

Report To: Cabinet
5 September 2017

Subject: 2017/18 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 2017 on the progress of the capital programme 2017/18 and the treasury management position. A full schedule of the capital programme 2017/18 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, 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 2017/18 capital programme was approved by Cabinet on 7 February 2017 at £14,885,622. At 2016/17 outturn, £742,706 capital expenditure was slipped forward in to the new financial year revising the capital programme 2017/18 to £15,628,328.
- 2.2 A breakdown of the movement in the revised capital programme in 2017/18 is as follows:

Portfolio	Original 2017/18 £	2016/17 brought forward £	Revised 2017/18 £
Leisure & Environment	2,622,732	87,100	2,709,832
Economy & Planning	1,490,915	300,709	1,791,624
Finance	293,165	144,018	437,183
Economic Development Fund	478,810	210,879	689,689
Corporate schemes	10,000,000	-	10,000,000
Total	14,885,622	742,706	15,628,328

Table 1: Capital Programme 2017/18

- 2.3 At this Quarter 1 monitor, a net increase to the capital programme of £1,249,252 results in a total revised capital programme of £16,877,580.
- 2.4 The net increase of £1,249,252 to be approved in this report is detailed in Annex B and is made up of:-
- (a) increase in expenditure of £289,776 supported from Council reserves;
 - (b) increase in expenditure for Disabled Facilities grant of £259,476 which is funded from external grants of £503,505 as well as from internal resources of £50,000;
 - (c) increase in expenditure of £700,000 for Thirsk & Sowerby Sports Village which is funded from a Section 106 Agreement.

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 £	External Funding £
Leisure & Environment	2,709,832	3,248,898	539,066	36,670	(197,604)	700,000
Economy & Planning	1,791,624	2,324,832	533,208	405,732	(82,000)	209,476
Finance	437,183	437,183	-	-	-	-
Economic Development Fund	689,689	866,667	176,978	367,602	(190,624)	-
Corporate Schemes	10,000,000	10,000,000	-	-	-	-
Total	15,628,328	16,877,580	1,249,252	810,004	(470,228)	909,476

Table 2: Capital Programme Q1 2017/18

2.6 To 30 June 2017 capital expenditure of £626,466 had been incurred or committed representing 4% of the revised Quarter 1 capital programme position of £16,877,580. 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. Furthermore, the loan to Broadacres of £8,800,000 is due to be drawn down before 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 2017/18, at Quarter 1, the capital programme of £16,877,580 is being funded from £2,489,956 external grants/contributions, £825,191 from the Economic Development Fund, £437,183 from the Computer Fund, £200,000 from the One Off Fund, £150,988 from the Repairs and Renewals Reserve and £3,974,262 from Capital Receipts.

3.2 In addition the £8,800,000 loan to the local Housing Association can be financed either by the Council's surplus funds or external borrowing.

3.3 The external grant funding is higher than original estimated by £909,476. This is as a result of an additional £209,476 for the Disabled Facilities Grant Scheme funded from the Better Care Fund as well as £700,000 for Thirsk & Sowerby Sports Village which is being funded from a Section 106 Agreement.

3.4 The capital receipts estimated to be received during 2017/18 is £794,389.

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 £3,179,873 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.

- 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 2017/18

- 4.1 The Treasury Management review at Quarter 1 2017/18 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 2017 was a balance of instant access funds of £1,980,000 with an average interest rate return of 0.17%.
- 4.3 The Council's Investment balances have reduced considerably compared to Quarter 1, 2016/17. This is due to the loans to the Local Housing Association being financed from surplus funds. In total £26,200,000 has been borrowed by the Housing Association. A further £8,800,000 is available in 2017/18. At Quarter 1 no new loans had been requested, this delay results in reduced income to the Council. The revenue monitoring report states the Budgeted income will be reduced by £222,800 to £1,240,000, however the budget expenditure on the cost of borrowing will also be reduced by the same amount and therefore there is no budget effect.
- 4.4 Overall the interest received from the loans 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. The Council's income from its investments is reduced due to very low interest received by the Council's instant access accounts and reduction in the average balance. The revenue monitoring report states that the income will be reduced by £13,000, from £19,000 to £6,000.
- 4.5 The Council undertook £5,500,000 of short term borrowing from another Council at Quarter 4 in 2016/17, this was repaid during Quarter 1 2017/18.
- 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 2017/18.

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 2017/18 is the disabled facilities grant scheme.

10.0 RECOMMENDATIONS:

10.1 That Cabinet approves and recommends to Council:-

- (1) the net increase of £1,249,252 in the capital programme to £16,877,580 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 £1,249,252 where £162,798 is funded from capital receipts, £176,978 is from the Economic Development Fund and £909,476 is from external grants/contributions;
- (3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2; and
- (4) the treasury management and prudential indicators at Annex E.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: Capital programme working papers Q1
Treasury management working papers Q1

Author ref: Saskia Calton

Contact: Saskia Calton – Corporate Finance Manager
Direct Line No: 01609 767226