

Hambleton District Council

Report To: Cabinet

Date: 8 September 2020

Subject: **2020/21 Q1 Capital Monitoring and Treasury Management Report**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 The purpose of this report is to provide Members with the Quarter 1 update at 30 June 2020 on the progress of the capital programme 2020/21 and the treasury management position. A full schedule of the capital programme 2020/21 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 2020/21 capital programme was approved by Cabinet on 11 February 2020 at 10,955,966. At 2019/20 outturn, £40,614,701 capital expenditure was carried forward in to the new financial year revising the capital programme 2020/21 to £51,570,667.
- 2.2 A breakdown of the movement in the revised capital programme in 2020/21 is as follows:

Portfolio	Original 2020/21 £	2019/20 carried forward £	Revised 2020/21 £
Leisure & Communities	217,000	1,388,369	1,605,369
Environment	95,000	239,303	334,303
Economy & Planning	438,000	3,645,253	4,083,253
Finance & Commercial	108,830	348,726	457,556
Economic Development Fund	484,436	159,022	643,458
Corporate Schemes	9,612,700	34,834,028	44,446,728
Total	10,955,966	40,614,701	51,570,667

Table 1: Capital Programme 2020/21

- 2.3 At this Quarter 1 monitoring, a net increase to the capital programme of £663,099 results in a total revised capital programme of £52,233,766.
- 2.4 The net increase of £663,099 to be approved in this report is detailed in Annex B and is made up of:-
- a) increase in expenditure of £466,842 supported from reserves and borrowing;
 - b) decrease in expenditure of £490,149 due to funding no longer required;
 - c) increase in expenditure of £710,158 funded externally; and
 - d) decrease in expenditure of £23,752 due to scheme rolled forward to 2021/22.
- 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 £	Schemes re- profiled to future years £
Leisure and Communities	1,605,369	1,656,904	51,535	61,000	(713)	15,000	(23,752)
Environment	334,303	334,303	-	-	-	-	-
Economic and Planning	4,083,253	4,778,411	695,158	-	-	695,158	-
Finance and Commercial	457,556	457,556	-	-	-	-	-
Economic Development Fund	643,458	238,022	(405,436)	84,000	(489,436)	-	-
Corporate Schemes	44,446,728	44,768,570	321,842	321,842	-	-	-
Total	51,570,667	52,233,766	663,099	466,842	(490,149)	710,158	(23,752)

Table 2: Capital Programme Q1 2020/21

- 2.6 To 30 June 2020 capital expenditure of £1,289,629 has been incurred or committed representing 5.8% of the revised Quarter 1 capital programme position of £22,233,766 when the Property fund of £30m is excluded. It is expected 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 four portfolio areas, the Economic Development Fund and Corporate Schemes at Annex B

3.0 Funding the Capital Programme

- 3.1 For 2020/21, at Quarter 1, the capital programme of £52,233,766 is being funded from £44,618,570 external borrowing, £4,550,291 external grants/contributions, £1,894,174 from Capital Receipts, 457,556 from the Computer Fund, £238,022 from the Economic Development Fund, £211,000 from the Council Tax Payers Reserve, £150,000 from the One Off Fund, £84,701 from revenue and £29,452 from the Repairs and Renewals Reserve.

- 3.2 The external grant funding has increased in Quarter 1 by £710,158. This is as a result of a contribution from the Local Enterprise Partnership (LEP) of £618,024 for the North Northallerton infrastructure scheme, additional grant allocation of £77,134 for the Disable Facilities Grant scheme and £15,000 from the European Regional Development Fund (ERDF) for Northallerton Sports Village.
- 3.3 The capital receipts estimated to be received during 2020/21 is £444,500
- 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 borrowing and the Council's capital reserves. At Quarter 1 it is estimated that £1,449,674 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 2020/21:

- 4.1 The Treasury Management review at Quarter 1 2020/21 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 2020/21 which details the Council's approach to treasury management was approved by this Council on 25 February 2020.
- 4.3 The investment position at Quarter 1, 30 June 2020 is higher than usual as large grants have been received from the Government in relation to COVID-19 and payments for the capital programme are scheduled for later in the year. The balance at the end of Quarter 1 was £16,250,000 with an average interest rate return of 0.30% 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 and the business grants that are being passed on. £11,000,000 is invested in Money Market Funds which has instant access and the remaining balance of £5,250,000 is placed in instant call accounts with Lloyds Bank and 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. The current climate has seen investment interest rates fall and the Lloyds call account is currently at 0%, minimum balances are placed in this account however it is used for liquidity purposes.

- 4.4 The total borrowing by the Council with the Public Works Loan Board (PWLb) is £27,700,000 taken in previous financial years over seven loans with varying maturity dates. There is no requirement for further borrowing at Quarter 1, this will be closely monitored in line with the Council's capital programme and reported if the need arises.
- 4.5 At Quarter 1 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 first quarter from the £35,000,000 loaned to the Local Housing association is £368,690, 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 1 in 2020/21.
- 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.

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 increased costs on 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 scheme that specifically addressed equalities in the first quarter of 2020/21 is the disabled facilities grant scheme.

10.0 Recommendations:

- 10.1 That Cabinet approves and recommends to Council:-

- (1) the net increase of £663,099 in the capital programme to £52,233,766 and all expenditure movements as detailed in Annex B and also in the capital programme attached at Annex A of the report;
- (2) the increase of capital expenditure of £1,177,000 funded as follows:
£710,158 is from external grants/contributions, £171,842 from borrowing, £150,000 from the One Off fund, £84,000 from the Economic Development Fund and £61,000 is funded from capital receipts;
- (3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2 of the report;
- (4) the treasury management and prudential indicators at Annex E of the report; and
- (5) to note the position of the Council's third party companies at Annex F of the report.

Louise Branford-White
Director of Finance and Commercial (S151 Officer)

Background papers:	Capital programme working papers Q1 Treasury management working papers Q1
Author ref:	SC
Contact:	Saskia Calton Corporate Finance Manager Direct Line No 01609 767226