

Hambleton District Council

Report To: Cabinet

Date: 7 December 2021

Subject: **2021/22 Q2 Capital Monitoring and Treasury Management Mid-Year Review**

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 2 update as at 30 September 2021 on the progress of the capital programme 2021/22 and the treasury management position. A full schedule of the capital programme 2021/22 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, reserves and borrowing. The use of the Council's funds affects the daily treasury management cash flow position, as well as the requirement to invest surplus funds.

2.0 Capital Programme Summary:

- 2.1 The 2021/22 capital programme was approved by Cabinet at Quarter 1 on 7 September 2021 at £34,497,148.
- 2.2 At this Quarter 2 monitoring, a net decrease to the Capital Programme of £7,834,708 results in a total revised Capital Programme of £26,662,440
- 2.3 During Quarter 2 changes to the capital programme of £7,834,708 have been identified and are specifically identified in Annex A. The major ones are identified and described below.
- i. An additional £1,196,920 has been identified for the Town Square Enhancement Scheme, of which £1,049,020 was approved at Council on 27th July 2021 and £149,700 requested to be allocated to the project in respect of drainage works and is funded by North Yorkshire County Council.
 - ii. Three new projects have been identified; Lift Refurbishment at the Civic Centre (£40,000), Public Lighting LED Upgrade (£40,000), and the Bedale Garage Asbestos Management (£20,000) which are funded from various schemes that are no longer going ahead. Approval of these schemes is sought;

- iii. Springboard Brise Soleil Refurbishment scheme is now essential . It will cost £250,000. Reprioritisation of schemes in 2021/22 programme has enabled funding of £131,938 to contribute towards this. As most of this will be incurred in 2022/23, approval is sought to carry forward £112,000 to next year. A further £44,500 has been reprofiled in 2022/23 and an additional £75,000 allocated to this scheme.
- iv. Additional budget of £220,000 is requested for the Thirsk and Sowerby Leisure Centre. This is funded from the discontinuation of other leisure schemes of £219,380, which are now undertaken as part of the decarbonisation scheme;
- v. Eight existing schemes have requested to return budgets to fund totalling £769,759, of which the largest are Bedale Bridge and Cycle Way (£479,689) and Skills Village (£117,210);
- vi. An additional budget of £150,000 is required for remediation of contamination found on Treadmills site whilst digging foundations. Approval is sought for this increase in spending. This could potentially be offset by insurance;
- vii. A total of £8,536,445 is being requested to be rolled forward to future years, of which the largest amounts are Treadmills Phase 2 (£6,000,000), Decarbonisation (£1,200,000) and Northallerton Complementary Schemes (£300,000).

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

Theme	Revised Capital Programme Q1 £	Variance Increase/ (decrease) £	Revised Capital Programme Q2 £	Expenditure at 30 September 2021 £
Leisure and Communities	11,904,245	(1,534,292)	10,369,953	2,658,718
Environment	293,405	61,000	354,405	118,825
Economic and Planning	4,474,019	(22,308)	4,451,711	588,637
Finance and Commercial	425,435	-	425,435	102,041
Economic Development Fund	154,610	(154,610)	-	-
Corporate Schemes	17,245,434	(6,034,498)	11,210,936	4,225,390
Total	34,497,148	(7,684,708)	26,812,440	7,693,611

Table 1: Capital Programme Q2 2021/22

- 2.6 To 30 September 2021 capital expenditure of £7,693,611 has been incurred representing 29% of the revised Quarter 2 capital programme position of £26,812,440. This continues to be an ambitious programme and will be monitored throughout the year.
- 2.7 There is a separate report on this agenda about Thirsk and Sowerby Sports Village. For completeness, approval is sought in this report to spend increase spend by £172,866 in this financial year which is met by 3rd party funds. Additional funding of £350,000 is sought in the Draft Capital Programme 2022/23 report on this agenda to complete the project.

3.0 Treasury Management Position and Mid-Year Review

- 3.1 Prudential and Treasury Management indicators were set by the Council on 23rd February 2021 in determining its annual Treasury Management Strategy. The key change is the decrease in Capital expenditure that is explained earlier in this report. Officers can confirm none of the approved limits were breached during Quarter 2.
- 3.2 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates which are shown in the table below. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to the Council since 1st November 2012:

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Table 2: Link Group Interest Rate View

- 3.3 At the 30th September 2021 the Council had £19,790,000 invested with an average interest rate return of 0.04% 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. £12,620,000 is invested in Money Market Funds which has instant access and the remaining balance of £7,170,000 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 as it is used for liquidity purposes.
- 3.4 The table below shows that the Council monitors its cash flow investments during quarter 2 against the 7-day rate. The Council outperformed the 7-day benchmark by 0.12%.

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 Day	-0.08%	0.04%	£2,236

Table 3: Investment performance for Quarter 2 as at 30 September 2020

- 3.5 The Council's budgeted investment return for 2021/22 was approved at £10,000, it is estimated at Quarter 2 that the budget will be achieved.
- 3.6 No new borrowing was undertaken by the Council in Quarter 2 of 2021/22 and an external borrowing loan taken with the Public Works Loan Board of £1,200,000 was repaid on 5th September 2021. External borrowing as at 30 September 2021 was £26,500,000 and is all from the Public Works Loans Board (PWLB). It is anticipated that additional borrowing will be required in February 2022 and this will be reviewed throughout the year as capital expenditure is incurred.

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 second 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 decrease of £7,684,708 in the capital programme to £26,812,440 and all expenditure movements as detailed in Annex A of the report;

- (2) approve the four new schemes in paragraph 2.3 (ii) of the report and the funding of £100,000
- (3) approve the Springboard Brise Soleil Refurbishment scheme at a cost of £250,000 and the funding as detailed in paragraph 2.3 (iii) of the report;
- (4) allocate £220,000 to the Thirsk and Sowerby Leisure Centre project as detailed in paragraph 2.3 (iv) of the report;
- (5) approve an additional spend of £150,000 on Treadmills as outlined in paragraph 2.3 (vi) and
- (6) approve the additional spend £172,876 to the Thirsk and Sowerby Sports Village scheme in 2021/22 which is detailed in paragraph 2.7 of the report.

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