

## **Hambleton District Council**

**Report To:** Cabinet

**Date:** 9 February 2021

**Subject:** **2020/21 Q3 Capital Monitoring and Treasury Management Report**

**Portfolio Holder:** Economic Development and Finance  
Councillor P R Wilkinson

**Wards Affected:** All Wards

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### **1.0 Purpose and Background**

- 1.1 The purpose of this report is to provide Members with the Quarter 3 update at 31 December 2020 on the progress of the capital programme 2020/2021 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 fund 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 at Quarter 2 on 1 December 2020 at £20,544,776.
- 2.2 At this Quarter 3 monitoring report, a net decrease to the capital programme of £798,859 results in a total revised capital programme of £19,745,917.
- 2.3 The net decrease of £798,859 to be approved in this report is detailed in Annex B and is made up of: -
- a) increase in expenditure of £21,072 supported from capital reserves and borrowing;
  - b) decrease in expenditure of £73,341 due to funding no longer required;
  - c) increase in expenditure of £323,778 funded externally;
  - d) decrease in expenditure of £1,072,868 due to schemes rolled forward to 2021/22; and

e) increase in expenditure of £2,500 due to scheme rolled back from 2021/22.

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 £	Schemes re-profiled from future years £
Leisure and Communities	3,063,193	2,722,115	(341,078)	-	(479)	-	(340,599)	-
Environment	299,303	314,303	15,000	15,000	-	-	-	-
Economic and Planning	4,345,073	3,919,270	(425,803)	-	(12,862)	64,248	(479,689)	2,500
Finance and Commercial	460,778	396,018	(64,760)	-	-	-	(64,760)	-
Economic Development Fund	238,022	29,484	(208,538)	6,072	(60,000)	-	(154,610)	-
Corporate Schemes	12,138,407	12,364,727	226,320			259,530	(33,210)	
<b>Total</b>	<b>20,544,776</b>	<b>19,745,917</b>	<b>(798,859)</b>	<b>21,072</b>	<b>(73,341)</b>	<b>323,778</b>	<b>(1,072,868)</b>	<b>2,500</b>

Table 2: Capital Programme Q3 2020/2021

2.5 To 31 December 2020 capital expenditure of £9,374,731 has been incurred or committed representing 47% of the revised Quarter 3 capital programme position of £19,745,917. 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 stated in paragraph 2.3, 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 3, the capital programme of £19,745,917 is being funded from £10,257,321 external borrowing, £7,322,022 external grants/contributions, £1,362,853 from Capital Receipts, £346,731 from the Computer Fund, £300,000 from the One Off Fund, £84,701 from revenue, £42,805 from the Repairs and Renewals Reserve and £29,484 from the Economic Development Fund.

3.2 The external grant funding has increased net in Quarter 3 by £1,428,834. This is as a result of increased Disabled Facilities Grant funding of £64,248 and Local Enterprise Partnership (LEP) contributions for Treadmills Phase 2 scheme of £1,817,260. The Bedale Bridge and Cycle scheme as well as the Thirsk and Sowerby Sports Village and the allocated funding of £439,128 and £13,546 have been requested to be moved to 2021/22 reducing the funding at Quarter 3.

3.3 The capital receipts estimated to be received during 2020/21 is £224,000.

- 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 £1,138,853 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 3 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 in February 2020. Further approval occurred in December 2020 due to the revision of the Authorised Borrowing limit, Capital Financing Requirement and other Prudential and Treasury indicators in light of the suspension of the Commercial Investment Strategy by Council September 2020; the main change at Quarter 2 2020/21 was the reduction in the Authorised Borrowing Limit from £90,000,000 to £62,500,000.
- 4.3 The investment position at Quarter 3, 31 December 2020 is a balance of £17,590,000 with an average interest rate return of 0.15% 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 various COVID-19 Grants that are to be paid to businesses and the public. £10,590,000 is invested in Money Market Funds which has instant access and £7,000,000 is invested in an instant access bank account. The balance has been divided into these commodities so that the best yield is obtained whilst ensuring the money is secure and available by the Council when required.

- 4.4 The total borrowing by the Council with the Public Works Loan Board (PWLB) is £27,700,000 taken over five loans with varying maturity dates and an average interest rate of 2.21%. Further borrowing is predicted in 2020/21 to carry out the Council's capital programme.
- 4.5 At the beginning of Quarter 3 the Council had given a total of £35,000,000 of loans to a Local Housing Association. This had been made up of ten individual loans with varying maturity dates and fulfilled the agreement taken out with the Housing Association. The first loan to mature was on 8 October 2020 and the Housing Association repaid the £1,000,000 loan, resulting in the balance of loans given to the Local Housing Association at the end of Quarter 3 to be £34,000,000.
- 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 loans to the Local Housing association is £366,734. This totals £1,104,114 to date in 2020/21 and is on target for the revised annual budget of £1,458,650 as reported at Quarter 2. The investment opportunities with the local Housing Association continue to be considered.
- 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 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 and comments on the suspended Commercial Investment strategy approved by Council in September 2020.

## **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 scheme that specifically addressed equalities in the third 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 decrease of £798,859 in the capital programme to £19,745,917 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 £347,350 funded as follows: £323,778 is from external grants/contributions, £17,500 is funded from capital receipts and £6,072 from Economic Development Fund;
- (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  
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**Background papers:** Capital programme working papers Q3  
Treasury management working papers Q3

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