



CPR.14 15/16

**Policy and Resources
Committee**

30 July 2015

Subject: Budget and Treasury Management Monitoring – Period 1 2015/16

Report by:

Financial Services Manager (Deputy S151)
Tracey Bircumshaw

Contact Officer:

Tracey Bircumshaw
Financial Services Manager (Deputy S151)
01427 676560
tracey.bircumshaw@west-lindsey.gov.uk

Purpose / Summary:

This report sets out the revenue, capital and treasury management activity during the period 3 April to 31 May 2015.

RECOMMENDATION(S):

- a) That Members accept the forecast out-turn position as at 31 May 2015
- b) Members approve the use of Earmarked Reserves
- c) Members approve the amendments to the Capital and Revenue budget, including creating expenditure budgets for projects funded by grants and not included in the original budget
- d) That Members approve the increase in Earmarked Reserves of £1,200k from 2014/15 surpluses
- e) Members accept the request of the Prosperous Communities Committee to delegate a budget of £300k to support the delivery of Economic Growth within the District
- f) It is recommended that Prosperous Communities Committee review the CCTV service provision and consider commercial opportunities once the new system is in place.
- g) That Members recognise the Treasury Management position for the two months to 31 May 2016
- h) Accept the Treasury Management report, the treasury activity and movement in the prudential indicators.

IMPLICATIONS

Legal: None arising as a result of this report.

Financial FIN/33/16

The revenue forecast out-turn position for 2015/16 is estimated to be a surplus of £115k at 31 May 2015, 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 2015/16 is estimated to be £11,353k with no out-turn variance against the capital programme revised budget expected at this time.

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, and we again out-perform our benchmark in relation to investment yields.

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

Key Decision:

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

Yes

No

Executive Summary

1. Revenue Budget Monitoring – Forecast out turn for 2015/16

1.1 The forecast Revenue Budget out turn for the 2015/16 financial year is a surplus position of £115k, the significant variances are;

- Salary costs are forecast to be £99k less than revised budget.
- Due to the termination of the lease at Beaumont Street car park lease costs are £17k less than budget.
- We have received a legal shared service refund of £21k.
- Increased sales at the Trinity Arts Centre have resulted in additional income of £10k.
- Noise and landscape consultants in Development Control has resulted in additional spend of £20k.
- Maintenance at the Leisure Centre has resulted in additional spend of £10k as a result of essential maintenance due to the age and condition on the building.

1.2 The negotiations with Co-op have been concluded and the lease of Beaumont Street car park has been terminated on 14th July 2015. As stated in the narrative above the termination of the lease has resulted in a reduction in costs against budget of £17k. We will also receive a one-off payment of £85k which will be treated as a capital receipt. The budget impact on parking income will be monitored over the next two months.

2. Use and Contribution to Reserves

2.1 The 2015/16 budget for income from Lincolnshire County Council (LCC) regarding the agreement for waste recycling was £138k, however negotiations were ongoing at the time of budget setting.

LCC have agreed to a one off payment in 2015/16 for £33k – the use of £105k from the Budget Volatility reserve was earmarked for this eventuality.

2.2 £190k to be released from the Community Grants Scheme Earmarked Reserves to deliver Year 1 of the new Community Grants Scheme.

2.3 £20k an empty homes review will be conducted during 2015/16. This review is funded from the New Homes Bonus Reserve. Costs are expected to be circa £20k however, this work is likely to achieve future NHB grant of around £400k based on past experience.

2.4 It is proposed to approve the following increases in earmarked reserves from the £1.545m 2014/15 surplus, currently held in the General Fund Balance.

- £250k Facilities Maintenance Reserve (to fund identified works within condition surveys)
- £350k Business Transformation Reserve (to deliver projects and technology to realise efficiencies and service savings/income)

- £600k Investment for Growth Fund (to support economic development and regeneration throughout West Lindsey)
- 2.5 Subject to approval at the meeting of the Prosperous Communities Committee on the 22 July 2015, a £300k budget, funded by the Investment for Growth Fund, is requested to be delegated to the Prosperous Communities Committees (subject to the Council approving amendments to the Constitution at its meeting held on 27 July 2015) to support a partnership approach to economic growth for the District. Please find the original report attached at Appendix A.
 - 2.6 Subject to the decision of Council on 27 July 2015, the Chief Executive will be delegated a budget of £100k to support development of a business case for devolution. This will be funded from the General Fund Reserve.
 - 2.7 The capital costs of a replacement CCTV system will be in the region of £180k this will be funded from the General Fund Balance. Further details are provided at 11.3.
 - 2.8 The Director of Resources has used delegated powers to approve the use of earmarked reserves under £50,000
 - £5.4k - Works in default relating to planning enforcement cases £50k from the Enforcement Reserve
 - £50k - In place marketing from the Investment for Growth Reserve
 - £20k- Oracle Licenses from General Fund Balances
 - £25k - Selective Licensing from the Strategic Housing Reserve

3. Grants

As at 1st April 2015 we have an amount of £436k relating to grants received which have yet to be expended. Budget provision will be created throughout the financial year as required to deliver projects in accordance with grant terms.

3.1 Successful Grant Bids

£50k - Local Development Order (LDO) to support costs associated with the creation of a Food Enterprise Zone. £20k will be used to cover the additional staffing costs associated with the project. The remaining £30k would be utilised for master planning and developing an implementation plan. Any unspent funds are required to be returned to DEFRA.

£70k – received from DCLG to develop LDO's on land at Carr Lane and Wilson Street, Gainsborough. The orders replace planning permission and aim to help stimulate development.

£84k - Second Homes Grant bid has been awarded by Lincolnshire County Council to fund the following projects being delivered; Supporting the Ex MOD sites, maintaining the digital champions scheme within local communities, supporting the Call Connect service.

£22k – Council Tax New Burdens Grant, from the DCLG

Budget provision will be created in accordance with the terms and purpose of the grants above.

4. Carry Forwards

P&R committee held on 18th June 2015 approved carry forwards of £382k and these have now been built into capital and revenue budgets for 2015/16.

5. Capital Budget Monitoring - Forecast out turn for 2015/16

The capital programme forecast spend for the year is £11,353k, with no variance against the capital programme revised budget expected at this time.

6. Treasury Management Update – Forecast Out Turn for 2015/16

There have been no breaches of Prudential Indicators.
Interest received has been in excess of the 7 day libid benchmark.

7. INTRODUCTION

- 7.1 This is the first in a series of reports for the financial year 2015/16 that gives Members information on differences between the approved budgets and outturn income and expenditure for the year ended 31 March 2016. The financial information has been presented in an income and expenditure layout.
- 7.2 The capital programme is presented within the body of the report.
- 7.3 Compared to the approved budget for 2015/16 the Council's forecast outturn revenue position as at 31st May 2015 is a surplus of £115k.

8. REVENUE OUT-TURN (April 2015 to May 2016)

- 8.1 The forecast revenue out-turn as at 31 May 2015 income and expenditure variances are shown in the table below.

Revenue Budget Monitoring May 2015	2015/16 Original Budget	2015/16 Revised Budget	2015/16 Actual to 31 May	2015/16 Budget profile to 31 May	2015/16 Variance to Budget	2015/16 Forecast Outturn	2015/16 Outturn Variance
	£	£	£		£	£	£
Income							
Housing Benefit Govt Grants	-23,090,600	-23,028,600	-3,958,962	-3,841,164	-117,798	-23,028,600	0
Service Specific Govt Grant	-644,400	-325,100	-243,061	-243,061	0	-339,100	-14,000
Other Grants and Contributions	-7,000	-7,000	-2,340	-1,168	-1,172	-7,000	0
Customer and Client Receipts	-2,483,600	-3,036,470	-692,693	-522,278	-170,415	-3,073,470	-37,000
Total Income	-26,225,600	-26,397,170	-4,897,056	-4,607,671	-289,385	-26,448,170	-51,000
Expenditure							
Employees	9,202,400	9,499,270	1,516,596	1,583,695	-67,099	9,417,710	-81,560
Premises	803,000	818,400	184,419	142,890	41,529	806,400	-12,000
Transport	917,100	931,900	163,848	152,331	11,517	931,900	0
Supplies and Services	2,144,600	2,262,300	769,155	628,521	140,634	2,260,685	140,459
Third Party Payments	1,478,500	1,722,800	174,577	315,728	-141,151	1,753,800	31,000
Transfer Payments	22,843,100	22,867,500	3,765,133	3,960,915	-195,782	22,867,500	0
Total Expenditure	37,388,700	38,102,170	6,573,727	6,784,080	-210,353	38,037,995	77,899
Business Units Controllable Total	11,163,100	11,705,000	1,676,670	2,176,409	-499,739	11,589,825	26,899
Corporate Accounting							
Interest and Investment Income	-210,600	-210,600	-16,611	-35,130	18,519	-210,600	0
Interest Payable	37,400	37,400	0	0	0	37,400	0
Parish Council Tax Requirement	1,551,200	1,551,200	1,554,338	1,554,338	0	1,551,200	0
Drainage Board Precept	331,700	331,700	165,850	165,850	0	331,700	0
Statutory Accounting							
Capital Exp Charge to Gen Fund	2,947,300	2,947,300	0	0	0	2,947,300	0
Support Services	5,235,800	5,235,800	0	0	0	5,235,800	0
Recharges	-5,235,800	-5,235,800	0	0	0	-5,235,800	0
	4,657,000	4,657,000	1,703,577	1,685,058	18,519	4,657,000	0
Movement in Reserves							
Transfer to from General Fund	-966,300	-1,399,700	135,265	135,265	0	-1,399,700	0
Transfer to from Spec Reserves	160,400	34,900	0	0	0	34,900	0
NET REVENUE EXPENDITURE	15,014,200	14,997,200	3,515,513	3,996,732	-481,220	14,882,025	26,899
Funded By:							
Revenue Support Grant	-2,198,100	-2,198,100	-732,706	-732,706	0	-2,198,100	0
Capital Grants and Contributions	-62,000	-62,000	0	0	0	-62,000	0
Other Government Grants	-178,600	-161,600	-142,047	0	-142,047	-303,647	-142,047
Retained NNDR	-3,460,600	-3,460,600	171,676	171,700	-24	-3,460,600	0
New Homes Bonus	-1,986,000	-1,986,000	-505,478	-506,000	522	-1,986,000	0
Council Tax	-5,400,400	-5,400,400	0	0	0	-5,400,400	0
Parish Council Tax requirement	-1,551,200	-1,551,200	-1,551,200	-1,551,200	0	-1,551,200	0
Council Tax Freeze Grant	-61,600	-61,600	0	0	0	-61,600	0
Share of Council Tax Surplus	-115,700	-115,700	0	0	0	-115,700	0
	-15,014,200	-14,997,200	-2,759,755	-2,618,206	-141,549	-15,139,247	-142,047
Surplus for the Year	0	0	755,758	1,378,526	-622,769	-257,222	-115,148

8.2 The major variances of note are detailed below.

INCOME

Service Specific Government Grants - £14k surplus

£14k additional grant income is forecast to cover the costs of staff overtime. This income is offset by additional costs within the Housing Benefits business unit.

Customer and Client Receipts - £37k surplus

We have received a legal shared service refund of £21k, which was a higher amount than anticipated.

Increased sales at the Trinity Arts Centre have resulted in additional income of £10k.

EXPENDITURE

Employees - £82k surplus

Salary costs are forecast to be £82k less than revised budget. This variance is due a reduction in costs arising from vacancies, maternity leave and additional grants from government.

Premises - £12k surplus

Due to the termination of the lease at Beaumont Street car park lease costs are £17k less than budget.

Maintenance at the Leisure Centre has resulted in additional spend of £10k as a result of essential maintenance due to the age and condition on the building.

Supplies and Services - £140k deficit

Increased spend of £142k is offset by new grants received in the period covered by this report (details contained in 3.1 above).

Third Party Payments - £31k deficit

Noise and landscape consultants in Development Control has resulted in additional spend of £20k.

Other Government Grants - £142k surplus

New grants received in the period covered by this report (details contained in 3.1 above) which will offset the pressure reported against supplies and services.

9. Aged Debt Summary

At the end of April 2015 there was a total of £175k outstanding debt over 90 days. The majority of the debt was over 150 days old and mainly comprised of £50k for Housing, £40k for Housing Benefit Overpayments and £35k due to Public Protection.

At the end of May 2015 there was a total of £178k outstanding debt over 90 days. The majority of this debt was over 150 days old and mainly comprised of £35k due to Public Protection, £40k for Housing Benefit Overpayments, £50k for Housing and £10k for Property and Assets.

Month	90 – 119 days	120 – 149 days	150+ days	Total
April	1,382	4,897	168,869	175,148
May	6,725	1,318	169,553	177,596

10. CHANGES TO THE ORGANISATION STRUCTURE

Changes to the establishment are made under Corporate Delegation by the Chief Executive and S151 Officer.

There have been no changes for the period.

11. Capital Programme Forecast Out turn

11.1 The Capital Programme 2015/16 was approved at Council on 2nd March 2015 and totalled £11,353k.

11.2 The forecast out-turn for the year is expenditure of £11,353k.

11.3 Amendment to the Capital Programme

Approval is sought for the following amendment to the capital programme;

£180k – cost to upgrade the CCTV system funded from previous year surpluses, held in the General Fund Balance.

The current system has high line rental charges. Our cameras are all connected with hardwire cables provided by BT Redcare. The line rental charge for this connection in the 2014/2015 financial year was £20k. This costs increases each year and there are no competitors we can approach as BT Redcare are the in full control of the system. By upgrading to wireless technology we will remove this line rental charge from the CCTV service. New CCTV systems will come with manufacturer warranties and will be cheaper to maintain due to lower frequency of malfunction or need for repair.

Support for CCTV from partner agencies including Lincolnshire Police, Gainsborough Town Council, Gainsborough Area Improvement Network and various local businesses is very strong. We will work with partners during the upgrade works to ensure all needs of the service are being met and to explore options for obtaining funding support from partners.

Upgrading of our systems will reduce operating costs and improve service quality with new high definition cameras and other latest technology developments for CCTV. Having a modern up to date system may also present future working options such as selling CCTV coverage or joint working arrangements sharing CCTV coverage with other Local Authority areas.

It is recommended that Prosperous Communities Committee review the CCTV service provision and consider commercial opportunities once the new system is in place.

Please see the Capital Budget Monitoring table at page 10.

11.4 Property Acquisitions

There have been no property acquisitions during the period.

11.3 Capital Receipts

- The negotiations with the Co-op have been concluded and the lease of Beaumont Street car park has been terminated on 14th July 2015. There will be a one-off payment to us of £85k pa which will be treated as a capital receipt.
- Right to Buy agreement income has been received from ACIS for April 2015 totalling £254k.

CAPITAL INVESTMENT PROGRAMME 2015/16											
Cost Centre	Board	Responsible Officer		Revised Budget	Actual to 31 May15	Commitments to 31 May 15	Budget to Period	Variance To Period	Forecast Outturn	Outturn Variance	Reason
			SCHEME	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	
				£	£	£	£	£	£	£	
CURRENT PROGRAMME											
XR12	CB	G Reeve	Capital Enhancements to Council Owned Assets incl Energy Efficiency Measures	753,740	-5,070	12,663	105,558	-97,965	753,740	0	it is anticipated that these funds will be utilised during this period although the TAC roof works may commence later than 31/03/16
XF01	TB	A Rossing	Civic Enhancements	106,000	0	0	0	0	106,000	0	Work has commenced to identify a Council Chamber Sound System replacement but is at a very early stage. The replacement Civic Car is yet to be determined (report to CLT in July).
XA12	CB	N Ethelston	Land and Property Investment	2,555,920	0	0	0	0	2,555,920	0	Scheme and project development ongoing
XA14	GB	M Di Salvo	Gainsborough Growth Fund	324,450	4,070	0	5,000	-930	324,450	0	A £90K application is currently under consideration. Likely to allocate the full amount by the year end
XC11	GB	A Gray	Private Sector Renewal - DFG's	410,500	19,152	13,802	68,470	-35,516	410,500	0	All DFG budget will be spent in year. Actual spend is currently minimal due to number of works at development stage.
XC20	CB	A Gray	Strategic Housing - Empty Homes	532,170	146,894	53,087	200,000	-19	532,170	0	£100k payment to young persons accommodation made with a further £50k to follow. The remaining funding will be allocated to the empty homes project which is being rescoped via Commercial Board in Summer 15.
XC19	GB	A Gray	Independent Living	53,220	0	0	0	0	53,220	0	All budget will be fully expended in line with housing assistance policy.
XF02	CB	N Ethelston	Housing and Infrastructure Investment	4,900,000	0	0	0	0	4,900,000	0	Business Case for Housing Zone schemes currently under development
XR04	CB	N Ethelston	Commercial Loan	350,000	0	0	0	0	350,000	0	Negotiations ongoing
XR02	CB	T Bircum	Rural Broadband (BDUK)	555,000	0	0	0	0	555,000	0	Will be expended by year end
XR03	CB	J Tod	Rural Broadband (Quickline)	105,000	35,000	0	35,000	0	105,000	0	3rd of the 5 Tranche 3 payments, for £35k, has been made this year. This leaves the final 2 remaining. Quickline have yet to meet the conditions to release these payments yet are expected to do so in the coming months. Quickline have mentioned they may not drawdown the final £35k tranche however until that is confirmed in writing forecast to budget
XF03	TB	J Anderson	Website replacement (CMS)	75,000	0	0	0	0	75,000	0	at this stage we don't know how much this will cost, likely know by mid August.
XE52	ECB	A Selby	Replacement Refuse Freighters	188,770	0	0	0	0	188,770	0	Scheduled replacement upon end of lease agreement
XT55	GB	D Jones	Caistor Townscape Heritage Scheme	25,000	0	0	0	0	25,000	0	Works to be finalised before this grant is released
XF04	GB	L Beevers	Scotter - River Eau Flood Alleviation Scheme	30,000	0	0	0	0	30,000	0	Work is still ongoing from the EA to determine the most effective way of achieving the aims of the project.
XF05	CB	T Bircum	Parish Council Loan - Big Society	300,000	0	0	0	0	300,000	0	Negotiations ongoing
XR21	TB	G Kinton	Desktop Refresh/SAN and SQL replacment	18,000	0	0	0	0	18,000	0	Replacements are scheduled later in the year
XF06	CB	P Sharp	Commercial Toolkit - Experian Mosaic	17,000	0	0	0	0	17,000	0	
XA06	ECB	T Bircum	Financial Ledger Suite	38,670	0	0	0	0	38,670	0	Procurement of a Bank Reconciliation system underway
XR22	TB	L Marlow	Customer Self Service Pod	15,000	0	0	0	0	15,000	0	Pod due for delivery
Total Investment				11,353,440	200,045	79,553	414,028	-134,430	11,353,440	0	

12. Treasury Management Period 1 April-May 2015

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Members are 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 codes.

6.1 Economic Background

After strong UK GDP growth in 2013 at an annual rate of 2.7% and 3.0% in 2014, quarter 1 of 2015 was disappointing at only 0.4%, though subsequent data indicates that this could well be revised up further down the line and also indicates a return to stronger growth in quarter 2. In its May quarterly Inflation Report, the Bank of England reduced its GDP forecast for 2015 from 2.9% to 2.5% and from 2.9% to 2.7% in 2016, while increasing its forecast for 2017 from 2.4% to 2.7%.

Uncertainty around the likely result of the UK general election in May has obviously now evaporated although this has been replaced by some uncertainty around the potential impact on the UK economy of the EU referendum promised by, or in, 2017. In addition, the firm commitment of the Conservative Government to eliminating the deficit within the term of this Parliament will have an impact on GDP growth rates. However, the MPC is fully alert to this and will take that into account, and also the potential spill over effects from the Greek crisis, in making its decisions on the timing of raising Bank Rate.

As for the American economy, confidence has improved markedly in this quarter that the US will start increasing the Fed funds rate by the end of 2015 due to a return to strong economic GDP growth after a disappointing start to the year in quarter 1, (a contraction of 0.2%), after achieving 2.4% growth in 2014.

In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth, though it remains to be seen whether this will have an enduring effect as strong as the recovery in the US and UK.

6.2 Interest Rate Forecast

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

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%
5yr PWLB rate	2.30%	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%
10yr PWLB rate	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%
25yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%
50yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%

Capita Asset Services undertook a review of its interest rate forecasts after the May Bank of England Inflation Report. The ECB's quantitative easing programme to buy up EZ debt caused an initial widespread rise in bond prices and, correspondingly, a fall in bond yields to phenomenally low levels, including the debt of some European countries plunging into negative yields. Since then, fears about recession in the EZ, and around the risks of deflation, have abated and so there has been an unwinding of this initial phase with bond yields rising back to more normal, though still historically low yields.

This latest forecast includes a move in the timing of the first increase in Bank Rate from quarter 1 of 2016 to quarter 2 of 2016 as a result primarily of poor growth in quarter 1, weak wage inflation and the recent sharp fall in inflation due to the fall in the price of oil and the impact of that on core inflation. The UK fell marginally into deflation in April (-0.1%) and figures near zero will prevail for about the next six months until the major fall in oil prices in the latter part of 2014 falls out of the twelve month calculation of CPI inflation. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only just starting a significant recovery as a result of recent increases in the rate of wage inflation, though some consumers will not have seen that benefit come through for them.

6.3 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council on 2 March 2015. 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

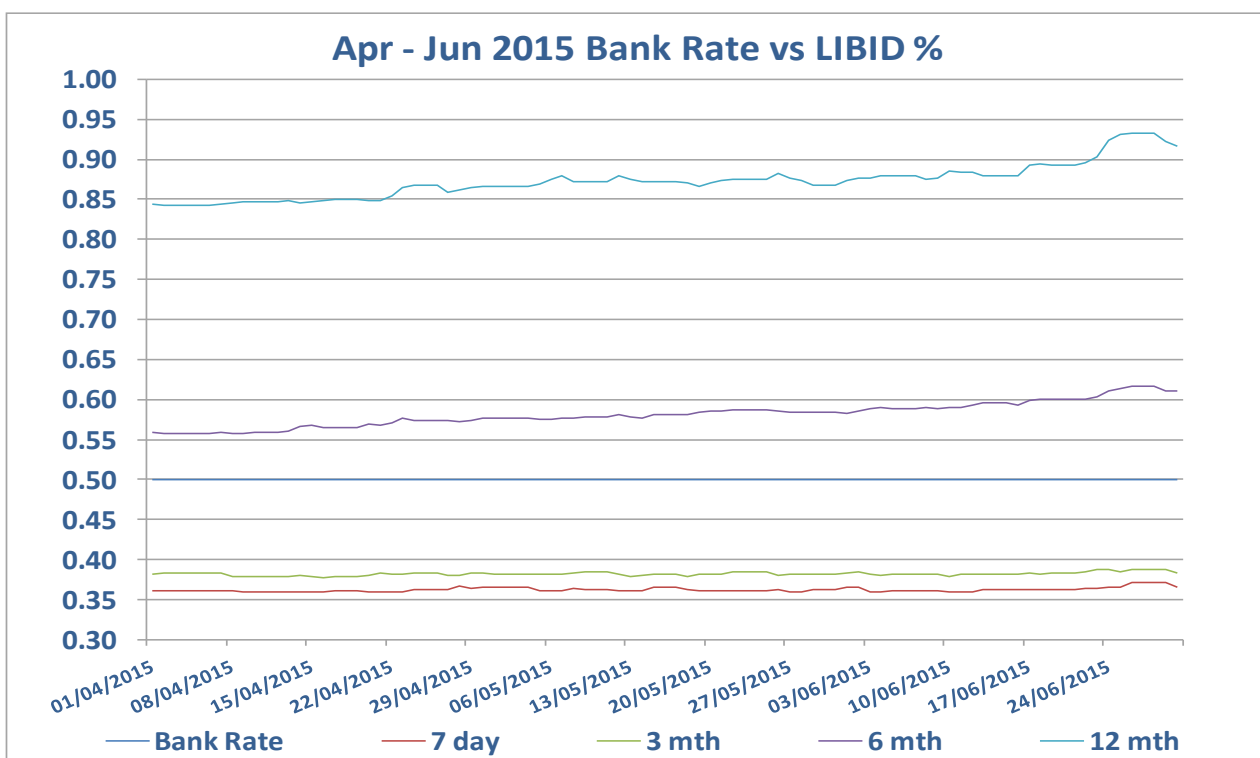
including sovereign credit rating and Credit Default Swap (CDS) overlay information.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 31st May 2015.

Investment rates available in the market have been broadly stable during the period and have continued at historically low levels as a result of the ultra-low Bank Rate and other extraordinary measures such as the Funding for Lending Scheme. The average level of funds available for investment purposes during the period was £20.7m. 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 £17m core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for period ended 31st May 2015

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
Overnight	0.35%	0.35%	5,488
7 day	0.36%	1.00%	2,769
1 month	0.38%	-	-
3 month	0.44%	0.55%	1,236
6 month	0.58%	0.70%	451
12 month	0.86%	0.98%	13,420
Other	-	5.57%	18,618
Total			41,982



As illustrated, the Council continues to outperform the benchmark. The Council's budgeted investment return for 2015/16 is £0.200m, and performance for the year to date is in line with the budget.

The Council held £20.517m of investments as at 31st May 2015 and the investment portfolio yield for the period is 1.23%, the improvement reflects the investment in the Local Authority Property Fund.

The annualised weighted average rate of interest for P1 is 1.23% has been achieved and compares to the benchmark 7 day libid of 0.36%.

Investment in Local Authority Property Fund

The Council now has £2m invested the CCLA Property Fund. Interest is receivable on a quarterly basis. Interest received can be seen in the table above in the section marked 'other'.

6.4 Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first two months of 2015/16.

Treasury Officers continue to mitigate investment risk in accordance with Treasury Management Practices.

6.5 New Borrowing

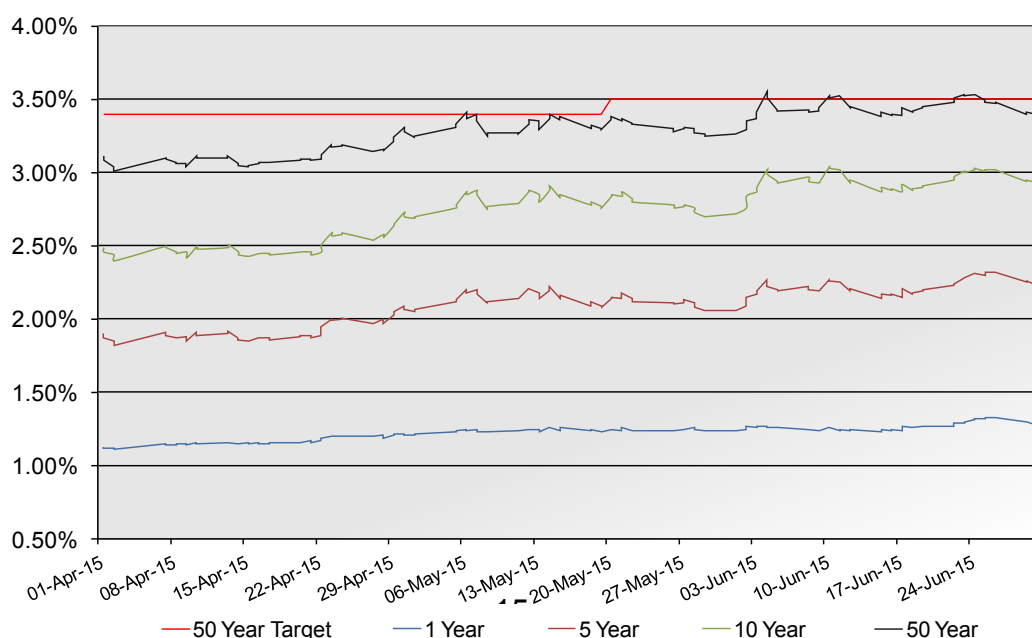
The 25 year PWLB target (certainty) rate for new long term borrowing, for the quarter ending 30th June, rose slightly from 3.40% to 3.50% after the May Bank of England Inflation report.

During the two months to 31 May, 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 (telephone system, 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 2015/16 is £0.680m (relates to finance lease principal).

PWLB certainty rates, quarter ended 31st May 2015

(Please note that the graph below is unable to show separate lines for 25 and 50 year rates as those rates were almost identical)

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.11%	1.82%	2.40%	3.06%	3.01%
Date	02/04/2015	02/04/2015	02/04/2015	02/04/2015	02/04/2015
High	1.33%	2.32%	3.04%	3.65%	3.55%
Date	25/06/2015	25/06/2015	10/06/2015	24/06/2015	04/06/2015
Average	1.23%	2.09%	2.75%	3.37%	3.29%



This Council has not borrowed in advance of need during the period ended 31st May 2015 and has not borrowed in advance in all of 2015/16.

6.6 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.

6.8 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

6.9 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget and draws together the main strategy elements of the capital expenditure plans (above), highlighting the original capital programme, and the expected financing arrangements of this capital expenditure. Any borrowing need increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR).

Capital Expenditure	2015/16 Original Estimate £'000	2015/16 Revised Estimate Q1 £'000
Total Unsupported spend	9,689	11,353
Financed by:		
Capital receipts	1,249	1,249
Capital grants	743	743
Revenue	2,797	4,461
S106	0	0
Leases	0	0
Total financing	4,789	6,453
Borrowing need	4,900	4,900

6.10 There have been no changes to the Treasury or Prudential Indicators.

The Director of Resources reports that no difficulties are envisaged for the current or future years in complying with prudential indicators.

Prudential and Treasury Indicators as at 31st May 2015

The Treasury and Prudential monitoring information is reported below;

	Original £'000	P1 Actual £'000
Treasury Indicators		
Authorised limit for external debt	12,500	12,500
Operational boundary for external debt	608	608
External Debt	9,900	0
Long term Leases	608	608
Investments	16,887	20,600
Net Borrowing	6,379	19,992
Prudential Indicators		
Capital Expenditure	9,689	3,364
Capital Financing Requirement (CFR)*	6,260	6,260
Annual change in CFR*	4,693	4,693
In year borrowing requirement	4,900	4,900
Under/(over)borrowing	-3,935	-3,935
Ratio of financing costs to net revenue stream*	1.63%	1.63%
Incremental impact of capital investment decisions:		
Increase in Council Tax (band change per annum)	£0.98	£0.98

West Lindsey District Council

Monthly Investment Analysis Review

May 2015



West Lindsey District Council

Monthly Economic Summary

General Economy

May began with the Conservatives winning an outright majority of 331 seats in the General Election. This was a surprise result after polls forecasted a hung parliament. US data releases show the jobs market has rebounded after a weak month in March, indicating their next Fed rate hike will happen towards the end of this year. UK CPI inflation slipped into negative territory for the first time since 1960, falling to -0.1% in April.

The General Election result dominated the headlines in May. With the outright victory eliminating immediate concerns over political uncertainty, attention shifting towards a clarified fiscal outlook and the timing of the European referendum. The results indicate that the economy is set for greater fiscal tightening over the course of the next two years.

The latest news from PMI activity surveys highlighted mixed news after recent lacklustre returns. The Manufacturing PMI fell to 51.8 in April, from a downwardly revised 54.0 in March, the sharpest slowdown in more than two years. This was due to strong domestic demand being largely offset by weak exports. Growth in Britain's Construction industry also slowed sharply in April, in anticipation of the General election, falling to 54.2 in April, its lowest level in 22 months. Conversely, Services PMI climbed to an 8 month high of 59.5 in April, from 58.9 in March, strongly attributed to by rising new orders and future activity.

The Bank of England's (BoE) Monetary Policy Committee (MPC) reiterated that interest rates will continue to remain at a record low of 0.5%. The minutes revealed that policymakers cited the squeeze on consumer spending as a factor to persuade the Bank to keep interest rates at their record low for longer, voting unanimously 9-0 for no change. Moreover, the MPC stated that unless oil and commodity prices fell further, the deflationary rate would be temporary, and would pick up towards the end of 2015.

The headline CPI inflation figure turned negative in April for the first time since 1960. The annual rate of inflation fell to -0.1%, pushed down by lower travel costs due to an early Easter. The BoE said in its May Inflation Report that inflation is like to rise over the coming months as factors like falling food and energy prices, begin to be less prevalent. Therefore, this rate is anticipated to be a temporary phenomenon, which may provide some encouragement for consumer and investment spending.

Britain's public sector budget deficit declined greater than forecasted in April, which gave the current Conservative government a boost in their efforts to eliminate the deficit. On the 8th of July Chancellor George Osborne is set to announce a new budget promising further cuts to welfare and government departments' spending. The ONS's release demonstrated that net borrowing fell down by almost 27% from a year earlier. The UK's goods deficit narrowed to £10.122bn in March from an upwardly revised figure of £10.799bn in February, reflecting a rebound in global oil prices. This emphasises that the British recovery has relied profoundly on domestic spending as opposed to making exports a key driver in the UK's economic recovery.

Retail sales rose more strongly than expected in April, recovering from a fall in March, with the warm weather encouraging consumers to spend more. The ONS reported Retail sales volume rose 1.2% on the month, the strongest increase since November. The UK unemployment rate fell to 5.5% in the three months to March, the lowest since mid-2008. Average weekly earnings, including bonuses, rose by 1.9% on an annual basis in the three months to March, continuing to outstrip inflation and therefore, increasing real wages in the UK.

Consumer confidence fell unexpectedly in May, slipping to +1 from +4 in April, its lowest level since January. This suggests Britain's are less upbeat about their personal financial prospects, alongside fiscal tightening under the Conservative government.

In the Eurozone, the European Central Bank (ECB) announced that they would keep interest rates unchanged at the record low of 0.05% to combat the risk of the EU suffering adverse deflationary prospects. On a more positive note, Q1 GDP for the Eurozone growth rose by 0.4% from January to March, due to falling energy and food prices. The political tensions within Greece are still ongoing, with a 'Grexit' becoming more likely in the near future. Greece has little chance of making the scheduled payments of over €3bn to the IMF across the next 6 weeks, which will impact the financial markets and peripheral economies.

In the US, the beginning of May saw a rebound in the US labour market after March's lacklustre data, with a 223,000 increase in non-farm payrolls. Service sector jobs offset weak employment figures in mining, as the unemployment rate fell to a seven year low of 5.4%. The downward revision to their second estimate of GDP for Q1 was discouraging, declining from an annualised 0.2% to -0.7%. This contraction is likely to be due to net external trade being a bigger drag than was initially anticipated. Despite this, much stronger growth is expected in Q2 and Q3 respectively. This data cumulatively suggests that the Federal Reserve will hold off determining a rate hike till later this year.

Currency

Sterling opened the month at \$1.54 against the US dollar and steadily decreased to reach \$1.52. Against the Euro, sterling opened the month at €1.37 and closed at €1.39.

Forecast

Capita Asset Services altered its forecast this month. Capita Asset Services expects the first rate hike to come in the second quarter of 2016. Capital Economics left their forecast unchanged in May. They expect the first Bank Rate increase to come in Q2 2016.

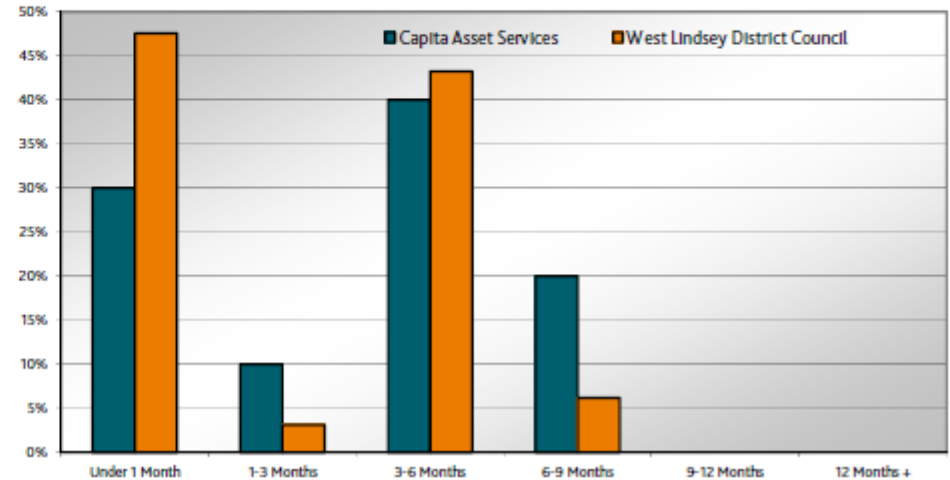
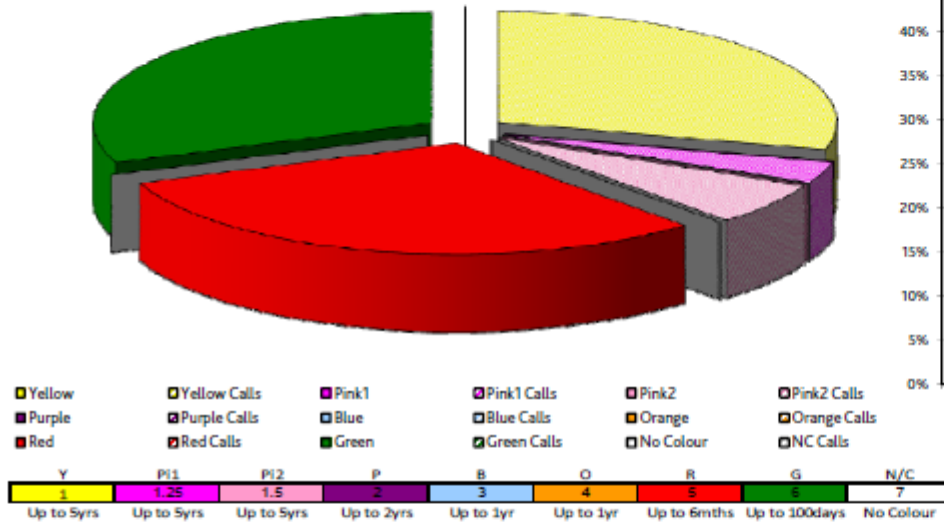
Bank Rate	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.75%
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.75%

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF LGIM	4,700,000	0.45%		MMF	AAA	0.000%
EMMF Insight Liquidity Plus	1,000,000	1.30%		EMMF	AAA	0.000%
EMMF Standard Life Short Duration Cash Fund	500,000	0.88%		EMMF	AAA	0.000%
Lloyds Bank Plc	1,000,000	0.95%	19/06/2014	17/06/2015	A	0.003%
Lloyds Bank Plc	500,000	0.70%	19/12/2014	19/06/2015	A	0.003%
Lloyds Bank Plc	500,000	0.95%	18/08/2014	14/08/2015	A	0.013%
Nationwide Building Society	1,000,000	0.98%	15/09/2014	15/09/2015	A	0.018%
Goldman Sachs International Bank	5,000,000	1.03%	16/09/2014	16/09/2015	A	0.018%
Lloyds Bank Plc	500,000	1.00%	10/10/2014	12/10/2015	A	0.023%
Lloyds Bank Plc	500,000	1.00%	14/04/2015	12/10/2015	A	0.023%
Lloyds Bank Plc	1,000,000	1.10%	14/04/2015	10/02/2016	A	0.043%
Total Investments	£16,200,000	0.85%				0.012%

West Lindsey District Council

Portfolio Composition by Capita Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **3.82**

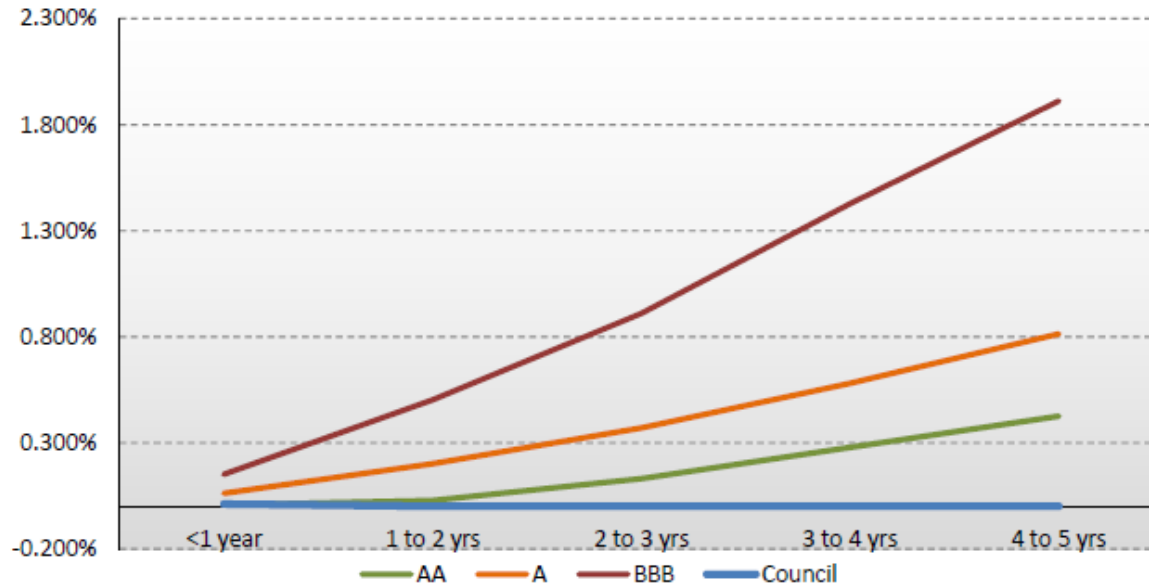
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	29.01%	£4,700,000	100.00%	£4,700,000	29.01%	0.45%	0	0	0	0
Pink1	3.09%	£500,000	100.00%	£500,000	3.09%	0.88%	0	0	0	0
Pink2	6.17%	£1,000,000	100.00%	£1,000,000	6.17%	1.30%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	30.86%	£5,000,000	0.00%	£0	0.00%	0.97%	112	315	112	315
Green	30.86%	£5,000,000	0.00%	£0	0.00%	1.03%	108	365	108	365
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£16,200,000	38.27%	£6,200,000	38.27%	0.85%	68	210	110	340

West Lindsey District Council

Investment Risk and Rating Exposure

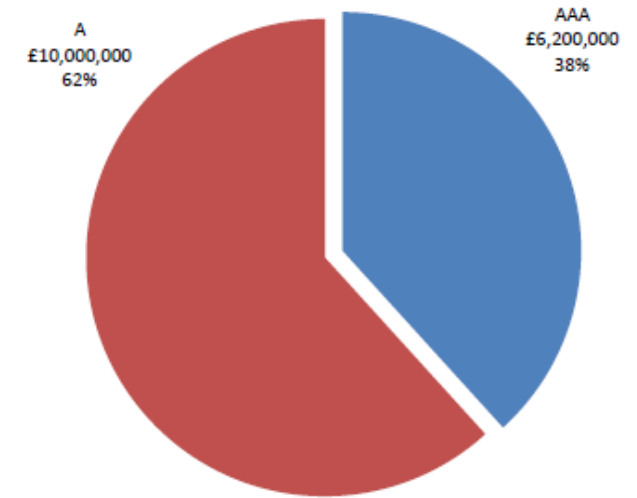
Investment Risk Vs. Rating Categories



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	0.007%	0.029%	0.130%	0.278%	0.425%
A	0.062%	0.202%	0.370%	0.581%	0.813%
BBB	0.150%	0.502%	0.910%	1.428%	1.912%
Council	0.012%	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.

West Lindsey District Council

Monthly Credit Rating Changes

FITCH

Date	Update Number	Institution	Country	Rating Action
11/05/2015	1342	Clydesdale Bank	UK	Long Term Rating Long Term Rating 'A', removed from Stable Outlook and placed on Negative Watch. Short Term Rating 'F1', placed on Negative Watch. Support Rating '1', placed on Negative Watch.
20/05/2015	1346	KBC Bank N.V	Belgium	Long Term Rating Affirmed at 'A-', Stable Outlook. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	Danske Bank	Denmark	Long Term Rating Affirmed at 'A', Stable Outlook. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	Nordea Bank Finland	Finland	Long Term Rating 'AA-', Stable Outlook. Short Term Rating Affirmed at 'F1+'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	Pohjola Bank	Finland	Long Term Rating 'A+', Stable Outlook. Short Term Rating 'F1'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	BNP Paribas	France	Long Term Rating Affirmed at 'A+', Stable Outlook. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	Credit Agricole SA	France	Long Term Rating Affirmed at 'A', Stable Outlook. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	Societe Generale	France	Long Term Rating Affirmed at 'A', Outlook changed to Stable from Negative. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	BayernLB	Germany	Long Term Rating Downgraded to 'A-' from 'A+', Outlook changed to Stable from Negative. Short Term Rating Downgraded to 'F1' from 'F1+'. Support Rating Affirmed at '1'
20/05/2015	1346	Commerzbank AG	Germany	Long Term Rating Downgraded to 'BBB' from 'A+', Outlook changed to Positive from Negative. Short Term Rating Downgraded to 'F2' from 'F1+'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	Deutsche Bank AG	Germany	Long Term Rating Downgraded to 'A' from 'A+', Negative Outlook. Short Term Rating Downgraded to 'F1' from 'F1+'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	DZ Bank AG	Germany	Long Term Rating 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '5' from '1' and Withdrawn
20/05/2015	1346	Landesbank Baden Wuerttemberg	Germany	Long Term Rating Downgraded to 'A-' from 'A+', Outlook changed to Stable from Negative. Short Term Rating Downgraded to 'F1' from 'F1+'. Support Rating Affirmed at '1'
20/05/2015	1346	Landesbank Hessen-Thueringen Girozentrale (Helaba)	Germany	Long Term Rating 'A+', Stable Outlook. Short Term Rating 'F1+'. Support Rating Affirmed at '1' and Withdrawn.
20/05/2015	1346	Norddeutsche Landesbank Girozentrale	Germany	Long Term Rating Downgraded to 'A-' from 'A', Outlook changed to Stable from Negative. Short Term Rating Affirmed at 'F1'. Support Rating Affirmed at '1'
20/05/2015	1346	UniCredit Bank AG	Germany	Long Term Rating Downgraded to 'A-' from 'A+', Negative Outlook. Short Term Rating Downgraded to 'F2' from 'F1+'. Support Rating Downgraded to '3' from '1.'
20/05/2015	1346	ABN AMRO Bank N.V.	Netherlands	Long Term Rating Downgraded to 'A' from 'A+', Outlook changed to Stable from Negative. Short Term Rating Downgraded to 'F1' from 'F1+'. Support Rating Downgraded to '5' from '1.'
20/05/2015	1346	Bank Nederlandse Gemeenten	Netherlands	Long Term Rating Downgraded to 'AA+' from 'AAA', Outlook changed to Stable from Negative. Short Term Rating Affirmed at 'F1+'. Support Rating Affirmed at '1'.
20/05/2015	1346	Coöperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	Netherlands	Long Term Rating 'AA-', Negative Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '5' from '1', Rating Withdrawn.
20/05/2015	1346	ING Bank NV	Netherlands	Long Term Rating Downgraded to 'A' from 'A+', Outlook changed to Stable from Negative. Short Term Rating Downgraded to 'F1' from 'F1+'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	Nordea Bank AB	Netherlands	Long Term Rating 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '2' from '1'.

West Lindsey District Council

Monthly Credit Rating Changes

FITCH

Date	Update Number	Institution	Country	Rating Action
20/05/2015	1346	Skandinaviska Enskilda Banken AB	Sweden	Long Term Rating 'A+', Positive Outlook. Short Term Rating 'F1'. Support Rating Downgraded to '2' from '1'.
20/05/2015	1346	Swedbank AB	Sweden	Long Term Rating 'A+', Positive Outlook. Short Term Rating 'F1'. Support Rating Downgraded to '2' from '1'.
20/05/2015	1346	Svenska Handelsbanken	Sweden	Long Term Rating 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '2' from '1'.
20/05/2015	1346	Credit Suisse AG	Switzerland	Long Term Rating Affirmed at 'A', Stable Outlook. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	UBS AG	Switzerland	Long Term Rating Affirmed at 'A', Stable Outlook. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	Bank of Scotland Plc	UK	Long Term Rating Upgraded to 'A+' from 'A', Outlook changed to Stable from Negative. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	Barclays Bank plc	UK	Long Term Rating Affirmed at 'A', Stable Outlook. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	Lloyds Bank Plc	UK	Long Term Rating Upgraded to 'A+' from 'A', Outlook changed to Stable from Negative. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	Santander UK plc	UK	Long Term Rating 'A', Stable Outlook. Short Term Rating 'F1'. Support Rating Downgraded to '2' from '1'.
20/05/2015	1346	Standard Chartered Bank	UK	Long Term Rating 'AA-', Negative Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	Nationwide Building Society	UK	Long Term Rating 'A', Stable Outlook. Short Term Rating 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	Royal Bank of Scotland Group plc	UK	Long Term Rating Downgraded to 'BBB+' from 'A', Outlook changed to Stable from Negative. Short Term Rating Downgraded to 'F2' from 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	National Westminster Bank Plc	UK	Long Term Rating Downgraded to 'BBB+' from 'A', Outlook changed to Stable from Negative. Short Term Rating Downgraded to 'F2' from 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	The Royal Bank of Scotland Plc	UK	Long Term Rating Downgraded to 'BBB+' from 'A', Outlook changed to Stable from Negative. Short Term Rating Downgraded to 'F2' from 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1346	Ulster Bank Ltd	UK	Long Term Rating Downgraded to 'BBB+' from 'A-', Outlook changed to Stable from Negative. Short Term Rating Downgraded to 'F2' from 'F1'. Support Rating Downgraded to '2' from '1'.
20/05/2015	1347	Bank of New York Mellon (International) Ltd	UK	Long Term Rating Affirmed at 'AA-', Outlook changed to Positive from Stable. Short Term Rating 'F1+'. Support Rating Affirmed at '1'.
20/05/2015	1347	Citibank International Plc	UK	Long Term Rating Affirmed at 'A', Outlook changed to Positive from Stable. Short Term Rating Affirmed at 'F1'. Support Rating Affirmed at '1'.
20/05/2015	1347	Goldman Sachs International	UK	Long Term Rating Affirmed at 'A', Outlook changed to Positive from Stable. Short Term Rating Affirmed at 'F1'.
20/05/2015	1347	Goldman Sachs International Bank	UK	Long Term Rating Affirmed at 'A', Outlook changed to Positive from Stable. Short Term Rating Affirmed at 'F1'.
20/05/2015	1347	MBNA Europe Bank	UK	Long Term Rating Affirmed at 'A-', Outlook changed to Stable from Negative. Short Term Rating Affirmed at 'F1'. Support Rating Affirmed at '1'.
20/05/2015	1347	Merrill Lynch International	UK	Long Term Rating Affirmed at 'A', Outlook changed to Positive from Negative. Short Term Rating Affirmed at 'F1'. Support Rating Affirmed at '1'.
20/05/2015	1348	Bank of America, N.A.	USA	Long Term Rating Upgraded to 'A+' from 'A', Outlook changed to Stable from Negative. Short Term Rating Affirmed at 'F1+'. Support Rating Downgraded to '5' from '1'.

West Lindsey District Council

Monthly Credit Rating Changes

FITCH

Date	Update Number	Institution	Country	Rating Action
20/05/2015	1348	Bank of New York Mellon, The	USA	Long Term Rating Upgraded to 'AA' from 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1348	Citibank, N.A.	USA	Long Term Rating Upgraded to 'A+' from 'A', Stable Outlook. Short Term Rating Affirmed at 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1348	JPMorgan Chase Bank NA	USA	Long Term Rating Upgraded to 'AA-' from 'A+', Stable Outlook. Short Term Rating Upgraded to 'F1+' from 'F1'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1348	State Street Bank and Trust Company	USA	Long Term Rating Upgraded to 'AA' from 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1348	Wells Fargo Bank NA	USA	Long Term Rating Upgraded to 'AA' from 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '5' from '1'.
20/05/2015	1349	Bank of Montreal	Canada	Long Term Rating 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '2' From '1'.
20/05/2015	1349	Bank of Nova Scotia	Canada	Long Term Rating 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '2' From '1'.
20/05/2015	1349	Canadian Imperial Bank of Commerce	Canada	Long Term Rating 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '2' From '1'.
20/05/2015	1349	National Bank of Canada	Canada	Long Term Rating 'A+', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '2' From '1'
20/05/2015	1349	Royal Bank of Canada	Canada	Long Term Rating 'AA', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '2' From '1'.
20/05/2015	1349	Toronto Dominion	Canada	Long Term Rating 'AA-', Stable Outlook. Short Term Rating 'F1+'. Support Rating Downgraded to '2' From '1'.

West Lindsey District Council

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
08/05/2015	1341	Close Brothers Ltd	UK	Long Term Rating Upgraded to 'Aa3' from 'A3', removed from Positive Watch and placed on Stable Outlook. Short Term Rating upgraded to 'P-1' from 'P-2', removed from Positive Watch
12/05/2015	1343	Standard Chartered Bank	UK	Long Term Rating Upgraded to 'Aa2' from 'A1', removed from Positive Watch and placed on Negative Outlook. Short Term Rating Affirmed at 'P-1'.
15/05/2015	1345	Bank of New York Mellon, The	USA	Long Term Rating Upgraded to 'Aa1' from 'Aa2', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
15/05/2015	1345	BOKF, NA	USA	Long Term Rating Upgraded to 'Aa2' from 'A1', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
15/05/2015	1345	HSBC Bank USA	USA	Long Term Rating Upgraded to 'Aa2' from 'A1', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
15/05/2015	1345	Northern Trust Company	USA	Long Term Rating Upgraded to 'Aa2' from 'A1', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
15/05/2015	1345	Silicon Valley Bank	USA	Long Term Rating Upgraded to 'Aa3' from 'A2', removed from Positive Watch and placed on Stable Outlook. Short Term Rating affirmed at 'P-1'.
15/05/2015	1345	State Street Bank and Trust Company	USA	Long Term Rating Upgraded to 'Aa2' from 'Aa3', removed from Positive Watch and placed on Stable Outlook. Short Term Rating affirmed at 'P-1'.
15/05/2015	1345	Wells Fargo Bank NA	USA	Long Term Rating Upgraded to 'Aa1' from 'Aa3' removed from Positive Watch and placed on Stable Outlook. Short Term Rating affirmed at 'P-1'.
29/05/2015	1352	Citibank International Plc	U.K	Long Term Rating Upgraded to 'A1' from 'A2', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
29/05/2015	1352	Goldman Sachs International	U.K	Long Term Rating Upgraded to 'A1' from 'A2', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
29/05/2015	1352	Goldman Sachs International Bank	U.K	Long Term Rating Upgraded to 'A1' from 'A2', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
29/05/2015	1352	HSBC Bank plc	U.K	Long Term Rating Upgraded to 'Aa2' from 'Aa3', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
29/05/2015	1352	Morgan Stanley & Co. International plc	U.K	Long Term Rating Upgraded to 'A1' from 'A3', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Upgraded to 'P-1' from 'P-2', removed from Positive Watch.
29/05/2015	1352	Royal Bank of Scotland Group plc	U.K	Long Term Rating Downgraded to 'Ba1' from 'Baa2', removed from Negative Watch and placed on Stable Outlook. Short Term Rating Downgraded to 'NP' from 'P-2', removed from Negative Watch.
29/05/2015	1352	National Westminster Bank Plc	U.K	Long Term Rating Upgraded to 'A3' from 'Baa1', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-2'.
29/05/2015	1352	The Royal Bank of Scotland Plc	U.K	Long Term Rating Upgraded to 'A3' from 'Baa1', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-2'.
29/05/2015	1353	Bank of America, N.A.	USA	Long Term Rating Upgraded to 'A1' from 'A2', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
29/05/2015	1353	Citibank, N.A.	USA	Long Term Rating Upgraded to 'A1' from 'A2', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
29/05/2015	1353	JPMorgan Chase Bank NA	USA	Long Term Rating Upgraded to 'Aa2' from 'Aa3', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.

West Lindsey District Council

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
29/05/2015	1354	BNP Paribas	France	Long Term Rating Affirmed at 'A1', Outlook changed to Stable from Negative. Short Term Rating Affirmed at 'P-1'.
29/05/2015	1354	Deutsche Bank AG	Germany	Long Term Rating Affirmed at 'A3', Outlook changed to Positive from Stable. Short Term Rating Affirmed at 'P-2'.
29/05/2015	1354	Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	Netherlands	Long Term Rating 'Aa2', removed from Evolving Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.
29/05/2015	1354	ING Bank NV	Netherlands	Long Term Rating to 'A1' from 'A2', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'
29/05/2015	1355	Credit Suisse AG	Switzerland	Long Term Rating Upgraded to 'Aa3' from 'A1', removed from Positive Watch and placed on Negative Outlook. Short Term Rating Affirmed at 'P-1'.
29/05/2015	1355	UBS AG	Switzerland	Long Term Rating Upgraded to 'A1' from 'A2', removed from Positive Watch and placed on Stable Outlook. Short Term Rating Affirmed at 'P-1'.



PRCC.09 15/16

**Prosperous Communities
Committee**

Date: 22 July 2015

C

Economic Growth – A Partnership Approach

Report by:

Chief Executive

Contact Officer:

Manjeet Gill
Chief Executive
01427 676500
manjeet.gill@west-lindsey.gov.uk

Purpose / Summary:

This report outlines the national and local agendas including devolution and proposes partnerships arrangements to support the delivery of the West Lindsey Economic Development Strategy and the growth of Gainsborough.

The report also proposes that the Council invests in the 'place marketing' of Gainsborough to help attract investment to the town and the wider district.

RECOMMENDATIONS:

- (1) Members agree to the establishment of partnerships outlined in Appendix 1 to deliver on priorities such as agri food, skills, Gainsborough Housing Zone, A15 Hemswell corridor.**
- (2) Members approve the principles for business led and partnership led approaches to successful delivery on growth outcomes.**
- (3) Members support the development of a West Lindsey marketing strategy starting with work on Gainsborough to accelerate housing growth and supplement the housing zone programme.**
- (4) Members approve exploration of how we can work more formally with the Humber LEP.**
- (5) Members approve a councillor workshop on Devolution on the opportunities.**
- (6) that Corporate Policy and Resources Committee be RECOMMENDED to approve £300,000 from the Economic Development – Investment for Growth Reserve for the investment projects outlined in Section 4.8.**
- (7) that Corporate Policy and Resources Committee also RECOMMENDED to give delegated powers to Prosperous Communities Committee to manage and monitor the £300k budget and delivery of the programme (subject to changes in Constitution at Council on 27th July 2015).**

IMPLICATIONS

Legal:

The Local Government Act 2000 and the subsequent Local Government and Involvement in Public Health Act (2007) gave local authorities the power to promote or improve the economic, social or environmental wellbeing of their area.

Financial: FIN/44/16

It is anticipated that the proposed '*West Lindsey Economic Growth Partnership*' will be supported through existing partnership resources and officer time. Any specific initiatives that require additional Council resources and are not already budgeted for will require the approval of the Corporate Policy and Resources Committee.

The Council has secured external funding for development of the Housing Zone and the Agri Food LDO along the A15 corridor.

It is recommended that Committee make a request to Corporate Policy and Resources Committee to allocate £300,000 for this investment to support delivery of the programme which will include match funding that of external funding and investment by partners. This budget will be financed from the Economic Development, Investment for Growth Reserve. In addition a further request that this this budget be delegated to the Prosperous Communities Committee. (Subject to the approval of changes to the Constitution by the Council on 27th July 2015)

Staffing :

There are no direct staffing implications arising from this report. It is proposed that the partnership arrangements be supported with existing staff resources and those of partners.

Equality and Diversity including Human Rights :

This report has no direct equality and diversity implications.

Risk Assessment :

The aim of the proposed partnership arrangements is to provide a clear governance structure to oversee and drive both the economic and housing growth of the district and Gainsborough. In particular, the partnership arrangements are intended to help mitigate the following risks:

Failure to deliver the planned economic growth of the district – a partnership delivery plan is being developed to set out the responsibilities and actions of all partners to deliver the district's economic development strategy. Achieving the ambitions of the economic development strategy is not something that the council can do in isolation. It is imperative that it collaborates with the private sector, voluntary and community organisations, and other public sector bodies to achieve the goals. The proposed partnership arrangements will help the partnership approach and oversee the implementation of the delivery plan.

Failure to deliver the ambitions of the Greater Gainsborough Housing Zone and the wider housing growth within the district – Again, the proposed partnership arrangements are intended to help secure the commitment and involvement of all stakeholders who are critical to the successful delivery of the housing zone and housing development. A Housing Zone programme plan is being developed that the partnership will be responsible for overseeing. In addition, work of the Local Plan, and the 'Gainsborough chapter', complements the Housing Zone and the wider housing aspirations. It is also intended to develop a district-wide housing strategy that takes account of the market realities and opportunities as well as housing need across the district.

Private-sector led partnership develops an approach that is contrary to the aims and policies of the council – clear terms of reference will be developed for the partnership, including the principle of transparency and declaration of interests. All partners will be asked to commit to the aims and ethos of the proposed partnership, in summary, to work together constructively for the benefit of residents, businesses and to support the growth of West Lindsey. The proposed partnership arrangements complement the Council's own governance arrangements and have no decision-making responsibility for matters that are the responsibility of West Lindsey District Council.

Failure for the proposed partnership arrangements to be deemed adequate by Department of Communities and Local Government (DCLG) for overseeing the development and implementation of the 'Greater Gainsborough Housing Zone' - officers have worked closely with the Homes and Communities Agency (HCA), the administering body for Housing Zones, in the development of the proposed partnership arrangements. The HCA is supportive of the proposed Growth Partnership arrangements and, in particular, the involvement of the private sector.

Failure to secure the engagement and commitment of other partners – Given shrinking resources and competing priorities amongst all partners there is a real prospect that partners will prove unable to support the proposed partnership arrangements, or pay lip-service to them without taking responsibility for their part in delivering on the district's growth ambitions.

Risk Assessment Continued:

Considerable time has gone into meeting and discussing with partners both the principles and proposed arrangements for the Growth Partnership. All partners recognise the benefits of working together to achieve our shared objectives. The proposed partnership arrangements have been developed to take into account partner's resources and a streamlined structure is proposed with the aim of retaining partner commitment.

Climate Related Risks and Opportunities :

There are no direct climate related risks arising from this report.

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

West Lindsey Economic Development Strategy 2014
Gainsborough Regained
Gainsborough Growth Point Programme 2007

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

x

No

1 National and Local Context

1.1 Since 2010, the abolition of regional government has meant the responsibility for strategic growth and development has been redefined over the last five years. The establishment of Local Enterprise Partnerships (LEPs) has seen the Greater Lincolnshire Local Enterprise Partnership (GLLEP) established and receiving responsibility for over £100 million of Government and European funds for growth and development.

1.2 The GLLEP has been establishing its new responsibilities and over the last six months are working closely with Districts with new arrangements such as District Leaders meeting regularly with the Chair of GLLEP, and District Chief Executives responsible for sponsoring co-ordination of District/County work in thematic areas such as Tourism, Skills and Housing.

The Council locally has appointed a new Strategic Lead for Economic Development & Neighbourhoods to build relationships with partners outside the District and align delivery of the Council's economic priorities to GLLEP strategies and funding.

1.3 The other area that has particularly developed over the last three years is the devolution agenda, starting with the major cities, Government agreed 'City Deals' where funding was devolved for areas such as skills, giving local government and LEPs more control over what were previously decisions made at a national level.

1.4 This has evolved into devolution deals where the most ambitious and notable deal is the Greater Manchester authorities securing funding for local government, health, crime and transport. Other areas of the country have followed suit with Nottinghamshire, Derbyshire, Hampshire, Cambridgeshire, Gloucestershire some of the County, Districts and unitary councils providing collective leadership to prepare devolution deals in areas such as those secured by Greater Manchester.

1.5 The Leader of Lincolnshire, including the two unitary councils on the South Humber (who are members of the GLLEP) have met and tasked their Chief Executive to prepare options for consideration. The County Council have also funded work to analyse what could be devolved and have announced that they would not pursue a Unitary Council model, but a model that meets central government requests, which is a collective leadership and ambition.

1.6 The Leaders of Lincolnshire's County and Districts Councils, including the three Unitary Councils. At this stage it is advised that Council through its political leadership, members and officers focus on establishing what is needed to be evolved that would benefit Greater Lincolnshire's residents and businesses. Building a collective voice and relationship across all councils is deemed crucial and stressed so

by Government Ministers. The Ministers and Government will be testing that all Leaders at a local level are proactively working with each other and have a relationship of trust as they feel any devolution must be based on collective ambitions therefore until we have this ambition it will not be clear precisely what the Government mechanism will be, for example a combined authority for Greater Lincolnshire. What has been stressed by the County Council earlier this month is that “Unitary Councils are off the table” this is in recognition by the County, Districts and Unitaries that they need to work in collaboration and state what are the priorities for the area.

2 Proposals for Growth Delivery

- 2.1 The Council has long held ambitions to grow both the economy and population of the district, and Gainsborough as its principal town. The sustainability of the District, especially as its population ages needs a more diverse mix of employment and adults of employment age in the long term. The District especially Gainsborough and the market towns need to attract more families and young people who chose to live and work in the District.
- 2.2 It is recognised that due to the district’s sparse population it is difficult to attract certain investment and services, hence the desire to increase the number of households. Conversely, without a large pool of skilled workers it can be difficult to attract and support the growth of new and indigenous businesses. For this reason, the Council has led the development of a series of complementary strategic plans intended to drive both the economic and housing growth of the district. These included the Gainsborough Growth Point programme, Gainsborough Regained (a masterplan for the town centre) and its subsequent refresh (investingainsborough.co.uk).
- 2.3 More recently, in 2014 the Council adopted an economic growth strategy for the district that sets out a 20 year vision for West Lindsey as a resilient and diverse area which has embraced sustainable growth whilst retaining its quality, heritage and character for the benefit of all. As part of this strategy the Council is currently promoting a number of key regeneration and development initiatives including:-
 - i) A15 Growth Corridor, Agri-Food Zone and LDO
 - ii) South West Ward and Selective Licensing
 - iii) Hemswell Strategic Development Area
 - iv) West Lindsey Skills Board
 - v) Gainsborough Town Centre Investment Framework
 - vi) Gainsborough Housing Zone and Sustainable Urban Extensions

What is now critical is to put in place the appropriate arrangements to deliver on these strategic ambitions. Whilst the Council has the power to promote the social, economic and environmental wellbeing of its area

and is leading on the development of the Central Lincolnshire Local Plan, it will be unable to achieve this in isolation.

2.4 It is important to harness the expertise, commitment and resources of partners from the public, private and voluntary sectors to really focus on the delivery of West Lindsey's economic development and housing plans. As a result, it is proposed to establish a West Lindsey Growth Partnership. This partnership would work closely with the Humber LEP and Greater Lincolnshire Local Enterprise Partnership and engage with the wider business community and wider interest group through a new district wide stakeholder forum. The proposed Growth Partnership will have two main responsibilities:

- i) To drive the delivery of the district's economic development strategy and support the growth of businesses within the area.
- ii) To drive and promote the growth and regeneration of Gainsborough, as a place, for the wider benefit of the district.

2.5 It is proposed that we explore more closer working with the Humber LEP. West Lindsey's relationship economically for its businesses and residents look as much to the Humber as it does to Lincoln, Sheffield/Doncaster region called the Sheffield City region we are already working closely with authorities who are members of the Sheffield City Regional Combined Authority, such as Bassetlaw and Doncaster more closer working with the Humber LEP would help to achieve an aim of the District benefiting from the Humber Growth and providing opportunities for the District.

3 The West Lindsey Growth Partnership – driving economic development within the district

3.1 The Council recognises that its economic growth strategy cannot be delivered by it alone. Therefore it is proposed to establish a strong partnership in order to achieve its economic vision, with the local authority adopting an enabling and facilitating role.

3.2 This approach has been further developed in the economic strategy's emerging delivery plan, which is founded on 5 basic mutually reinforcing principles. These are:-

- i) Partnership & Subsidiarity – where the partner best placed to lead and deliver given actions should be the one to do so.
- ii) Private Sector Focused and Commercial Driven – recognising that the private sector is where economic growth will actually take place.
- iii) Evidence based Smart Specialisation – with the District focusing on exploiting its demonstrable strengths and comparative advantages.
- iv) Sustainable, Adaptive & Responsive – to changing circumstances and emerging opportunities
- v) Deliverability – actions need to be deliverable in practice and closely monitored accordingly.

- 3.3 Following these principles economic delivery action plans will be based on themes such as agri-food, skills and housing.
- 3.5 Crucially, and in line with the stated principles of the Delivery Plan, there is an explicit understanding that, in order to achieve real sustainable economic growth for West Lindsey, each action plan requires a dedicated thematic Delivery Board, which needs to be ideally private sector led. This means a predominance of private sector representation, chaired by an independent strategic champion, and supported and facilitated by West Lindsey District Council.
- 3.6 The Thematic Delivery Board will, via the Chair, report progress with regard to the delivery of its respective Action Plan to the new West Lindsey Economic Growth Partnership which will be responsible for overseeing the effective integration, implementation and performance of the Delivery Plan as a whole.
- 3.7 In line with the principles and practice of both the thematic Delivery Groups and Greater Lincolnshire Local Enterprise Partnership (GLLEP), it is envisaged that the West Lindsey Economic Growth Partnership will have a suitability skilled and experienced chair and be made up of individuals capable of driving forward the district's ambitious economic growth plans.
- 3.8 The Chair will convene the designated strategic lead for each theme. Together with the Elected Member Lead for Economic Development and Chief Executive of West Lindsey District Council, plus representatives from other strategic partners, (e.g. the Department of Business, Innovation & Skills, DEFRA, the Homes & Communities Agency, Greater Lincolnshire LEP, and Lincolnshire County Council). The Partnership will drive and steer the District's growth priorities.

4 The West Lindsey Growth Partnership – driving the growth and regeneration of Gainsborough

- 4.1 The growth of Gainsborough, and delivery of the Housing Zone and Sustainable Urban Extension, will be dependent on the economic opportunities within the wider district and surrounding areas (including neighbouring locations such as the 'South Humber Bank', Doncaster/Sheffield city-region, North Nottinghamshire and Central Lincolnshire. Likewise, Gainsborough's success should also benefit the wider district. As a result, it is proposed that the West Lindsey Growth Partnership takes responsibility for overseeing the development of Gainsborough as a place.
- 4.2 It is proposed that the strategic board of the West Lindsey Growth Partnership will oversee and drive the following four programmes of work relating to Gainsborough:
- i) 'Greater Gainsborough Housing Zone'
 - ii) Gainsborough town centre investment framework

- iii) South West Ward Regeneration programme
- iv) Infrastructure and connectivity

- 4.3. All the above programmes are likely to have operational project teams supporting their development and implementation. These are in place or being developed for the work areas i)-iii). The infrastructure and connectivity theme is yet to be scoped and is likely to flow from the town centre regeneration and housing zone work.
- 4.4 Appendix 1 illustrates how the work programmes relate to the strategic board of the West Lindsey Growth Partnership and the wider stakeholders within Gainsborough.
- 4.5 Linked to delivering the growth ambitions of the district is the need to clearly reposition Gainsborough, its opportunities and its growth potential.
- 4.6 Within 60 minutes' drive-time of Gainsborough is a population of 2.5 million together with a diverse and dynamic economy base. It is important that we are able to clearly tell the story of Gainsborough and the wider district to those who we wish to attract to live, work or invest (including the Greater Lincolnshire Local Enterprise Partnership) in the district.
- 4.7 Good progress has been made with partners in developing their understanding about the opportunities within Gainsborough and West Lindsey and the Greater Gainsborough Housing Zone has helped put the place on the national radar. It is proposed that we build on this momentum and develop a clear marketing strategy for the area.
- 4.8 Over £160,000 funding has been secured nationally and partners have contributed resources, including officer time. Specific funding will be needed for the marketing and regeneration and match funding, particularly for the Town Centre and South West Ward. It is proposed that £300,000 is allocated from the Economic Development – Investment for Growth Reserve, for this purpose. Committee is recommended to request the budget provision of £300k be delegated by the Corporate Policy and Resources Committee to this Committee who will approve the funds more specifically to deliver the programme outcomes.

5. Next Steps

- 5.1 If the proposal to establish the West Lindsey Growth Partnership is approved then the next steps will be to recruit an independent and suitably experienced Chair, as well as other board members. It is anticipated that an inaugural meeting could be held in late September/early October.

6. Conclusions

- 6.1 It is recommended that the District puts in place partnership arrangements that will help deliver on its ambitious economic and housing growth ambitions. It is timely to do this now to enable the district to capitalise on the current upturn in the economy and the increasing market interest in the District in general and Gainsborough in particular.

Appendix

Appendix 1

Economic Growth and Place Making Governance Structure

