

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
5 December 2017

Subject: 2017/18 Q2 CAPITAL MONITORING AND TREASURY MANAGEMENT REPORT
MID YEAR REVIEW

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 2 update at 30 September 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 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 2017/18 capital programme was approved by Cabinet at Quarter 1 on 5 September 2017 at £16,877,580.
- 2.2 At this Quarter 2 monitor, a net decrease to the capital programme of £9,513,729 results in a total revised capital programme of £7,363,851.
- 2.3 The net decrease of £9,513,729 to be approved in this report is detailed in Annex B and is made up of:-
- (a) increase in expenditure of £65,390 supported from capital reserves
 - (b) decrease in expenditure of £695,345 funded externally due to scheme rolled forward to 2018/19
 - (c) transfer of funds between schemes, with overall effect being zero;
 - (d) decrease in expenditure of £8,842,050 due to schemes rolled forward to 2018/19
 - (e) decrease in expenditure of £41,724 due to funding no longer required

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 £
Leisure & Environment	3,248,898	2,541,637	(707,261)	17,410	(2,276)	(695,345)	(27,050)
Economy & Planning	2,324,832	2,372,812	47,980	47,980	-	-	-
Finance	437,183	382,735	(54,448)	-	(39,448)	-	(15,000)
Economic Development Fund	866,667	866,667	-	-	-	-	-
Corporate Schemes	10,000,000	1,200,000	(8,800,000)	-	-	-	(8,800,000)
Total	16,877,580	7,363,851	(9,513,729)	65,390	(41,724)	(695,345)	(8,842,050)

Table 2: Capital Programme Q2 2017/18

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

2.5 To 30 September 2017 capital expenditure of £2,146,680 had been incurred or committed representing 29% of the revised Quarter 2 capital programme position of £7,363,851. It is expected at Quarter 2 that the capital programme will come in on target at the end of the financial year.

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

3.0 FUNDING THE CAPITAL PROGRAMME:

3.1 For 2017/18, at Quarter 2, the capital programme of £7,363,851 is being funded from £1,200,000 external borrowing, £929,611 external grants/contributions, £825,191 from the Economic Development Fund, £382,735 from the Computer Fund, £200,000 from the One Off Fund, £150,988 from the Repairs and Renewals Reserve, £2,200,326 from Capital Receipts Reserve and £1,475,000 from the Council Tax Payers Reserve specifically for Hambleton Leisure Centre Improvement Project

3.2 During Quarter 2, £8,800,000 was rolled forward to 2018/19 since the local Housing association confirmed that it will not be borrowing any further funds until March 2019.

3.3 The external grant funding has reduced in Quarter 2 by £695,345. This is as a result of £695,345 being rolled forward to 2018/19 for the Thirsk and Sowerby Sports Village scheme since a decision for additional external funding from Economic Regional Development Fund (ERDF) is still outstanding.

3.4 The capital receipts estimated to be received during 2017/18 is £793,389.

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 2 it is estimated that £1,406,937 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 2 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 Treasury Management Strategy Statement (TMSS) for 2017/18 which details the Council's approach to treasury management was approved by this Council on 21 February 2017. There are no policy changes to the Treasury Management Strategy Statement.

4.3 The investment position at Quarter 2, 30 September 2017 was £7,420,000 with an average interest rate return of 0.17%. This is all invested in short term commodities for liquidity purposes due to the numerous capital projects that are currently ongoing within the council.

4.4 At Quarter 2 the Council had given £26,200,000 of loans to a Local Housing Association, a further £8,800,000 is available to be taken and the Local Housing Association has until 1 April 2019 to draw down the additional tranches. The Council initially thought the money would be taken on 1 April 2017 and budgeted income accordingly, however it is now believed they will not request the money until 31 March 2019. This results in a shortfall of investment income as reported in the Quarter 2 revenue monitoring report of £101,600 making the expected income for the year £1,138,400. The budgeted expenditure on the cost of borrowing will reduce by £47,270 to £15,000 in 2017/18.

4.5 The interest received from the loan to the local Housing Association is not included in this section of the report because the loan is classed as capital expenditure under economic development to support local businesses.

4.6 The Council has not borrowed any money in Quarter 2 however further borrowing is predicted in Quarter 4.

4.7 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 second 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 decrease of £9,513,729 in the capital programme to £7,363,851 and all expenditure movements as detailed in Annex B and also in the capital programme attached at Annex A;
- (2) the increase of capital expenditure £65,390 is funded from capital receipts;
- (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.

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Background papers: Capital programme working papers Q2
Treasury management working papers Q2
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