



PR. 15 14/15

Policy and Resources  
Committee

4 September 2014

**Subject: Budget and Treasury Management Monitoring – Quarter 1  
2014/15**

Report by:

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Purpose / Summary:

This report sets out the revenue, capital and treasury management activity during the period 1 April to 30 June 2014.

**RECOMMENDATION(S):**

**That Members note the Out-turn position and approve contributions to Earmarked Reserves and Revenue carry forwards to 2014/15.**

**Members note the Revenue position as at 30<sup>th</sup> June 2014**

**Members approve the Capital carry forward requests from 2013/14 of £0.268m and the Revised Capital Budget of £4,735,145.**

**That Members note the Treasury Management position for the three months to 30 June 2013.**

## IMPLICATIONS

**Legal:** None arising as a result of this report.

### **Financial FIN/47/15**

The revenue forecast out-turn position for 2014/15 is estimated to be a surplus of £358,510 at 30<sup>th</sup> June 2014, work will continue throughout the year to monitor the situation and to identify ongoing impacts on the Medium Term Financial Plan as part of the Budget Process.

The Capital forecast out-turn position for 2014/15 is estimated to be a £3,364,461 carry forward requests will require approval for medium term/ongoing schemes and this will be formalised in the Q2 Monitoring Report.

The treasury management activities during the reporting period are disclosed in the body of this report.

There were no breaches of Treasury and Prudential Indicators to report.

**Staffing :** None arising as a result of this report.

**Equality and Diversity including Human Rights :** None arising as a result of this report.

**Risk Assessment :** This is a monitoring report only.

**Climate Related Risks and Opportunities :** This is a monitoring report only.

**Title and Location of any Background Papers used in the preparation of this report:**

### **Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

**Yes**

**No**

**x**

### **Key Decision:**

A matter which affects two or more wards, or has significant financial implications

**Yes**

**No**

**x**

## 1. REVIEW OF OUT-TURN POSITION 2013/14

1.1 The Council approved a revenue budget, including Council Tax charges, for 2013/14 which planned to utilise £0.802m of General Fund Balances, this included £0.800m contribution to new Earmarked Reserves with the remaining £0.002m utilised to balance the budget.

1.2 Compared to the revised budget for 2013/14 and before allowing for in year decisions to support new initiatives or address budget pressures the Council's revenue position resulted in a surplus of £1.841m as detailed below.

The significant savings variances included;

£741,000 Business Rates Retention Scheme which will be utilised in 2014/15 as part of the statutory accounting requirements.

£508,000 Additional grant income relating to New Burdens, Second Homes Discount passported by LCC and PCC, and Capitalisation Redistribution Grant

£299,000 Staff salary savings

£255,000 Planning Fee income

£113,000 Gain from Icelandic investment disposals

£88,000 Renegotiated Leisure Contract

£50,000 Other renegotiated contracts

Significant Budget pressures

£74,000 Building Control Income

1.3 The utilisation of the £1.841m surplus includes service requests for contributions to Earmarked Reserves totalling £1.204m, as detailed below, and carry forward requests of £0.345m where projects are ongoing or costs identified for which there is no 2014/15 budget provision.

### Contributions to Earmarked Reserves

- £741,000 to the Business Rates Volatility Reserve (this is required to contribute to the 2014/15 Business Rates Retention scheme).
- £375,000 Maintenance of Facilities to fund future expenditure on the Council's land and property assets.
- £76,000 to the Civic Reserve to procure a new sound system, with the remaining being service surpluses contributing to the reserve for future civic requirements.
- £12,400 to the Wheeled Bin Replacement Reserves

1.4 The remaining balance of £0.292 being the net contribution to the General Fund Balance for the year 2013/14.

## Final Out-Turn Report for the period April - March 2014

	2014 Original Budget £	2014 Revised Budget £	2014 Actual Out turn £	2014 Variance to Budget £
<b>INCOME</b>				
Housing Benefit Govt Grants	-23,083,120	-21,833,120	-22,224,631	-391,511
Service Specific Govt Grant	-684,180	-1,301,180	-1,376,174	-74,994
Other Grants and contribns	-364,430	-397,640	-613,802	-216,162
Customer and Client Receipts	-1,781,280	-2,105,190	-2,455,221	-350,031
Interest and Investment Income	-200,000	-200,000	-336,068	-136,068
Revenue Support Grant	-4,017,417	-4,017,470	-4,017,171	299
Non Specific Grants	0	0	-395,138	-395,138
Retained NNDR	-2,640,742	-2,640,742	-3,381,777	-741,035
New Homes Bonus	-1,082,853	-1,082,800	-1,105,235	-22,435
Council Tax	-5,291,768	-5,291,768	-5,291,768	0
Share of Council Tax Surplus	-86,390	-86,390	-116,344	-29,954
<b>Total Income</b>	<b>-39,232,180</b>	<b>-38,956,300</b>	<b>-41,313,329</b>	<b>-2,357,029</b>
<b>EXPENDITURE</b>				
Employees	8,331,070	8,732,324	8,432,917	-299,407
Premises	1,044,890	1,131,385	1,385,409	254,024
Transport	1,245,410	1,183,050	1,169,854	-13,196
Supplies and Services	2,158,310	2,636,992	2,472,147	-164,845
Third Party Payments	1,473,390	2,512,005	1,909,934	-602,071
Transfer Payments	23,957,350	22,664,306	23,116,450	452,144
<b>Total Expenditure</b>	<b>38,210,420</b>	<b>38,860,062</b>	<b>38,486,711</b>	<b>-373,351</b>
<b>CORPORATE ACCOUNTING</b>				
Parish Precepts	1,399,149	1,399,149	1,399,069	-80
Parish Council Tax Requirement	-1,399,149	-1,399,149	-1,399,149	0
<b>SERVICES Controllable Surplus/Deficit</b>	<b>-1,021,760</b>	<b>-96,238</b>	<b>-2,826,698</b>	<b>-2,730,460</b>
<b>STATUTORY ACCOUNTING</b>				
Capital Charges	962,070	1,037,070	1,786,308	749,238
Capital Accounting Adjustment	-962,070	-962,070	-1,757,523	-795,453
Capital Exp Charge to Gen Fund	804,400	914,400	779,937	-134,463
Support Services	5,909,750	5,970,500	7,183,143	1,212,643
Recharges	-6,249,020	-6,241,520	-7,183,143	-941,623
	<b>-556,630</b>	<b>622,142</b>	<b>-2,017,976</b>	<b>-2,640,118</b>
<b>MOVEMENT IN RESERVES</b>				
Transfer to from Spec Reserves	1,359,053	524,091	-1,051,243	-1,575,334
Transfer to from General Fund	-802,423	-1,146,233	1,228,496	2,374,729
<b>SURPLUS FOR THE YEAR</b>	<b>0</b>	<b>0</b>	<b>-1,840,723</b>	<b>-1,840,723</b>

Contributions to EMR Requests	<u>1,204,400</u>
Contribution to GFB	<u>-636,323</u>
Carry Forward Requests to 2014/15	<u>344,700</u>
<b>Net Contributions 2013/14</b>	<b><u>-291,623</u></b>

## **2. REVENUE BUDGET MONITORING Q1 (APRIL – JUNE 2014/15)**

2.1 The revenue budget monitoring forecast out-turn as at the end of Quarter 1 reflects a surplus of £358,510, the major variances are detailed below

2.2 Major variances;

### **INCOME**

#### **Customer and Client Receipts - £245,900**

Due to the level of Planning Fee income received for the period it is estimated an additional £200,000 will be achieved by the year end, however this is a highly volatile area and will be monitored closely during the year.

Trinity Arts Centre performance have scheduled more events and anticipate an additional income in box office and theatre takings of £27,000, this is offset by a variance on expenditure of £10,000.

#### **Investment Income - £6,560**

Interest due on the recent Loan advance to support High Speed Rural Broadband.

#### **Grant income - £167,050**

Additional Rural funding Grant £31,000  
Grants for Council Tax Localisation Admin Grant £111,000, Community Right to Challenge £8,000, Assets of Community Value £8,000 and New Homes Bonus returned funding grant of £9,050

### **EXPENDITURE**

#### **Employees - £79,300**

Relating to vacancy posts.

#### **Premises - £19,000**

Additional costs in relation to impact of bad weather and additional costs of repair for property assets.

#### **Supplies and Services £21,000**

Additional performance costs at Trinity Arts Centre £10,000 (see Customer and Client Receipts above).

#### **Third Party Payments - £124,000**

Estimated costs associated with a planning appeal £80,000  
£44,000 for support with strategic asset management and land and property development projects including decommissioning of MoD sites.

## Transfer Payments - £30,700

Housing benefit payments the surplus of which will be offset by a reduction in Housing benefit subsidy.

### Revenue Budget Monitoring Q1 April - June 2014

	2014 Original Budget £	2014 Revised Budget £	2014 Actual To 30 June £	2014 Variance to Budget £	2014 Forecast Outturn £	2014 Outturn Variance £
<b>INCOME</b>						
Housing Benefit Govt Grants	-22,473,700	-22,473,700	-5,474,865	148,050	-22,473,700	0
Service Specific Govt Grant	-836,400	-1,147,600	0	164,874	-1,147,600	0
Other Grants and contribns	-447,500	-447,500	-112,441	-1,978	-447,500	0
Customer and Client Receipts	-1,945,600	-2,106,300	-991,221	-509,888	-2,352,200	-245,900
Interest and Investment Income	-200,000	-200,000	-5,160	44,880	-206,560	-6,560
Revenue Support Grant	-3,065,700	-3,065,700	-536,498	0	-3,096,700	-31,000
Non Specific Grants	0	0	31,315	31,315	-127,000	-127,000
Retained NNDR	-2,132,300	-2,132,300	1,008,177	0	-2,132,300	0
New Homes Bonus	-1,548,800	-1,548,800	-258,030	0	-1,557,850	-9,050
Council Tax	-5,295,100	-5,295,100	0	0	-5,295,100	0
Share of Council Tax Surplus	-125,800	-125,800	0	0	-125,800	0
<b>Total Income</b>	<b>-38,070,900</b>	<b>-38,542,800</b>	<b>-6,338,723</b>	<b>-122,747</b>	<b>-38,962,310</b>	<b>-419,510</b>
<b>EXPENDITURE</b>						
Employees	8,653,700	8,770,600	2,261,783	-28,565	8,691,300	-79,300
Premises	999,900	999,900	245,669	-140,071	1,018,900	19,000
Transport	1,174,500	1,182,100	460,437	198,781	1,189,100	7,000
Supplies and Services	2,054,600	2,053,800	841,051	173,080	2,074,800	21,000
Third Party Payments	1,094,200	1,445,400	593,049	225,993	1,569,400	124,000
Transfer Payments	22,955,900	22,955,900	5,872,487	-42,653	22,925,200	-30,700
<b>Total Expenditure</b>	<b>36,932,800</b>	<b>37,407,700</b>	<b>10,274,476</b>	<b>386,565</b>	<b>37,468,700</b>	<b>61,000</b>
<b>SERVICES Controllable</b>	<b>-1,138,100</b>	<b>-1,135,100</b>	<b>3,935,754</b>	<b>263,819</b>	<b>-1,493,610</b>	<b>-358,510</b>
<b>CORPORATE ACCOUNTING</b>						
Parish Precepts	1,466,300	1,466,300	1,457,003	-9,297	1,466,300	0
Parish Council Tax Requirement	-1,466,300	-1,466,300	0	0	-1,466,300	0
Drainage Board Levies	310,000	310,000	164,302	9,302	310,000	0
<b>STATUTORY ACCOUNTING</b>						
Capital Charges	1,086,200	1,086,200	0	0	1,086,200	0
Capital Accounting Adjustment	-1,086,200	-1,086,200	0	0	-1,086,200	0
Capital Exp Charge to Gen Fund	2,071,200	2,117,200	0	0	2,117,200	0
Support Services	5,204,400	5,204,400	0	0	5,204,400	0
Recharges	-5,210,400	-5,210,400	0	0	-5,210,400	0
	<b>1,237,100</b>	<b>1,286,100</b>	<b>5,557,058</b>	<b>263,823</b>	<b>927,590</b>	<b>-358,510</b>
<b>MOVEMENT IN RESERVES</b>						
Transfer to from Spec Reserves	-2,071,200	-2,120,200	0	0	-2,120,200	0
Transfer to from General Fund	834,100	834,100	0	0	834,100	0
<b>SURPLUS FOR THE YEAR</b>	<b>0</b>	<b>0</b>	<b>5,557,058</b>	<b>263,823</b>	<b>-358,510</b>	<b>-358,510</b>

### 3. CAPITAL BUDGET MONITORING Q1 (APRIL-JUNE 2014/15)

3.1 The Capital Programme 2014/15 was approved at Council on 3<sup>rd</sup> March 2014 and totalled £4.566m.

3.2 Carry forward requests from unspent amounts, due to slippage from the 2013/14 programme, total £0.268m and are detailed in the table below. Approval of the Policy and Resources Committee is required.

3.3 The revised Capital budget incorporates both carry forward requests and amendments to the Capital Programme previously approved by this Committee in relation to the purchase of a JCB for Operational Services, and the reduced budget requirement for the Trade Waste Scheme.

3.4 Whilst financing of the Capital programme remains the responsibility of the S151 Officer, the release of £104,704 of S106 balances will now be utilised to finance the Strategic Housing Scheme, in accordance with the terms and conditions of the agreements.

3.5 Acquisitions during the period have included;

3 Clinton Terrace, Gainsborough  
28 Waterworks Street, Gainsborough

3.6 There have been no disposals during the period.

3.7 Capital Receipts of £209,006 have been received relating to our agreement with ACIS for future shares of Right To Buy Receipts subsequent to the transfer of our housing stock.

3.8 Schemes requiring funding release;

Capital enhancements to Council owned assets;

Condition Survey's and back log maintenance, life expectancy this work is required to inform future asset management planning and investment decisions, - £150k

Energy Improvement to Council owned commercial properties to meet legislative requirements - £20k

Heapham Road junction and estate road - legal costs and works to achieve the required standards prior to the adoption by Lincolnshire County Council, absolving any future liability £150k

Trinity Arts Re-roofing and Solar Slates - £100k

Heapham Road (recycling centre) – improvements to site security and bring in utility services to encourage commercial interest - £30k

Car Park ticket replacement with updated elite machines which enable communication links, therefore improving efficiency and data intelligence – selective car parks only - £50k



CAPITAL INVESTMENT PROGRAMME 2014/15											
Responsible Officer	SCHEME	Original Budget	Carry Forward Y/end	Other Movements	Revised Budget	Actuals To June 2014	Budget to Period	Variance To Period	Forecast Outturn	Outturn Variance	Reason
		2014/15	2014/15		2014/15	2014/15	2014/15	2014/15	2014/15	2014/15	
		£	£			£	£	£	£	£	
<b>CURRENT PROGRAMME</b>											
K Johnson	Replacement Refuse Freighters	53,270	0	25,000	78,270	0	0	0	78,270	0	JCB currently being procured for £18.5k. The replacement of two end-of-life freighters will be undertaken later in the year.
A Gray	Strategic Housing - Empty Homes	595,370	32,243		627,613	64,140	65,000	-860	550,000	-77,613	Empty homes project is scheduled to commit and spend all funds before March 2015. Level of spend could be impacted by market forces and availability of properties in the area. Currently on target to achieve 100 properties brought back into use.
A Gray	Private Sector Renewal - DFG's	410,454			410,454	88,284	34,204	54,080	410,454	0	Scheduled to spend the DFG budget due to improved processes and service being brought back in house from external agency. Any underspend will require carry forward approval as it will be committed to future DFG's
A Gray	Independent Living	0	75,000		75,000	4,495	0	4,495	75,000	0	Project currently working to identify adaptation works as part of the assisted move scheme offer.
N Ethelstone	Property Assets - investment strategy developed	1,500,000	75,290		1,575,290	0	0	0	1,000,000	-575,290	This is a long term property investment scheme, made up of a number of individual projects, as and when approved by P&R Committee. Refiling of this budget will be required over the MTFP as schemes are developed and project plans agreed.
A Reeks	Rural Broadband	555,000			555,000	0	0	0	555,000	0	No funding requested as yet. BDUK roll out under review and funding timetable requested
D Jones	Caistor Townscape Heritage Scheme		25,000		25,000	0	0	0	0	-25,000	The scheme is essentially closed, we are waiting for one property owner to rectify works before HLF's external monitor will sign off the project. Sign off will result in an additional £65k. Officers and Cllr Caine are doing what we can to speed up the works which due to financial issues have stalled considerably.
R Stone	Financial Ledger Suite	42,156	10,621		52,777	13,177	13,000	177	52,777	0	HR/Payroll system now implemented, business cases being developed for further investment proposals
A Selby	Trade Waste	170,000		-124,000	46,000	7,836	8,000	-164	46,000	0	Trade waste currently on track. Sales Officer appointed via internal recruitment, marketing and pricing strategy developed, vehicle modification complete, some trade bins acquired, risks around value and ownership of collected materials (see strategic risk register), reaction of competition
G Reeve	Capital Enhancements to Council Owned Assets incl Energy Efficiency Measures	480,000	24,846		504,846	3,800	0	3,800	135,000	-369,846	Various schemes are progressing at differing stages, in the main, awaiting survey tenders to inform works required with schemes likely to commence later in the financial year, refiling of the budget over the MTFP will be required once surveys are concluded and works required identified.
Jo Walker	Gainsborough Growth Fund	200,150	22,785		222,935	1,632	0	1,632	50,000	-172,935	Scheme approved July 14, still finalising paperwork, launch expected Oct 14, no spend until Q4 earliest, carry forward approval will be required for any amounts unspent.
A Reeks	Desktop Refresh/SAN and SQL replacement	60,000	1,960		61,960	0	0	0	61,960	0	Potential request to bring forward future years funding into this year
A Reeks	Rural Broadband (Quickline)	500,000			500,000	0	0	0	350,000	-150,000	First tranche of the loan paid in July 2014, second tranche of £175k to be paid later this year with the balance rolled forward to next year. Release of the loan is dependent upon performance targets being met.
<b>Total Investment</b>		<b>4,566,400</b>	<b>267,745</b>	<b>-99,000</b>	<b>4,735,145</b>	<b>183,364</b>	<b>120,204</b>	<b>63,160</b>	<b>3,364,461</b>	<b>-1,370,684</b>	

## TREASURY MANAGEMENT PERFORMANCE MONITORING Q1

### Executive Summary

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report therefore ensures this Council is implementing best practice in accordance with the Code.

#### 1 Economic Background (extract from Treasury Management Adviser's commentary)

- The Bank of England indicated that whilst there was great speculation about the exact timing of the first rate hike and the decision becoming more balanced, there was an indication that this could happen sooner rather than the markets expect..
- Retail sales fell for the first time since the beginning of the year in May, Whilst growth was still up by 3% on the year.
- Details released by the Office for National Statistics on public finances showed a bigger than expected headline deficit in ay. Public finances, excluding financial sector interventions, showed a deficit of £13.3bn. This was greater than the market forecasts and almost £5bn greater than the deficit from May 2013.
- In respect of the housing market, house prices are 8.7% higher than a year earlier. Mortgage approvals by Britain's high street banks fell with tougher credit checks being imposed in the coming months, however the annual rate was still 12% higher than a year earlier.

#### 2 Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	NOW	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>BANK RATE</b>	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.75	2.00	2.00
<b>3 month LIBID</b>	0.50	0.50	0.60	0.80	0.80	1.10	1.10	1.30	1.40	1.60	1.90	2.10	2.25
<b>6 month LIBID</b>	0.58	0.60	0.80	0.90	1.00	1.15	1.20	1.40	1.50	1.80	2.00	2.20	2.30
<b>12 month LIBID</b>	0.80	0.80	1.00	1.00	1.20	1.30	1.40	1.70	1.80	2.10	2.20	2.30	2.40
<b>5 yr PWLB</b>	2.70	2.70	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40	3.50	3.60
<b>10 yr PWLB</b>	3.50	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.20	4.20	4.30	4.40	4.40
<b>25 yr PWLB</b>	4.10	4.40	4.40	4.50	4.60	4.70	4.70	4.80	4.80	4.90	4.90	4.90	5.00
<b>50 yr PWLB</b>	4.10	4.40	4.40	4.50	4.60	4.70	4.70	4.80	4.80	4.90	4.90	4.90	5.00

Capita Asset Services undertook a review of its interest rate forecasts in early July, after the Bank of England's latest quarterly Inflation Report. This latest forecast now includes a first increase in Bank Rate in quarter 1 of 2015 previously (previously quarter 4 of 2015).

## **SUMMARY OUTLOOK**

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded during 2013 and the first quarter of 2014 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for the rest of 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established.

One drag on the economy has been that wage inflation has been significantly below CPI inflation, so disposable income and living standards were being eroded, (although income tax cuts had ameliorated this to some extent). However, recent falls in inflation have created the potential for the narrowing of this gap and it could narrow further during this year, especially if there is also a recovery in growth in labour productivity (leading to increases in pay rates). With regard to the US, the main world economy, it faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although labour force participation rates remain lower than ideal.

As for the Eurozone, concerns subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

### **3 Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2014/15, which includes the Annual Investment Strategy, was approved by the Council on 3 March 2014. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months, with highly credit rated financial institutions, using our suggested

creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2014. Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes during the quarter was £19.58m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council holds £17.36m core cash balances for investment purposes (i.e. funds available for more than one year).

#### Investment performance for quarter ended 30 June 2014

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned £
Overnight	0.34%	0.39%	5,561
7 day	0.34%	0%	0
1 month	0.36%	0%	0
3 month	0.40%	0%	0
6 month	0.51%	0.70%	4,375
12 month	0.82%	0.98%	4,862

As illustrated, the Council continues to outperform the benchmark. The Council's budgeted investment return for 2014/15 is £200k. The Council held £20.600m of investments as at 30 June 2014 and the investment portfolio yield for the first 3 months of the year is 0.64%, as shown in Appendix 2. The weighted average rate of 0.62% has been achieved and compares to the benchmark 7 day libid of 0.33875%.

The above figures exclude monies currently held in the Escrow accounts which currently stand at £212,000.

During the period the Council invested £1m in the CCLA Property Fund. Interest is receivable on a quarterly basis. An amount of £4,191 has been received in August equating to an annualised interest rate of 5.1%.

#### 4 Borrowing

The Council's strategy is not to undertake any long term borrowing although temporary borrowing for cash flow purposes, on a short term basis, may occasionally take place. The Council has recognised this possibility by setting its Authorised Borrowing Limit for 2014/15 at £3m.

During the three months 30 June, no borrowing – either long or short term was undertaken. However, credit arrangements such as finance leases are classified as borrowing under the capital control arrangements for local authorities. The Council procures replacement vehicles and certain other assets (printers, fuel tanks) through finance lease arrangements which count as credit arrangements. The liability to pay the finance leases are disclosed as other long term liabilities in the Council's accounts. The operational limit that has been approved for 2014/15 is £0.303m (relates to finance lease principal).

## **5 Compliance with Treasury and Prudential Limits**

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in appendix 1.

APPENDIX 1: Prudential and Treasury Indicators as at 30 June 2014

Treasury Indicators	2014/15 Budget £'000	Quarter 1 Actual £'000
Authorised limit for external debt	3,000	0
Operational boundary for external debt	303	0
Gross external debt	0	0
Investments*	13.195	20.600
Net borrowing	-13.195	-20.600

\*The Investment budget reflects the average investments expected for the year

Prudential Indicators	2014/15 Revised Budget £'000	Quarter 1 £'000
Capital expenditure *	4,735	3,364
<b>Q1 capital expenditure reflects the current estimated out-turn position.</b>		
Capital Financing Requirement (CFR) *	1,428	1,428
Annual change in CFR *	-225	-317
In year borrowing requirement	0	0
Ratio of financing costs to net revenue stream *	0.08%	0.06%

Incremental impact of capital investment decisions:-

a) Increase in council tax (band change) per annum.

1.91

1.22

The reduction in this indicator reflects the forecast out turn position being less than the original budget.

APPENDIX 2: Investment Portfolio

Investments held as at 30 June 2014 compared to counterparty list:

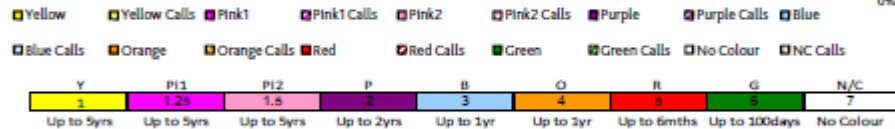
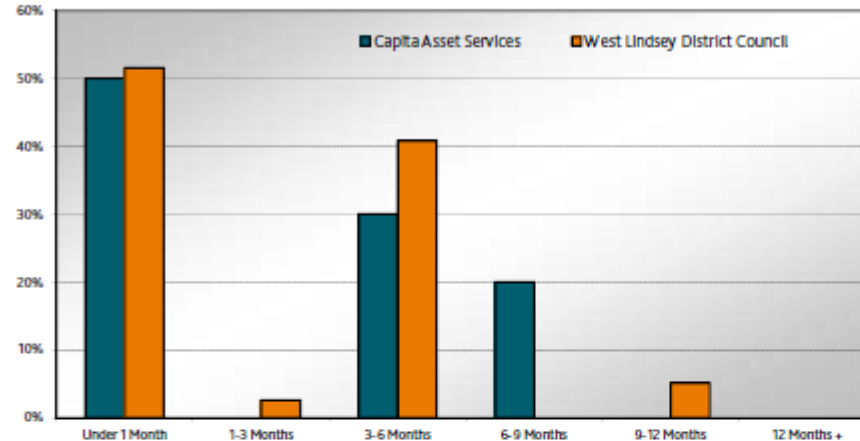
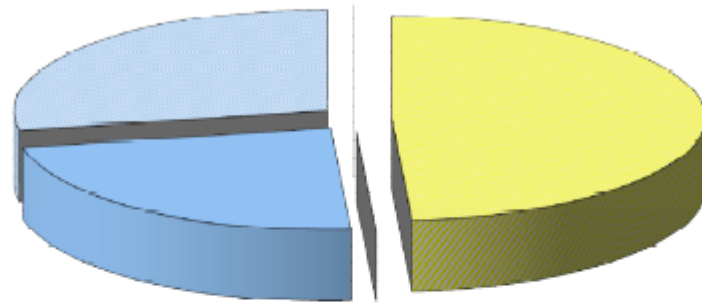
West Lindsey District Council

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Ignis	4,800,000	0.40%		MMF	AAA	0.000%
MMF Insight	4,800,000	0.41%		MMF	AAA	0.000%
Lloyds Bank Plc	500,000	0.40%		Call1	A	0.000%
Lloyds Bank Plc	500,000	1.01%	18/08/2013	18/08/2014	A	0.012%
The Royal Bank of Scotland Plc	5,000,000	0.95%		Call95	AAA	0.000%
Lloyds Bank Plc	500,000	0.98%	11/10/2013	10/10/2014	A	0.024%
Lloyds Bank Plc	2,000,000	0.70%	17/04/2014	17/10/2014	A	0.026%
Lloyds Bank Plc	500,000	0.70%	19/06/2014	19/12/2014	A	0.041%
Lloyds Bank Plc	1,000,000	0.95%	19/06/2014	17/06/2015	A	0.084%
<b>Total Investments</b>	<b>£19,600,000</b>	<b>0.64%</b>				<b>0.009%</b>
<b>CCLA Property Fund</b>	<b>£1,000,000</b>					
<b>Total Investments with CCLA</b>	<b>£20,600,000</b>					

# West Lindsey District Council

## Portfolio Composition by Capita Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = 2.02

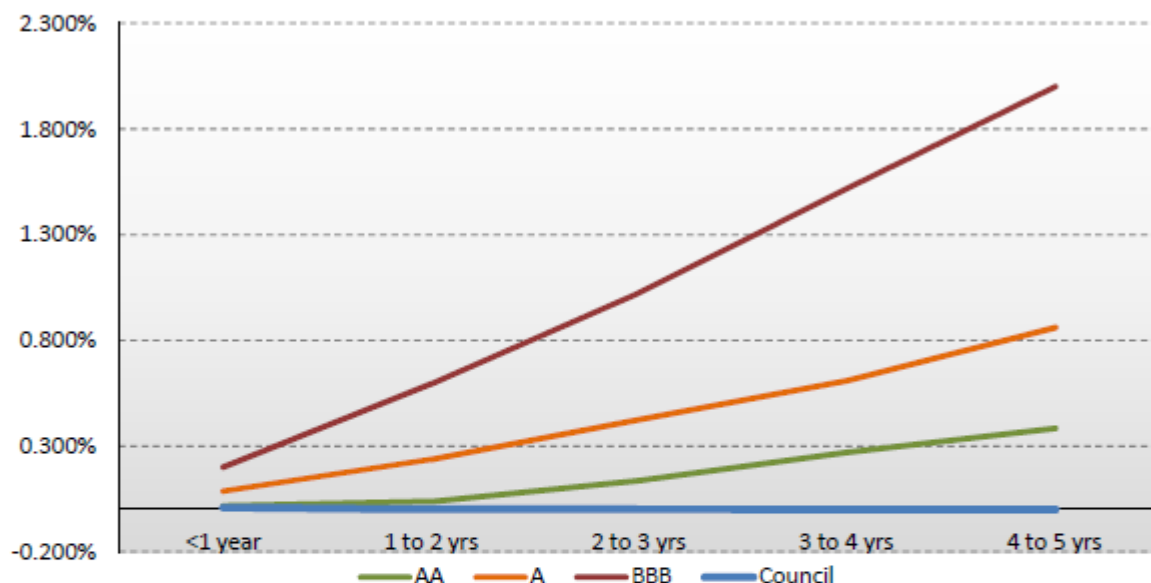
WARoR = Weighted Average Rate of Return  
 WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/EMMFs	
									WAM	WAM at Execution
Yellow	48.98%	£9,600,000	100.00%	£9,600,000	48.98%	0.40%	0	0	0	0
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	51.02%	£10,000,000	55.00%	£5,500,000	28.06%	0.86%	121	166	163	263
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
<b>Total</b>	<b>100.00%</b>	<b>£19,600,000</b>	<b>77.04%</b>	<b>£15,100,000</b>	<b>77.04%</b>	<b>0.64%</b>	<b>62</b>	<b>85</b>	<b>163</b>	<b>263</b>



## Investment Risk and Rating Exposure

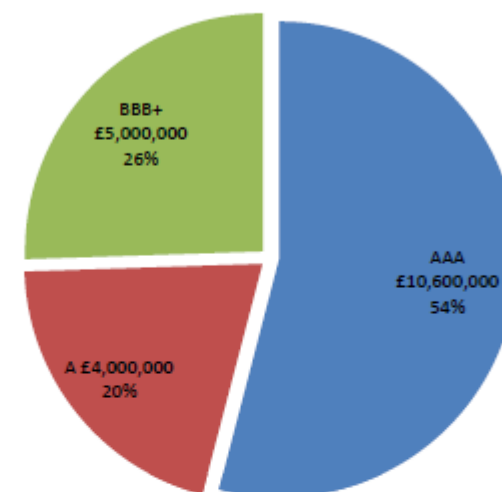
### Investment Risk Vs. Rating Categories



### Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.017%	0.038%	0.137%	0.271%	0.384%
A	0.087%	0.237%	0.425%	0.610%	0.861%
BBB	0.201%	0.595%	1.025%	1.519%	2.000%
Council	0.009%	0.000%	0.000%	0.000%	0.000%

### Rating Exposure



#### Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

#### Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

#### Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.