

Hambleton District Council

Report To: Cabinet

Date: 5 July 2022

Subject: **2021/2022 Capital Outturn & Annual Treasury Management 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 present to Cabinet the capital outturn position for the year ending 31st March 2022 and also update on the annual treasury management position. 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.
- 1.2 Capital expenditure is funded by revenue contributions, capital receipts, capital grants and contributions, reserves as well as borrowing. The use of funding to support capital expenditure affects the treasury management daily cash flow position.
- 1.3 The report is split into three distinct areas;
- (a) Capital:-
- Inform Cabinet on the Council's capital programme final outturn position for 2021/22;
 - Update Cabinet of any capital under or over-spending and seek approval for any resulting changes to the programme;
 - Advise Cabinet of any capital slippage on schemes and seek approval for the associated funding to be carried forward to 2022/23; and
 - Seek approval for the funding of 2021/22 capital expenditure.
- (b) Treasury Management:-
- Inform Cabinet of the treasury management position at 31st March 2022;
 - Update Cabinet of the Borrowing and Investment Position for 2021/22.
- (c) Prudential Indicators – Capital & Treasury Management:-
- Review the capital and treasury management indicators for 2021/21 outturn.

2.0 Capital Outturn 2021/22

- 2.1 The 2021/22 capital programme was approved by Council on 23rd February 2021 at £26,059,362. Quarterly capital monitoring reports were received by Members throughout the year. Some additional expenditure was approved for capital schemes during the year, some schemes were removed and others reprofiled. The revised Capital budget at Quarter 3 reported to Cabinet on 8th February 2022 was

£20,981,083. At the same meeting the 2022/23 capital programme was approved which included £14,176,832 of approved carry forwards from 2021/22.

- 2.2 The 2021/22 capital programme final outturn is £19,341,809, which resulted in a variance of £1,639,274 shown in the table below.

Table 1 Capital Outturn for 2021/22

Portfolio	Revised Capital Programme Qtr 3	Changes in Quarter 4	Actual Spend in the 2021/22
	£	£	£
Leisure and Communities	6,969,187	(446,016)	6,523,171
Environment	333,885	(119,508)	214,377
Economic and Planning	3,174,343	(223,859)	2,950,484
Finance and Commercial	292,732	(49,288)	243,444
Corporate Schemes	10,210,936	(800,603)	9,410,333
Total	20,981,083	(1,639,274)	19,341,809

- 2.3 The capital programme and supporting information setting out the variances and the requirements for re-profiling schemes into 2022/23 are detailed in Annex A. It details the level of carry forward required for each scheme. Significant changes in the year are described below.

1. A virement of £55,423 is required from the underspend on the general car park improvement scheme to Thirsk and Sowerby Leisure Centre Car Park.
2. Leisure & Community budgets are looking to roll forward expenditure of £450,000. The majority of this is required because the delay in commencing the decarbonisation programme has meant that some of the specific leisure centre schemes need to be delayed by a few months. It is still intended that this work will be completed by 31st March 2023.
3. Northallerton Sports Village had £300,000 additional CiL funding in 2021/22. This had been omitted from the approved 2022/23 capital programme. It has now been added to the scheme at outturn and is carried forward to 2022/23 as part of the Annex B approvals.
4. Environment requires net additional resources of £36,724 to fund the additional bins acquired in the year.
5. A carry forward of £110,000 is requested from Environment for Northallerton Depot improvements.

6. Northallerton High Street. The expenditure in 2021/22 exceeds the budget by £450,000. It is requested that £450,000 is brought forward from Northallerton Complimentary Schemes project in the approved 2022/23 Capital Programme to fund these additional costs. A detailed report went to Cabinet on 5th April 2022.
7. The retention on North Northallerton Infrastructure still remains unpaid. This requires a carry forward of £595,000 to meet the expenditure in 2022/23.
8. Treadmills. £780,000 of additional budget funding has been correctly identified in the year due to non-financing of land and correction of previous carry forwards. In total £1,170,000 carry forward to 2022/23 is requested budget from quarter 4.
9. £348,000 is requested to be carry forward to 2022/23 from the Crematorium budget. Whilst the capital scheme was completed in 2021/22, the final account is still be settled.

2.4 The capital programme has been monitored during 2021/22 on a quarterly basis and reported to Cabinet. The total capital programme expenditure for 2021/22 compared to the revised budgeted capital programme of £20,981,083 at Quarter 3 was 92.2%.

2.5 The net carried forward of schemes from Quarter 4 are identified in Annex B. These will mean that the approved capital programme for 2022/23 will increase by £2,755,992. Approval for the carry forwards identified is sought by Cabinet in this report.

3.0 Funding the Capital Programme

3.1 The capital programme expenditure of £19,341,809 has been funded as detailed below:

Table 2 Funding of Capital programme 2021/22

	£
Grants	7,084,142
Capital Receipts	832,336
Borrowing	10,451,383
Revenue Contributions	155,036
Reserves	279,445
Community Infrastructure Levy	515,975
Section 106	23,492
Total Funding	19,341,809

3.2 It was intended to borrow externally in the original capital plan. However, the Council did not take on new external borrowing in the year. It has used internal balances to meet this borrowing requirement. Investment interest rates remained low in the year and there was an advantage to use these funds rather than enter into new long-term borrowing. This resulted in a revenue saving reported elsewhere on this agenda.

3.3 The overall funding position continues to be closely monitored to ensure the overall capital programme remains affordable and sustainable.

4.0 Treasury Position as at 31st March 2022

- 4.1 Detailed information regarding the Council's treasury management position for 2021/22 is attached at Annex C with a brief synopsis included in the paragraphs below.
- 4.2 Below shows the treasury position of the Council at the beginning and the end of 2021/22:

Table 3 Overall Treasury Position

Borrowing and Investment position at 31 March 2022	31-Mar-21 Principal £m	Rate %	31-Mar-22 Principal £m	Rate %
Long term borrowing - Public Works Loan Board	27.700	1.92	26.500	1.94
Capital Financing Requirement (CFR)	48.626		59.077	
Over/ (under) borrowing	(20.926)		(32.577)	
Short term borrowing	-		-	
Total Investments	14.864	0.13	10.890	0.08
Net Debt – Borrowing less Investments	12.836		15.610	

- 4.3 'Capital Financing Requirement' is the amount of borrowing required to support the capital programme. 'Under borrowing' means the Council did not need to borrow up to the level of the estimated capital financing requirement and was able to fund capital expenditure from its own reserves, capital receipts or grant contributions and therefore not incurring interest payments.

5.0 Borrowing and Investment Outturn Position 2021/22

- 5.1 The Council did not take any additional borrowing during 2021/22. It maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 5.2 Borrowing – A loan of £1.2m matured on 5th September 2021 and was repaid. The Council had a balance of long-term borrowing of £26.7m at 31st March 2022 with an average interest rate of 1.94%. This is lower than the borrowing target interest rate set at Council in February 2021 for the 2021/22 financial year.
- 5.3 Investments held by the Council - the Council maintained an average balance of £20.514m of internal funds. This investment portfolio consisted of treasury investments in banks that were managed in-house. The maturity structures of these treasury investments were held in call accounts and were callable on demand and therefore classified as held up to one year. This balance remained

high due to several grant funding payments from the Government to help businesses. However, the closing balance at 31st March 2022 had fallen to £10.89m as internal funds were used to fund payments for the capital programme. The internally managed funds earned an average rate of return of 0.08%. This compares well with the average 7-day LIBID rate. £17,126 was received in interest compared to the budget of £10,000.

- 5.4 The interest received from the loan to a local housing association, which is classed as capital expenditure, totalled £1,437,850. This is less than last year as £400,000 of debt was redeemed on 15th December 2021. The amount of loan borrowed by the Housing Association from the Council as at 31 March 2022 was £33.6m.

6.0 Prudential Indicators

- 6.1 The Prudential Indicators which control the borrowing and treasury management position of the Council are attached at Annex D. The Council has operated within the treasury and prudential indicators. The approved limits were not breached during 2021/22.

7.0 Links to the Council Priorities

- 7.1 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.

8.0 Risk Assessment

- 8.1 The capital programme is regularly monitored as part of the corporate monitoring process on a quarterly basis. In addition to this the Programme Management Board meets regularly to plan, monitor and review major capital schemes to ensure that all capital risks to the Council are minimised. This report sets out performance against targets set at budget time.

9.0 Financial Implications

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

10.0 Legal Implications

- 10.1 Treasury Management activities 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.

11.0 Equality/Diversity Issues

- 11.1 The capital programme seeks to address key equality issues that affect the Council and the public. The main schemes that specifically addressed equalities in 2021/22 were the disabled facilities grant scheme.

12.0 Recommendations

- 12.1 That Cabinet approves and recommends that Council:

- 1) notes the 2021/21 capital outturn position of £19,341,809 at paragraph 2.2 of the report with the detail attached at Annex A;
- 2) approves net carry forwards of budget to 2022/23 capital programme of £2,755,992 from quarter 4 detailed in Annex B;
- 3) notes the treasury management outturn position 2021/22 detailed at paragraph 5.1 of the report and Annex C;
- 4) notes the Prudential Indicators attached at Annex D of the report.

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Background papers: Annual Financial Report 2021/22
Outturn Position 2021/22 Finance Ledger
Capital Monitoring Reports in 2021/22
Treasury Management Reports in 2021/22

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