

Hambleton District Council

Report To: Cabinet

Date: 7 September 2021

Subject: **2021/22 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 2021 on the progress of the capital programme 2021/22 and the treasury management position. A full schedule of the capital programme 2021/22 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 2021/22 capital programme was approved by Cabinet on 9 February 2021 at £18,511,690. At 2020/21 outturn, £14,646,568 capital expenditure was carried forward to the new financial year revising the capital programme 2021/22 to £33,158,258. This was formally agreed at Council on 27th July 2021.
- 2.2 A breakdown of the movement in the revised capital programme in 2021/22 is as follows:

Portfolio	Original 2021/22 £	2020/21 carried forward £	Revised 2021/22 £
Leisure & Communities	6,239,637	5,513,208	11,752,845
Environment	211,840	81,565	293,405
Economy & Planning	3,142,450	1,244,079	4,386,529
Finance & Commercial	175,140	250,295	425,435
Economic Development Fund	-	154,610	154,610
Corporate Schemes	8,742,623	7,402,811	16,145,434
Total	18,511,690	14,646,568	33,158,258

Table 1: Capital Programme 2021/22

2.3 During Quarter 1 changes to the capital programme of £1,338,890 have been identified and are specifically identified in Annex A. The major ones are identified and described below.

- i. An additional £600,000 was identified for Phase 2 of Treadmills project and approved at Council on 27th July 2021.
- ii. £125,000 of funding for Thirsk and Sowerby leisure centre is identified in 2022/23 in the Councils 10-year plan. The opportunity to deliver this work earlier have arisen and approval is sought from Council to bring forward this planned expenditure.
- iii. Members will be aware of some additional works and cost on the Crematorium project due to additional groundwork measures and exceptional inflation of building materials in the current climate. This cost has now been determined with the contractor and the agent and an additional £500,000 of funding is required. Approval of Council is required for this.
- iv. Additional Disabled Facilities Grant of £64,250 has been received. Approval is sought to increase the budget this year by this amount.
- v. Two new lighting projects have been identified at Easingwold town centre (£13,500) and World of James Heriot (£12,900). Approval of funding for these schemes is sought.

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

Portfolio	Current Approved Expenditure	Variance Increase/ (decrease)	Revised Capital Programme Q1	Expenditure at 30 June 2021
	£	£	£	£
Leisure and Communities	11,752,845	151,400	11,904,245	1,817,824
Environment	293,405	-	293,405	31,867
Economic and Planning	4,386,529	87,490	4,474,019	230,234
Finance and Commercial	425,435		425,435	55,325
Economic Development Fund	154,610		154,610	0
Corporate Schemes	16,145,434	1,100,000	17,245,434	895,776
Total	33,158,258	1,338,890	34,497,148	3,031,025

Table 2: Capital Programme Q1 2021/22

- 2.6 To 30 June 2021 capital expenditure of £3,031,025 has been incurred representing 8.8% of the revised Quarter 1 capital programme position of £34,496,938. This is an ambitious programme and will continue to be monitored throughout the year. At this time it is expected that the capital programme will come in on target at the end of the financial year.
- 2.7 Cabinet has made decisions since the end of quarter 1 that impact upon the capital programme. A further £1.047m was allocated to the Northallerton High Street programme in July and a feasibility study for a 3G facility in Bedale agreed at August Cabinet. These will be picked up in Quarter 2 reports.

3.0 Treasury Management Position

- 3.1 Prudential and Treasury Management indicators were set by the Council on 23rd February in determining its annual Treasury Management Strategy. Performance against these indicators is shown in Annex B of this report. The key change is the increase in Capital expenditure that is explained earlier in this report. None of the approved limits were breached during Quarter 1.
- 3.2 At the 30th June 2021 the Council had £16,160,000 invested with an average interest rate return of 0.05% for the year to date. This is all placed in short term vehicles because of historic low interest rates and the need to use the funds over the year. £8,210,000 is invested in Money Market Funds which has instant access and the remaining balance of £7,950,000 is placed in instant call accounts with Lloyds Bank and Santander. 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.
- 3.3 No new borrowing was undertaken by the Council in quarter 1 of 2021/22. External borrowing remains at £27.7m and is all from the Public Works Loans Board (PWLB). This will be reviewed throughout the year as capital expenditure is incurred.
- 3.4 Annex C, 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.

4.0 Link to Council Priorities

- 4.1 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.
- 4.2 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.

5.0 Risk Assessment:

5.1 There are no risks associated with approving this report. However, the risks associated with not receiving regular monitoring reports are potentially more serious.

6.0 Financial Implications:

6.1 The financial implications are dealt with in the body of the report.

7.0 Legal Implications:

7.1 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.

8.0 Equality/Diversity Issues:

8.1 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 2021/22 is the disabled facilities grant scheme.

9.0 Recommendations:

9.1 That Cabinet approves and recommends to Council:

- (1) the net increase of £1,338,890 in the capital programme to £34,497,148 and all expenditure movements as detailed in Annex A;
- (2) bringing forward £125,000 for Thirsk & Sowerby leisure centre programme detailed in paragraph 2.3 (ii);
- (3) allocate £500,000 to the crematorium project as detailed in paragraph 2.3 (iii);
- (4) increase the disabled facilities grant budget by £64,250 as detailed in paragraph 2.3 (iv);
- (5) approve the lighting schemes in paragraph 2.3 (v) and the funding of £26,400.

Noel O'Neill
Interim Director of Finance

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