

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
3 September 2019

Subject: **2019/20 Q1 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 1 update at 30 June 2019 on the progress of the capital programme 2019/20 and the treasury management position. A full schedule of the capital programme 2019/20 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 affects 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 2019/20 capital programme was approved by Cabinet on 12 February 2019 at £43,883,526. At 2018/19 outturn, £433,180 capital expenditure was carried forward in to the new financial year revising the capital programme 2019/20 to £44,316,706.
- 2.2 A breakdown of the movement in the revised capital programme in 2019/20 is as follows:

Portfolio	Original 2019/20 £	2018/19 carried forward £	Revised 2019/20 £
Leisure & Communities	348,642	13,671	362,313
Environment	232,650	9,455	242,105
Economy & Planning	2,607,678	142,451	2,750,129
Finance & Commercial	415,469	165,776	581,245
Economic Development Fund	277,887	40,339	318,226
Corporate Schemes	40,001,200	61,488	40,062,688
Total	43,883,526	433,180	44,316,706

Table 1: Capital Programme 2019/20

- 2.3 At this Quarter 1 monitor, a net decrease to the capital programme of £1,987,222 results in a total revised capital programme of £42,329,484.
- 2.4 The net decrease of £1,987,222 to be approved in this report is detailed in Annex B and is made up of:-
- a) increase in expenditure of £374,595 supported from Council reserves;
 - b) decrease in capital expenditure of £2,391,205 due reduced expenditure of £275,698 for the Treadmills Phase 1 scheme. In addition, a reduction for Ground Source Heat Pumps

scheme of £1,913,200 is requested due to scheme no longer taking place. Disabled Facilities Grant contribution funded from Hambleton District Council of £202,307 is requested to be return to fund due to changes to internal policy.

- c) roll forward of £3,507,000 for the CRM/Mitel Telephony Integration scheme of £7,000 and Treadmills Phase 1 project of £3,500,000 to 2020/21;
- d) external funding - increase in expenditure of £3,536,388 for Disabled Facilities grant of £77,134 due additional grant funding received, £3,160,893 for the Northallerton Connections scheme funded from Local Enterprise Partnership (LEP) funding and increase in expenditure of £180,000 for Thirsk & Sowerby Sports Village and Bedale Bridge and Cycle scheme of £118,361 which are both being funded from Section 106 Agreements;

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 2020/21 £	External Funding £
Leisure & Communities	362,313	581,313	219,000	39,000	-	-	180,000
Environment	242,105	342,105	100,000	100,000	-	-	-
Economy & Planning	2,750,129	5,910,855	3,160,726	6,645	(202,307)	-	3,356,388
Finance & Commercial	581,245	803,195	221,950	228,950	-	(7,000)	-
Economic Development Fund	318,226	318,226	-	-	-	-	-
Corporate Schemes	40,062,688	34,373,790	(5,688,898)	-	(2,188,898)	(3,500,000)	-
Total	44,316,706	42,329,484	(1,987,222)	374,595	(2,391,205)	(3,507,000)	3,536,388

Table 2: Capital Programme Q1 2019/20

2.6 To 30 June 2019 capital expenditure of £553,653 had been incurred or committed representing 4% of the revised Quarter 1 capital programme position of £12,329,484 when the Property Fund of £30m is excluded. At Quarter 1 many of the schemes are at stages of design, planning, development or have started on site. It is expected that the capital programme will come in on target at 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 4 portfolio areas, the Economic Development Fund and the Corporate Schemes at Annex B.

3.0 FUNDING THE CAPITAL PROGRAMME:

3.1 For 2019/20, at Quarter 1, the capital programme of £42,329,484 is being funded from £34,312,302 of external borrowing, £4,650,478 of external grants/contributions, £1,751,754 of Capital Receipts , £803,195 from the Computer Fund, £322,300 from the Council Tax

Payers Reserve, £318,226 from the Economic Development Fund, £87,368 from Revenue contributions and £83,861 from the Repairs and Renewals Reserve.

- 3.2 The external grant funding is higher than original estimated by £3,536,388. This is as a result of an increase of £77,134 for the Disabled Facilities Grant Scheme funded from the Better Care Fund due to more grant being received than first anticipated. In addition, £180,000 for Thirsk & Sowerby Sports Village and £118,361 for Bedale Bridge and Cycle scheme of s106 agreements have been received. Finally, a contribution of £3,160,893 from the Local Enterprise Partnership (LEP) has been allocated in regards to the Northallerton Connections scheme.
- 3.3 The capital receipts estimated to be received during 2019/20 is £240,000.
- 3.4 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 £1,511,754 of reserve funding will be used.
- 3.5 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.
- 3.6 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 2019/20

- 4.1 The Treasury Management review at Quarter 1 2019/20 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 2019 was a balance of instant access funds of £330,000 with an average interest rate return of 0.73%.
- 4.3 The interest received from the investment in 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 £35,000,000 loaned to the Local Housing Association is £368,690
- 4.4 At Quarter 1, one new temporary loan was taken from a local authority for cashflow purposes. £1,000,000 was borrowed from 24th May 2019 to 3 June 2019 at a rate of 0.90%. The long term loans taken from the Public Works Loan Board are still outstanding at £12.7m. One loan with an interest rate of 1.05% will be repaid on 5th September 2021. £9,000,000 is due to be repaid on 7th March 2069 and has a rate of 2.45% and £2,500,000 has a maturity date of 25th March 2064 and has a rate of 2.24%.
- 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 2019/20.
- 4.6 The Council has a banking contract with Lloyds Bank Plc from 1 April 2017 for seven years plus the option of an additional three years. Lloyds provide services for seven accounts

within the Council including the day to day payments and income accounts as well as separate election accounts. As part of the contract, the Council uses a set off agreement which gives the Bank the legal right to off-set or transfer credit balances between accounts held with the bank i.e. they have the right to set-off credit balances in one account against debit balances in another account. Lloyds Bank Plc has now requested that this arrangement is agreed in writing between the Council and Lloyds Bank Plc and for the Section 151 Officer, who is to be the designated Proper Officer of the Council, to sign the Set Off Agreement once Cabinet approves the contract to be signed.

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 the income earned on investments or reduced interest paid on borrowing contributes to the Council's funding position which supports 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 2019/20 are the disabled facilities grant scheme and disabled access to the Civic Centre.

10.0 RECOMMENDATIONS:

- 10.1 Cabinet approves and recommends to Council that:-
 - (1) the net decrease of £1,987,222 in the capital programme to £42,329,484 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 £3,910,983 where £145,645 is funded from capital receipts, £228,950 is from the Computer Fund and £3,536,388 is from external grants/contributions;
 - (3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2;

- (4) The Set-Off Agreement with Lloyds Bank Plc and that the Section 151 Officer is designated as the Proper Officer as in paragraph 4.6; and
- (5) 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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