

## **Hambleton District Council**

**Report To:** Cabinet

**Date:** 8 February 2022

**Subject:** **2021/22 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 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 at Quarter 2 on 7 December 2021 at £26,812,440.
- 2.2 At this Quarter 3 monitoring, a net decrease to the Capital Programme of £5,831,357 results in a total revised Capital Programme of £20,981,083.
- 2.3 During Quarter 3 changes to the capital programme of £5,831,357 have been identified and are specifically identified in Annex A. The major ones are identified and described below.
1. Leisure – part of the Decarbonisation scheme has been delay and £2,700,000 of the planned programme will be completed to early next year – funding provider's timeline has been shift to end of June 2022 to allow the scheme to be completed;
  2. Delay in works on the Decarbonisation scheme has impacted on other leisure centres schemes and schemes such as air handling unit and ductwork, roof overlay and sports hall replacement at Northallerton Leisure Centre are now estimated to be completed in 2022/23;

3. Economic and Planning – delay in the Town Square enhancement scheme which is estimated to be completed early next year means that £770,000 is moved to 2022/23; and
4. Treadmills scheme - contractual changes pushes scheduled to slip by 6 – 8 weeks and therefore £1,000,000 is rolled forward to 2022/23.

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

<b>Portfolio</b>	<b>Revised Capital Programme Qtr 2</b>	<b>Variance Increase/ (decrease)</b>	<b>Revised Capital Programme Qtr 3</b>	<b>Expenditure at 31 December 2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Leisure and Communities	10,369,953	(3,400,766)	6,969,187	4,504,596
Environment	354,405	(20,520)	333,885	142,951
Economic and Planning	4,451,711	(1,277,368)	3,174,343	1,261,750
Finance and Commercial	425,435	(132,703)	292,732	128,837
Corporate Schemes	11,210,936	(1,000,000)	10,210,936	7,488,522
<b>Total</b>	<b>26,812,440</b>	<b>(5,831,357)</b>	<b>20,981,083</b>	<b>13,526,656</b>

Table 1: Capital Programme Q3 2021/22

2.5 To 31 December 2021 capital expenditure of £13,526,656 has been incurred representing 64% of the revised Quarter 3 capital programme position of £20,981,083. This is an ambitious programme and will continue to be monitored throughout the year.

### 3.0 Treasury Management Position

3.1 Prudential and Treasury Management indicators were set by the Council on 23 February in determining its annual Treasury Management Strategy. The key change is the decrease in Capital expenditure that is explained earlier in this report. None of the approved limits were breached during Quarter 3.

3.2 At the 31 December 2021 the Council had £19,110,000 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. £10,800,00 is invested in Money Market Funds which has instant access and the remaining balance of £8,310,000 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 The Council's Budgeted investment return for 2021/22 was approved at £10,000, it is estimated at Quarter 3 that the budget will be achieved.
- 3.4 No new borrowing was undertaken by the Council in Quarter 3 of 2021/22. External borrowing remains at £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 Quarter 4 as capital expenditure are incurred.
- 3.5 At Quarter 2 the Council had given a total of £34,000,000 of loans to a local Housing Association. This had been made up of nine individual loans with varying maturity dates. During Quarter 3 a loan of £400,000 has been repaid by the Housing Association resulting in the total amount of £33,600,000 owed at the end of Quarter 3.

#### **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 third quarter of 2021/22 is the Disabled Facilities grant scheme.

**9.0 Recommendation:**

- 9.1 That Cabinet approves and recommends to Council the net decrease of £5,831,357 in the capital programme to £20,981,083 and all expenditure movements as detailed in Annex A of the report.

Noel O'Neill  
Interim Director of Finance (S151 Officer)

**Background papers:** None

**Author ref:** SC

**Contact:** Saskia Calton  
Corporate Finance Manager,  
Direct Line No 01609 767226