

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
9 February 2016

**Subject: 2015/16 QUARTER 3 CAPITAL PROGRAMME AND TREASURY  
MANAGEMENT MONITORING**

**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 2015 on the progress of the Capital Programme 2015/16 and the Treasury Management position. A full schedule of the Capital Programme 2015/16 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. This Council currently has no borrowing for a capital purpose at Quarter 3; instead capital expenditure to date is funded by grants, receipts and reserves. The use of the Council's funds affects the daily Treasury Management cash flow position, as well as the requirement to investment these surplus funds.

### **2.0 CAPITAL PROGRAMME SUMMARY:**

- 2.1 The 2015/16 Capital Programme was approved by Cabinet at Quarter 2 on 1 December 2015 at £17,284,838. This can be divided between the investment to be made with Broadacres Housing Association of £10,000,000 and the rest of the capital programme at £7,284,838.
- 2.2 A net decrease to the overall Capital Programme of £3,047,435 is detailed in this Quarter 3 monitor that results in a revised Capital Programme budget of £14,237,403. The main decrease is in relation to the re-profiling of capital expenditure projects to future years. The Capital Programme is attached at Annex 'A'.
- 2.3 The net decrease of £3,047,435, to be approved in this report is detailed in Annex 'B' and is made up of:-
- (a) increase in expenditure of £168,996 supported from Council reserves;
  - (b) transfer of funds between schemes, with overall effect being zero;
  - (c) decrease in expenditure of £3,187,411 where schemes have been carried forward to future years;
  - (d) reduction in expenditure of £29,020 where funding is no longer required.
- 2.4 Table 2 below outlines the variances reported against each portfolio area.

Portfolio	Current Approved Expenditure £	Revised Expenditure Q3 £	Variance Increase/ (decrease) £	Request for additional funding £	Funding no longer required in 2015/16 £	Schemes re-profiled to future years £
Environmental & Planning Services	1,067,038	1,033,238	(33,800)	0	(12,000)	(21,800)
Customer & Leisure	1,131,469	590,954	(540,515)	0	(17,020)	(523,495)
Support Services	1,537,963	965,961	(572,002)	0	0	(572,002)
Economic Development Fund	3,548,368	1,647,250	(1,901,118)	168,996	0	(2,070,114)
<b>Sub Total</b>	<b>7,284,838</b>	<b>4,237,403</b>	<b>(3,047,435)</b>	<b>168,996</b>	<b>(29,020)</b>	<b>(3,187,411)</b>
Loan to Broadacres	10,000,000	10,000,000	0	0	0	0
<b>Total</b>	<b>17,284,838</b>	<b>14,237,403</b>	<b>(3,047,435)</b>	<b>168,996</b>	<b>(29,020)</b>	<b>(3,187,411)</b>

Table 2: Capital Programme Q3 2015/16

2.5 To 31 December 2015 capital expenditure of £2,700,254 had been incurred or committed representing 64% of the revised Quarter 3 Capital Programme position of £4,237,403 - excluding the loan to Broadacres capital expenditure. It is expected at Quarter 3 that the Capital Programme will come in on target at the end of the financial year and all schemes will be closely monitored.

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

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

3.1 For 2015/16, at Quarter 3, the Capital Programme of £14,237,403 is being funded from £314,315 external grants/contributions, £10,000,000 reserve funds to finance the Broadacres Loan, £1,647,250 economic development reserve funding, £285,082 from the computer fund, £168,499 from the repairs & renewal fund and £1,822,257 from capital receipts or capital reserves.

3.2 The external grant contributions of £314,315 are £219,821 Government Grant for Disabled Facilities grant, £6,748 S106 for Thirsk & Sowerby Sports Village, £22,710 S106 for North Northallerton Road & Bridge project, £35,036 S106 for the Dalton Bridge project and £30,000 from the LEP for the Central Northallerton project.

3.3 The capital receipts estimated to be received during 2015/16 is £107,000, with further capital receipts being re-profiled to be received in 2016/17 at £743,000.

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.

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. Analysis of the funding of the 10 year Capital Programme is provided along with the Financial Strategy and Capital Programme 2016/17, for approval at this February 2015 Cabinet prior to the beginning of the new financial year.

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 2015/16:**

4.1 The Treasury Management review at Quarter 3 2015/16 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 and counterparty criteria
- (d) investment performance
- (e) borrowing position
- (f) compliance with prudential and treasury indicators

4.2 The investment position at Quarter 2 was £24,660,000 with an average amount invested in the first six months of £31,862,145; the average interest rate of return was 0.61%. For surplus funds invested for 3 months or more, a return of 0.81% was achieved which was 0.37% greater than the 3 month benchmark at 0.44%. For funds invested short term 0.40% was achieved compared to the 7 day benchmark of 0.36%.

4.3 The interest rate environment continues to offer investment market rates of return around the Base Rate level of 0.5%. There is some volatility in the market due to the uncertainty as to when the Base Rate will rise which is now expected to be early quarter 3 2016. This market volatility offers opportunities to seek out higher rates of investment return above Base Rate. The interest earned to date at Quarter 3 is £146,982 against a budget for the year of £170,390; this is expected to be achievable by quarter 4. Further information on the economic environment and interest rates is attached at Annex 'D'.

4.4 The Council undertook no borrowing at Quarter 3 2015/16 and remained debt free.

4.5 The Council has operated within the treasury and prudential indicators set out at Annex 'E'. The approved limits within the Annual Investment Strategy were not breached during the first nine months of 2015/16.

#### **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 scheme that specifically addressed equalities in the third quarter of 2015/16 is the disabled facilities grant Scheme and the disabled access doors to the civic centre.

## **10.0 RECOMMENDATIONS:**

10.1 That Cabinet approves and recommends to Council:-

- (1) the net decrease of £3,047,453 in the Capital Programme to £14,237,403 as detailed in Annex 'B' and also in the Capital Programme attached at Annex 'A';
- (2) the increase of capital expenditure funded from the Economic Development Fund of £168,996;
- (3) the funding allocation to the capital programme as detailed in paragraph 3.1;
- (4) the Treasury Management position and prudential indicators at Annex 'E'.

JUSTIN IVES

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

**Author ref:** LBW

**Contact:** Louise Branford-White  
Head of Resources  
Direct Line No: 01609 767024