

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
4 September 2018

Subject: **2018/19 Q1 CAPITAL MONITORING AND TREASURY MANAGEMENT REPORT**
All Ward(s)
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to provide Members with the Quarter 1 update at 30 June 2018 on the progress of the capital programme 2018/19 and the treasury management position. A full schedule of the capital programme 2018/19 schemes is attached at Annex A, together with the relevant update on progress of each scheme.
- 1.2 Capital expenditure is intrinsically linked with treasury management as the way that the capital programme is funded, directly effects the treasury management arrangements of the Council. The majority of the Council's capital expenditure is funded by grants, capital receipts, reserves and borrowing. The use of the Council's funds affects the daily treasury management cash flow position, as well as the requirement to investment surplus funds.

2.0 CAPITAL PROGRAMME SUMMARY:

- 2.1 The 2018/19 capital programme was approved by Cabinet on 6 February 2018 at £1,744,830. At 2017/18 outturn, £12,119,683 capital expenditure was slipped forward in to the new financial year revising the capital programme 2018/19 to £13,864,513.
- 2.2 A breakdown of the movement in the revised capital programme in 2018/19 is as follows:

Portfolio	Original 2018/19 £	2017/18 brought forward £	Revised 2018/19 £
Leisure & Environment	687,217	441,700	1,128,917
Economy & Planning	1,468,416	1,037,500	2,505,916
Finance	152,152	265,630	417,782
Economic Development Fund	459,715	-	459,715
Corporate schemes	9,352,183	-	9,352,183
Total	12,119,683	1,744,830	13,864,513

Table 1: Capital Programme 2018/19

- 2.3 At this Quarter 1 monitor, a net increase to the capital programme of £742,685 results in a total revised capital programme of £14,607,198.
- 2.4 The net increase of £742,685 to be approved in this report is detailed in Annex B and is made up of:-
- increase in expenditure of £550,842 supported from Council reserves;
 - roll forward of £526,710 the majority of which is £521,710 for the Bedale Gateway Car Park project;

- c) external funding - decrease in expenditure for Disabled Facilities grant of £37,824 which is funded from grants as less allocation than anticipated in 2018/19 and increase in expenditure of £821,627 for Thirsk & Sowerby Sports Village which is funded from a Section 106 Agreement and European Regional Development Funding (ERDF) grant;
- d) decrease in capital expenditure for Economic Development Improvement Infrastructure Central Northallerton of £65,250 to be funded from revenue.

2.5 Table 2 below outlines the variances reported against each portfolio area.

Portfolio	Current Approved Expenditure £	Revised Expenditure Q1 £	Variance Increase/ (decrease) £	Request for additional funding £	Funding no longer required £	Request of roll forward to 2019/20 £	External Funding £
Leisure & Environment	1,128,917	2,036,434	907,517	85,890	-	-	821,627
Economy & Planning	2,505,916	2,344,084	(161,832)	397,702	-	(521,710)	(37,824)
Finance	417,782	413,032	(4,750)	250	-	(5,000)	-
Economic Development Fund	459,715	461,465	1,750	67,000	(65,250)	-	-
Corporate Schemes	9,352,183	9,352,183	-	-	-	-	-
Total	13,864,513	14,607,198	742,685	550,842	(65,250)	(526,710)	783,803

Table 2: Capital Programme Q1 2018/19

2.6 To 30 June 2018 capital expenditure of £493,440 had been incurred or committed representing 3% of the revised Quarter 1 capital programme position of £14,607,198. Many of the schemes are currently under development and it is expected at Quarter 1 that the capital programme will come in on target at the end of the financial year. Furthermore, the loan to Broadacres of £8,800,000 is due to be drawn down before the end of the financial year.

2.7 The proposed changes to the Capital Programme, which require approval by this Cabinet, are detailed for each of the 3 portfolio areas, the Economic Development Fund and the Corporate Schemes at Annex B.

3.0 FUNDING THE CAPITAL PROGRAMME:

3.1 For 2018/19, at Quarter 1, the capital programme of £14,607,198 is being funded from £3,430,701 external grants/contributions, £461,465 from the Economic Development Fund, £407,542 from the Computer Fund, £433,792 from the Council Tax Payers Reserve, £74,778 from the Repairs and Renewals Reserve, £80,120 from Revenue contributions and £918,800 from Capital Receipts.

3.2 In addition the £8,800,000 loan to the local Housing Association can be financed either by the Council's surplus funds or external borrowing.

3.3 The external grant funding is higher than original estimated by £783,803. This is as a result of a reduction £37,824 for the Disabled Facilities Grant Scheme funded from the Better Care Fund due to less grant being received than first anticipated as well as £821,627 for Thirsk & Sowerby Sports Village which is being funded from a Section 106 Agreement and European Regional Development Fund (ERDF) grant funding.

3.4 The capital receipts estimated to be received during 2018/19 is £466,150.

- 3.5 Therefore at year end in accordance with accounting practice the capital programme will be financed using all available in year funding prior to using the Council's capital reserves. At Quarter 1 it is estimated that £1,910,347 of reserve funding will be used.
- 3.6 The overall funding position continues to be closely monitored to ensure the overall capital programme remains affordable and sustainable over the 10 year approved capital plan.
- 3.7 It should be noted that the report reflects the capital programme position as if approval has been agreed by Cabinet. This is detailed in the recommendations below.

4.0 TREASURY MANAGEMENT POSITION 2018/19

- 4.1 The Treasury Management review at Quarter 1 2018/19 is attached at Annex C and provides Members with an update on the:
- (a) Treasury management position
 - (b) Economy and interest rates
 - (c) Investment policy
 - (d) Investment performance
 - (e) Borrowing position
 - (f) Compliance with prudential and treasury indicators
- 4.2 The investment position at Quarter 1, 30 June 2018 was a balance of instant access funds of £780,000 with an average interest rate return of 0.43%.
- 4.3 At Quarter 1, one new temporary loan was taken from a local authority for cashflow purposes. £1,000,000 was borrowed from 24th May 2018 to 1 June 2018 at a rate of 0.70%. The long term loan taken from the Public Works Loan Board is still outstanding with an interest rate of 1.05% and will be repaid on 5th September 2021.
- 4.4 Overall the interest received from the loans to the local Housing Association is not included in this section of the report because it is classed as capital expenditure under economic development to support local businesses. However the Interest earned in the first quarter from the £26,200,000 loaned to the Local Housing association is £284,600.
- 4.5 The Council has operated within the treasury and prudential indicators set out at Annex E. The approved limits were not breached during the first three months of 2018/19.

5.0 LINK TO COUNCIL PRIORITIES:

- 5.1 All schemes approved as part of the capital programme have been evaluated against key corporate priorities. Schemes are only undertaken and approved by cabinet in accordance with the Council Plan and supporting project initiation documentation.
- 5.2 Treasury Management supports all aspects of the Council's priorities as with good management of surplus funds, investment interest earned can be used to support Council services.

6.0 RISK ASSESSMENT:

- 6.1 There are no risks associated with approving this report. However, the risks associated with not receiving regular monitoring reports are potentially more serious.

7.0 FINANCIAL IMPLICATIONS:

7.1 The financial implications are dealt with in the body of the report.

8.0 LEGAL IMPLICATIONS:

8.1 Treasury Management activities and the Capital programme conform to the Local Government Act 2003 and the Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice.

9.0 EQUALITY/DIVERSITY ISSUES:

9.1 The capital programme seeks to address key equality issues that affect the Council and the public. The main schemes that specifically addressed equalities in the first Quarter of 2018/19 are the disabled facilities grant scheme and disable access to the Civic Centre.

10.0 RECOMMENDATIONS:

10.1 That Cabinet approves and recommends to Council:-

- (1) the net increase of £742,685 in the capital programme to £14,607,198 as detailed in Annex B and also in the capital programme attached at Annex A;
- (2) the increase of capital expenditure is funded from earmarked reserves at £1,372,469 where £483,842 is funded from capital receipts, £67,000 is from the Economic Development Fund and £821,627 is from external grants/contributions;
- (3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2; and
- (4) the treasury management and prudential indicators at Annex E.

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Background papers: Capital programme working papers Qtr1
Treasury Management working papers Qtr1

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