economy and Housing	5,456,479	6,080,271	6,074,007	-6,264	2,644,176	1,845,000	2,135,000	1,775,000
Housing Revenue Account	50,269,878	50,949,878	47,163,267	-3,786,611	53,785,002	33,402,454	38,022,234	35,446,074
Education and Children's Social Care	6,932,618	5,919,489	5,473,231	-446,258	5,931,102	2,693,500	1,512,500	2,080,000
Environment and Planning	6,452,759	6,104,045	6,589,062	485,017	4,428,910	1,702,210	1,485,000	1,275,000
Adult Social Care	570,093	670,093	1,407,441	737,348	500,000	450,000	250,000	250,000
Unallocated	0	0	1,977,000	1,977,000	1,379,000	0	0	0
<b>Total Capital Programme</b>	<b>70,962,839</b>	<b>70,404,789</b>	<b>69,243,420</b>	<b>-1,161,369</b>	<b>69,534,496</b>	<b>40,343,164</b>	<b>43,654,734</b>	<b>41,076,074</b>
<b>Financing</b>								
<b>Borrowing</b>								
Unhypothecated Supported Borrowing	3,511,000	3,511,000	3,511,000	0	3,534,000	3,518,000	3,460,000	3,500,000
GF Unsupported Borrowing	126,521	141,519	280,484	138,965	12,500	0	0	0
HRA Unsupported Borrowing	31,105,000	31,777,878	29,000,000	-2,777,878	36,298,002	20,566,112	26,503,300	23,911,781
WG Invest to Save Schemes / Repayable Funding	315,942	315,942	50,942	-265,000	265,000	0	0	0
Salix	377,210	377,210	377,210	0	754,419	377,210	0	0
<b>Total Borrowing</b>	<b>35,435,672</b>	<b>36,123,548</b>	<b>33,219,636</b>	<b>-2,903,913</b>	<b>40,863,921</b>	<b>24,461,322</b>	<b>29,963,300</b>	<b>27,411,781</b>
<b>Grants &amp; Contributions</b>								
General Capital Grant	2,136,000	2,136,000	4,113,000	1,977,000	3,345,000	2,142,000	2,140,000	2,130,000
Transport Grants	695,752	941,752	985,843	44,091	0	0	0	0
Highways Refurbishment Grant	0	0	743,770	743,770	742,590	0	0	0
21st Century Schools programme	2,568,967	2,568,967	2,075,304	-493,663	468,663	0	0	0
Reducing Infant Class Sizes Grant	0	0	0	0	1,000,000	0	0	0
Welsh Medium/Childcare offer Capital Grant	0	0	30,000	30,000	584,000	683,500	32,500	0
Collaborative Change Programme Grant	1,411,072	1,411,072	1,411,072	0	0	0	0	0
Flying Start Grant	60,524	145,705	145,705	0	0	0	0	0
Heritage Lottery Fund	78,570	78,570	54,270	-24,300	24,300	0	0	0
Major Repairs Allowance	7,565,000	7,572,000	7,572,000	0	7,572,000	7,572,000	7,572,000	7,572,000
Arts Council of Wales	367,624	367,624	367,624	0	0	0	0	0
Targeted Regeneration Investment Programme	0	665,000	665,000	0	0	0	0	0
Other WG grants	341,020	341,509	1,599,465	1,257,956	0	0	0	0
HRA Revenue Contribution	9,600,000	9,600,000	9,600,000	0	7,815,000	5,264,342	3,946,934	3,962,293
Other Contributions	3,426,671	2,726,179	3,520,241	794,062	1,771,752	0	0	0
<b>Total Grants &amp; Contributions</b>	<b>28,251,201</b>	<b>28,554,379</b>	<b>32,883,295</b>	<b>4,328,916</b>	<b>23,323,305</b>	<b>15,661,842</b>	<b>13,691,434</b>	<b>13,664,293</b>
<b>Usable Capital Receipts Applied</b>								
General Fund	5,276,088	3,726,862	2,192,153	-1,534,709	3,247,270	220,000	0	0
HRA	1,999,878	2,000,000	948,337	-1,051,663	2,100,000	0	0	0
<b>Total Usable Capital Receipts Applied</b>	<b>7,275,966</b>	<b>5,726,862</b>	<b>3,140,490</b>	<b>-2,586,372</b>	<b>5,347,270</b>	<b>220,000</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>70,962,839</b>	<b>70,404,789</b>	<b>69,243,420</b>	<b>-1,161,369</b>	<b>69,534,496</b>	<b>40,343,164</b>	<b>43,654,734</b>	<b>41,076,074</b>
<b>Shortfall / Surplus in Funding ( - )</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Capital Programme</b>	<b>70,962,839</b>	<b>70,404,789</b>	<b>69,243,420</b>	<b>-1,161,369</b>	<b>69,534,496</b>	<b>40,343,164</b>	<b>43,654,734</b>	<b>41,076,074</b>

## Rolling Five Year Capital Programme 2018/2019 - 2022/2023

**CORPORATE SCHEMES**

	Original Programme 2018/19 £	Revised Programme 2018/19 £	Revised Forecast 2018/19 £	Variance (Over/-Under) £	Planned Programme 2019/20 £	Planned Programme 2020/21 £	Planned Programme 2021/22 £	Planned Programme 2022/23 £
<u>Ongoing Projects</u>								
ICT Infrastructure - Modernisation	1,203,806	603,806	350,000	-253,806	853,806	250,000	250,000	250,000
Heritage Assets	0	0	2,057	2,057	0	0	0	0
Improvements Leisure Facilities:-								
Waterworld	50,000	50,000	105,000	55,000	12,500	0	0	0
Chirk Leisure Centre	4,000	4,000	8,500	4,500	0	0	0	0
Queensway Sports Centre	4,252	4,252	49,000	44,748	0	0	0	0
Darland Sports Centre	0	0	10,000	10,000	0	0	0	0
Morgan Llwyd Sports Centre	6,600	6,600	22,500	15,900	0	0	0	0
Clywedog Sports Centre	12,355	12,355	12,355	0	0	0	0	0
<b>Corporate Capital Schemes Totals</b>	<b>1,281,012</b>	<b>681,012</b>	<b>559,412</b>	<b>-121,600</b>	<b>866,306</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>

## Rolling Five Year Capital Programme 2018/2019 - 2022/2023

## HOUSING AND ECONOMY

	Original Programme 2018/19 £	Revised Programme 2018/19 £	Revised Forecast 2018/19 £	Variance (Over/-Under) £	Planned Programme 2019/20 £	Planned Programme 2020/21 £	Planned Programme 2021/22 £	Planned Programme 2022/23 £
<u>Annual Capital Provision</u>								
Minor Building Works	100,000	100,000	340,635	240,635	100,000	100,000	100,000	100,000
Scheme Preparation/management Costs	225,000	225,000	225,000	0	225,000	225,000	225,000	225,000
<u>Heritage &amp; Community Well Being Projects</u>								
Pontcysyllte Aqueduct & Canal World Heritage Site	25,000	9,796	9,796	0	179,448	220,000	0	0
Wrexham Museum Refurbishment Phase 2	30,000	30,000	5,000	-25,000	0	0	0	0
Bersham Ironworks	19,105	19,105	19,105	0	0	100,000	0	0
Bersham Colliery - Upgrades	2,088	2,088	2,088	0	0	0	0	0
Town Centre directional signs	20,000	20,000	1,272	-18,728	18,728	0	0	0
The Stiwt - Refurbishment	0	0	25,000	25,000	0	0	0	0
Wrexham Town Centre Heritage Scheme	0	0	0	0	0	0	80,000	50,000
Monument Conservation	0	0	0	0	0	0	0	50,000
<u>REGENERATION</u>								
Western Gateway Infrastructure Works	46,561	46,561	46,561	0	0	0	0	0
Cefn Mawr THI Phase II	0	4,071	4,071	0	0	0	0	0
New Arts Cultural and Market Space	830,895	830,895	830,895	0	63,000	0	0	0
Wrexham Town Centre Conservation Area	0	0	0	0	0	0	400,000	400,000
<u>Supported/Affordable Housing</u>								
Highway Improvements	150,000	150,000	0	-150,000	150,000	0	0	0
Extension to Night Shelter Provision	120,000	189,926	189,926	0	0	0	0	0
<u>ASSETS</u>								
Building Components Upgrade/Replacements	58,727	58,727	67,922	9,195	0	0	0	0
New CCTV Control Room & upgrade cameras	44,612	44,612	44,612	0	0	0	0	0
Re-roofing Works Redwither Tower	600,000	600,000	600,000	0	0	0	0	0
Cashless Solution in Schools	64,151	64,151	64,151	0	0	0	0	0
Replacement Catering Equipment	0	0	9,634	9,634	0	0	0	0
Replacement Boiler/Ventilation plant	450,000	450,000	450,000	0	250,000	0	0	0
Flat Roof Replacements	280,000	280,000	280,000	0	0	0	0	0
Lift Replacement Redwither Tower	298,145	298,145	298,145	0	0	0	0	0

**HOUSING AND ECONOMY**

	Original Programme 2018/19 £	Revised Programme 2018/19 £	Revised Forecast 2018/19 £	Variance Over/-Under £	Planned Programme 2019/20 £	Planned Programme 2020/21 £	Planned Programme 2021/22 £	Planned Programme 2022/23 £
<u>Home Renovation Grants</u>								
Disabled Facilities Grants ****See note below	1,300,000	1,200,000	1,050,000	-150,000	1,120,000	1,200,000	1,200,000	950,000
Homes Above Retail Premises Wrexham Town Centre	0	0	0	0	0	0	130,000	0
<u>Renewal Areas</u>								
South West Wrexham Renewal Area	72,781	72,781	72,781	0	0	0	0	0
South West Wrexham VVP Renewal Area	100,000	100,000	100,000	0	253,000	0	0	0
South West Wrexham Housing Renewal	67,851	67,851	67,851	0	0	0	0	0
<u>Targeted Regeneration Investment Programme</u>								
Housing Renewal Project phase 1	0	665,000	665,000	0	285,000	0	0	0
<u>Carbon Reduction</u>								
Land Based Solar Photovoltaic Project	49,314	49,314	49,314	0	0	0	0	0
<u>Other Projects</u>								
Christmas Lighting	12,247	12,247	12,247	0	0	0	0	0
Town Centre Improvements	420,000	420,000	473,000	53,000	0	0	0	0
Town Centre Lighting Improvements	70,000	70,000	70,000	0	0	0	0	0
<b>Housing and Economy Totals</b>	<b>5,456,479</b>	<b>6,080,271</b>	<b>6,074,007</b>	<b>-6,264</b>	<b>2,644,176</b>	<b>1,845,000</b>	<b>2,135,000</b>	<b>1,775,000</b>

\*\*\*\* Disabled Facilities Grants £250k from original programme transferred to fund Social Care Adaptations

## Rolling Five Year Capital Programme 2018/2019 - 2022/2023

**HOUSING REVENUE ACCOUNT**

	Original Programme 2018/19 £	Revised Programme 2018/19 £	Revised Forecast 2018/19 £	Variance (Over/-Under) £	Planned Programme 2019/20 £	Planned Programme 2020/21 £	Planned Programme 2021/22 £	Planned Programme 2022/23 £
<u>HRA Capital programme</u>								
Kitchens	1,025,680	2,025,680	1,825,680	-200,000	1,072,924	397,924	397,924	397,924
Bathrooms	1,725,680	1,725,680	1,475,680	-250,000	1,072,924	397,924	397,924	397,924
Services (Central Heating & rewires)	4,587,710	5,087,710	5,087,710	0	3,621,078	1,914,585	2,365,241	2,437,621
Roofs, Structures and Associated Components	13,900,233	13,900,233	13,200,233	-700,000	13,946,510	2,599,520	6,015,180	5,921,836
Voids	8,325,160	11,325,160	11,325,160	0	10,997,076	10,997,076	10,997,076	9,197,076
Non Traditional Housing Repairs	2,222,928	4,002,928	4,002,928	0	0	0	0	0
Decants	0	0	0	0	900,000	900,000	900,000	900,000
External Works	10,784,923	5,784,923	5,284,923	-500,000	9,785,744	9,785,744	8,885,744	8,885,744
Garage Sites and HRA Land	199,764	199,764	199,764	0	190,106	190,106	190,106	190,106
Environmental/Estate Remodelling	1,120,175	520,175	370,175	-150,000	669,466	669,466	669,466	669,466
Disabled Facilities Grant	1,856,849	1,856,849	1,856,849	0	1,700,641	1,700,641	1,700,641	1,700,641
Sheltered Accommodation	141,079	141,079	141,079	0	341,594	1,153,665	2,897,129	2,141,933
Asbestos Work/Fire Risk Regulatory Compliance	1,539,156	1,539,156	1,289,156	-250,000	1,355,803	1,085,803	995,803	995,803
New Build Development	2,840,541	2,840,541	1,061,000	-1,779,541	7,871,136	1,350,000	1,350,000	1,350,000
Plas Madoc Estate remodelling	0	0	0	0	260,000	260,000	260,000	260,000
Sheltered Housing Improvements (ICF)	0	0	42,930	42,930	0	0	0	0
<b>HRA Capital Programme</b>	<b>50,269,878</b>	<b>50,949,878</b>	<b>47,163,267</b>	<b>-3,786,611</b>	<b>53,785,002</b>	<b>33,402,454</b>	<b>38,022,234</b>	<b>35,446,074</b>





## Rolling Five Year Capital Programme 2018/2019 - 2022/2023

## EDUCATION AND CHILDREN'S SOCIAL CARE

	Original Programme 2018/19 £	Revised Programme 2018/19 £	Revised Forecast 2018/19 £	Variance (Over/-Under) £	Planned Programme 2019/20 £	Planned Programme 2020/21 £	Planned Programme 2021/22 £	Planned Programme 2022/23 £
Schools Minor Works schemes -								
Chirk Pentre	0	40,000	80,000	40,000	0	0	0	0
Pupil Referral Unit Pen-y-cae	0	160,000	375,000	215,000	0	0	0	0
To be Allocated	250,000	50,000	0	-50,000	250,000	250,000	250,000	250,000
<b>Total Minor Works</b>	<b>250,000</b>	<b>250,000</b>	<b>455,000</b>	<b>205,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>
<u>Intermediate Care Fund</u>								
Llay Primary School - New SEN room	0	18,243	32,000	13,757	0	0	0	0
Bryn Alyn School - New SEN room	0	75,000	76,000	1,000	0	0	0	0
Ysgol Clywedog - New SEN room	0	52,000	52,000	0	0	0	0	0
Acton Primary School - SEN room	0	0	30,000	30,000	0	0	0	0
Ysgol Heulfan - Y Canol - SEN room	0	0	120,000	120,000	0	0	0	0
Ysgol Morgan Llwyd - SEN room	0	0	50,000	50,000	0	0	0	0
Rhosnesni High School - SEN room	0	0	60,000	60,000	0	0	0	0
Ysgol Rhiwabon - SEN room	0	0	50,000	50,000	0	0	0	0
Ysgol y Waun - SEN room	0	0	30,000	30,000	0	0	0	0
Furniture and Equipment	0	0	100,000	100,000	0	0	0	0
Tapley Avenue Respite Service - New Windows	0	0	36,495	36,495	0	0	0	0
<u>Flying Start Schemes</u>								
Hafod Y Wern multi agency base	8,445	19,337	19,337	0	0	0	0	0
Gwenfro Primary School FS base	14,829	18,406	18,406	0	0	0	0	0
Queensway House FS Multi use building	0	1,500	1,500	0	0	0	0	0
Idwal Family Centre	0	1,900	1,900	0	0	0	0	0
Cefn Mawr Childcare Provsion	6,500	23,512	23,512	0	0	0	0	0
Bodhyfryd Childcare Setting	5,000	5,000	5,000	0	0	0	0	0
Plas Madoc Kiddies World Childcare Provision	16,000	16,000	16,000	0	0	0	0	0
Little Sunflowers Rhosymedre	0	7,375	7,375	0	0	0	0	0
Bodlyn House Flying Start Office	3,000	3,000	3,000	0	0	0	0	0
Pen-y-cae Childcare setting	0	2,175	2,175	0	0	0	0	0
Summerhill Cylch Meithrin childcare	3,450	12,450	12,450	0	0	0	0	0
Caego Childcare	0	13,750	13,750	0	0	0	0	0
Gardden Road Childcare Setting	3,300	3,300	3,300	0	0	0	0	0
Sparkles Childcare	0	18,000	18,000	0	0	0	0	0
<b>Education and Children's Social Care</b>	<b>6,932,618</b>	<b>5,919,489</b>	<b>5,473,231</b>	<b>-446,258</b>	<b>5,931,102</b>	<b>2,693,500</b>	<b>1,512,500</b>	<b>2,080,000</b>

## ENVIRONMENT AND PLANNING

	Original Programme 2018/19 £	Revised Programme 2018/19 £	Revised Forecast 2018/19 £	Variance (Over/-Under) £	Planned Programme 2019/20 £	Planned Programme 2020/21 £	Planned Programme 2021/22 £	Planned Programme 2022/23 £
<b>TRANSPORTATION SERVICES</b>								
<u>Annual Capital Provisions</u>								
Minor Road Improvements	0	0	0	0	250,000	250,000	250,000	250,000
Scheme Preparation Costs	175,000	175,000	175,000	0	175,000	175,000	175,000	175,000
Highways Structural Maintenance	785,442	785,442	785,442	0	500,000	500,000	500,000	500,000
<u>Highways Maintenance</u>								
Highway Infrastructure Improvements	1,353,749	1,353,749	1,353,749	0	500,000	200,000	500,000	350,000
Public Highways Refurbishment Grant	0	0	743,770	743,770	742,590	0	0	0
Queens Road Brymbo	100,000	100,000	100,000	0	0	0	0	0
Other highways projects	213,607	213,607	71,227	-142,379	0	0	0	0
<u>Transport Grant Schemes</u>								
Industrial Estate Access Road	0	3,687	109,687	106,000	0	0	0	0
Road Safety Schemes	44,808	170,808	170,808	0	0	0	0	0
Local Transport Fund	463,663	463,663	495,753	32,090	0	0	0	0
Active Travel Fund	0	133,500	133,500	0	0	0	0	0
Safe Routes Within the Community	187,281	187,281	229,662	42,381	0	0	0	0
<u>Ongoing Schemes</u>								
Bridges - strengthening and repairs	90,400	90,400	96,400	6,000	0	0	0	0
20mph Speed Limit Zones Outside Schools	758	758	758	0	0	0	0	0
Street Lighting	693,152	693,152	428,152	-265,000	1,269,419	377,210	0	0
Gateway Road Signage	6,366	6,366	6,366	0	0	0	0	0
<u>New Projects</u>								
Improvements to Listed Bridges	0	0	0	0	0	0	20,000	0
<b>OTHER ENVIRONMENT SCHEMES</b>								
<u>Heritage &amp; Community Well Being Projects</u>								
Wrexham Cemetery - Restoration of Chapel & Lod	97,000	97,000	67,000	-30,000	30,000	0	0	0
Crematorium - Wall Garden refurbishment	50,000	50,000	50,000	0	0	0	0	0
<u>Ongoing Projects</u>								
Purchase of Recycling Vehicle and Containers	75,930	75,930	75,930	0	0	0	0	0
Purchase of three Resource Recovery vehicles	53,850	53,850	53,850	0	0	0	0	0
Restricted Access Vehicle and Containers	531,296	531,296	531,296	0	0	0	0	0
Materials Recovery Facility - Improvements	749,996	749,996	749,996	0	0	0	0	0
Car Park Machines -Disabled/ Country Parks	50,000	50,000	42,156	-7,844	0	0	0	0
Ty Mawr ABC Project - Improved Access and park	59,320	59,320	59,320	0	0	0	0	0
<u>New Projects</u>								
Crematorium Refurbishment Scheme	0	0	0	0	350,000	200,000	0	0
Crematorium Emission Monitoring System	49,240	49,240	49,240	0	0	0	0	0
<b>PUBLIC PROTECTION</b>								
Contaminated Land - Investigation and Remediation	89,283	10,000	10,000	0	79,283	0	40,000	0
Llay Landfill Site	532,618	0	0	0	532,618	0	0	0
<b>Environment and PlanningTotals</b>	<b>6,452,759</b>	<b>6,104,045</b>	<b>6,589,062</b>	<b>485,017</b>	<b>4,428,910</b>	<b>1,702,210</b>	<b>1,485,000</b>	<b>1,275,000</b>

## Rolling Five Year Capital Programme 2018/2019 - 2022/2023

**ADULT SOCIAL CARE**

	Original Programme 2018/19 £	Revised Programme 2018/19 £	Revised Forecast 2018/19 £	Variance (Over/-Under) £	Planned Programme 2019/20 £	Planned Programme 2020/21 £	Planned Programme 2021/22 £	Planned Programme 2022/23 £
<u>Annual Capital Provision</u>								
Adaptations **** <b>See note below</b>	240,000	340,000	490,000	150,000	240,000	240,000	240,000	240,000
Sensory Impairment	10,000	10,000	10,000	0	10,000	10,000	10,000	10,000
<u>Ongoing Schemes</u>								
Telecare	150,893	150,893	150,893	0	250,000	200,000	0	0
Adaptations under the Enhanced Adaptations Service	169,200	169,200	169,200	0	0	0	0	0
<u>New Schemes</u>								
Purchase of Vehicles - Night Support	0	0	8,817	8,817	0	0	0	0
Live at Home - support for individuals	0	0	578,531	578,531	0	0	0	0
<b>Adult Social Care Totals</b>	<b>570,093</b>	<b>670,093</b>	<b>1,407,441</b>	<b>737,348</b>	<b>500,000</b>	<b>450,000</b>	<b>250,000</b>	<b>250,000</b>

\*\*\*\* Adaptations - original programme increased by £250k transferred from Private Sector Housing DFG's

**CAPITAL PROGRAMME 2018/2019- 2022/2023 - OTHER CONTRIBUTIONS**

<b>Source</b>	<b>Scheme</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>CORPORATE SERVICES</b>						
Capital Reserve	IT Infrastructure	350,000	265,000			
Reshaping Reserve	IT Infrastructure	0	488,000			
Donations - Regimental Standards	Heritage Assets	2,057	0			
	<b>Sub Total</b>	<b>352,057</b>	<b>753,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>HOUSING AND ECONOMY</b>						
R&M Revenue Contribution	Minor Building Works	240,635	0			
R&M Revenue Contribution	Bersham Colliery Museum- Windows	2,088	0			
Assets Revenue Contribution	Cefn Mawr THI Scheme	3,641	0			
Owners Repayment	Cefn Mawr THI Scheme	429	0			
GF Housing Revenue Contribution	Extension to Night Shelter	69,437	0			
R&M Revenue Contribution	Building Components Upgrade/Replacements	9,195	0			
Capital reserve	Re-roofing redwither Tower	600,000	0			
Capital Reserve	Cashless Solution	64,151	0			
Assets Revenue Contribution	Replacement Catering Equipment	9,634	0			
Group Repair Owner Cont/repayments	Renewal Areas	140,632	0			
Property Owners/Landlords Contributions	VVP - South West Wrexham Housing Renewal /	100,000	253,000			
Property Owners/Landlords Contributions	TRIP Housing Renewal Project phase 1	0	285,000			
Capital reserve	Christmas Lighting	12,247	0			
Capital reserve	Town Centre Improvements inc. CCTV	473,000	0			
Carbon Revenue Contribution	Town Centre Lighting Improvements	70,000	0			
	<b>Sub Total</b>	<b>1,795,090</b>	<b>538,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EDUCATION AND CHILDREN'S SOCIAL CARE</b>						
Section 106 Agreement	Rhosymedre Primary School	76,019	0			
Section 106 Agreement	Bryn Alyn High School - 21st Century Schools	47,678	0			
Section 106 Agreement	Ysgol Morgan Llwyd - 21st Century Schools	273,886	70,623			
CYP Revenue Contribution	Refurbishment Youth Justice Service Building	77,000	0			
Section 106 Agreement	Ysgol Penrhyn New Broughton - New Entrance	50,000	0			
Insurance Contribution	Llay Park Primary School - Fire Damage	241,121	0			
Catering Revenue Contribution	Llay Park Primary School - Fire Damage	25,000	0			
CYP Revenue Contribution	Minor Works Schemes 2018/19 Pen-y-cae PRU	165,000	0			
CYP Revenue Contribution	Minor Works Schemes 2018/19 Chirk Pentre	40,000	0			
	<b>Sub Total</b>	<b>995,704</b>	<b>70,623</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ENVIRONMENT AND PLANNING</b>						
Section 106/278 Reserve	Queens Road Brymbo/Other Highways projects	313,607	0			
Utility Contributions	Industrial estate Access Road	3,687	0			
Environment Revenue Contribution	Active Travel Fund 2018/19	13,500	0			
Capital Reserve	Gateway Road Signage	6,366	0			
Environment Revenue Contribution	Wrexham Cemetery	12,730	5,700			
Capital Reserve	New Car park Machines - Country Parks	20,000	0			
Environment Revenue Contribution	Ty Mawr ABC project	4,500	0			
Community Council Contribution	Ty Mawr ABC project	3,000	0			
Capital Reserve	Llay landfill	0	404,429			
	<b>Sub Total</b>	<b>377,389</b>	<b>410,129</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>		<b>3,520,241</b>	<b>1,771,752</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Treasury Management Report Q3 2018/19

### Introduction

In December 2011 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports. This is an additional report providing a further in-year update on the Council's Treasury Management activity.

The Council's treasury management strategy for 2018/19 was approved at a meeting of Council on 21 February 2018. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice; the local authority specific Guidance Notes for the Codes were published in July 2018.

The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council has produced a Capital Strategy which was reviewed by Executive Board on January 8 2019, and will be taken to full Council for approval on 20 February 2019.

### External Context

**Economic background:** After rising to over \$80/barrel around the middle of the year, oil prices fell back sharply by 25% to just over \$60 in December. UK Consumer Price Inflation (CPI) for November was up 2.3% year/year, in line with the consensus forecast and broadly in line with the Bank of England's November *Inflation Report*. The most recent labour market data for the three months to October 2018 showed the unemployment rate remained at 4.1% while the employment rate of 75.7% was the joint-highest estimate since comparable estimates began in 1971. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level likely to only have a modest impact on consumer spending.

The rise in quarterly GDP growth to 0.6% in the third calendar quarter from 0.4% in the second was due to weather-related factors boosting overall household

consumption and construction activity over the summer. At 1.5%, annual GDP growth continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in November while lowering its forecast of rate rises in 2019 to two from the three previously projected.

A temporary truce in the ongoing trade war between the US and China was announced as the leaders of both countries agreed to halt new trade tariffs for 90 days to allow talks to continue. Tariffs already imposed will remain in place. The fallout continues to impact on economic growth and stock market volatility.

With less than three months until Article 50 expires on 29<sup>th</sup> March 2019, the deal Theresa May secured from the EU, together with the controversial Northern Ireland 'backstop', was brought in front of MPs in December to debate and ultimately vote on. Due to the level of opposition to the deal, the vote was subsequently delayed so Mrs May could seek clarification from the EU on how the withdrawal agreement could be ratified. (Since scripting this narrative the 'deal' has been voted down in the House of Commons by 432 to 202 votes on 15 January 2019). EU leaders have been clear, however, that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

**Financial markets:** Investors wrestled with a range of global concerns: an economic slowdown in China, rising trade tensions between the US and China, a sharply lower oil price, slowing Euro area output and, of course, the ongoing uncertainty surrounding Brexit. December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. But spreads on corporate bonds also widened reflecting concerns about tougher economic conditions ahead and the abilities of corporates to service their debt obligations.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising to 1.30% in October, gilts regained their safe-haven status in December - the 5-year benchmark gilt yield fell as low as 0.82% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.59% to 1.06% and from 2.05% to 1.62%. The higher Bank Rate continued to push up money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.58%, 0.76% and 1.03% respectively over the period.

**Credit background:** Credit Default Swap (CDS) spreads drifted up over the period, reflecting the ongoing uncertainty around Brexit but continuing to remain low in historical terms. The spread on non-ringfenced bank NatWest Markets plc rose sharply to around 129bps while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 44bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 44 and 94 bps at the end of the period.

The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/NatWest Bank plc) is complete and the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) continues prior to starting trading as separate entities from 1<sup>st</sup> January 2019.

The Bank of England released its latest report on bank stress testing, illustrating that all entities tested were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

There were minimal credit rating changes during the period. Moody's revised the outlook on Nationwide Building Society to negative from stable as it believes Nationwide may become more reliant on retail deposit funding going forward, reducing the volume of wholesale deposits and senior debt available to a level where only a two-notch uplift is warranted rather than the current three notches.

Our treasury advisor Arlingclose will continue to provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

### **Local Context**

On 31<sup>st</sup> March 2018, the Council had £364.38m worth of borrowing and £13.94m worth of investments. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	<b>31.3.18 Actual £m</b>
General Fund CFR	157.31
HRA CFR	253.43
<b>Total CFR</b>	<b>410.74</b>
Less: *Other debt liabilities	(27.68)
<b>Borrowing CFR</b>	<b>383.06</b>
Less: Usable reserves & working capital	(32.62)
<b>Net</b>	<b>350.44</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 31<sup>st</sup> December 2018 and the change during the period is show in Table 2 below.

Table 2: Treasury Management Summary

	<b>31.3.18 Balance £m</b>	<b>Movement £m</b>	<b>31.12.18 Balance £m</b>
Long-term borrowing	297.34	9.67	307.01
Short-term borrowing	67.04	(23.57)	43.47
<b>Total borrowing</b>	<b>364.38</b>	<b>(13.90)</b>	<b>350.48</b>
Long-term investments	0.00	0.00	0.00
Short-term investments	0.00	0.00	0.00
Cash and cash equivalents	13.94	(9.71)	4.23
<b>Total investments</b>	<b>13.94</b>	<b>(9.71)</b>	<b>4.23</b>
<b>Net borrowing</b>	<b>350.44</b>		<b>346.25</b>

### **Borrowing Strategy during the period**

At 31<sup>st</sup> December 2018 the Council held £350.48m of loans, (a decrease of £13.90m from the position at 31st March 2018), as part of its strategy for funding previous years' capital programmes. Outstanding loans on 31st December are summarised in Table 3 below.



Table 3: Borrowing Position

	<b>31.3.18 Balance £m</b>	<b>Movement £m</b>	<b>31.12.18 Balance £m</b>
Public Works Loan Board	273.59	10.62	284.21
Banks (LOBO)	15.30	0.00	15.30
Banks (fixed-term)	8.50	0.00	8.50
Local authorities (short-term)	65.00	(24.00)	41.00
Other*	1.99	(0.52)	1.47
<b>Total borrowing</b>	<b>364.38</b>	<b>(13.90)</b>	<b>350.48</b>

\*Includes Salix & WG Invest to Save

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

With short-term interest rates remaining much lower than long-term rates, the Council considered it to be more cost effective in the near term to use internal resources or borrowed rolling temporary / short-term loans instead. The Council has a pragmatic approach in its borrowing strategy and makes decisions on whether to borrow long or short term on the basis of the prevailing market conditions at the time and the Council's debt portfolio position. In the period of this report two longer term loans have been taken out which are reflected below.

<b>Long-dated loans borrowed</b>	<b>Amount £m</b>	<b>Rate %</b>	<b>Period Years</b>
PWLB EIP Loan-1	10.00	2.22	20
PWLB EIP Loan-2	2.22	1.98	20
<b>Total borrowing</b>	<b>12.22</b>		

LOBO loans: The Council continues to hold £15.3m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The Council approached its LOBO lenders with a view to restructuring in June 2018, the terms offered at this time were not deemed beneficial and no further actions has been taken; the position in this regard will continue to be monitored and the Council continues to liaise with its Treasury Management advisors to identify potential opportunities in this area.

## Treasury Investment Activity

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the nine-month period, the Council's investment balance ranged between £0.125m and £25m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investments Position

	<b>31.3.18 Balance £m</b>	<b>Movement £m</b>	<b>31.12.18 Balance £m</b>
Banks & building societies (unsec)	13.94	(10.69)	3.25
Government (incl. local authorities)	0.00	0.00	0.00
Money Market Funds	0.00	0.98	0.98
<b>Total investments</b>	<b>13.94</b>	<b>(9.71)</b>	<b>4.23</b>

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, the Council has sought to invest with a heavy bias toward security and liquidity. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Rate of Return %</b>	<b>Liquidity (available within 7 days) %*</b>
31.03.2018	4.87	A+	100%	0.35	100
30.06.2018	4.96	A+	100%	0.45	100
30.09.2018	4.74	A+	100%	0.66	100
31.12.2018	5.04	A+	100%	0.63	100
Arlingclose Welsh client average 31.12.2018	4.10	AA-	51%	0.74	48

\*Policy of security and liquidity is reflected in the availability of cash within 7 days.

## **Non-Treasury Investments**

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return.

The Council considers that whilst it has given a number of loans for service purposes to local organisations that these are not for financial return, rather for supporting the local economy.

## **Compliance**

The Head of Finance reports that all treasury management activities undertaken during the period complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Compliance with specific investment limits is demonstrated in table 8 below.

Table 7: Debt Limits

	<b>Q3 Maximum</b>	<b>31.12.18 Actual</b>	<b>2018/19 Operational Boundary</b>	<b>2018/19 Authorised Limit</b>	<b>Complied</b>
Borrowing	364.37	350.48	419.89	434.89	Yes
PFI and Finance Leases	27.63	27.63	27.74	27.74	Yes
<b>Total debt</b>	<b>392.00</b>	<b>378.11</b>	<b>447.63</b>	<b>462.63</b>	

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. The Head of Finance confirms that neither the Operational Boundary nor the Authorised limit have been breached in the period documented in this report.

Table 8: Investment Limits

	<b>To date Maximum £m</b>	<b>31.12.18 Actual £m</b>	<b>2018/19 Limit £m</b>	<b>Complied</b>
Any single organisation, except the UK Government	4.71	2.00	5.0	Yes
Any group of organisations under the same ownership	0.00	0.00	5.0	Yes
Any group of pooled funds under the same management	0.00	0.00	5.0	Yes
Negotiable instruments held in a broker's nominee account	0.00	0.00	20.0	Yes
Limit per non-UK country	0.00	0.00	10.0	Yes
Registered providers	0.00	0.00	5.0	Yes
Unsecured investments with building societies	0.00	0.00	2.0	Yes
Money Market Funds	13.78	0.98	20.0	Yes

### **Treasury Management Indicators**

The Council measures and manages its exposures to treasury management risks using the following indicators.

**Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	<b>31.12.18 Actual</b>	<b>2018/19 Target</b>	<b>Complied</b>
Portfolio average credit rating	A+	A	Yes

**Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed / interest payable was:

	<b>31.12.18 Actual £m</b>	<b>2018/19 Limit £m</b>	<b>Complied</b>
Upper limit on fixed interest rate exposure	309.48	407.60	Yes
Upper limit on variable interest rate exposure	41.00	70.00	Yes

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

<b>Maturity Structure of Borrowing</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual Borrowing at 31/12/2018  £m</b>	<b>Actual Borrowing at 31/12/2018  %</b>	<b>Compliance with Set Limits</b>
	%	%			
under 12 months	30	0	58.78	16.77	Yes
12 months and within 24 months	20	0	2.78	0.79	Yes
24 months and within 5 years	20	0	9.19	2.62	Yes
5 years and within 10 years	80	0	34.42	9.82	Yes
10 years and within 20 years	80	0	164.12	46.83	Yes
20 years and within 30 years	80	0	22.17	6.33	Yes
30 years and within 40 years	80	0	59.02	16.84	Yes
40 years and within 50 years	80	0	0.00	0.00	Yes
50 years and above	90	0	0.00	0.00	Yes
Total			350.48	100.00	

Time periods start on the first day of each period immediately following stated date (i.e. 31st December 2018). The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than 1 year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2018/19	2019/20	2019/21
Actual principal invested beyond year end	-	-	-
Limit on principal invested beyond year end	£10m	£5m	£5m
Complied?	✓	✓	✓

### **Outlook for the remainder of 2018/19**

Having raised rates by 0.25% in August to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon. The MPC has a bias towards tighter monetary policy as its members consider that tight labour markets will prompt inflationary pressure in the future, ultra-low interest rates result in other economic problems, and higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.

Arlingclose's central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. However, recent events around Brexit have dampened interest rate expectations and the risks are weighted to the downside. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. The Bank of England will hold at or reduce interest rates from current levels if serious Brexit risks materialise.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.13
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-0.85

Gilt yields have remained at low levels. Arlingclose expects some upward movement from current level but a projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.