

## Hambleton District Council

**Report To:** Cabinet

**Date:** 6 September 2022

**Subject:** **2022/23 Quarter 1 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 2022 on the progress of the capital programme 2022/23 and the treasury management position. A full schedule of the capital programme 2022/23 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 2022/23 capital programme was approved by Cabinet on 8 February 2022 at £18,412,724. This included roll forwards for schemes originally approved in the 2021/22 programme which totalled £14,176,832. At 2021/22 outturn, a further £2,755,992 capital expenditure was carried forward in to the new financial year revising the capital programme 2022/23 to £21,168,716.

2.2

<b>Portfolio</b>	<b>Original 2022/23 £</b>	<b>2021/22 Carried Forward £</b>	<b>Revised 2022/23 £</b>
Leisure & Communities	513,250	6,896,993	7,410,243
Environment	60,000	176,232	236,232
Economy & Planning	1,043,110	2,291,101	3,334,211
Finance & Commercial	258,060	103,787	361,847
Corporate Schemes	500,000	9,326,183	9,826,183
<b>Total</b>	<b>2,374,420</b>	<b>18,794,296</b>	<b>21,168,716</b>

Table 1: Capital Programme 2022/23

- 2.3 At this Quarter 1 monitoring report, a net increase to the capital programme of £404,149 results in a total revised capital programme of £21,572,865.
- 2.4 The net increase of £404,149 to be approved in this report is detailed in Annex B and is made up of:-
- a) increase in expenditure of £73,574 supported from reserves and borrowing;
  - b) increase in expenditure of £483,018 funded externally; and
  - c) decrease in expenditure of £152,443 due to scheme rolled forward to 2023/24.
- 2.5 Table 2 below outlines the variances reported against each portfolio area.

<b>Portfolio</b>	<b>Current Approved Expenditure</b>	<b>Revised Expenditure Q1</b>	<b>Variance Increase/ (decrease)</b>	<b>Expenditure at 30 June 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Leisure and Communities	7,410,243	7,640,011	229,768	2,501,857
Environment	236,232	236,232	-	45,388
Economy and Planning	3,334,211	3,478,638	144,427	569,830
Finance and Commercial	361,847	361,847	-	30,866
Corporate Schemes	9,826,183	9,856,137	29,954	869,040
<b>Total</b>	<b>21,168,716</b>	<b>21,572,865</b>	<b>404,149</b>	<b>4,016,981</b>

Table 2: Capital Programme Q1 2022/23

- 2.6 To 30 June 2022 capital expenditure of £4,016,981 has been incurred or committed representing 18.62% of the revised Quarter 1 capital programme position of £21,572,865. It is expected that the capital programme will come in on target at the end of the financial year.
- 2.7 The proposed changes to the Capital Programme, 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 2022/23, at Quarter 1, the capital programme of £21,572,865 is being funded from £10,047,443 external grants/contributions, £9,480,248 external borrowing, £910,000 from Capital Receipts, £1,016,850 from reserves and £118,324 from revenue contribution.

- 3.2 The external grant funding has increased in Quarter 1 by £483,018. This is as a result of a contribution from the Local Enterprise Partnership (LEP) of £618,024 for the North Northallerton infrastructure scheme, additional grant allocation of £177,807 for the Disabled Facilities Grant scheme, £153,316 for Northallerton Sports Village from CIL and S106 contributions, £130,895 CIL allocation for Thirsk and Sowerby Sports Village and £21,000 from the Historic England funding for Northallerton that has been brought forward from 2023/24.
- 3.3 The capital receipts estimated to be received during 2022/23 are £795,000
- 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 borrowing and the Council's capital reserves. At Quarter 1 it is estimated that £115,000 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 2022/23:**

- 4.1 The Treasury Management review at Quarter 1 2022/23 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 2022/23 which details the Council's approach to treasury management was approved by this Council on 22 February 2022.
- 4.3 The investment position at Quarter 1, 30 June 2022 was £11,260,000 with an average interest rate return of 0.63% 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. £3,760,000 is invested in Money Market Funds which has instant access and the remaining balance of £7,500,000 is placed in instant call accounts with Lloyds Bank and Santander. The balance has been divided into these commodities so that the best yield is obtained whilst ensuring the money is available by the Council when required.

- 4.4 The current climate has seen investment interest rates rise due to the increase of the Bank of England Base Rate. This has resulted in an increase of interest received and the Quarter 1 Budget Monitoring report estimates an additional £80,000 of interest during 2022/23 increasing the Investment Interest Budget to £87,500.
- 4.5 The total borrowing by the Council at the end of Quarter 1 was £36,500,000. £26,500,000 is with the Public Works Loan Board (PWLB) taken in previous financial years over six loans with varying maturity dates. £10,000,000 has been borrowed during Quarter 1 from North Yorkshire County Council. This was taken short term on 20 April 2022 and is due to be repaid on 1 April 2023. The borrowing requirement for the rest of 2022/23 will be closely monitored in line with the Council's capital programme and any additional borrowing will be reported if the need arises. It is estimated that there will be a saving of £200,000 relating to borrowing costs that have been reported in the Quarter 1 Revenue Monitoring report.
- 4.6 At Quarter 1 the Council had given a total of £33,600,000 of loans to a Local Housing Association. This has been made up of eight individual loans with varying maturity dates and fulfils the agreement taken out with the Housing Association.
- 4.7 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 first quarter from the £33,600,000 loaned to the Local Housing association is £357,440 and is on target for the annual budget of £1,429,760.
- 4.8 The Council has operated within the treasury and prudential indicators and the approved limits were not breached during the Quarter 1 in 2022/23.

## **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 increased costs on 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 first quarter of 2022/23 is the Disabled Facilities Grant scheme.

## **10.0 Recommendations:**

10.1 That Cabinet approves and recommends to Council:-

- (1) the net increase of £404,149 in the capital programme to £21,572,865 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 £556,592 funded as follows: £483,018 is from external grants/contributions and £73,574 from borrowing; and
- (3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2 of the report.

Saskia Calton  
Corporate Finance Manager (Deputy S151 Officer)

**Background papers:** None

**Author ref:** SC

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