

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
11 February 2020

Subject: 2019/20 Q3 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 3 update at 31 December 2019 on the progress of the capital programme 2019/20 and the treasury management position. A full schedule of the capital programme 2019/20 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 2019/20 capital programme was approved by Cabinet at Quarter 2 on 3 December 2019 at 27,959,045.
- 2.2 At this Quarter 3 monitor, a net decrease to the capital programme of £6,124,630 results in a total revised capital programme of £21,834,415.
- 2.3 The net decrease of £6,124,630 to be approved in this report is detailed in Annex B and is made up of:-
- a) increase in expenditure of £444,515 supported from capital reserves and borrowing
 - b) decrease in expenditure of £57,688 due to funding no longer required,
 - c) increase in expenditure of £323,000 funded externally; and
 - d) decrease in expenditure of £6,834,457 due to schemes rolled forward to 2020/21.
- 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	External Funding	Schemes re-profiled to future years
	£	£	£	£	£	£	£
Leisure and Communities	1,962,504	1,619,441	(343,063)	101,149	(56,014)	323,000	(711,198)
Environment	345,788	160,821	(184,967)	12,000	-	-	(196,967)
Economic and Planning	4,920,751	1,185,278	(3,735,473)	866	-	-	(3,736,339)
Finance and Commercial	930,140	698,808	(231,332)	-	(1,674)	-	(229,658)
Economic Development Fund	176,072	57,762	(118,310)	-	-	-	(118,310)
Corporate Schemes	19,623,790	18,112,305	(1,511,485)	330,500	-	-	(1,841,985)
Total	27,959,045	21,834,415	(6,124,630)	444,515	(57,688)	323,000	(6,834,457)

Table 2: Capital Programme Q3 2019/20

2.5 To 31 December 2019 capital expenditure of £2,645,983 has been incurred or committed representing 39% of the revised Quarter 3 capital programme position of £6,834,415 when the Property fund of £15m is excluded. It is expected 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 four portfolio areas, the Economic Development Fund and Corporate Schemes at Annex B

3.0 FUNDING THE CAPITAL PROGRAMME:

3.1 For 2019/20, at Quarter 3, the capital programme of £21,834,415 is being funded from £18,050,817 external borrowing, £1,856,236 external grants/contributions, £747,808 from the Computer Fund, £516,033 from Capital Receipts, £322,300 from the Council Tax Payers Reserve, £149,368 from revenue, £84,091 from the Repairs and Renewals Reserve, £57,762 from the Economic Development Fund and £50,000 from the One Off Fund.

3.2 The external grant funding has increased in Quarter 3 by £323,000. This is as a result of s106 funding of £253,000 and a contribution from the Department of Education of £68,000 for the Thirsk and Sowerby Sports Village project and the improvements to the road infrastructure. In addition, a contribution of £2,000 has been received from Brompton Parish Council in regards to the Public lighting replacement scheme.

3.3 The capital receipts estimated to be received during 2019/20 is £250,000

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. At Quarter 3 it is estimated that £266,033 of reserve funding will be used.

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.

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 2019/20:

- 4.1 The Treasury Management review at Quarter 3 2019/20 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 2019/20 which details the Council's approach to treasury management was approved by this Council on 26 February 2019. There was one policy change to the Treasury Management Strategy Statement at Qtr 2, in relation to the investment counterparty limits.
- 4.3 The investment position at Quarter 3, 31 December 2019 is higher than usual as the large payments for the capital programme are scheduled for Quarters 4. The balance at the end of Quarter 3 was £18,110,000 with an average interest rate return of 0.89% for the year to date. This is all invested in short term commodities for liquidity purposes due to the numerous capital projects that are currently ongoing within the Council. £4,360,000 is invested in Money Market Funds which has instant access, £5,730,000 is invested in a 175 day notice account with Lloyds, £4,300,000 is in a 95 day notice account with Santander and £3,720,000 is invested in a 35 day notice account with Handelsbanken. The balance has been divided into these commodities so that the best yield is obtained whilst ensuring the money is available by the Council when required.
- 4.4 The total borrowing by the Council with the Public Works Loan Board (PWLB) is £22,700,000 taken over five loans with varying maturity dates. Further borrowing is predicted in 2019/20 to carry out the Council's capital programme.
- 4.5 At Quarter 3 the Council had given a total of £35,000,000 of loans to a Local Housing Association. This has been made up of ten individual loans with varying maturity dates and fulfils the agreement taken out with the Housing Association.
- 4.6 The interest received from the loans 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. However the interest earned in the third quarter from the £35,000,000 loaned to the Local Housing association is £368,690. This totals £1,106,070 to date in 2019/20 and is on target for the annual budget of £1,474,760.
- 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 Quarter 3 in 2019/20.
- 4.8 Annex F, in line with good practice on openness and transparency, explains the Council's relationship with its third party companies; it details the financial position of the Joint Venture Company and provides information on the progress of the Commercial Portfolio and Crematorium projects.

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 the income earned on investments or reduced interest paid on borrowing contributes to the Council's funding position which supports 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 schemes that specifically addressed equalities in the third quarter of 2019/20 is the disabled facilities grant scheme and the pool access scheme for all four leisure centres.

10.0 RECOMMENDATIONS:

10.1 That Cabinet approves and recommends to Council:-

- (1) the net decrease of £6,124,630 in the capital programme to £21,834,415 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 of £767,515 funded as follows: £114,015 is funded from capital receipts, £330,500 from borrowing, and £323,000 is from external grants/contributions;
- (3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2;
- (4) the treasury management and prudential indicators at Annex E; and
- (5) to note the position of the Council's third party companies at Annex F.

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