

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
6 December 2016

**Subject:** **2016/17 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 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 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 2016/17 capital programme was approved by Cabinet at Quarter1 on 6 September 2016 at £21,101,226.
- 2.2 At this Quarter 2 monitor, a net decrease to the capital programme of £2,165,872 results in a total revised capital programme of £18,935,354.
- 2.3 The net decrease of £2,165,872 to be approved in this report is detailed in Annex B and is made up of:-
- (a) increase in expenditure of £3,400 supported from Council reserves;
  - (b) increase in expenditure of £8,000 supported from capital reserves and rolled back from 2017/18
  - (c) increase in expenditure of £67,397 funded externally
  - (d) transfer of funds between schemes, with overall effect being zero
  - (e) decrease in expenditure of £2,022,407 due to schemes rolled forward to 2017/18
  - (f) decrease in expenditure of £222,262 due to funding no longer required

2.4 Table 2 below outlines the variances reported against each portfolio area:

Portfolio	Current Approved Expenditure	Revised Expenditure Q2	Variance Increase/ (decrease)	Request for additional funding	Funding no longer required	External Funding	Schemes re-profiled to future years	Schemes re-profiled from future years
	£	£	£	£	£	£	£	£
Environmental & Planning Services	462,272	473,458	11,186	0	0	56,186	(45,000)	0
Customer & Leisure	605,072	311,061	(294,011)	0	0	11,211	(313,222)	8,000
Support Services	2,402,582	2,211,570	(191,012)	3,400	(122,262)	0	(464,185)	0
Economic Development Fund	2,631,300	1,331,300	(1300,000)	0	(100,000)	0	(1,200,000)	0
Loan to Broadacres	15,000,000	15,000,000	0	0	0	0	0	0
<b>Total</b>	<b>21,101,226</b>	<b>18,935,354</b>	<b>(2,165,872)</b>	<b>3,400</b>	<b>(222,262)</b>	<b>67,397</b>	<b>(2,022,407)</b>	<b>8,000</b>

2.5 To 30 September 2016 capital expenditure of £15,730,785 had been incurred or committed representing 83% of the revised quarter 2 capital programme position of £18,935,354, this included the £15,000,000 loan to the local Housing Association.

2.6 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 2, the capital programme of £18,935,354 is being funded from £1,200,000 external borrowing, £344,508 external grants/contributions, £1,331,300 from the Economic Development Fund, £439,396 from the Computer Fund, £24,165 from the One Off Fund, £129,744 from the Repairs and Renewals Reserve and £1,666,241 from Capital Receipts Reserve.

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. This has been repaid in Quarter 2. The change in the financing of the loan is due to the Councils cash flow requirements and further borrowing is likely to be considered in the future in quarter 4 of 2016/17.

3.3 Due to the overall financial position and the underlying need to borrow for capital purposes, new external borrowing of £1,200,000 was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years.

3.4 The external grant funding is higher than Quarter 1 by £67,397. This is as a result of an additional £56,186 being allocated to the Disabled Facilities Grant Scheme funded from the Better Care Fund and £11,211 for a pool hoist and equipment in the changing room to help with people with disabilities.

3.5 The capital receipts estimated to be received during 2016/17 is £370,000.

- 3.6 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 £1,924,605 of reserve funding will be used.
- 3.7 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.
- 3.8 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 2016/17**

4.1 The Treasury Management review at Quarter 2 2016/17 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 2016/17 which details the Council's approach to treasury management was approved by this Council on 25 February 2016. There are no policy changes to the Treasury Management Strategy Statement, however it should be noted that where the Strategy is influenced by the capital expenditure plans for 2016/17 the Council's Capital Financing Requirement (need to borrow) relates to the entire 2016/17 capital expenditure programme and not only the loan to the local Housing Association. This aligns with reports that have been approved by Cabinet and Council in the first half of 2016/17 and the Local Government Act 2003.

4.3 The investment position at Quarter 2 30 September 2016 was £7,390,000 with an average interest rate return of 0.47%. For surplus funds invested for 3 months or more, a return of 0.62% was achieved which was 0.24% greater than the 3 month benchmark at 0.38%. For funds invested short term 0.40% was achieved compared to the 7 day benchmark of 0.28%.

4.4 The interest received from the loan to 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.

4.5 The Council borrowed £1,200,000 in Quarter 2 from the Public Works Loan Board (PWLB) at a rate of 1.05 over five years to fund capital expenditure. Further borrowing is predicted in Quarter 4.

4.6 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 second quarter of 2016/17 is the disabled facilities grant scheme and a pool hoist and equipment in the changing room at Bedale Leisure Centre to help people with disabilities.

## **10.0 RECOMMENDATIONS:**

10.1 That Cabinet approves and recommends to Council that:-

- (1) the net decrease of £2,165,872 in the capital programme to £18,935,354 and all expenditure movements 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 £11,400 is funded from capital receipts and £67,397 is from external grants/contributions;
- (4) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2; and
- (5) 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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