

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
12 February 2019

Subject: 2018/19 Q3 CAPITAL MONITORING AND TREASURY MANAGEMENT REPORT

All Wards
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 3 update at 31 December 2018 on the progress of the capital programme 2018/19 and the treasury management position. A full schedule of the capital programme 2018/19 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 at Quarter 2 on 4 December 2018 at 14,474,164.
- 2.2 At this Quarter 3 monitor, a net increase to the capital programme of £857,047 results in a total revised capital programme of £15,331,211.
- 2.3 The net increase of £857,047 to be approved in this report is detailed in Annex B and is made up of:-
- a) increase in expenditure of £11,796,100 supported from capital reserves and borrowing
 - b) decrease in expenditure of £33,948 due to funding no longer required,
 - c) increase in expenditure of £49,313 funded externally; and
 - d) decrease in expenditure of £10,954,418 due to schemes rolled forward to 2019/20.

Portfolio	Current Approved Expenditure	Revised Expenditure Q3	Variance Increase/ (decrease)	Request for additional funding	Funding no longer required	External Funding	Schemes re-profiled to future years
	£	£	£	£	£	£	£
Leisure & Environment	2,049,509	1,863,826	(185,683)	14,730	(1,621)	-	(198,792)
Economy & Planning	2,339,164	1,454,600	(884,564)	30,270	(32,327)	49,313	(931,820)
Finance	424,843	368,024	(56,819)	-	-	-	(56,819)
Economic Development	308,465	180,578	(127,887)	-	-	-	(127,887)
Fund							
Corporate Schemes	9,352,183	11,464,183	2,112,000	11,751,100	-	-	(9,639,100)
Total	14,474,164	15,331,211	857,047	11,796,100	(33,948)	49,313	(10,954,418)

Table 2: Capital Programme Q3 2018/19

- 2.4 Table 2 above outlines the variances reported against each portfolio area.
- 2.5 To 31 December 2018 capital expenditure of £2,343,732 has been incurred or committed representing 15% of the revised Quarter 3 capital programme position of £15,331,211. The loan to Broadacres of £8,800,000 is due to be drawn down before the end of the financial year and the spend on Purchase of Asset scheme of £1,912,000 will occur before March 2019 and if these were currently excluded then 51% of the revised capital programme has been expended at Quarter 3. 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 and the Corporate schemes at Annex B

3.0 FUNDING THE CAPITAL PROGRAMME:

- 3.1 For 2018/19, at Quarter 3, the capital programme of £15,331,211 is being funded from £2,657,260 external grants/contributions, £180,578 from the Economic Development Fund, £362,534 from the Computer Fund, £794,292 from the Council Tax Payers Reserve, £74,778 from the Repairs and Renewals Reserve, £79,786 from revenue contributions and £269,983 from Capital Receipts.
- 3.2 In addition, the £8,800,000 loan to Housing Association, Ground Source Heat Pumps of £200,000 and the Purchase of Asset scheme of £1,912,000 can be financed either by the Council's surplus funds or external borrowing
- 3.3 The external grant funding has decreased in Quarter 3 by £817,181. This is as a result of £866,494 being rolled forward to 2019/20 for the Thirsk and Sowerby Sports Village scheme of £70,000, Bedale Bridge and cycle way scheme of £335,000, LED lantern scheme of £112,000 and Disabled Facilities Grant of £349,494 as well as additional external funding received of £49,313 for the same scheme.
- 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 3 it is estimated that no 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 3 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 The investment position at Quarter 3, 31 December 2018 was £7,940,000 with an average interest rate return of 0.61%, which is above the benchmark target of 0.58%. This is all invested in short term commodities for liquidity purposes due to the numerous capital projects that are currently ongoing within the Council.
- 4.4 The £1,200,000 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 September 2021. In 2018/19 £9,450 has been spent on interest on the loan to Quarter 3, this is in line with the total for the year of £12,600. The Council has not borrowed any money in Quarter 3 however further borrowing is predicted in Quarter 4.
- 4.5 At Quarter 3 the Council had given £26,200,000 of loans to a Local Housing Association, a further £8,800,000 is available to be taken. The Local Housing Association has until 31 March 2019 to draw down the additional tranches and have indicated that they will wait until this date to make the additional loans.
- 4.6 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 third quarter from the £26,200,000 loaned to the Local Housing Association is £284,600, this totals £853,800 to date in 2018/19 and is on target for the annual budget of £1,138,400.
- 4.7 The Council uses external borrowing or surplus funds / reserves if they are available to support the whole of the capital programme. In Quarter 4 borrowing will be considered on a short and / or long term basis in line with the capital expenditure requirements.
- 4.8 The Council has operated within the treasury and prudential indicators set out at Annex E. The approved limits have not been breached during 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 third quarter of 2018/19 are the disabled facilities grant scheme, the disabled access to the Civic Centre and the pool access scheme for all four leisure centres.

8.0 RECOMMENDATION(S):

8.1 That Cabinet approves and recommends to Council:-

- (1) the net increase of £857,047 in the capital programme to £15,331,211 as detailed in Annex B and also in the capital programme attached at Annex A;
- (2) the increase capital expenditures of £11,845,413 is funded from Council Tax Payers Reserve of £45,000, external grants/contributions of £49,313 and £11,751,100 is funded from surplus funds or borrowing;
- (3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2;
- (4) the Treasury Management and Prudential Indicators at Annex E.

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Background papers: Capital programme working papers Q3
Treasury management working papers Q3

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