

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 September 2016

Subject: 2016/17 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 2016 on the progress of the Capital Programme 2016/17 and the Treasury Management position. A full schedule of the Capital Programme 2016/17 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 and reserves, however, in Quarter 1 the Council borrowed £15,000,000 in the short term to support the capital expenditure for the loan to the local Housing Association. 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 2016/17 Capital Programme was approved by Cabinet on 9 February 2016 at £16,758,070. At 2015/16 outturn, £4,167,079 capital expenditure was slipped forward in to the new financial year revising the Capital Programme 2016/17 to £20,925,149.
- 2.2 A breakdown of the movement in the revised Capital Programme in 2016/17 is as follows:

Portfolio	Original 2016/17 £	2015/16 brought forward £	Revised 2016/17 £
Environmental & Planning Services	295,000	40,882	335,882
Customer & Leisure Services	319,740	493,191	812,931
Support Services	559,330	1,725,598	2,284,928
Economic Development Fund	584,000	1,907,408	2,491,408
Loan to Broadacres	15,000,000	0	15,000,000
Total	16,758,070	4,167,079	20,925,149

Table 1: Capital Programme 2016/17

- 2.3 At this Quarter 1 monitor, a net increase to the Capital Programme of £176,077 results in a total revised Capital Programme of £21,101,226.

2.4 The net increase of £176,077 to be approved in this report is detailed in Annex B and is made up of:-

- (a) increase in expenditure of £401,077 supported from Council reserves;
- (b) transfer of funds between schemes, with overall effect being zero;
- (c) decrease in expenditure of £225,000 due to scheme rolled forward to 2017/18

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	Schemes re- profiled to future years
	£	£	£	£	£	£
Environmental & Planning Services	335,882	462,272	126,390	126,390	0	0
Customer & Leisure	812,931	605,072	(207,859)	17,141	0	(225,000)
Support Services	2,284,928	2,402,582	117,654	117,654	0	0
Economic Development Fund	2,491,408	2,631,300	139,892	139,892	0	0
Loan to Broadacres	15,000,000	15,000,000	0	0	0	0
Total	20,925,149	21,101,226	176,077	401,077	0	(225,000)

Table 2: Capital Programme Q1 2016/17

2.6 To 30 June 2016 capital expenditure of £15,199,073 had been incurred or committed representing 72% of the revised Quarter 1 Capital Programme position of £21,101,226, this included the £15,000,000 loan to the local Housing Association. 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.

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

3.0 **FUNDING THE CAPITAL PROGRAMME:**

3.1 For 2016/17, at Quarter 1, the Capital Programme of £21,101,226 is being funded from £612,111 external grants/contributions, £2,631,300 from the Economic Development Fund, £479,046 from the Computer Fund, £24,165 from the One-Off Fund, £149,744 from the Repairs and Renewals Reserve and £2,204,860 from Capital Receipts.

3.2 In addition, the £15,000,000 loan to the local Housing Association can be financed either by the Council's surplus funds or external borrowing. During Quarter 1 £15,000,000 was borrowed in the short term from 9 May 2016 which has now been repaid on 26 July 2016. The change in the financing of the loan is due to the Council's cash flow requirements and further borrowing is likely to be considered in the future in Quarter 4 of 2016/17.

3.3 The external grant funding is higher than originally estimated by £167,111. This is as a result of an additional £119,821 for the Disabled Facilities Grant Scheme funded from the Better Care Fund and £47,290 to support the Economic Development Fund projects.

- 3.4 The capital receipts estimated to be received during 2016/17 is £370,000.
- 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 £3,284,255 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.

4.0 TREASURY MANAGEMENT POSITION 2016/17:

- 4.1 The Treasury Management review at Quarter 1 2016/17 is attached at Annex C and provides Members with an update on:
- (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 2016 was £15,790,000 with an average interest rate return of 0.60%. For surplus funds invested for 3 months or more, a return of 0.72% was achieved which was 0.26% greater than the 3 month benchmark at 0.46%.
- 4.3 The Council undertook £15,000,000 of borrowing from another Council at Quarter 1 2016/17. Approval was given at Cabinet on 10 February 2015 to undertake borrowing or use Council's surplus funds to finance the loan to the local Housing Association.
- 4.4 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 2016/17.

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 first quarter of 2016/17 is the Disabled Facilities Grant Scheme.

10.0 RECOMMENDATIONS:

- 10.1 That Cabinet approves and recommends to Council:-
- (1) the net increase of £176,077 in the Capital Programme to £21,101,226 as detailed in Annex B and also in the Capital Programme attached at Annex A;
 - (2) to note the position of the Economic Development Fund at Annex B that it has been fully allocated until funds are returned from schemes in future years;
 - (3) the increase of capital expenditure is funded from earmarked reserves at £401,077, where £117,199 is funded from capital receipts, £24,165 is from the One-Off Fund and £139,892 is from the Economic Development Fund and £119,821 is from external grants/contributions;
 - (4) the funding allocation to the Capital Programme as detailed in paragraph 3.1 and 3.2;
 - (5) the Treasury Management and prudential indicators at Annex E.

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Background papers: Capital Programme working papers Q1
Treasury Management working papers Q1

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