7C. REFERRAL FROM FAR 7 SEPTEMBER 2022: FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2022/23

RECOMMENDED TO CABINET: That the Committee:

(1) Notes forecast expenditure of £12.252M in 2022/23 on the capital programme

(2) Approves the adjustments to the capital programme for 2022/23 onwards, increasing the estimated spend in 2023/24 by £2.048M

(3) Notes the position of the availability of capital resources and requirement to keep the capital programme under review for affordability

(4) Note the position of Treasury Management activity as at the end of June 2022

REASON FOR DECISIONS:

(1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded

(2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk

Audio recording – 57:02

Ian Couper, Service Director – Resources, presented the report entitled First Quarter Investment Strategy (Capital and Treasury) Review 2022/23

- This report shows the investment strategy which is the combination of our capital programme and our treasury investments.
- The history of our capital budget since it was set in February 2022 and the changes that have happened since then. It takes us to a starting budget for this year £12.252M
- Some schemes are detailed within the report, the biggest one being John Barker Place. An amount was agreed a couple years back however it is clear now that we will not get to the right point of the construction phase to give that grant to them this year. Building work has made good progress but the grant is linked to the delivery of new affordable social housing in that area.
- IFRS is an international financial reporting standard that was supposed to be implemented within local authorities this year which would require us to put leased vehicles onto our balance sheet and so we need a capital provision to do that. This makes it easier for Councils to see the continuing impact on the financial statements and work of auditors. This has been delayed again so we won't do the adjustments this year and the impact will be felt next year
- There are schemes around the Newark Close Road in Royston and the Lairage Car Park both of which have been delayed.
- There are new spends in relation to the capital projects.
- The Park Homes insulation spend which will be £341,000 and is fully funded from a grant. This helps with the Councils green agenda and also those living in the houses.

- As we get Section 106 projects that are eligible, we bring the project and funding into the capital budget. We have identified £169,000 of that fund that will be used in the current year
- There are some projects with overspends and we are looking for Cabinet approval to continue with those in line with financial regulations.
- In playground renovations there was some carry forward from last year in relation to interactive play and whilst that has progressed to being finalised and was within the available budget initially, it was more than had been budgeted for and combined with the other planned works for the playgrounds, it means the variance will be higher the allowable tolerance in the financial regulations
- It has been identified, we have some funding so the actual impact on the Council is less than the £110,000. We can use £81,000 of Section 106 funding here
- The Royston Leisure Centre solar thermal is also an overspend. We got some quotes and they were £20,000 more than budget, which is outside tolerance so it has been put on hold until Cabinet decision
- The outdoor pool boilers in Hitchin and Letchworth weren't originally overspends and the initial quotes were above budget and within tolerance, but as work progressed they found a few extra things that pushed it over budget. However, it made no sense to abort the work at that stage. The tolerance is outside financial regulations but for good reason.
- The acquisition of Churchgate has finally been completed in terms of due diligence process and purchase and the final price we paid was lower than the budget
- The forecast of additions to capital seats from the year is 5.5M and a couple have already progressed this year. We continue to fund all of our capital programme from capital reserves.
- Capital is a big factor of how much cash we have, but all the other revenue reserves and provisions we have contribute to that
- We need to invest that surplus money somewhere to make sure its safe and diversified, but also to generate return
- At the moment, government are giving good returns in terms of short term cash deposits and this is why we have 45% of our money with government at the moment
- Last year good returns were 0.1% but now we're looking at returns 1.5% or above.
- There are some old treasury deals, which is why there are some lower returns, but when it gets put back in it'll come back at a higher rate
- The forecasts from Treasury advisors who are link asset services cover the amount of outstanding debt which we are slowly repaying
- The maturity structure of our investment is quite short which is deliberate due to the interest rates going up. This will change in the future and we will look at putting out money for a longer period

In response to questions from the Independent Person, Ian Couper advised:

- The funding is from government and therefore is linked to grants we are already aware of and are certain of
- The plan for Churchgate is to spend capital but we are working through a plan currently to set out a strategy and important public consultation around the site. Until we have something certain it won't be in the capital programme, we are looking at holding it for at least 2/3 years

Councillor Tyler commented that Churchgate would require some investment in the future.

RESOLVED: That the Committee note and comment on the First Quarter Investment Strategy (Capital and Treasury) Review 2022/23

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The reports and papers associated with this item can be found here.