



**Corporate Policy and Resources  
Committee**

**25 July 2019**

**Subject: Revenue and Capital Budget and Treasury Management  
Monitoring – Period 1 2019/20**

Report by:

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Purpose / Summary:

This report sets out the revenue, capital and treasury management activity from 1 April 2019 to 31 May 2019.

**RECOMMENDATION(S):**

- a) That Members accept the forecast out-turn position of a £379k net contribution to reserves as at 31 May 2019, as at section 2.
- b) Members accept the use of Earmarked Reserves during the quarter approved by the Executive Director of Resources using Delegated powers (2.5.1)
- c) Members approve the introduction of new fees and charges for Street Naming and Numbering, as detailed in 2.4.3.
- d) Members approve the use of General Fund Balances of £16.5k for the High Street Community Clean Up, as detailed in 2.10;

- e) Members approve the Capital Budget amendments as detailed in 3.2.1 and accept the current projected Capital outturn as detailed in 3.1.1.
- f) That Members accept the Treasury Management and Prudential Indicators to 31 May 2019

## IMPLICATIONS

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

### Financial: FIN/16/20/SL

The draft revenue forecast out-turn position for 2019/2020 is currently reflecting a net contribution to reserves of £379k as at 31 May 2019.

This is after taking account of an approved carry forward of £19k, detailed at Appendix A.

Summary of Out-turn Position 2019/20		
	£ 000	
FORECAST OUTTURN AS AT 31.05.19	(398)	BEFORE CARRY FORWARDS
<b>CARRY FORWARDS:</b>		
BASE BUDGET-APPROVED IN YEAR	19	ALREADY APPROVED
<b>NET CONTRIBUTION TO RESERVES:</b>	<b>(379)</b>	
TO VALUATION VOLATILITY RESERVE	361	
<b>NET CONTRIBUTION TO GENERAL FUND BALANCES</b>	<b>(18)</b>	

The items with significant variances are contained within this report at 2.1.

The capital out-turn position for 2019/20 is £31.813m. Removal of £0.25m for the Gainsborough Marina is requested for approval, along with capital scheme amendments as detailed in 3.2.1.

The Treasury Management activities during the reporting period are disclosed in the body of this report. In April 2019 the Council borrowed £2.5m for 45 years from the PWLB at an interest rate of 2.4%. In May a further £3.0m was borrowed for 8 years from the PWLB at an interest rate of 1.62% taking our external borrowing level to £16.5m. We are forecasting a £361k underspend on the cost of borrowing due to the use of internal cash balances for Treasury Management purposes.

There have been no breaches of Treasury or Prudential Indicators within the period of this report. Average investments for the period (Apr-May) was £16.612m which achieved an average rate of interest of 1.663% in Period 1 (1.592% Jan-Mar).

**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**

## 1. Executive Summary

This report provides the oversight of financial performance for;

- Revenue Forecast Out-Turn - Surplus £379k (2.56% of Forecast Net Revenue Expenditure)
- Capital Forecast Out-Turn - £31.813m (Budget £32.063m)
- Treasury Management Report and Q1 monitoring
  - Average investment interest rate 1.663%
  - Total Investments at end Q1 £16.5m
  - New PWLB borrowing £2.5m @ 2.4% over 45 years
  - New PWLB borrowing £3.0m @ 1.62% over 8 years

The tables below reflect investment movements and prudential borrowing analysis;

	Q1
Investment Movements	£'000
Investments B/fwd (at 31.3.2019 incl. bank)	14,265
Less Capital expenditure	(1,423)
Add PWLB Borrowing in year	5,500
Less Net Revenue Expenditure	(3,261)
Add Net Collection Fund Movement (Council)	5,575
Add Working Capital Movement	3,063
<b>Investments c/fwd (at 30.5.2019 incl. bank)</b>	<b>23,719</b>

Our prudential borrowing position reflects actual borrowing undertaken from the Public Works Loans Board and the amount of internal borrowing required to meet the actual costs of borrowing up to the 31.5.2019;

	Q1
Prudential Borrowing at 31.5.2019	£'000
Total External Borrowing (PWLB)	16,500
Internal Borrowing	7,889
<b>Total Prudential Borrowing at year end</b>	<b>24,389</b>

## REVENUE BUDGET MONITORING PERIOD 1 (Forecast outturn for 2019/2020)

2. The Revenue Budget forecast outturn currently stands at a net contribution to reserves of £379k as detailed in the table below, this is after taking account of £19k of budget carry forwards, the details of which are provided at Appendix A.

SERVICE CLUSTER	2019/20		
	Budget £	Forecast Outturn £	Forecast Outturn Variance £
Our People	4,988,600	4,926,534	(62,066)
Our Place	1,130,200	1,239,300	109,100
Our Council	5,711,900	5,447,848	(264,052)
<b>Controllable Total</b>	<b>11,830,700</b>	<b>11,613,682</b>	<b>(217,018)</b>
<b>Corporate Accounting:</b>			
Interest Receivable	(242,100)	(242,100)	0
Interest Payable	773,900	412,787	(361,113)
Investment Income	(1,095,100)	(1,095,100)	0
Precepts and Levies	2,379,200	2,383,054	3,854
<b>Movement in Reserves:</b>			
To / (From) General Fund	(800,300)	(800,300)	0
Use of Specific Reserves	2,855,500	2,853,200	(2,300)
Contribution to Specific Reserves	2,560,800	2,760,800	200,000
Repayment of Borrowing	10,000	10,000	0
<b>Net Revenue Expenditure</b>	<b>18,272,600</b>	<b>17,896,023</b>	<b>(376,577)</b>
Funding Total	(14,800,100)	(14,802,207)	(2,107)
<b>NET SUBSIDY FROM / (CONTRIBUTION) TO RESERVES FOR THE YEAR</b>	<b>3,472,500</b>	<b>3,093,816</b>	<b>(378,684)</b>
(Surplus)-to Valuation Volatility Reserve			361,100
<b>Forecast (Surplus)/Deficit-to General Fund</b>			<b>(17,584)</b>

Details of headline variances by Cluster can be found below at 2.1.

2.1 The significant movements being;

Cluster	EXPENDITURE	Total £000	Direction of Travel
	<b>BUDGET UNDERSPENDS</b>		
	Salary savings.	(£26)	new
Interest & Investment Income	Treasury management activities.	(£361)	new
	<b>PRESSURES</b>		
	Various forecast outturn variances <£10k	£41	new
		<b>(£346)</b>	

Cluster	INCOME	Total £000	Direction of Travel
	<b>BUDGETED INCOME EXCEEDED</b>		
Our People	Green Waste service income target exceeded.	(£69)	new
Our People	Housing Benefits - forecast net subsidy position.	(£14)	new
Our People	Trade Waste income - additional contract secured (£20k) plus increase in customer base.	(£46)	new
	<b>BUDGETED INCOME NOT ACHIEVED</b>		
Our Place	Impact of property not leased out until 15 July 19 at reduced rate - total pressure £73k (loss of rental income-£56k, plus NNDR-£17k). Balance of £23k due to loss of rental income resulting from voids and unexpected repairs and maintenance costs.	£96	new
		<b>(£33)</b>	

<b>TOTAL VARIANCE</b>	<b>(£379)</b>
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## **2.2 Significant items (>£10k) of note by Cluster:**

### **2.2.1 Interest & Investment Income**

£361k of the forecast contribution relates to interest payable on borrowing. We provide a base budget based on the capital financing of schemes from prudential borrowing and assume that this borrowing will be from the Public Works Loans Board. This ensures we have a sustainable base budget which provides for future interest and minimum revenue provision costs.

In reality we manage our actual borrowing through our Treasury Management function, utilising any surplus cash balances as internal borrowing, rather than taking on costly additional debt.

This committee have previously approved that any net surplus be set aside at the year end to the Valuation Risk Reserve should it be required to meet the policy requirement of a minimum 5% of our investment portfolio purchase price.

Approval to spend up to £30m on investment property (with £7m budgeted this financial year which was carried forward from 2018/19). The 2019/20 base budget assumed a net contribution of £563k in 2019/20 raising to £728k by 2020/21.

The Council continues to assess its options with regards to purchasing commercial investment properties and is in the process of acquiring one further property, which if successful, is due to complete during July and which would result in the budgeted targets being met.

### **2.2.2 Our People**

- The 2019/20 budget for Green Waste Charging reflects a net contribution of £752k. With actual income at £886k from subscriptions achieved during this period the forecast net contribution is £821k, £69k above the prudent original forecast. (£69k additional income).
- Trade waste is reporting a £46k increase in income. This reflects an additional contract secured for the year, plus an increase in customer base.

### **2.2.3 Our Place**

- A tenancy of a vacant property has been secured, with effect from 15th July 2019. A reduced rent has been agreed for 2 years from this date, resulting in a forecast loss of rental income of £56k for the year, plus NNDR costs incurred by the Council up to the commencement of the lease of £17k.

### **2.2.4 Our Council**

- A Commercial Contingency budget of £200k was built into the 2019/20 base budget to mitigate a number of commercial risks, including investment

properties. If not required this Committee will be asked to approve the balance be transferred into reserves later in the year.

## 2.2.5 Establishment

Current vacancy levels after costs of interim staffing resources has achieved a £26k budget underspend this represents 0.23% of the overall employee budget. This is broken down by cluster as follows;

Cluster	Forecast Outturn £
Our People	36,000
Our Place	(400)
Our Council	(61,685)
<b>Grand Total</b>	<b>(26,085)</b>

## 2.3 Commercial Projects and Income Target

2.3.1 The Commercial Plan 2015/16 – 2019/20 was intended to be a proactive response in contributing to future financial sustainability. This was to be achieved through charging, trading and investment in order to reduce the net subsidy on services. A target contribution of £1m was set.

2.3.2 Progress against this target will deliver £1,700k of ongoing additional income which has been built into the Medium Term Financial Plan 2019/20-2023/24.

2.3.3 For 2019/20 the forecast net contribution totals £1,799k is detailed below;

- £563k Investment in Commercial Property (Target £600k by 2020/21)
- £172k Trade Waste Income
- £821k Green Waste
- £ 59k Pre-Application Planning Advice
- £ 13k Surestaff Lincs Ltd (Recruitment Agency)
- £ 37k Commercial Loan income
- £ 134k Leisure contract

## 2.4 Fees and Charges

2.4.1 £1,399k has been received in Fees and Charges up to the end of the period against a budget for the period of £1,327k, additional income to date of £72k. The significant variances are included in the table at 1.1.

2.4.2 The most significant areas of additional income being Garden Waste and Trade Waste (see 2.2.2).

### 2.4.3 Approval to Implement New Fees for Street Naming and Numbering

Formal approval is required for the introduction of new fees for Street



Naming and Numbering. By approving this change in year income will be maximized from future housing growth in the district.

It is anticipated, based on past experience, that these new charges could generate an additional £3.7k in year, and £6.5k per annum ongoing which will be built into the 2020/21 MTFP.

The details of charges are shown in the table below and the proposed fees for West Lindsey District Council have taken a mid-range figure from the other Councils' minimum and maximum fees.

All fees are outside the scope of VAT (0%).

Process	Minimum Fee	Maximum Fee	WL Fee
<b>EXISTING STREETS/PROPERTIES:</b>			
Renaming an existing property – proposed no change	£ 12.00	£ 80.00	£ 70.00
Renaming an existing street at resident request, per street	£ 25.00	£325.00	£250.00
Renumbering an existing street at resident request, per property	£ 10.00	£ 85.60	£ 50.00
<b>NEW DEVELOPMENTS/PROPERTIES:</b>			
Naming a new street	£ 79.00	£275.00	£100.00
Naming of additional streets on same applications	£ 30.00	£275.00	£ 30.00
Numbering new development (Plots 1-10), per plot	£ 25.00	£ 36.00	£ 30.00
Numbering new development (Plots 11+), per plot	£ 10.50	£ 36.00	£ 20.00
Numbering a block of flats, per block	£110.00	£115.00	£100.00
Renumbering due to change in layout plan by developer, (Plots 1-10), per plot	£ 6.00	£ 65.00	£ 20.00
Renumbering due to change in layout plan by developer, (Plots 11+), per plot	£ 6.00	£ 65.00	£ 15.00

## 2.5 Use and Contribution to Reserves

### 2.5.1 2019/20 Use of Reserves – Delegated Decisions

The Executive Director of Resources has used delegated powers to approve the use of earmarked reserves up to £50k, new delegated decisions totalled £6.7k;

- £5.1k from Unapplied Grants (RE13). Cabinet Office Electoral Registration Grant received in 2017/18. To cover an 11 week agency post in Elections, to provide additional staffing resource. (FIN/VAC/29/20).
- £1.6k from Project Investment Reserve (RE78). To cover the revenue support and maintenance cost of the Civica Icon 3D Secure Upgrade for 19/20 only. Remaining 2 years of contract to be built into the MTFP. (FIN/37/20 MT 10.06.19).

## 2.6 Grants

As at 1st April 2019 we had an amount of £521k relating to grants received which had yet to be expended. Budget provision will be created throughout the financial year as required to deliver projects in accordance with grant terms.

### 2.6.1 Successful Grant Bids and New Grant determinations

The following grants have been awarded during this period:

Grant Issued By	Name of Grant	Revenue/ Capital	£
DWP	New Burdens	Revenue	31,000
DWP	New Burdens - UC	Revenue	30,042
DWP	Verifying Pensions and Pensions Alerts	Revenue	23,198
DWP	Mixed age couples software	Revenue	5,146
DWP	Data Sharing	Revenue	9,576
Office for Low Emission Vehicles (OLEV)	On-street Residential Chargepoint scheme	Revenue	5,490
GLLEP	LLEP Grant	Revenue & Capital	2,800,000
Heritage Lottery Fund	HLF - national lottery heritage fund	Revenue & Capital	1,200,000
DCLG	Future High Street Fund	Revenue & Capital	300,000
Arts Council	Art Councils (Mayflower)	Revenue	100,000
HCLG	EU Exit Preparation	Revenue	17,500
<b>TOTAL:</b>			<b>4,521,952</b>

## Other Items for information

### 2.7 Planning Appeals

In period 1 2019/20 there were 5 appeals determined, as follows;

Period	Number of Appeals	Allowed	Dismissed
April	2	1	1
May	3	2	1
<b>Total for Period 1</b>	<b>5</b>	<b>3</b>	<b>2</b>

There are no live applications for costs.

Two appeals had made cost applications against WLDC but were refused.

### 2.8 Aged Debt Summary – Sundry Debtors

#### Aged Debt Summary Period 1 Monitoring Report

At the end of May 2019 there was a total of £189k outstanding debt in the system over 90 days. The majority of this debt was over 150 days old and mainly comprised of:

Housing Benefits overpayments £69k the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.

Environmental Protection & Licensing £36k

Property Services £33k

Housing £22k

Month	90 – 119 days £	120 – 149 days £	150+ days £	Total £
April	619	13,997	185,047	199,663
May	13,566	1,371	174,136	189,073

## **2.9 CHANGES TO THE ORGANISATION STRUCTURE**

There have been the following changes to the organisation structure during period 1;

### **2.9.1 Communities Service Restructure**

- Full Time Community Support Officer
- Full Time Community Broadband Officer

The creation of a new Community Support Officer will provide additional administrative and project support capacity to community services and programmes. The role will increase service resilience and ability to meet customer needs.

The recruitment of an additional CCTV Operator is to ensure the service can meet basic level demand and provide resilience for staff leave.

### **2.9.2 Food Safety Resource**

- Full Time Environmental Health Officer

Following on from the 2018 Audit into the Food Safety work area a number of recommendations were made in order to address specific challenges that were faced. One of these challenges related to the resources available to complete the required number of food inspections, for which additional staff resources were required.

These resources were agreed at Management Team in February 2019 and a new officer is due to commence in post during July 2019.

### **2.10 High Street Community Clean-Up Grant**

DCLG issued A High Street Community Clean-Up Grant of £16,538 during March 2019 with a spending deadline of 31<sup>st</sup> March 2019.

In order to ensure we had the time to make plans for the most appropriate use of the funding and comply with our Procurement Policy we were unable to spend the grant prior to the year end, and the income was transferred to General Fund Balances.

During April and May 2019 Economic Regeneration has been working closely with Operational Services to identify the most appropriate spend for this funding in line with its objectives. We have now procured replacement bins for the high street, and a number of items that will benefit the residents of West Lindsey and those community groups that undertake litter picking and street clean up events.

The monitoring form detailing the application of the grant was submitted to the Ministry of Housing Communities and Local Government by the required deadline of 31<sup>st</sup> May 2019.

**Members are asked to approve the use of General Fund Balances of £16.5k for the High Street Community Clean Up planned spend.**

### 3.1 CAPITAL BUDGET MONITORING – Period 1

3.1.1 The Capital budget forecast out-turn for schemes approved for spend (includes Stage 3 and Business as Usual) totals £22.116m against a revised budget of £22.240m. Pipeline schemes (Pre Stage 1, Stage 1 and Stage 2) are expected to spend £9.696m (subject to formal approval). This gives an overall total spend of £31.812m as detailed in the table below:

Corporate Priority / Scheme	Actuals to 31/05/2019	Original Budget	Revised Budget 2019/20	Final Outturn 2019/20	Over / (Underspend)	Carry Forward Requests/ Drawbacks
	£	£	£	£	£	£
<b>Total Capital Programme Gross Expenditure - Stage 3 and BAU</b>	1,423,409	14,429,713	22,240,168	22,116,468	(123,700)	0
Stage 2	0	906,245	3,011,245	3,011,245	0	
Stage 1	0	6,361,160	6,811,160	6,684,860	(126,300)	
Pre-Stage 1	0	0	0	0	0	0
<b>Total Capital Programme Gross Expenditure</b>	1,423,409	21,697,118	32,062,573	31,812,573	(250,000)	0

3.1.2 There are no carry forward requests at this point.

3.1.3 There is a £250k reported underspend on the Gainsborough Marina Scheme (Stage1). This project is no longer viable and the budget is no longer required. New options are currently being explored which may result in a new capital bid in 2019/20.

3.1.4 The out-turn position for capital schemes is provided in the table below;

**Capital Investment Programme 2019/20**

Corporate Priority / Scheme	Actuals to 31/05/2019	Original Budget	Revised Budget 2019/20	Final Outturn 2019/20	Over / (Underspend)	Carry Forward Requests/ Drawbacks
	£	£	£	£	£	£
<b>Open for Business</b>						
Telephony	0	18,000	44,960	44,960	0	0
<b>People First</b>						
Disabled Facilities Grants	41,051	591,600	774,931	774,931	0	0
CCTV Expansion	2,200	0	27,265	27,265	0	0
<b>Asset Management</b>						
Assets	0	90,000	141,100	141,100	0	0
Carbon Efficiency Project	(5,633)	210,000	210,000	210,000	0	0
Commercial Investment - Crematorium	550,573	3,612,600	3,337,600	3,337,600	0	0
Car Park Strategy Investment	(13,500)	0	0	0	0	0
Leisure Facilities - Market Rasen	756,970	6,040,300	5,939,459	5,939,459	0	0
Portfolio	0	0	7,015,289	7,015,289	0	0
<b>Central Lincolnshire Local Plan</b>						
Saxilby Industrial Units	0	0	607,000	607,000	0	0
Unlocking Housing living over the shop	0	135,000	200,000	200,000	0	0
Gainsborough Regeneration Scheme	0	1,150,000	0	0	0	0
Viability Funding - Capital Grant	0	65,000	85,000	85,000	0	0
Rural Transport	0	0	278,610	278,610	0	0
Food Enterprise Zone	0	0	40,000	40,000	0	0
Private Sector Renewal	0	1,483,513	1,983,513	1,983,513	0	0
	37,800	475,000	588,547	588,547	0	0
<b>Excellent, VFM Services</b>						
Vehicle Replacement Programme	30,000	435,000	471,316	471,316	0	0
Control/Land Charges System	0	123,700	123,700	0	(123,700)	0
Desktop Refresh and experience	23,948	0	209,823	209,823	0	0
Commercial Loans	0	0	66,668	66,668	0	0
IT Infrastructure Refresh and Software Development	0	0	13,387	13,387	0	0
	0	0	82,000	82,000	0	0
<b>Total Capital Programme Gross Expenditure - Stage 3 and BAU</b>	<b>1,423,409</b>	<b>14,429,713</b>	<b>22,240,168</b>	<b>22,116,468</b>	<b>(123,700)</b>	<b>0</b>
<b>Stage 2</b>	<b>0</b>	<b>906,245</b>	<b>3,011,245</b>	<b>3,011,245</b>	<b>0</b>	
<b>Stage 1</b>	<b>0</b>	<b>6,361,160</b>	<b>6,811,160</b>	<b>6,684,860</b>	<b>(126,300)</b>	
<b>Pre-Stage 1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Capital Programme Gross Expenditure</b>	<b>1,423,409</b>	<b>21,697,118</b>	<b>32,062,573</b>	<b>31,812,573</b>	<b>(250,000)</b>	<b>0</b>

### 3.2 Capital Programme Update 2019/20

3.2.1 The report and financial position presented within this report assumes the following amendments to the capital programme, for which approval is requested at this committee:

- Trinity Arts Address System £0.035m, scheme approved to proceed in the quarter 4 report 2018/19, approval sought for financing from revenue contribution to capital. The scheme is ready to progress from Stage 2 to Stage 3 and approval is also sought to commence spend.
- 3D Secure Payment Software £0.020m financed from the Project Investment Earmarked Reserve.
- Replacement Planning/Building Control System (Stage 3) – scheme is on

hold indefinitely. It is therefore proposed to close this scheme and move the budget of £0.124m for the replacement planning/building control system into the Customer First Programme (Stage 1) for the new CRM system.

- Channel Optimisation (Stage 1) – this scheme now forms part of the Customer First Programme and CRM system, it is therefore proposed to move the budget of £0.050m and close the Channel Optimisation Scheme.
- Remove the Gainsborough Marina Scheme for 2019/20 (£0.250m) and 2020/21 (£0.232m) as the project is no longer viable.
- Depot Review – increase budget from £3.7m to £4.0m and amend financing from £3.7m borrowing to £3.0m borrowing and £1.0m capital receipts. Report previously agreed at Corporate Policy and Resources Committee 13<sup>th</sup> June 2019 (FIN/32/20).
- IT Infrastructure Refresh and Software Licences £13k financed from the I.T Reserve – Transactions have been identified as revenue therefore we request to transfer the budget from the capital programme to the revenue cost centre. There will be no further capital expenditure this financial year and therefore the scheme will be closed.

### **3.3 Commercial Investment Properties 2019/20**

- 3.3.1 The Council continues to assess its options with regards to purchasing commercial investment properties and is in the process of acquiring one further property, which if successful, is due to complete during July.

### **3.4 Acquisitions, Disposal and Capital Receipts**

- 3.4.1 The Council has acquired land for Market Rasen Leisure Centre during Period 1.
- 3.4.2 There have been no asset disposals during Period 1.
- 3.4.3 Capital Receipts - The total value of capital receipts at the end of period 1 was £4.k due to loan repayments.

## 4. TREASURY MONITORING – PERIOD 1 (April - March)

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.

4.1 There have been no breaches of Prudential Indicators as detailed at 4.7 below.

4.2 Interest received has been in excess of the 7 day average libid (0.537%) with an average yield of 1.663% (including CCLA) and 0.807% (excluding CCLA)

### 4.3 Interest Rate Forecasts

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

Bank Rate													
	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%	1.75%
Capital Economics	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	-	-	-	-	-
5yr PWLB Rate													
	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	1.38%	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%	2.20%	2.30%	2.40%	2.50%	2.50%	2.60%
Capital Economics	1.38%	1.50%	1.60%	1.60%	1.70%	1.80%	2.00%	2.10%	-	-	-	-	-
10yr PWLB Rate													
	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	1.65%	2.10%	2.20%	2.30%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	1.65%	1.80%	1.80%	1.80%	2.00%	2.10%	2.20%	2.30%	-	-	-	-	-
25yr PWLB Rate													
	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	2.26%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
Capital Economics	2.26%	2.20%	2.20%	2.20%	2.40%	2.50%	2.60%	2.60%	-	-	-	-	-
50yr PWLB Rate													
	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	2.12%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%
Capital Economics	2.12%	2.20%	2.20%	2.20%	2.40%	2.50%	2.60%	2.70%	-	-	-	-	-

### 4.4 Investment in Local Authority Property Fund (CCLA)

The total the Council has invested now stands at £3m [of an approved £4m]. Interest is receivable on a quarterly basis with Q1 due during July.

### 4.5 New External Borrowing

The Council has taken out two further loans in period 1:

- £2.5m on 24/04/2019 for 45 years at an interest rate of 2.40%
- £3.0m on 30/05/2019 for 8 years at an interest rate of 1.62%.

Total borrowing now stands at £16.5m.

### 4.6 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 31 May 2019

#### 4.7 Compliance with Treasury and Prudential Limits

It is 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 below.

<b>Treasury Indicator Forecasts</b>	<b>Original £'000</b>	<b>P1 £'000</b>
<b>Treasury Indicators</b>		
Authorised limit for external debt	48,519	48,519
Operational boundary for external debt	43,184	42,810
External Debt	33,863	30,292
Long term Leases	0	0
Investments	(9,527)	(9,258)
<b>Net Borrowing</b>	<b>24,336</b>	<b>21,034</b>
<b>Prudential Indicators</b>		
Capital Expenditure	21,698	32,062
Capital Financing Requirement (CFR)*	43,184	42,810
Annual change in CFR*	13,672	18,367
In year borrowing requirement	33,863	30,292
Under/(over)borrowing	9,321	12,518
Ratio of financing costs to net revenue stream*	4.00%	1.69%
<b>Incremental impact of capital investment decisions:</b>		
Increase/Reduction (-) in Council Tax (band change per annum)	(£0.31)	(£3.30)

4.8 The Monthly Investment Review report for May is attached below;





# West Lindsey District Council

## Monthly Investment Analysis Review

May 2019

### General Economy

May's economic data began with April's Manufacturing Purchasing Managers Index (PMI), coming in slightly lower at 53.1 from the previously recorded figure of 55.1; this was broadly in line with forecasts as stockpiling that occurred before the potential Brexit date has subsequently slowed. However, Construction PMI moved out of contraction territory (ie a reading below 50) to a 3 month high of 50.5. The return to expansion was thanks to a pickup in housebuilding. To round the PMI figures off, Services also rose out of contraction territory, rising from 48.9 to 50.4 in April. Despite the overall improvement, underlying data within the survey showed new orders contracted for a fourth month in a row, the longest such run since the global financial crisis. Combined, the surveys left the Composite figure at 50.9, indicative of modest economic growth in the early stages of the second quarter.

The Bank of England's Monetary Policy Committee (MPC) voted unanimously to keep interest rates on hold at 0.75% in May. Despite this, Governor Mark Carney did use his press conference to warn that markets were underestimating the speed of potential hikes in the near future, but he also warned that Brexit uncertainty was still weighing on business investment.

The UK's trade deficit fell in March, from an upwardly revised £6.22bn to £5.41bn. Exports rose 2.7% m/m to £54.57bn while imports grew at a slower pace, rising 1.1% to £59.97bn. Meanwhile, Britain's economy registered a sharp boost in the first three months of 2019, rising at a quarterly rate of 0.5% in Q1, with y/y growth rising to 1.8%, up from 1.4% in the last 3 months of 2018 – this was the highest reading since Q3 2017. Part of this improvement was caused by manufacturers' stock building for a potential no-deal Brexit, which is expected to be reversed in Q2 and thus act as a drag.

The UK's labour market remains very tight, as the unemployment rate fell to 3.8% in the 3 months to March, from 3.9% previously, with the data release also showing that 99,000 more people gained employment. However, wage growth also fell slightly; average earnings "excluding bonuses" dropped from 3.4% to 3.3%, whilst the "including bonuses" figure showed a greater fall from 3.5% to 3.2%.

CPI inflation rose back above the Bank of England's 2% target in April, increasing from 1.9% y/y to 2.1%. The main reasons for this were cited as an increase in electricity and gas prices, whilst computer game and package holiday prices acted as a modest offset. The Core CPI figure (which strips out the more volatile components of inflation) remained at 1.8%, signalling that underlying inflationary pressures have not risen. The m/m CPI figure rose to 0.6% from 0.2% in the previous month.

British shoppers paused for breath in April after months of strong spending; retail sales remained flat in April m/m, and fell to 5.2% y/y from 6.7% in March. Consumer spending has generally been a bright spot for the UK economy, contrasting with falling investment by businesses. Surveys from the British Retail Consortium suggested that Britons spent more money in bars and restaurants at the expense of retailers last month.

May's Confederation for British Industry (CBI) and GfK surveys produced mixed results; the CBI's Distributive Trades Survey

(covering retailing) fell to -27 from a previous figure of +13, and its Industrial Trends survey also showed a drop, from -5 to -10. Contrasting these releases, the GfK Consumer Confidence reading showed a rise from -13 to -10, suggesting a rise in economic sentiment among consumers.

The government's public finances figures showed a deficit of £4.97bn in April, little different to £5bn in the same month last year, but the lowest April net borrowing figure since 2007. Excluding state-controlled banks, the deficit came in at £5.8bn, less than the £5.83bn a year earlier. The UK's government debt is £1.8trn as of the end of April, equivalent to 82.7% of GDP, a figure which has been falling over the last year.

In the USA, Nonfarm Payrolls came in at 263,000 in April, up from 189,000 in March and suggested lasting rigour in the US economy, combined with earnings remaining at 3.2% y/y and 0.2% m/m. The unemployment rate dropped to 3.6% to 3.8%, showing yet more tightening of the labour market. The second estimate of US GDP growth came in at 3.1%, above Q1's 2.2% figure, but slightly short of forecasts. Meanwhile, in the Eurozone, GDP growth remained at 1.2% in Q1, as the effects of the global slowdown, particularly in China, have taken hold. Unemployment fell to 7.6% from 7.7% last month, the lowest jobless rate since August 2008.

### Housing

According to Nationwide, house prices increased by 0.9% y/y in April, and 0.4% on the month, both figures coming in above estimates. Meanwhile, Halifax's 3-month y/y figure increased dramatically to 5% from 2.6% previously, above estimates of a 4.5% jump. On the month, they increased from a previously negative figure of -1.3%, to +1.1%, also above forecasts.

### Currency

Over the month of May, the pound eased against the dollar from \$1.312 to \$1.265. It was a similar story against the euro, beginning at €1.17 and ending at €1.133.

### Forecast

Link Asset Services currently forecast the next rate rise to come in Q1 2020, followed by further rises in Q3 2020, and reaching 1.75% by Q1 2022. This forecast is scheduled to be reviewed following the release of the Bank of England Quarterly Inflation Report in August. Capital Economics have cut back their forecasts, not predicting a rate rise until Q3 2020.

Bank Rate								
	Now	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Link Asset Services	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%
Capital Economics	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%

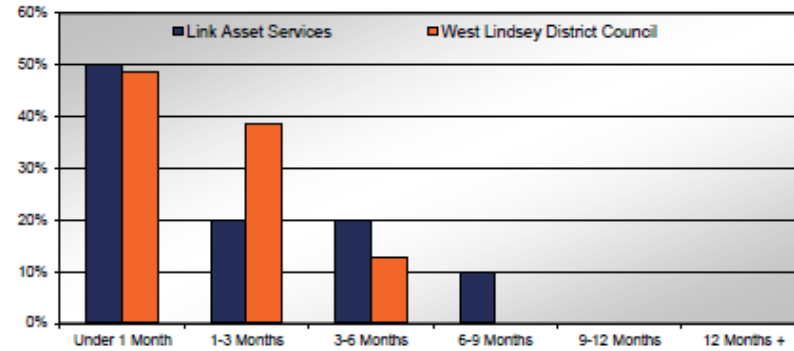
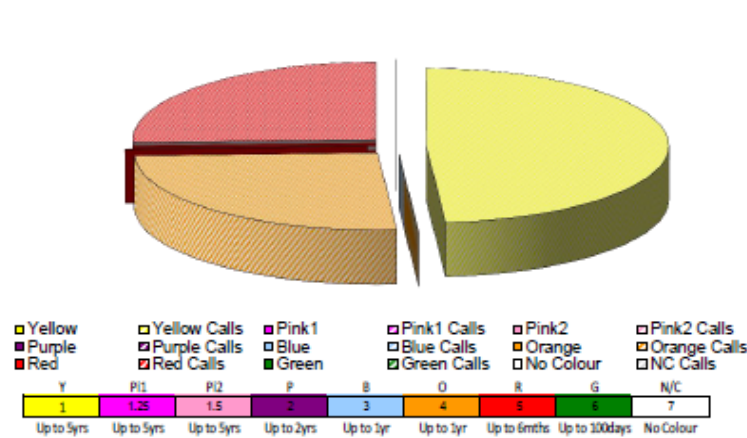
## West Lindsey District Council

### Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF CCLA	3,950,000	0.77%		MMF	AAA	0.000%
MMF LGIM	3,650,000	0.73%		MMF	AAA	0.000%
Lloyds Bank Plc (RFB)	4,000,000	0.80%		Call32	A+	0.005%
Santander UK Plc	2,000,000	0.75%		Call35	A	0.005%
Santander UK Plc	2,000,000	0.90%		Call95	A	0.014%
<b>Borrower - Funds</b>	<b>Principal (£)</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>		
CCLA Property Fund	3,000,000					
<b>Total Investments</b>	<b>£18,600,000</b>					
<b>Total Investments - excluding Funds</b>	<b>£15,600,000</b>	<b>0.78%</b>				<b>0.004%</b>
<b>Total Investments - Funds Only</b>	<b>£3,000,000</b>					

## West Lindsey District Council

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



Portfolios weighted average risk number = **2.79**

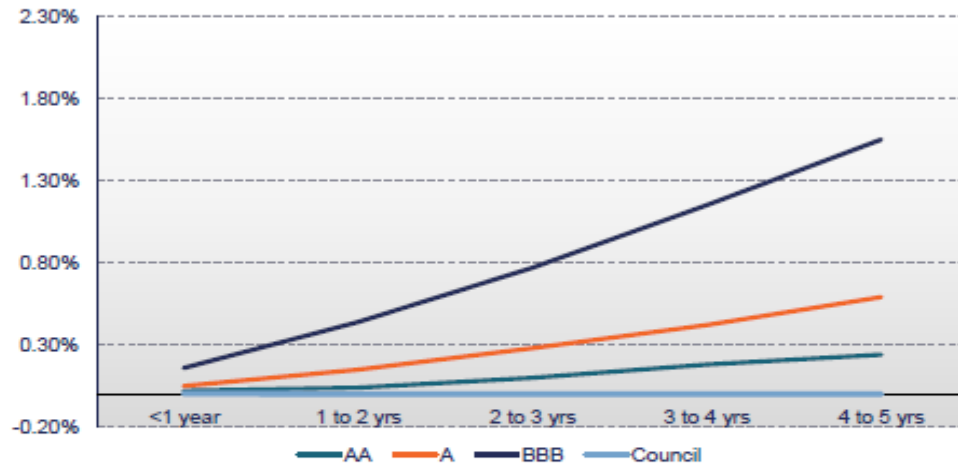
WARoR = Weighted Average Rate of Return  
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs	
									WAM	WAM at Execution
Yellow	48.72%	£7,600,000	100.00%	£7,600,000	48.72%	0.75%	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	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	25.64%	£4,000,000	100.00%	£4,000,000	25.64%	0.80%	32	32	0	0
Red	25.64%	£4,000,000	100.00%	£4,000,000	25.64%	0.83%	65	65	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>£15,600,000</b>	<b>100.00%</b>	<b>£15,600,000</b>	<b>100.00%</b>	<b>0.78%</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>0</b>

## West Lindsey District Council

### Investment Risk and Rating Exposure

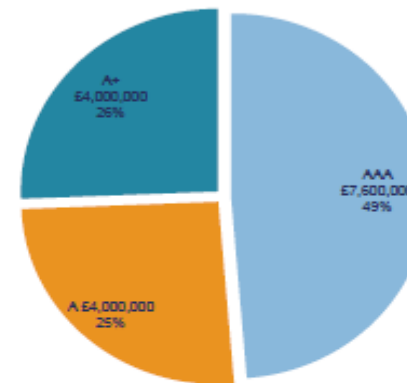
Investment Risk Vs. Rating Categories



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	0.02%	0.04%	0.10%	0.18%	0.24%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.18%	0.44%	0.77%	1.15%	1.55%
Council	0.004%	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
				No Rating Changes to Report.

## West Lindsey District Council

### Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
17/05/2019	1683	Barclays Bank Plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
17/05/2019	1683	Goldman Sachs International Bank	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.

## West Lindsey District Council

### Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
16/05/2019	1682	Natwest Markets Plc (NRFB)	United Kingdom	The Long Term Rating was upgraded to 'A-' from 'BBB+' and the Outlook on the Long Term Rating was changed to Stable from Positive.
16/05/2019	1682	National Westminster Bank Plc (RFB)	United Kingdom	The Long Term and Short Term Ratings were upgraded to 'A' from 'A-' and 'A-1' from 'A-2' respectively. At the same time, the Outlook on the Long Term Rating was changed to Stable from Positive.
16/05/2019	1682	The Royal Bank of Scotland Plc (RFB)	United Kingdom	The Long Term and Short Term Ratings were upgraded to 'A' from 'A-' and 'A-1' from 'A-2' respectively. At the same time, the Outlook on the Long Term Rating was changed to Stable from Positive.
21/05/2019	1684	Credit Suisse AG	Switzerland	The Long Term Rating was upgraded to 'A+' from 'A' and the Outlook on the Long Term Rating was changed to Stable from Positive.

## West Lindsey District Council

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