

# Coventry City Council Capital Programme 2016/17

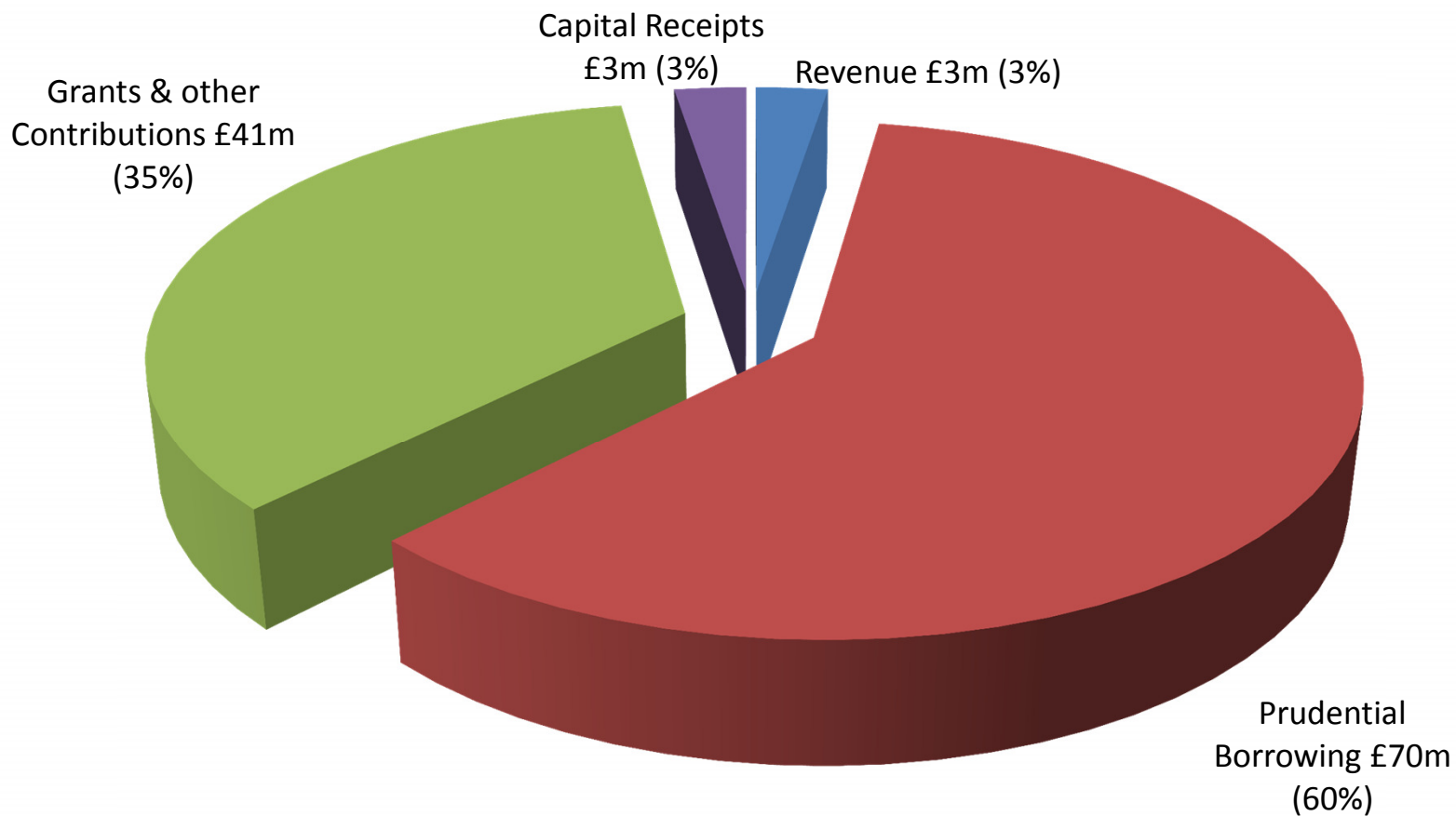
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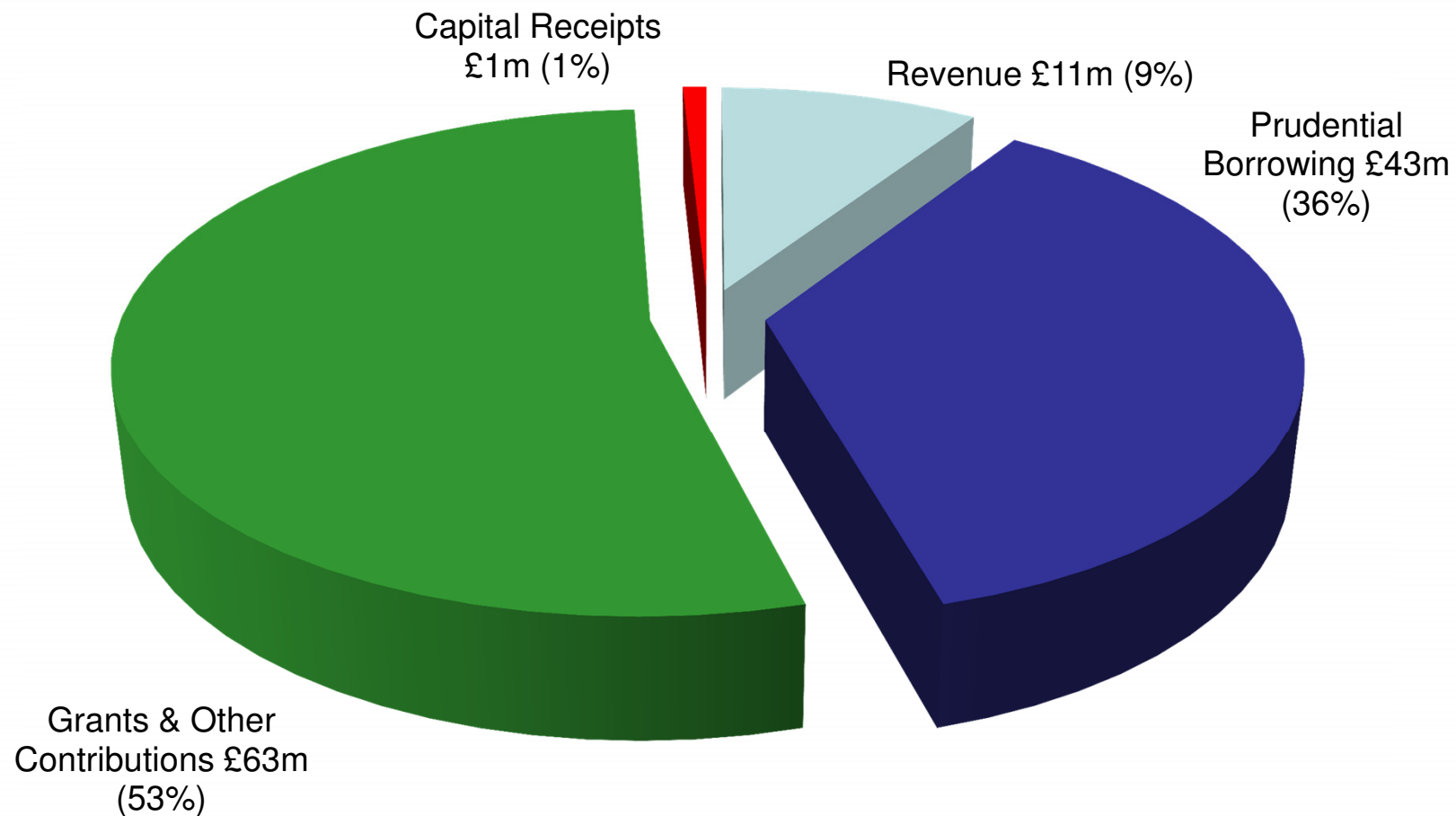
# 2016/17 Capital Programme

- Significant investment in capital spend continues for at least next 2 years
- Includes mixture of Government Funding and local contributions

# 2016/17 Capital Funding



# 2015/16 Capital Funding

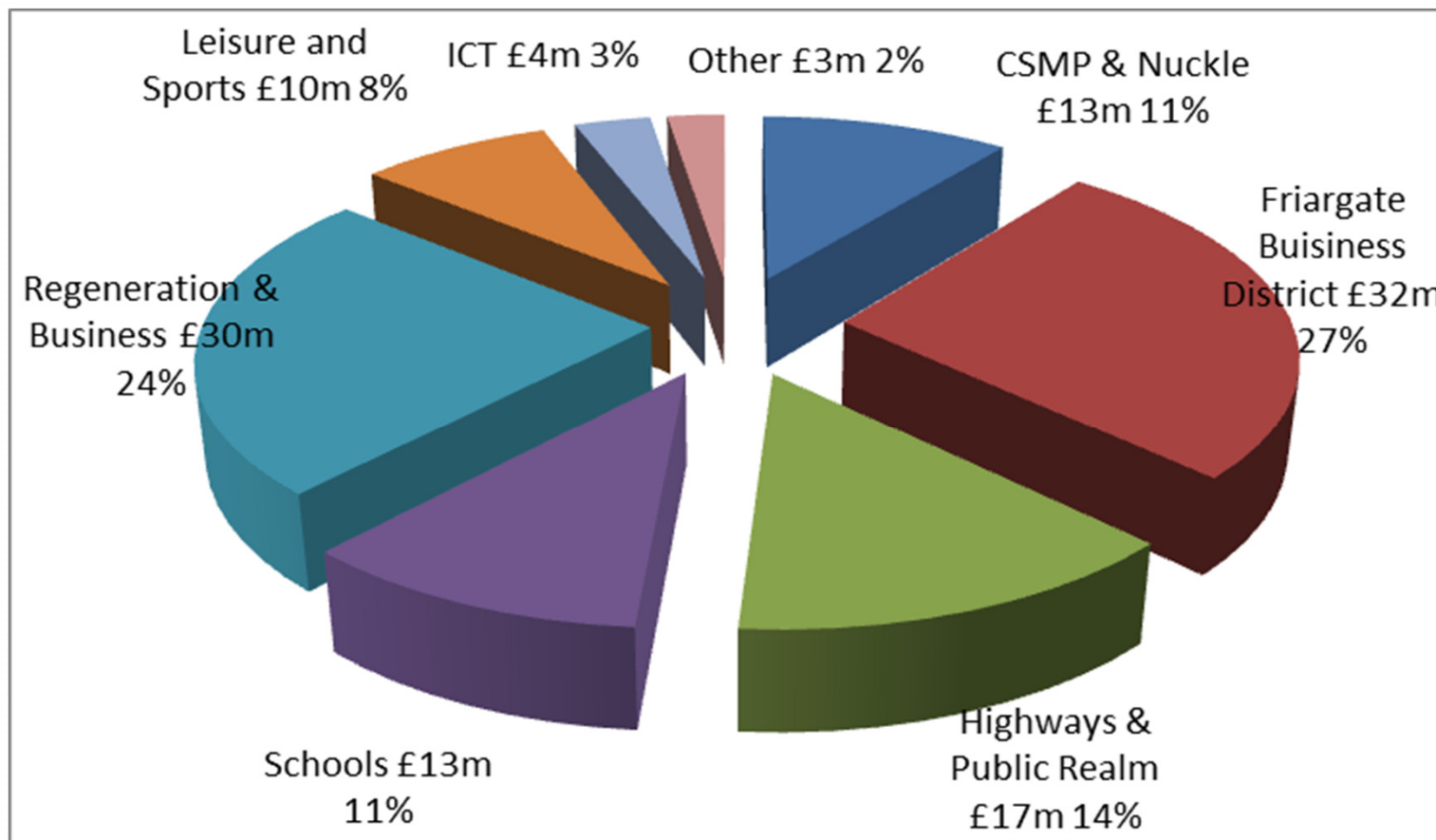


# Prudential Borrowing

- Local authorities can make prudent decisions to borrow
- Decisions should have:
  - Business case (Kickstart Office)
  - Strategic policy importance (CIF)
  - Other rationale (vehicle replacement)
- Borrowing results in revenue costs for the lifetime of the scheme

# Capital Programme Spending

– See detailed Programme



# 5 Year Plans

- Some game changing plans in the overall programme
- Kickstart office (£39m), CIF (£41m), Nuckle & Station Masterplan (£34m), Leisure facility (£36m), Growth Deal (£25m)
- In previous years any one of these would have been a headline grabber
- Worth a mention that CCC is self-funding 3 of these 5 schemes



# Revenue Funding Capital (Highways)

- Highways Maintenance Capital programme £5m in 16/17 (£2.5m Grant, £2.5m revenue)
- Resurfacing, footway improvements and drainage repair and maintenance - life of 1+ year
- This is appropriate capital spend
- Smaller reactive repairs e.g. pot holes & Highways team costs funded directly within separate revenue budget

# Revenue Funding Capital (ICT)

- £1m on-going revenue investment towards ICT Infrastructure and strategy development.
- This ensure future proofing of ICT requirements maintaining a programme of replacing obsolete equipment

# Little Scope for Flexibility

- Capital receipts provides some limited flexibility
- £2.6m earmarked to fund 16/17 Programme
- Also used to deliver savings targets (through repayment and deferral of debt)
- Most of rest of Programme funding is subject to ring-fenced grant & specific borrowing decisions

# Treasury ~ Why Do We Borrow?

- To manage **day to day cashflow or working capital** - if we need to make payments before we get income
- To part finance investment in **long life or capital assets** e.g. buildings, roads etc - in some ways like a mortgage
- The underlying need to borrow to finance long life or capital assets is the **Capital Financing Requirement or CFR** - key measure of indebtedness

# Treasury : How is the CFR Calculated?

Spend that is not financed from available resources = CFR (i.e. the need to borrow):

	£000
Capital Spend	250
Part met by:	
- capital receipts	-70
- grant	-90
<b>Capital Financing Requirement</b>	<b>90</b>

# Treasury: How Do We Pay Down the CFR?

- We make an annual Minimum Revenue Provision charge ~ impact like a mortgage or personal loan:

	Vehicle/ Equipment	Building
Loan Duration	5 years	40 years
Repaid pa per £1m	£200k	£25k
Full Life Interest at 3%	£90k	£615k

- Short term v Long Term ~ level of annual payment and interest over time
- Can make lump sum repayments : revenue or capital receipts

# Treasury: When Do We Actually Borrow?

- We don't necessarily have to borrow when we invest in the asset;
- “We don't have to take out the mortgage when we buy the house”

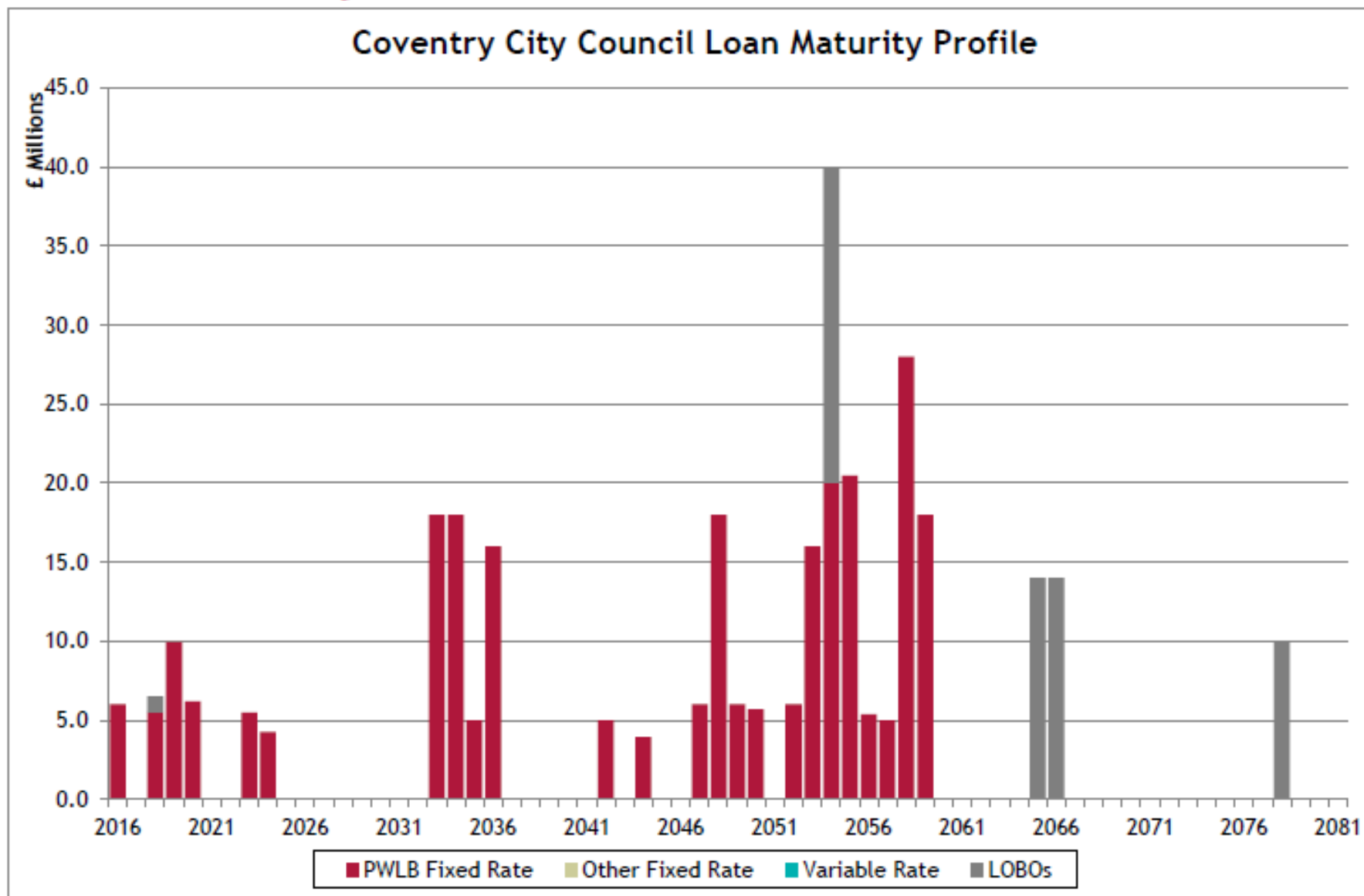
# Treasury : What Impacts on the Timing of Borrowing

- **Short Term** : working capital requirements
- **Long Term** Borrowing considerations:
  - How much cash do we have ~ why borrow at higher rates until we need to?
  - Now much cash will we have in the future ~ debt maturity profile?
  - Where are interest rates?
  - What are our capital investment plans?



# Debt Maturity Profile

Interest rates average just over 4.5%



# Coventry Investment Fund\*

Project	Description	£m
City Centre Public Space	Public open space match funding	1.8
Kickstart	Contribution to kickstart programme	1.8
Lythalls Lane	Direct development of industrial units	3.15
Fargo Court	Loan for office & retail building plus building restoration	1.37
Friargate 2	Tenant incentive	0.55
Cathedral Lanes	Loan towards refurbishment for leisure uses	2.0
Finance Birmingham	Investment into Mezzanine Fund	5.0
Access to Finance	Provision for support to local SMEs	1.0
<b>Total</b>		<b>16.67</b>

\* Position reported previously

# CIF

- Purpose “to grow Coventry business rates and achieve economic benefits for its citizens”
- Other scored criteria - Strategic Fit to Council’s Vision and Aspirations, Deliverability & jobs created
- All decisions made within appropriate delegated limits including CIF Cabinet Cttee where relevant

# Any Questions

