

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
4 December 2018

**Subject:** **2018/19 Q2 CAPITAL MONITORING AND TREASURY MANAGEMENT REPORT  
MID YEAR REVIEW**

**All Wards**  
**Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson**

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The purpose of this report is to provide Members with the Quarter 2 update at 30 September 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 and reserves, however borrowing is also considered when required. 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 at Quarter 1 on 4 September 2018 at £14,607,198.
- 2.2 At this Quarter 2 monitor, a net decrease to the capital programme of 133,034 results in a total revised capital programme of £14,474,164
- 2.3 The net decrease of £133,034 to be approved in this report is detailed in Annex B and is made up of:-
  - (a) increase in expenditure of £50,035 supported from capital reserves
  - (b) decrease in expenditure of £15,909 due to funding no longer required
  - (c) increase in expenditure of £53,740 funded externally
  - (d) increase in expenditure of £24,000 due to scheme rolled back from future years
  - (e) decrease in expenditure of £244,900 due to schemes rolled forward to 2019/20

Portfolio	Current Approved Expenditure	Revised Expenditure Q2	Variance Increase/ (decrease)	Request for additional funding	Funding no longer required	External Funding	Schemes re-profiled from future years	Schemes re-profiled to future years
	£	£	£	£	£	£		£
Leisure & Environment	2,036,434	2,049,509	13,075	20,235	-	53,740	24,000	(84,900)
Economy & Planning	2,344,084	2,339,164	(4,920)	5,000	(9,920)	-	-	-
Finance	413,032	424,843	11,811	24,800	(2,989)	-	-	(10,000)
Economic Development Fund	461,465	308,465	(153,000)	-	(3,000)	-	-	(150,000)
Corporate Schemes	9,352,183	9,352,183	-	-	-	-	-	-
<b>Total</b>	<b>14,607,198</b>	<b>14,474,164</b>	<b>(133,034)</b>	<b>50,035</b>	<b>(15,909)</b>	<b>53,740</b>	<b>24,000</b>	<b>(244,900)</b>

Table 2: Capital Programme Q2 2018/19

- 2.4 Table 2 below outlines the variances reported against each portfolio area.
- 2.5 To 30 September 2018 capital expenditure of £1,207,927 had been incurred or committed representing 8% of the revised Quarter 2 capital programme position of £14,474,164. The loan to Broadacres of £8,800,000 is due to be drawn down before the end of the financial year and if this was currently excluded then 21% of the revised capital programme has been expended at Quarter 2. It is expected that the capital programme will come in on target at the end of the financial year.
- 2.6 The proposed changes to the Capital Programme, which require approval by this Cabinet, are detailed for each of the 4 portfolio areas at Annex B.

### **3.0 FUNDING THE CAPITAL PROGRAMME:**

- 3.1 For 2018/19, at Quarter 2, the capital programme of £14,474,164 is being funded from £3,484,441 external grants/contributions, £308,465 from the Economic Development Fund, £419,353 from the Computer Fund, £794,292 from the Council Tax Payers Reserve, £74,778 from the Repairs and Renewals Reserve, £80,120 from revenue contributions and £512,715 from Capital Receipts.
- 3.2 In addition, the £8,800,000 loan to Housing Association can be financed either by the Council's surplus funds or external borrowing.
- 3.3 The external grant funding has increased in Quarter 2 by £53,740. This is as a result of £46,758 being rolled back from 2019/20 for the Thirsk and Sowerby Sports Village scheme since work is progressing quicker than anticipated and £6,982 being contributed by the Northallerton BID for a new CCTV camera at North End of Northallerton.
- 3.4 The capital receipts estimated to be received during 2018/19 is £464,300
- 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 2 it is estimated that £48,415 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 2 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 Treasury Management Strategy Statement (TMSS) for 2018/19 which details the Council's approach to treasury management was approved by this Council on 27 February 2018. There are no policy changes to the Treasury Management Strategy Statement.
- 4.3 At Quarter 1, Annex C detailed that a Capital Strategy would be presented at Quarter 2 and show how the new cash resources of the Council would be apportioned between treasury and non-treasury investments, in accordance with the CIPFA guidance Statement by the Treasury and Capital Management Panel on the Production of Capital Strategies. The updated Prudential code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) were issued in December 2017. Both these codes are effective for the 2018/19 financial year, however, it is recognised that the requirement included in the Prudential Code to produce a Capital Strategy may require a longer lead-in period. Therefore the Treasury and Capital Management Panel recognise that this requirement may not be able to be fully implemented until 2019/20 financial year. At Hambleton District Council the Capital Strategy and treasury and non-treasury indicators will be fully implemented and be approved at Council in February 2019 for 2019/20 financial year from 1 April 2019.
- 4.4 The investment position at Quarter 2, 30 September 2018 was £6,430,000 with an average interest rate return of 0.53% for the year to date. This is all invested in short term commodities for liquidity purposes due to the numerous capital projects that are currently ongoing within the Council.
- 4.5 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 5<sup>th</sup> September 2021. The Council has not borrowed any money in Quarter 2 however further borrowing is predicted in Quarter 4.
- 4.6 At Quarter 2 the Council had given £26,200,000 of loans to a Local Housing Association, a further £8,800,000 is available to be taken and the Local Housing Association has until 31 March 2019 to draw down the additional tranches.
- 4.7 The interest received from the loan to the local Housing Association is not included in this section of the report because the loan is classed as capital expenditure under economic development to support local businesses. However the interest earned in the second quarter from the £26,200,000 loaned to the Local Housing association is £284,600. This totals £569,200 to date in 2018/19 and is on target for the annual budget of £1,138,400.

4.8 The Council has operated within the treasury and prudential indicators set out at Annex E. The approved limits were not breached during the first six 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 could lead to inability for the Cabinet to have an overview of the financial stability of the Council.

**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 second quarter of 2018/19 is the disabled facilities grant scheme, disable access to the Civic Centre and the pool access scheme for all four leisure centres.

**10.0 RECOMMENDATION(S):**

10.1 That Cabinet approves and recommends to Council:-

- (1) the net decrease of £133,034 in the capital programme to £14,474,164 and all expenditure movements 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 £103,775 where £24,800 is funded from the Computer fund, £20,000 is funded from the Council Tax Payers Reserve, £5,235 is funded from capital receipts and £53,740 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 Q2  
Treasury management working papers Q2

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