West Lindsey District Council	**Corporate Policy and Resources Committee**
	7 November 2019

Subject: Budget and Treasury Monitoring – Period 2 (Mid-Year Review) 2019/20

Report by:	Executive Director of Resources Ian Knowles
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Purpose / Summary:	This report sets out the revenue, capital and treasury management activity from 1 April 2019 to 30 September 2019.

RECOMMENDATION(S):

a) That Members accept the forecast out-turn position of a £628k net contribution to reserves as at 30 September 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 (2.5.2)
c) Members approve the creation of a new Earmarked Reserve ‘Feasibility Fund’, as detailed at 2.5.1
d) Members approve the Capital Budget amendments as detailed in 3.2.1 and approve the current projected Capital out-turn becomes the Revised Budget for future monitoring purposes as detailed in 3.1.1.
e) That Members accept the Treasury Management and Prudential Indicators to 30 September 2019.

IMPLICATIONS

Legal: None arising as a result of this report.

Financial: FIN/86/20/TB

The draft revenue forecast out-turn position for 2019/2020 is currently reflecting a net contribution to reserves of £628k as at 30 September 2019 (£379k as at 31 May 2019).

This is after taking account of an approved carry forward of £25k, and carry forward requests from services pending future approval, detailed at Appendix A.

Summary of Out-turn Position 2019/20

Summary of Out-turn Position 2019/20		
	£ 000	
FORECAST OUTTURN AS AT 30.09.19	(823)	BEFORE CARRY FORWARDS
CARRY FORWARDS:		
BASE BUDGET-APPROVED IN YEAR	25	ALREADY APPROVED
SUB-TOTAL:	**(798)**	
SERVICE CARRY FORWARD REQUESTS	170	PENDING APPROVAL BY MANAGEMENT TEAM **.03.20
NET CONTRIBUTION TO RESERVES:	**(628)**	
TO VALUATION VOLATILITY RESERVE	389	
NET CONTRIBUTION TO GENERAL FUND BALANCES	**(239)**	

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

The capital out-turn position for 2019/20 is £22.655m, this is a 29% reduction on the current revised budget (original budget + carry forwards + approvals in year).

The committee are requested to approve that the forecast out-turn position of £22.655m now becomes the revised budget for future monitoring purposes.

Capital scheme amendments are detailed in 3.2.

The Treasury Management activities during the reporting period are disclosed in the body of this report.

There have been no breaches of Treasury or Prudential Indicators.

Average investments for the period (Jul-Sep) was £18.096m which achieved an average rate of interest of 1.555% in Period 2 (1.663% Apr-Jun).

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: n/a

Call in and Urgency:

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

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**X**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**		**No**	**X**

1. Executive Summary

This report provides the oversight of financial performance for;

- Revenue Forecast Out-Turn - Surplus £628k (4.44% of Forecast Net Revenue Expenditure)

- Capital Forecast Out-Turn - £22.655m, a variance of £8.923m against current budget £31.578m, this is made up of:
  - Slippage of £9.216m to future financial years
  - Projected overspends on 2 schemes £0.897m
  - New scheme of £0.065m (Riverside Walkway Acquisition)
  - £0.669m is no longer required due to amendments to schemes and resultant underspends.

- Treasury Management Report and Q2 monitoring
  - Average investment interest rate 1.555%
  - Total Investments at end Q2 £16.2m

The tables below reflect investment movements and prudential borrowing analysis;

Investment Movements	Q2 £'000
Investments B/fwd (at 31.3.2019 incl. bank)	**14,265**
Less Capital expenditure	(10,047)
Add PWLB Borrowing in year	5,500
Less Net Revenue Expenditure	(5,479)
Add Net Collection Fund Movement (Ctax/NNDR)	17,679
Add Working Capital Movement	(5,631)
Investments c/fwd (at 30.9.2019 incl. bank)	**16,287**

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 30.9.2019;

Prudential Borrowing at 30.09.2019	Q2 £'000
Total External Borrowing (PWLB)	16,500
Internal Borrowing	15,048
Total Prudential Borrowing at 30.09.2019	**31,548**

REVENUE BUDGET MONITORING PERIOD 2
(Forecast outturn for 2019/2020)

2. The Revenue Budget forecast out-turn currently stands at a net contribution to reserves of £628k as detailed in the table below, this is after taking account of £195k of budget carry forwards, the details of which are provided at Appendix A.

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

SERVICE CLUSTER	2019/20		
	Budget £	Forecast Outturn £	Forecast Outturn Variance £
Our People	5,141,700	5,056,531	(85,169)
Our Place	1,192,100	1,283,360	91,260
Our Council	5,559,900	5,278,605	(281,295)
Controllable Total	**11,893,700**	**11,618,496**	**(275,204)**
Corporate Accounting:			
Interest Receivable	(242,100)	(270,000)	(27,900)
Interest Payable	773,900	412,787	(361,113)
Investment Income	(1,103,500)	(1,257,500)	(154,000)
Precepts and Levies	2,379,200	2,382,254	3,054
Movement in Reserves:			
To / (From) General Fund	(816,800)	(816,800)	0
Use of Specific Reserves	(639,800)	(647,800)	(8,000)
Contribution to Specific Reserves	2,545,500	2,759,500	214,000
Repayment of Borrowing	10,000	10,000	0
Net Revenue Expenditure	**14,800,100**	**14,190,937**	**(609,163)**
Funding Total	(14,800,100)	(14,819,159)	(19,059)
NET SUBSIDY FROM / (CONTRIBUTION) TO RESERVES FOR THE YEAR	**0**	**(628,222)**	**(628,222)**

(Surplus)-to Valuation Volatility Reserve	(389,013)
Forecast (Surplus)/Deficit-to General Fund	**(239,209)**

2.1 The significant movements being;

Cluster	EXPENDITURE	Total £000	Direction of Travel
	BUDGET UNDERSPENDS		
	Salary savings.	(£237)	↑
Funding	Government Grant income received - EU Exit grant	(£18)	New
Interest & Investment Income	Net impact of investment property acquisitions, and forecast acquisitions.	(£154)	New
Interest & Investment Income	Treasury management activities.	(£389)	↑
Our Council	Insurance Premium savings.	(£17)	New
Our Council	Audit plan savings.	(£13)	New
Our People	Park Spring Community Centre - reduced contributions towards maintenance of centre. Contingency fund of £20k held in reserves.	(£18)	New
	PRESSURES		
Our Council	Cost of District Election 2019 above approved budget.	£7	New
Our Council	Estimate of increase in bad debt provision.	£80	New
Our People	Customer Services - increased software licences costs.	£31	New
Our People	Fuel - forecast pressure on fuel due to average prices being greater than budgeted.	£11	New
	Various forecast outturn variances <£10k	£67	↓
		(£650)	

Cluster	INCOME	Total £000	Direction of Travel
	BUDGETED INCOME EXCEEDED		
Our People	Green Waste service income target exceeded (£94k) plus operational savings of (£8k).	(£102)	↑
Our People	Trade Waste income - additional contract secured (£20k) plus increase in customer base.	(£27)	↓
Our People	Shopping Trolley reclaim income.	(£14)	New
Our People	Housing Benefits - forecast net subsidy position.	(£7)	↓
Our Place	Trinity Arts Centre - Additional income due to more shows under new fee structure.	(£24)	New
	BUDGETED INCOME NOT ACHIEVED		
Our Place	Planning fee income target not forecast to be achieved.	£88	New
Our Place	Car park income - pay & display income not forecast to meet target.	£16	New
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 £19k due to loss of rental income resulting from voids and unexpected repairs and maintenance costs.	£92	↑
		£22	

	TOTAL VARIANCE	**(£628)**

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.

A property has been purchased during this financial year and income generated for investment properties is forecast to be £154k above target.

The Council continues to assess its options with regards to purchasing commercial investment properties.

2.2.2 Our People

- The 2019/20 budget for Green Waste Charging reflects a net contribution of £752k. With actual income at £915k from subscriptions achieved during this period and operational savings the forecast net contribution is £854k, £102k above the prudent original forecast. (£100k additional income and £2k net operational savings).

- Trade waste is reporting a £27k 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 previously vacant property has been secured during the year, 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.

- Trinity Arts Centre are forecasting additional income of £24k due to an increase in shows under the new fee structure.

- Planning Services are forecasting an £88k pressure for the year. £100k relates to planning applications, offset by net savings across operational budgets of £12k. We have benefitted from significant levels of planning fee income over the past 3 years. A variety of economic factors and the adoption of the Local Plan is now impacting upon the reductions projected, reflected by less applications to date. Although there are further large cases anticipated over the remainder of the current year, they are not expected to generate sufficient income to meet the target.

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.

- Bad debt provision – over the past 2 years the contribution towards our bad debt provision has been; 2017/18 £89k and 2018/19 £105k. As this has a significant impact on the outturn position of the Council, we are forecasting a contribution for 2019/20 of £80k, in order to provide an accurate forecast outturn position for members during the year.

2.2.5 Establishment

Current vacancy levels after costs of interim staffing resources has achieved a £237k budget underspend this represents 2.07% of the overall employee budget. This is broken down by cluster as follows;

Cluster	Forecast Outturn £
Our People	888
Our Place	(104,500)
Our Council	(133,770)
Grand Total	**(237,382)**

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 total of £2,026k is detailed below;

- £718k Investment in Commercial Property (Target £600k by 2020/21)
- £193k Trade Waste Income
- £854k Green Waste
- £ 78k Pre-Application Planning Advice

- £ 12k Surestaff Lincs Ltd (Recruitment Agency)
- £ 37k Commercial Loan income
- £ 134k Leisure contract

2.4 Fees and Charges

2.4.1 £2,104k has been received in Fees and Charges up to the end of the period against a budget for the period of £2,110k, reduced income to date of £6k. The significant variances are included in the table at 1.1.

2.4.2 The most significant areas of additional income being Garden Waste, Trade Waste (see 2.2.2) and Trinity Arts Centre (see 2.2.3).

2.4.3 The significant areas of under achieved income against target being Planning Fee income (see 2.2.3).

2.5 Use and Contribution to Reserves

2.5.1 New Earmarked Reserve

Members are asked to approve a new earmarked reserve ‘Feasibility Fund’ (RE102). £150k to be financed from the Investment for Growth reserve (RE83) (the unspent balance of the Gainsborough Growth Fund.) This is to meet the revenue costs of feasibility, insight and due diligence prior to business case development for regeneration and growth capital investment projects.

2.5.2 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 £78.9k;

- £33.6k from Investment for Growth reserves (RE83). Remaining balance on approved spend for Gainsborough growth Fund (GGF) which was carried forward from 2018/19. Supplement existing revenue budget in Economic Regeneration used as an enabling fund, by means of swapping the financing with the Shop Front scheme from grant funding to use of reserves (MT 04.03.19 FIN/223/19)
- £3k from Investment for Growth reserve (RE83). Contribution towards CCTV service at Hemswell Cliff for 19/20 (£100k approved by CP&R (FIN/12/17) FOR Hemswell Cliff Masterplan. Balance remaining £61.8k).
- £9.3k from Unapplied Grants (RE13). Use of Cabinet Office grant held in Unapplied Grants towards the final cost of the 2019 District Election.
- £25.0k from Property Asset Fund reserve (RE82). To cover the costs of the 3rd floor refresh.
- £8.0k from IT Upgrade/Refresh reserve (RE101). To cover the costs of revenue spend related to the Desktop Refresh.

2.5.3 2019/20 Contribution to Reserves

- £7k to Generic Equalities reserve (RE32) as budget no longer required within service.
- A contribution of £22.3k to the Car Park Strategy Investment reserve (RE44) was built into the base budget for 2019/20. Due to current forecast pressures on car park income this contribution is not achievable.
- Grant from the Development Trust Fund – see 2.6.3 for details. Of the £115k grant received it is proposed to move £95k into Unapplied Grants reserve (RE13) for future years' spend.
- Return to General Fund Balance £65k being grant expended from revenue in 2018/19 but received in 2019/20.

2.6 Grants

This Committee approved a Capital Grant award of £3m (£500k funded from the GLLEP, £2.5m from the Investment for Growth Earmarked Reserves) to enable the delivery of a Cinema within Gainsborough. The Grant Conditions are now finalised and appended as a confidential item, for Members information as these were agreed under delegation by the Executive Director of Resources, the Executive Director Commercial and Growth and the Chairs of both Prosperous Communities and Policy and Resources Committee – This agreement is commercial sensitivity and as such will be appended as a confidential item.

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	£
HCLG	EU Exit Preparation	Revenue	17,500
Development Trust Fund	Regeneration of Gainsborough Town Centre	Revenue & Capital	115,000
		TOTAL:	132,500

2.6.2 £100k Grant from the Arts Council

As reported in the Qtr. 1 report (FIN/16/20 25.07.19) we have been awarded £100k from the Arts Council National Lottery Grant fund for a project named; Challenging the Myth: Re-imaging the Pilgrims.

The project is multi-art form, using complementary artists to build a high quality programme of participatory activities & new commissions in & around Gainsborough, an area of low engagement and opportunity for arts. This Pilgrim Roots cultural programme commemorates 2020's 400th anniversary of the Mayflower's voyage, with 4 signature events (in Nov '19 & '20, May & July). People will be able to take part in a sustained programme of cultural activity connected to local places but shared with places across the world. The Pilgrims' story became popular &

heavily mythologised over the past 200 years. 2020 is an important chance to challenge ideas of the Pilgrims' legacy & roots with strong arts-led outputs to inspire, share and co-create a new visual & written narrative for the Pilgrims.

The project will be managed by the Growth Team and delivery implemented by Anna Scott – Mayflower Officer.

2.6.3 £1,250.1k Grant from Townscape Heritage

Townscape Heritage (TH) is a funding programme administered by The National Lottery Heritage Fund which seeks to restore historic (both listed and non-listed) buildings in towns. Following the award of a development phase grant of £49,000 in 2017, WLDC has been awarded a further grant of £1.250,100 to deliver a grant scheme in Gainsborough Town Centre and an associated programme of cultural and educational activities, as well as improvements to the local public realm. The total project will see over £1.9 million invested with other support coming from WLDC, private sector and volunteer time contributions.

This grant award was reported to Members in the Qtr. 1 report (FIN/16/20 25.07.19).

2.6.4 £115k Grant from the Development Trust Fund

The Growth Team has been gifted £115k from the Gainsborough Development Trust. A condition of the funding is that it has to be applied to the regeneration of Gainsborough town centre, and is proposed to form part of the funding of the Town Centre Development Programme.

FYI: Gainsborough Development Trust was set up in the late 1990's to apply for regeneration funding, the Company has had limited activity in the last ten years and the Board of Directors have all agreed to close the company and gift the remaining funds to WLDC. The only legal requirement is that money must be used for the regeneration of Gainsborough town centre.

2.6.5 Local Access Programme

The Council has been provided with the opportunity to work with an informal partnership named Gainsborough Investment Network (GIN) to oversee a four stage bid process (stage 1 completed and Stage 2 due 31/10/2019) and any subsequent funds associated with the bid development.

The bid is for a share of the £33million, 10 year investment initiative managed by Big Society Capital and Access – The Foundation for Social Investment. It aims to bring together grant and repayable finance in order to provide local place-based partnerships in England with both enterprise support and flexible finance for charities and social enterprises in order to test and grow.

Gainsborough is one of 12 partnerships shortlisted to apply for the programme and has been invited to develop proposals for how enterprise and investment would support their vision.

Any Funds received will be managed outside of the Council by a specialist social investment partner.

Other Items for information

2.7 Planning Appeals

In period 2 2019/20 there were 10 appeals determined, as follows;

Period	Number of Appeals	Allowed	Dismissed
June	1	0	1
July	3	1	2
August	3	0	3
September	3	1	2
Total for Period 2	**10**	**2**	**8**

There are no live applications for costs.

2.8 Aged Debt Summary – Sundry Debtors Aged

Debt Summary Period 1 Monitoring Report

At the end of September 2019 there was a total of £182k 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 £68k the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.

Environmental Protection & Licensing £33k
Housing £22k
Corporate Governance £18k

Month	90 – 119 days £	120 – 149 days £	150+ days £	Total £
Qtr 1 - May 19	13,566	1,371	174,136	189,073
Qtr 2 - September 19	19,388	109,463	53,029	181,880

2.9 Changes to the Organisation Structure

There have been the following changes to the organisation structure during period 2;

2.9.1 Caretaker post – 1 x 37 hr post amended to 2 x 20 hr posts in preparation for current post holder retirement.

2.9.2 Customer Services - Amalgamate 5 part vacant posts (FTE 1.01). Create 1 new post at a band 3 (Trainee Customer First Ambassador). Nil impact on the MTFP.

2.9.3 Crematorium - new structure approved following a benchmarking exercise by the appointed Crematorium Manager, to review the staffing levels and salaries of comparable roles in local crematoriums. Pressure in 19/20 of £17.1k funded from in year corporate vacancy savings. The ongoing pressure of £31.2k is being met from income projections.

3.1 CAPITAL BUDGET MONITORING – Quarter 2

3.1.1 The Capital Budget forecast out-turn for schemes approved for spend (includes Stage 3 and Business as Usual) totals £20.191m against a revised budget of £22.151m. Reasons for variations are detailed below. Pipeline schemes (Pre Stage 1, Stage 1 and Stage 2) are expected to spend £2.463m (subject to future formal approval) This gives an overall total of £22.654m as detailed in the table below;

Corporate Priority / Scheme	Actuals to 30/09/2019	Original Budget	Revised Budget 2019/20	Final Outturn 2019/20	Over / (Underspend)	Carry Forward Requests/ Drawbacks
Total Capital Programme Gross Expenditure - Stage 3 and BAU	10,029,410	14,429,713	22,151,468	20,191,423	625,246	(2,585,291)
Stage 2	17,246	4,606,245	6,976,245	1,477,900	0	(5,498,345)
Stage 1	0	2,661,160	2,449,860	985,500	(332,060)	(1,132,300)
Pre-Stage 1	0	0	0	0	0	0
Total Capital Programme Gross Expenditure	10,046,657	21,697,118	31,577,573	22,654,823	293,186	(9,215,936)

3.1.2 The capital programme spend to date is £10.047m against a revised budget of £31.577m. Expenditure is forecast to be £22.654m resulting in an £8.923m variance. The variance consists of:

- £9.216m which is planned to be slipped to future financial years, significant items include; £3.6m for the central depot which is currently in the design stage with commencement on construction likely to be in Spring 2020, £1.3m relating to the phasing of grant funding to the Cinema, £1.984m relating to the Food Enterprise Zone which is fully funded by the Greater Lincolnshire Local Enterprise Partnership.

- There are projected overspends of £0.897m, being £0.350m relating to the Crematorium, this is within the 10% tolerance approved by this committee. In addition £0.547 relates to unforeseen additional costs associated with drainage at the Leisure development site. Both schemes are funded from borrowing therefore there will be an increase in the ongoing cost of borrowing of circa £42k per annum. There is a new scheme of £0.065m and £0.669m which is no longer required due to amendments to schemes and resultant underspends.

Subject to Committee approval the capital programme with be reduced in this financial year to reflect the amendments with £22.655m being the new Revised Budget for future monitoring purposes.

3.1.3 Individual schemes are detailed in the table below and commentary provided on performance.

Capital Investment Programme 2019/20

Corporate Priority / Scheme	Stage (1 April 2019)	Stage	Actuals to 30/09/2019	Original Budget 2019/20	Revised Budget 2019/20	Final Outturn 2019/20	Over/ (Underspend)	Carry Forward Requests/ Drawbacks	Comments
			£	£	£	£	£	£	
Open for Business									
Telephony	Stage 2	Stage 3	3,000	18,000	44,960	16,560	(9,000)	(19,400)	£19.4k to be slipped to 20/21 , £9k of this is for software maintenance costs in 20/21 and £9k moved to revenue in 19/20 for software maintenance.
Trinity Arts Address System	Stage 2	Stage 3	34,724	0	35,000	35,000	0	0	
People First									
Disabled Facilities Grants	BAU	BAU	301,145	591,600	774,931	631,100	0	(143,831)	DFG to be slipped into 2020/21
Customer First Programme	Stage 1	Stage 1	0	181,300	355,000	75,000	0	(280,000)	Programme slipped into 2020/21
CCTV Expansion	Stage 3	Stage 3	2,200	0	27,265	27,265	0	0	
Channel Optimisation	Stage 1	Stage 1	0	50,000	0	0	0	0	Budget moved to CRM project
Asset Management									
Capital Enhancements to Council Owned Assets	BAU	BAU	0	90,000	141,100	141,100	0	0	
Carbon Efficiency Project	BAU	Stage 3	(3,774)	210,000	210,000	210,000	0	0	
Hemswell Masterplan - Public Realm Improvements	Stage 2	Stage 2	0	150,000	150,000	0	0	(150,000)	Delays in commencement of project - slipped to 2020/21
Commercial Investment - Crematorium	Stage 3	Stage 3	1,675,503	3,612,600	3,337,600	3,687,600	350,000	0	Total cost is now expected between £6.4-6.45m, which is within the agreed tolerance for the project. This overspend is due to compensation events. The project remains on track to be operational in Jan 2020
Caistor - South Dale Redevelopment	Stage 2	Stage 2	0	0	0	0	0	0	
Car Park Strategy Investment	Stage 3	Stage 3	(13,500)	0	0	0	0	0	
Leisure Facilities - Market Rasen	Stage 3	Stage 3	1,666,126	6,040,300	5,939,459	6,486,459	547,000	0	Overspend due to additional work in redirecting pipework located on the site.
Commercial Investment - Property Portfolio	Stage 3	Stage 3	5,667,657	0	7,015,289	7,015,289	0	0	One acquisition already made in 19/20 £1.3m remaining
Depot Review	Stage 1	Stage 2	17,246	3,700,000	4,000,000	400,000	0	(3,600,000)	Project to commence in 20/21 - land purchase should complete this financial year
5-7 Market Place - Redevelopment	Stage 1	Stage 1	0	387,300	387,300	35,000	0	(352,300)	Works to be slipped to 2020/21
Trinity Arts Centre Improvement Projects	Stage 1	Stage 1	0	500,000	500,000	250,000	0	(250,000)	scheme expected to commence early 2020 residual to be slipped into the next financial year
Roses Sports Ground: 3 G Community Pitch	Stage 2	Stage 2	0	150,000	150,000	150,000	0	0	
Central Lincolnshire Local Plan									
Gainsborough Shop Front Improvement Scheme	Stage 3	Stage 3	0	65,000	85,000	45,000	0	(40,000)	Slipped to 20/21
Gainsborough Heritage Regeneration - THI	Stage 2	Stage 2	0	346,245	346,245	147,900	0	(198,345)	Funding bid successful, three properties identified but work likely to slip to 2020/21
Unlocking Housing - Living over the Shop	Stage 2	Stage 3	0	135,000	200,000	100,000	0	(100,000)	Slipped to 20/21
Riverside Gateway - Marina/Transformational Change	Stage 2	Stage 1	0	250,000	0	0	0	0	Remove budget - new scheme to be developed along with business plan and bid for future funding
Gainsborough Regeneration - Dev Partnership	Stage 1	Stage 3	0	1,150,000	0	0	0	0	
Gainsborough Regeneration - Cinema		Stage 2	0	0	2,000,000	650,000	0	(1,350,000)	Cost rephased for the scheme and budget to be slipped to 2020/21 accrdingly
Viability Funding - Capital Grant	Stage 3	Stage 3	0	0	278,610	220,341	(58,269)	0	Final grant hqs now been paid, along with the retention.
Market Rasen 3 year vision	Pre stage 1	Stage 2	0	150,000	200,000	0	0	(200,000)	MRTC will submit a Heritage Action Zone bid which will require match funding from WL, this is likely to be finalised in 2020/21.
Rural Transport	Stage 3	Stage 3	0	0	40,000	0	(40,000)	0	Scheme no longer progressing
Private Sector Renewal	Pre stage 1	Stage 3	60,857	475,000	588,547	190,000	(100,000)	(298,547)	Reduce budget by £100k due to no capital receipts being realised - slip £298k to 20/21
Food Enterprise Zone infrastructure	Stage 1	Stage 3	0	1,483,513	1,983,513	0	0	(1,983,513)	FEZ is unlikely to proceed under the current scheme format - new options are to be evaluated which will result in a new capital bid slip money to 20/21
Saxilby Industrial Units	Stage 3	Stage 3	0	0	607,000	607,000	0	0	
Green Corridor	Stage 1	Stage 1	0	387,560	387,560	0	(387,560)	0	Bid for funding unsuccessful not going to enter into the 2nd round. New project to be scoped with new capital bid
North Marsh Road - Affordable Housing Scheme (REFCUS)	Stage 1	Stage 1	0	360,000	360,000	360,000	0	0	
Riverside Gateway Acquisition		Stage 1	0	0	0	65,500	65,500	0	Purchase of Land - funded by GLLEP - new bid

Capital Investment Programme 2019/20

Corporate Priority / Scheme	Stage (1 April 2019)	Stage	Actuals to 30/09/2019	Original Budget 2019/20	Revised Budget 2019/20	Final Outturn 2019/20	Over/ (Underspend)	Carry Forward Requests/ Drawbacks	Comments
Excellent, VFM Services									
Vehicle Replacement Programme	BAU	BAU	373,218	435,000	471,316	428,218	(43,098)	0	Underspend - return to reserve
Replacement Planning/Building Control/Land Charges System	Pre stage 1	Stage 3	0	123,700	0	0	0	0	Requested for budget to be moved to the CRM project. Q1
Desktop Refresh and experience	BAU	BAU	190,739	0	209,823	201,823	(8,000)	0	Move to revenue IT01
Commercial Loans	Stage 3	Stage 3	66,666	0	66,668	66,668	0	0	
Financial Management System	Stage 1	Stage 1	0	150,000	150,000	0	0	(150,000)	Slip to 20/21
IT Infrastructure Refresh and Software	BAU	BAU	0	0	13,387	0	(13,387)	0	Move to revenue IT01
Performance Management	Stage 1	Stage 1	0	10,000	10,000	10,000	0	0	
Project Management	Stage 1	Stage 1	0	10,000	10,000	10,000	0	0	
Public Sector Hub	Stage 1	Stage 1	0	365,000	280,000	180,000	0	(100,000)	Expecting further details of budget profiling back from supplier in August. Currently expecting spend to start in January, rest of budget to slip into next financial year.
Environmental Protection Equipment (noise)	Stage 1	Stage 1	0	10,000	10,000	0	(10,000)	0	Scheme no longer required
Refresh Servers and storage Cloud	Stage 2	Stage 2	0	110,000	110,000	110,000	0	0	
Income Management System Development	Stage 3	Stage 3	4,850	0	82,000	82,000	0	0	
3D Payment Secure	Stage 2	Stage 2	0	0	20,000	20,000	0	0	
Total Capital Programme Gross Expenditure			**10,046,657**	**21,697,118**	**31,577,573**	**22,654,823**	**293,186**	**(9,215,936)**	

3.2 Capital Programme Update 2019/20

3.2.1 Investment in commercial property is ongoing with one successful acquisition in the last quarter totaling £5.668m (incl costs), which was a Car Dealership, Wheatley Road, Doncaster.

The remaining balance for the 2019/20 Investment Programme is £1.348m, the Council continues to seek additional suitable investment opportunities. A further £7.0m is proposed for 2020/21 which will fully utilise the £30m allocated for the Council's Investment Property Programme.

3.2.2 The following projects require re-phasing, affecting future financial years of the current capital programme in the 5 year MTFP:

Slippage (From 2019-20 to 2020-21)

- Disabled Facilities Grant (£0.144m)
- Public Sector Hub – Property (£0.100m)
- Private Sector Renewal (£0.299m)
- Market Rasen 3 year vision (£0.200m)
- Hemswell Masterplan – Public Realm Improvements (£0.150m)

- Food Enterprise Zone Restructure (£1.984m) –

Viability and deliverability of the project have recently been re-discussed and re-assessed with the SPV (recipient of the grant). The current challenges affecting the agri-food sector at regional and national level (including Brexit) and local market demand pose a significant commercial risk to the private sector (having to commit considerable investment upfront for enabling infrastructure in order to open up the site for development). Given the above, at this point in time the GLLEP funding timescale is not deemed by the SPV as a robust enough financial vehicle to minimise that risk so grant take up may have to be relinquished. The FEZ project is unlikely to go ahead under the original Local Growth Deal Programme. The Council is in conversation with the landowner to understand what the intentions are in the short, medium and long term to bring forward the site whilst retaining the FEZ site allocation in the GLLEP project pipeline.

- Telephony (£0.019m)
- Customer First Programme (£0.280m)
- Gainsborough Heritage Regeneration THI – budget to be slipped equally over the next 4 years – (£0.198m)
- Financial Management System (£0.150m)
- Gainsborough Shop Front Improvement Scheme (£0.040m)
- Unlocking Housing – Living Over the Shop (£0.100m)
- Depot Review – (£3.600m)
- 5-7 Market Place Redevelopment (£0.352m)
- Trinity Entrance Refurbishment (£0.250m)
- Cinema – (£1.350m)

3.2.3 £0.669m of the current capital programme has been assessed as not needed or no longer required for capital purposes, however two schemes require additional financing of £0.897m resulting in a net overspend of £0.228m.

The underspends are as follows:

- Vehicle Replacement Programme (£0.043m)
- Private Sector Renewal (£0.100m) – remove budget financed from capital receipts as currently the scheme is not generating any.
- Telephony (£0.009m) – remove to revenue
- Viability Funding – Capital Grant Sun Inn (£0.058m)
- Rural Transport (£0.040m) scheme no longer progressing in its current form
- Desktop Refresh (£0.008m) – transfer to revenue
- IT Infrastructure Refresh and Software Licences (£0.013m) transfer to revenue
- Environmental Protection (noise) (£0.010m) – no longer required
- Green Corridor – (£0.388m) scheme no longer progressing in its current form.

The anticipated overspends requiring financing within approved tolerance are:

- Market Rasen Leisure Facilities (£0.547m), financing from Borrowing. Due to works required to divert underground pipework and groundwork issues.

- Crematorium (£0.350m), funded from Borrowing increase in cost variances to budget - various items.

3.2.4 **New Capital Investment approvals**

Approval is sought for a new capital bid of £0.065m for the Riverside Walkway Acquisition. Funding from this scheme will come from the GLLEP Grant

The development of a Business Plan for the Trinity Arts Centre (TAC) is currently under development and will be presented as a future report to this Committee, however, there are 2 elements which require urgent attention due to identified Health and Safety risks. (See Appendix 1 – attached after 3.3 below)

There is currently a budget of £500k (£250k in each 2019/20 and 2020/21) for a number of service improvement projects at the TAC. The committee are asked to approve spend of £60k for the following two investments;

- £50k Stage Lighting – Intelligent LED lighting will significantly reduces the risk to staff as it avoids the need to work at a height. In addition the lighting will reduce consumption and energy costs and is anticipated to achieve a £5k saving, in addition efficiencies will be gained from technicians hours as the system will be electronically managed and will provide a fit for purpose lighting system.

- £10k Show Relay and Backstage Communication System. The system will ensure a safety of theatre performers as it will ensure that important information can be relayed.

Approved projects will be funded from either the Property Asset Reserve £300k and Borrowing £200k as appropriate.

3.2.5 These amendments to the capital programme are presented to Committee for approval.

3.3 Acquisitions, Disposals and Capital Receipts

3.3.1 The Council has made the following asset acquisitions during Quarter 2.

- Car Dealership, Wheatley Road, Doncaster
- Land for Market Rasen Leisure Facility
- Option to Purchase Land for New Depot at Caenby Corner

3.3.2 The Council has made the following asset disposal during Quarter 2.

- Heapham Road Recycling Centre deposit received pending completion of sale.

3.3.3 Capital Receipts - The total value of capital receipts at the end of Quarter 2 was £166k this was due to income of £130k from the Housing Stock Transfer Agreement share of Right to Buy receipts, £12k loan repayments, £2k repayments from DFG Grant, £10k deposit on Disposals and LCC Sale of Mercury House of which the Council was entitled to a percentage of the sale proceeds £12k.

Appendix 1

TRINITY ARTS CENTRE CAPITAL INVESTMENTS

Stage Lighting		Income Protection Health & Safety
Current Situation: Our lighting infrastructure and stock is both old, broken and not fit for purpose. This poses a critical threat to the viability of continuing live performances at the centre with immediate effect. Our lighting units consist of outdated manual luminaries and non-theatre DJ style stock. Our current system also relies on outdated electrical patch boards. The stage lighting currently works off five patch boards, two of which have broken posing a real threat to live performances should any more patch boards break. The result will involve the cancellation of all live performances risking a forecasted income of over £200K.	**Problems arising:** Manual luminaries consume excessive energy. Each tungsten consumes above 1000W with each performance consuming over 30,000 watts of energy per hour costing us significantly on energy usage. Manual luminaries rely on pre-installed and aging dimmer packs. We currently have five dimmer packs and two have already broke. If any more brake, we will be unable to operate any shows thus losing already earned income and increasing expenditure in the refunding of tickets and fees and the payment of any cancellation clauses to the visiting manager. Manual luminaries require our technicians to work at height increasing risk and take considerable time to set up for productions. Manual luminaries work of a traditional electrical patch board, of which two have currently broken due to them coming to the natural end of their operating life.	**Investment Benefits:** New LED luminaries significantly reduces consumption of expensive energy. New intelligent LED luminaries significantly reduces risk by avoiding the need to work at height. New intelligent LED luminaries increase the efficiency of use of technician hours with significant savings to staff hours. New intelligent LED luminaries allow us to provide a safe working and learning environment supporting our vision to become a learning theatre.

Proposed Investment: £50,000	**Approximate Contribution to Reducing Subsidy: £5,000**					
Priority	**2019/2020**	**2020/2021**	**2021/2022**	**Total**	**Annual Return**	**Payback Period (years)**
1 (ASAP)	**50,000**	**-**	**-**	**50,000**	**5,000**	**10**

Show Relay & Backstage Comms System

Health & Safety

Current Situation:

In any theatre, the artists and backstage crew rely on a show relay and comms system to ensure the smooth running of a performance. These facilities help everyone to understand what is happening on stage and for the stage management to communicate to the team throughout the performance giving out calls to the actors and relaying important information. It's also a crucial line of communication to backstage when any safety announcements are required, such as the need to evacuate the building. Currently this is critical as the centre is not running with a working relay and comms system due to the current one inactive due to age.

Problems arising:

Currently unable to communicate to persons backstage from the stage or tech box.

Performers unable to know when their cue is due for performance.

Unable to relay important safety information backstage.

Investment Benefits:

Ensures the safety of users.

The centre benefits from having a very common feature of communication in theatre ensuring the safe and smooth running of any performance.

Proposed Investment: £10,000 | **Approximate Contribution to Reducing Subsidy: Nil**

Priority	2019/2020	2020/2021	2021/2022	Total	Annual Return	Payback Period (years)
1 (ASAP)	10,000	-	-	10,000	-	-

4. TREASURY MONITORING – PERIOD 2 (Jul - Sept)

The Treasury Management Strategy Statement (TMSS) for 2019/20, which includes the Annual Investment Strategy, was approved by the Council on 05 March 2019. It sets out the Council's investment priorities as being:

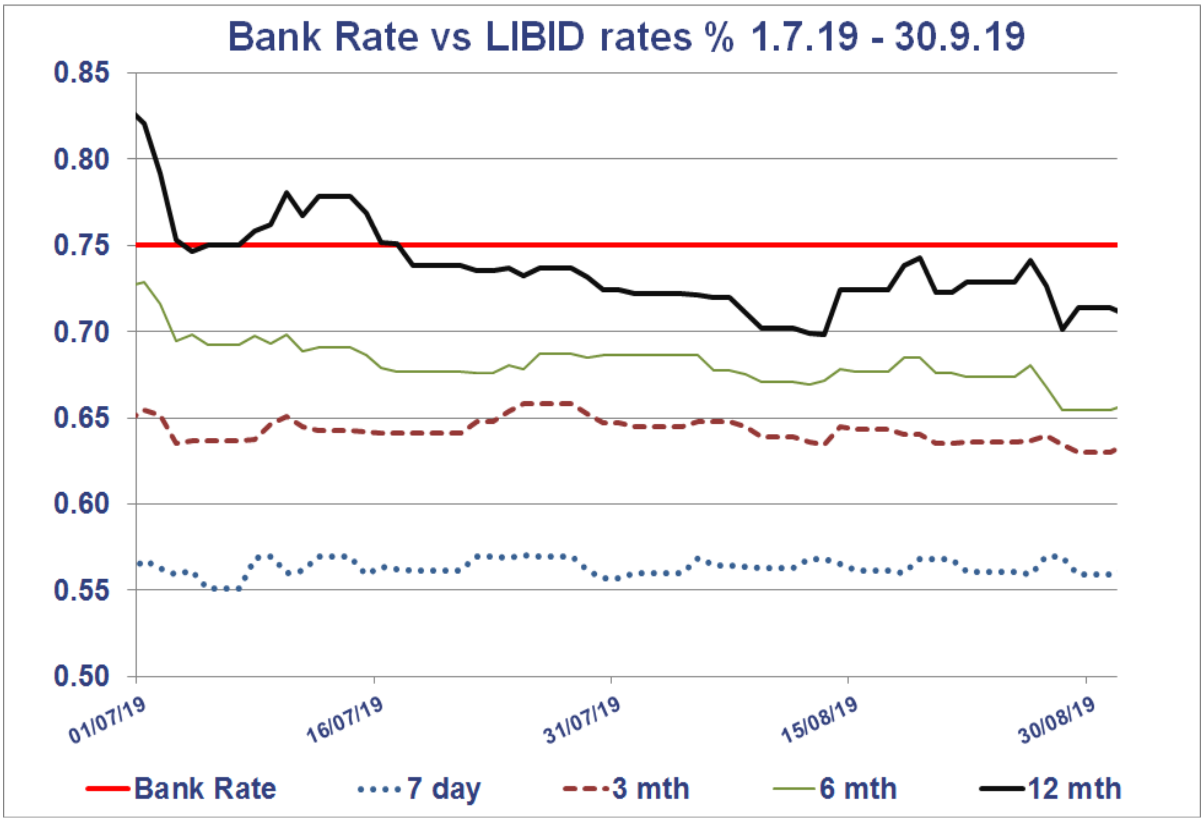
- Security of capital;
- Liquidity; and
- Yield.

The Council will aim to achieve the optimum return (yield) on its 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 a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

4.1 Officer can confirm that there have been no breaches of Prudential Indicators as detailed at 4.7 below.

4.1.1 Interest received has been in excess of the 7 day average libid (0.56%) with an average yield of 1.553% (including CCLA) and 0.823% (excluding CCLA).

Quarter ended 30 September 2019:



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.75	0.57	0.60	0.66	0.73	0.84
High Date	01/07/2019	25/09/2019	01/07/2019	13/09/2019	01/07/2019	13/09/2019
Low	0.75	0.55	0.58	0.63	0.65	0.69
Low Date	01/07/2019	05/07/2019	08/08/2019	29/08/2019	04/09/2019	04/09/2019
Average	0.75	0.56	0.59	0.64	0.69	0.75
Spread	0.00	0.02	0.02	0.03	0.08	0.15

4.2 Interest Rate Forecasts

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

Bank Rate											
	NOW	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%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.25%
Capital Economics	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	2.30%	2.30%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%
Capital Economics	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	-	-	-	-	-
10yr PWLB Rate											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	2.51%	2.60%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%
Capital Economics	2.51%	2.40%	2.50%	2.60%	2.70%	2.80%	-	-	-	-	-
25yr PWLB Rate											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	3.06%	3.30%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%
Capital Economics	3.06%	2.90%	3.00%	3.10%	3.10%	3.20%	-	-	-	-	-
50yr PWLB Rate											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	2.90%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%	3.80%	3.90%	3.90%
Capital Economics	2.90%	2.80%	2.90%	3.00%	3.10%	3.20%	-	-	-	-	-

Link Asset Services detailed economic commentary on developments during quarter ended 30 September 2019 is included in Appendix 1.

In Quarter 2 PWLB rates have been on a falling trend during this period to reach historic lows. The 50 year PWLB target (certainty rate) for new long term borrowing fell from 2.3% to 2% during this period. However on the 09 October 2019 the PWLB announced an increase of 100 basis points on rates due to the high levels of borrowing this could result in use of PWLB for borrowing as a last resort only. This will continue to be monitored.

Appendix 2 details Link Asset Services detailed commentary on Interest Rate Forecasts (as at end Sept)

Appendix 3 details the Approved countries for investments as at 30 September 2019. (as at end Sept)

4.3 Investment in Local Authority Property Fund (CCLA)

The total the Council has invested now stands at £3m [of an approved £4m].

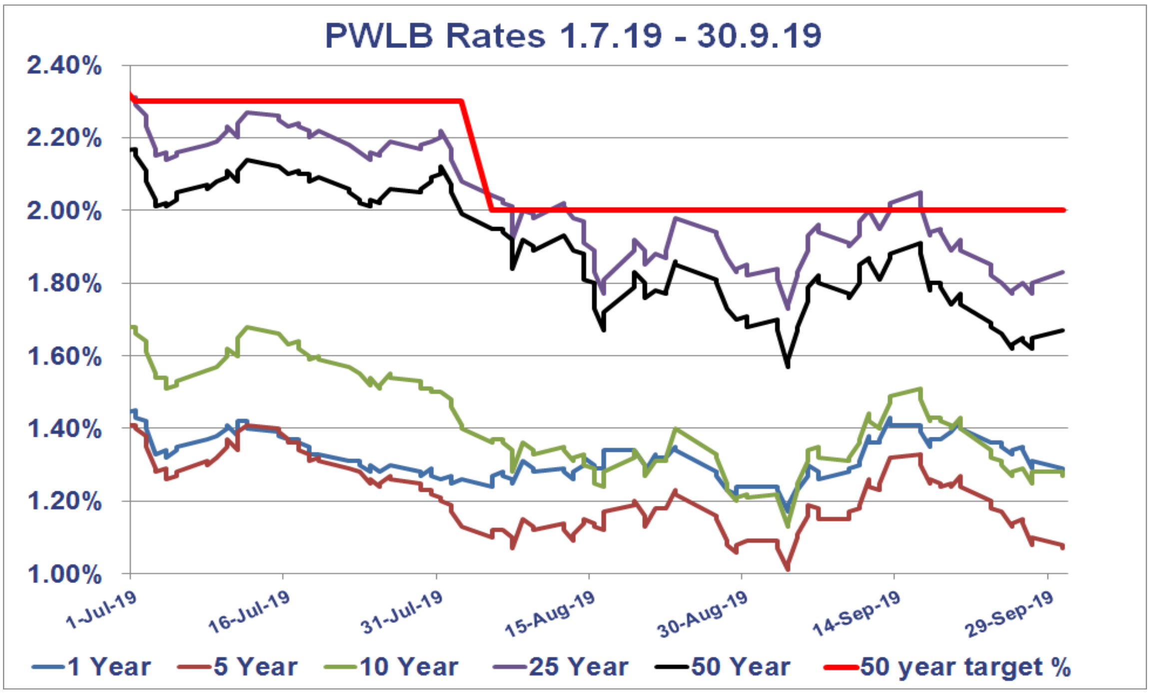
Interest is receivable on a quarterly basis with Q1 due during October.

4.4 New External Borrowing

No new borrowing was undertaken in the second quarter of the financial year.

The Council's total external borrowing stands at £16.5m.

It is anticipated that further borrowing will be undertaken during this financial year.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.17%	1.01%	1.13%	1.73%	1.57%
Date	03/09/2019	03/09/2019	03/09/2019	03/09/2019	03/09/2019
High	1.45%	1.41%	1.68%	2.31%	2.17%
Date	01/07/2019	01/07/2019	01/07/2019	01/07/2019	01/07/2019
Average	1.32%	1.21%	1.42%	2.02%	1.89%

4.5 Borrowing in advance of need

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

4.6 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 and take into account the revisions to the Capital Programme as detailed in section 3 of this report.

	Original £'000	P1 £'000	Q2 £'000
Treasury Indicators			
Authorised limit for external debt	48,519	48,519	48,519
Operational boundary for external debt	43,184	42,809	40,588
External Debt	33,863	30,292	28,189
Long term Leases	0	0	0
Investments	(9,527)	(9,258)	(13,706)
Net Borrowing	**24,336**	**21,034**	**14,483**
Prudential Indicators			
Capital Expenditure	21,698	32,062	22,655
Capital Financing Requirement (CFR)*	43,184	42,810	40,589
Of Which Commercial Property	*22,999*	*22,999*	*22,999*
Annual change in CFR*	13,672	19,726	17,505
In year borrowing requirement	33,863	30,292	28,189
Under/(over)borrowing	9,321	12,518	12,400
Ratio of financing costs to net revenue stream*	4.00%	1.69%	1.89%
Incremental impact of capital investment decisions:			

Increase/Reduction (-) in Council Tax (band change per annum)	(£0.31)	(£3.30)	(£6.33)

4.7 The Monthly Investment Review report for September is attached below;

West Lindsey District Council

Monthly Investment Analysis Review

September 2019

Monthly Economic Summary

General Economy

September's economic data began with the August Markit/CIPS Manufacturing PMI figure falling to 47.4, from 48.0 the previous month. The latest reading pointed to the steepest month of contraction in the manufacturing sector since July 2012 as new orders fell the most in over seven years, amid ongoing global trade tensions, slower world economic growth and Brexit uncertainty. The Construction PMI, meanwhile, fell by 0.3 points to 45.0. The latest reading pointed to the fourth consecutive month of contraction in the construction sector, led by the sharpest reduction in new work since March 2009. Rounding out the set of activity surveys for July, the Services PMI fell to 50.6 from July's figure of 51.4, leaving the Composite figure at 50.2, indicating the UK economy expanded slightly last month.

The UK posted a trade deficit of £0.22 billion in July compared to a downwardly revised £0.13 billion deficit in the prior month. Imports rose 2.7% while exports grew at a slower 2.5% rate. GDP data, meanwhile, showed that the UK economy stagnated in the three months to July, improving on the contraction in the three months to June. The stagnation reflected subdued growth in the services sector of just 0.2% and contraction in both the production and construction sectors of 0.5% and 0.8% respectively. However, year-on-year GDP growth remained steady at 1% during July.

The UK's unemployment rate fell to 3.8% in the three months to July, back at its joint lowest in the last 44 years, slightly below market expectations of 3.9%. Unemployment declined by 11,000 to 1.294 million and employment jumped by 31,000 to 32.777 million, below forecasts of a 53,000 increase. Average earnings excluding bonuses, meanwhile, rose by 3.8% in the three months to July, after a 3.9% increase in the previous period, which matched market expectations.

On an annual basis, CPI inflation fell to 1.7% y/y in 2019 from 2.1% y/y in July, below market expectation of 1.9% and the Bank of England's 2% target. This was the lowest inflation rate since December 2016, amid a slowdown in cost of transport and fall in clothing and footwear prices. The Core CPI figure (which strips out the more volatile components), decreased to 1.5% in August from 1.9% in July, the lowest figure since November 2016.Retail sales fell by 0.2% m/m in August, following an upwardly revised rise of 0.4% in the previous month and compared to market forecasts of no change. Much of the decline was attributable to a 3.2% fall in non-store (predominately online) sales. Year-on-year retail sales growth eased to 2.7%, down from 3.4% in July and below market forecasts of 2.9% growth.

The number of mortgages approved for house purchases in the UK dropped to 65,545 in August, from an 18-month high of 67,011 in July and below market expectations of 66,400. In addition, the number of approved loans secured on dwellings for remortgaging rose to 48,515 from 47,110 in July, while the number of loans for other purposes increased to 14,635 from 13,965. Net mortgage lending rose by £3.85 billion in August, missing the market's consensus of a £4.2 billion rise. The Confederation of British Industry's monthly retail sales balance jumped 33 points from a month earlier to -16 in September, recovering from a near 11-year low. It was also well above market expectations of -25. Still, the latest reading pointed to the fifth consecutive month of decline in retail sales, amid a weaker pound, concerns about potential tariffs and supply issues in the event of a no-deal Brexit. The GfK Consumer Confidence index, meanwhile, rose by 2 points to -12 last month, beating the

market forecast of -14, as all five sub-indices recorded gains.
Against the backdrop, the Bank of England's Monetary Policy Committee voted unanimously to hold the bank rate at 0.75% during its September policy meeting, as was widely expected. The bank also reaffirmed its pledge to enact gradual and limited rate rises, assuming a smooth Brexit and some recovery in global growth levels.
In the US, nonfarm payrolls increased by 130,000 in August, following a downwardly revised 159,000 in July and below market expectations of 158,000. Job gains were recorded in the public sector (largely reflecting the hiring of temporary workers for the 2020 Census), health care and financial activities. Average hourly earnings for all employees increased by 0.4% m/m and 3.2% y/y. The unemployment rate remained at the 3.7% rate recorded in July, which was expected by the market.
US CPI rose by 1.7% y/y in August, marginally below consensus forecasts of a 1.8% y/y rise, largely the result of a fall in energy prices. Excluding the more volatile items, such as food and energy prices, core inflation rose to 2.4% in August, the highest this year and above market expectation of a 2.3% gain. The US economy grew at a 2.3% annual rate in the second quarter, down from the 3.1% expansion recorded in the first quarter.The Euro Area unemployment rate reduced slightly to 7.4% in August, the lowest since May 2008 and slightly below market expectations of 7.5%, as the number of unemployed continued to decline. Compared with July, the number of people unemployed in the Euro Area decreased by 115,000 to 12.169 million.

Housing

The Halifax House Price Index in the UK increased 1.8 percent year-on-year in the three months to August of 2019, following a downwardly revised 1.5 percent rise in the previous month and below market expectations of 3.4 percent.

Currency

Over the month of September, the pound moved significantly against the dollar, increasing from $1.213 to $1.256 in mid-late September, but ultimately fell back to finish at $1.231. Likewise against the Euro, the pound started the month at €1.105, peaked at €1.136 and ultimately ended the month at €1.125. The pound's volatility during the month resulted from the ever changing UK political and Brexit outlooks, as well as increasing signs of a global slowdown.

Forecast

The domestic economy remains unsettled in the run up to the Brexit deadline while the global economy follows suit (US economic figures have actually shown a decline in the past month). Link Asset Services do not expect a base rate rise until Q4 2020.

Bank Rate	Now	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%
Capital Economics	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	-

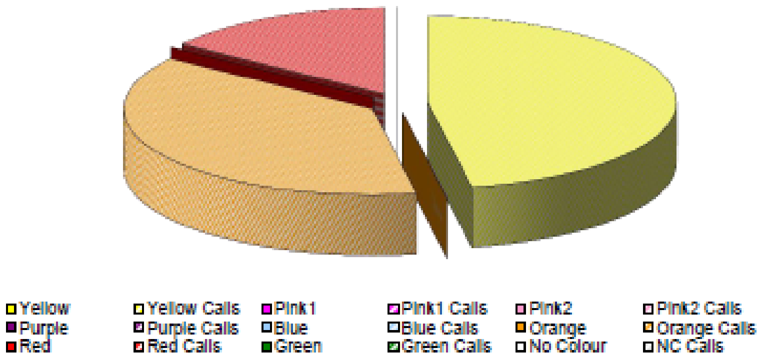
West Lindsey District Council

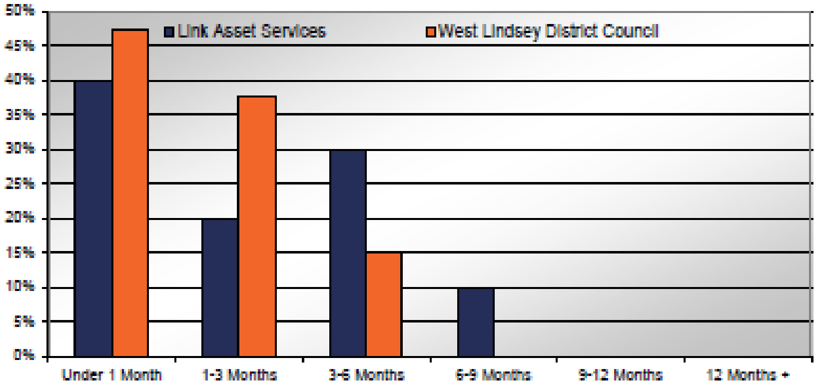
Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF CCLA	5,000,000	0.73%		MMF	AAA	0.000%
MMF LGIM	1,250,000	0.69%		MMF	AAA	0.000%
Lloyds Bank PLc (RFB)	4,000,000	0.95%		Call32	A+	0.005%
Santander UK Plc	1,000,000	0.75%		Call35	A	0.005%
Lloyds Bank PLc (RFB)	1,000,000	0.95%		Call95	A+	0.014%
Santander UK Plc	1,000,000	1.10%		Call180	A	0.026%
Borrower - Funds	**Principal (£)**	**Interest Rate**	**Start Date**	**Maturity Date**		
CCLA-LAPF	3,000,000	4.22%				
Total Investments	**£16,250,000**	**1.46%**				
Total Investments - excluding Funds	**£13,250,000**	**0.84%**				**0.005%**
Total Investments - Funds Only	**£3,000,000**	**4.22%**				

West Lindsey District Council

Portfolio Composition by Link Asset Services' Suggested Lending Criteria





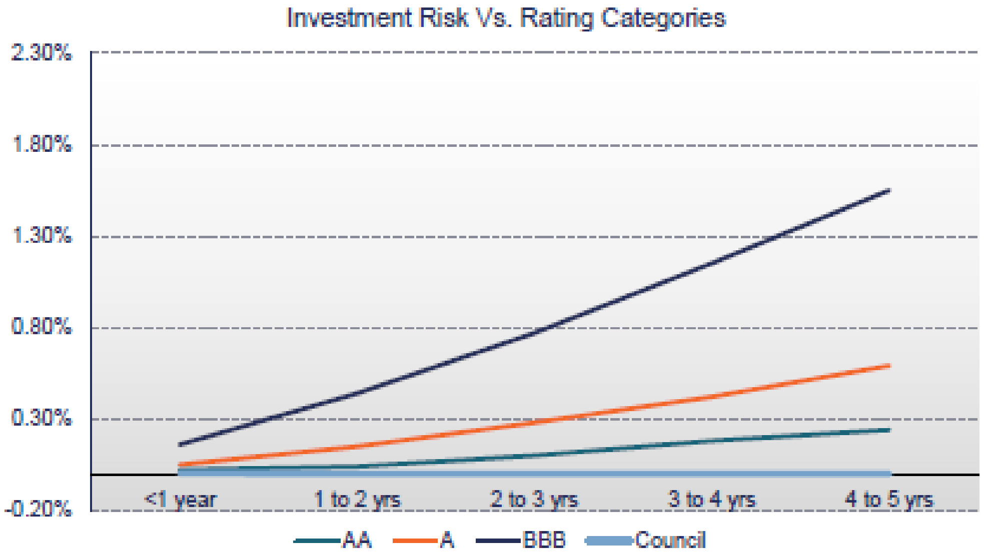
Portfolios weighted average risk number = 2.74

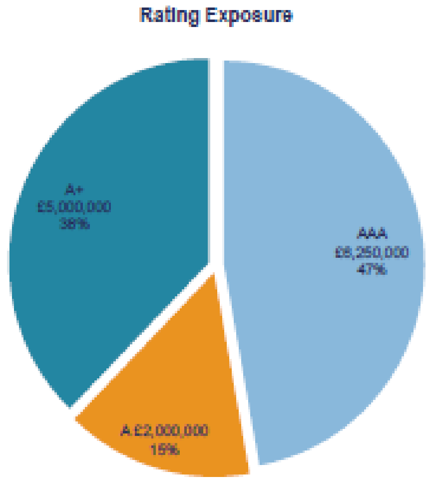
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	Excluding Calls/MMFs/USDBFs WAM at Execution
Yellow	47.17%	£6,250,000	100.00%	£6,250,000	47.17%	0.72%	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	37.74%	£5,000,000	100.00%	£5,000,000	37.74%	0.95%	45	45	0	0
Red	15.09%	£2,000,000	100.00%	£2,000,000	15.09%	0.93%	108	108	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
	100.00%	**£13,250,000**	**100.00%**	**£13,250,000**	**100.00%**	**0.84%**	**33**	**33**	**0**	**0**

West Lindsey District Council

Investment Risk and Rating Exposure





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	0.16%	0.44%	0.77%	1.15%	1.55%
Council	0.005%	0.000%	0.000%	0.000%	0.000%

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
06/09/2019	1693	Commerzbank AG	Germany	The Short Term Rating was upgraded to 'F1' from 'F2'.

West Lindsey District Council

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
20/09/2019	1696	Credit Agricole Corporate and Investment Bank	France	The Long Term Rating was upgraded to 'Aa3' from 'A1' and the Outlook was changed to Stable from Positive.
22/08/1904	1696	Credit Agricole S.A.	France	The Long Term Rating was upgraded to 'Aa3' from 'A1' and the Outlook was changed to Stable from Positive.

West Lindsey District Council

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
16/09/2019	1694	NRW.BANK	Germany	The Long Term Rating was upgraded to 'AA' from 'AA-' and the Outlook was changed to Stable from Positive.
18/09/2019	1695	DZ Bank AG Deutsche Zentral Genossenschaftsbank	Germany	The Outlook on the Long Term Rating was changed to Negative from Stable.
27/09/2019	1697	Swedbank AB	Sweden	The Long Term Rating was removed from Negative Watch and placed on Negative Outlook.

West Lindsey District Council

APPENDIX 1: Detailed economic commentary on developments during quarter ended 30 September 2019

- **During the quarter ended 30 September 2019 *(quarter 3 of 2019):***

  Boris Johnson replaced Theresa May as Prime Minister;

  GDP fell by 0.2% q/q in Q2, but rose at the start of Q3;

  The fundamentals that determine consumer spending remained healthy;

  Inflation fell below the Bank of England's 2% target;

  There was a widespread fall in investors' global interest rate expectations;

  The MPC kept Bank Rate on hold at 0.75%, but struck a more dovish tone.

The economy posted a weaker-than-expected contraction in activity in **Q2 of 2019 of 0.2% q/q**, but that was probably temporary as activity had been shifted from Q2 into Q1 ahead of the original 29th March Brexit deadline. For example, some car manufacturers brought forward their annual car plant shutdowns from August to April in case of a no deal.

What's more, stock building added 0.5 percentage points (ppts) to GDP growth in Q1 before knocking 0.4ppts off growth in Q2. But a good deal of those stocks were imported, so that overstates the impact. Taking into account the effect on imports and exports, we estimate that net stock building added 0.2ppts to growth in Q1 before knocking 0.2ppts off growth in Q2.

The fall in GDP in Q2 has raised concerns that the UK economy could already be in a recession even before Brexit. However, there are at least two reasons to think that growth will probably rebound in Q3, ensuring that the UK avoids a recession. First, GDP grew by 0.3% m/m in July, the largest rise since January. That means that it would take GDP growth in both August and September of an unlikely -0.4% m/m to prevent growth from being positive in Q3 as a whole.

Second, the flipside of car manufacturers closing in April is that some of them remained open in August, when they would normally close. As a result, seasonally adjusted vehicle production rose by about 8.5% m/m in August, which should add about 0.1ppts to quarterly GDP growth. To be fair, this may be the highlight of the manufacturing sector. Even though the manufacturing PMI rose a little in September, it is still pointing to manufacturing output contracting by about 1.0% q/q in Q3. That said, the services sector is typically unfazed by contractions in manufacturing. So the weakness of manufacturing shouldn't spill over into weaker consumer demand. As such, we have pencilled in **a rise of 0.3% q/q in GDP in Q3.**

Indeed, **household spending growth**, which is the biggest component of demand, will probably remain pretty strong. Looking through the Brexit volatility, while consumer confidence has been relatively weak, the fundamentals that determine consumer spending have remained healthy. Admittedly, employment grew by just 31,000 in the three months to July. But this came on the back of a jump of 62,000 in the three months to June. And with the unemployment rate still at its 45-year low of 3.8%, the tightness in the labour market has pushed up wage growth. Wage growth on the measure including bonuses nudged up from 3.8% in June to 4.0% in July, the fastest rate since 2008. And with inflation having fallen to 1.7% in August, below the Bank of England's 2% target, real wage growth has reached its highest rate since 2016.

The fall in **CPI inflation** from 2.1% in July to 1.7% in August was mainly due to lower inflation in the recreation and cultural services categories. Lower clothing inflation also helped to supress the headline measure. While you can pick out these more volatile components as the cause of the fall in inflation, the big picture is that there is little upward pressure on underlying inflation at the moment. Core inflation fell from 1.9% to 1.5%, its lowest rate in almost three years.

Nonetheless, there are still some reasons to think that CPI inflation will edge up at the end of the year as rising agricultural prices push up food inflation and core inflation starts to pick up now that the lagged effects of a fall in import price inflation have come to an end. What's more, the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

Meanwhile, investors have become much more downbeat on the outlook for UK monetary policy. At the start of July investors were pricing in less than one 25bps rate cut from 0.75% within a year and then for interest rates to rise back to 0.75% again. Now, however, they are pricing in almost two rate cuts over the next two years and then for interest rates to remain low. This is partly because of the weakening global outlook and the rate cuts in the US and euro-zone. And it's partly because the **Monetary Policy Committee (MPC)** seems to have become more downbeat. Indeed, at its latest meeting in September the MPC noted that "underlying growth has slowed, but remains slightly positive, and that a degree of excess supply appears to have opened up". As a result, it wasn't surprising that the MPC kept Bank Rate on hold.

The Bank also gave us some indication of what it might do in **three familiar Brexit scenarios;** a deal, delay and no deal Brexit! If there were a Brexit deal at the end of October or in January, with inflation currently below the 2% target, the MPC is unlikely to feel under much pressure to rush ahead with rate hikes. But the Committee does think that interest rates would rise "at a gradual pace and to a limited extent".

However, it also pointed out that a further delay to Brexit would weigh on GDP growth and "domestically generated inflationary pressures would be reduced". The implication is that more delays to Brexit delay rate hikes and could even open the door to rate cuts. Indeed, Michael Saunders gave the strongest hint yet in a recent speech that he at least thinks that rate cuts might be required. And if there is a no deal then the MPC is still saying that "the monetary policy response would not be automatic and could be in either direction", although some MPC members have indicated that they would be more inclined to cut rates.

As for **fiscal policy,** more spending appears pretty much baked into the cake. In September's Spending Review the Chancellor announced additional government spending of about £13.8bn. The Chancellor then went even further by announcing at the Tory Party Conference plans to spend up to £25bn on infrastructure projects over the next few years.

This extra spending when combined with changes to the way that student loans are counted, which added £12.4bn to borrowing in 2018/19, suggests that the Chancellor's fiscal target is dead in the water. Indeed, if the current trend persists, borrowing would be £52.8bn this year (2.4% of GDP). That would leave the structural deficit above the 2% of GDP target by 2020/21.

Of course, how much borrowing rises depends on the outcome of Brexit. If a deal is reached, faster GDP growth would reduce public spending, raise tax revenues and cut the deficit, perhaps allowing fiscal policy to be loosened without borrowing rising by too much. However, in a no deal, the weaker economy, combined with a substantial fiscal loosening to support the economy, would push up the deficit sharply.

The passing of legislation by **Parliament** to prevent a no deal Brexit on 31 October means that we think the most likely outcome is another delay to Brexit until 31 January 2020. If there is a delay, then the general election that would surely follow in November or December would probably determine what happens to Brexit and the economy. If the Tories won, the chances of a no deal Brexit and a resulting short recession would be fairly high. If Labour won, (although its Brexit policy is still very vague), the downside risk of a no deal Brexit would be removed as the public get to vote on either a deal or remain. But Labour's high-tax, large-government policies could restrain economic growth further ahead.

Turning to the financial markets, concerns over global growth and subsequent falls in interest rate expectations have caused developed market bond yields to drop – the **10-year gilt yield** fell from 0.81% at the start of the quarter to 0.47% at the end.

Meanwhile, despite the recent drop in the chances of a no deal Brexit on 31st October, **sterling** has fallen by about 3% from $1.27 to $1.23 this quarter. Given that the differential between 10-year gilts and 10-year US Treasuries has remained around 120 basis points, the fall in sterling is probably due to strength in the US dollar as demand for safe haven assets has increased.

The drop in sterling failed to give the **FTSE 100** a boost. The two markets usually have an inverse relationship as a rise in the pound lowers the sterling value of UK firms' overseas profits. But the FTSE 100 finished the quarter around 1.0% lower, slightly underperforming the S&P 500.

Elsewhere, in the **US** the markets think the Fed will cut interest rates twice more over the next two years. We agree that interest rates will fall once more this year, however, we don't expect the Fed to continue cutting interest rates next year. Meanwhile, we have lowered our forecast for GDP growth in the **euro-zone** next year from 0.8% to just 0.5%. And even if the ECB is reluctant to loosen policy further before Christine Lagarde takes over as President in November, we suspect that the Bank will cut its deposit rate by a further 30bps next year and step up its assets purchases.

APPENDIX 2: Detailed commentary on interest rate forecasts

Our treasury management advisers, Link Asset Services provided us on 5 August with the following update to their interest rate forecasts.

Comparison of forecasts for Bank Rate today v. previous forecast

	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
5.8.19	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
1.7.19	0.75	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50
change	0.00	0.00	0.00	0.00	-0.25	0.00	-0.25	-0.25	-0.50	-0.50	-0.25

- While the Bank of England went through the routine of producing another quarterly Inflation Report at the start of August, it was very questionable how much all the writing and numbers were worth when faced with the huge uncertainties of where the UK will be on 1 November 2019. Although the new Prime Minister, Boris Johnson, has spoken strongly that the UK will be out of the EU, come what may on 31 October, his stated main aim is to get movement from the EU and Ireland, and especially over the Northern Ireland backstop. If there was a reasonable chance that negotiations were going positively and looked like heading towards agreement, it surely cannot be ruled out that there could be a further delay to the 31 October deadline, as both sides have great concerns about the economic damage that would be done to their economies if there was a no deal. However, there is also the issue of what the House of Commons may, or may not do, especially now that the Supreme Court has overturned the proroguing of Parliament and has also passed a bill to delay Brexit until 31 January 2020 if there is no deal before 31 October. It has also denied the Prime Minister his request for a general election before 31 October. All one can say for certain is that there is currently a great deal of uncertainty over Brexit.

- Possibly the biggest message that is worth taking note of from the Inflation Report, is the downbeat comments in terms of the outlook for the major world economies. In terms of the UK, it was notably downbeat about expectations for how strong a recovery in growth would be - even if there was a Brexit deal; investment levels look unlikely to suddenly rebound strongly. This was reflected in a downgrading of the Bank's growth forecasts. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

- The MPC meeting of 19 September was notably dovish in emphasising increasing concerns about the impact that prolonged uncertainty was likely to have on UK growth, but also noted more concern about the environment of weaker global growth.

- While the USA is not heading towards a recession, the Fed has taken action to counter the slowdown in growth with two cuts of 25 bps each in July and September to reach 1.75 – 2.00%; it may cut again before the year end.

- The ECB is increasingly concerned by the headwinds facing the EZ economy as a whole, but especially the German and Italian economies. Germany is particularly exposed to a downturn in the world economy due to exports being a very important part of its economy. Italy just looks stuck in weak growth and successive governments have done little to face up to major issues that need dealing with. The ECB has therefore emphasised that while it can tinker at the edges with cuts in rates, and boosting liquidity in financial markets, the heavy lifting will have to be done by fiscal policy measures through national government action. Such siren noises have generally fallen on deaf ears in years gone by and Italy is perilously close already to exceeding the 3% budget deficit limit.

- The US tariff war with China looks to be coming more entrenched. This is not good news for China which is already facing a slowdown in its rate of economic growth. It will also impact on the US economy and especially on developing economies dependent on exporting commodities to China.

- Japan is, as always for the last two decades, mired in a battle with trying to get inflation consistently up from near zero, and with weak economic growth. Despite massive monetary policy measures, quantitative easing, and fiscal measures by the government, it is achieving little despite having its foot flat on the floor of the accelerator pedal of measures to stimulate growth.

- As for our forecasts for UK Bank Rate, we have moved back our forecast for the first increase from quarter 3 2020 to quarter 4 2020 and the second increase from quarter 1 2021 to quarter 1 2022. In order to make any forecast we have had to make one central assumption – a reasonable muddle through outcome for Brexit, possibly including a further delay to the deadline. If the facts change, our forecasts will also change. As events unfold it is possible we could see 25 – 50 bps movements in rates and yields at any time e.g. a hard Brexit could result in an immediate cut in Bank Rate. However, that is not our central assumption.

- We would point out to all clients that we have downgraded our forecasts for the speed of recovery in interest earnings on cash investments through to 2023/24.

- As for PWLB rates, we have seen a further sharp fall in most PWLB rates since our previous forecast.

- Our key advice to clients in the midst of such large-scale uncertainties is to focus on managing risk, rather than making a bet on one outcome or the other.

- A key issue facing most central banks of major world economies, except the US Fed, is that they have very little ammunition, in terms of normal monetary policy measures, to take action to counter the next economic downturn. Central banks will therefore have an agenda to restock their ammunition as soon as possible by raising central rates, but only when that becomes feasible, and, at a later time, possibly unwinding quantitative easing. Until they are able to raise rates back to more normal levels, central banks will be emphasising that responsibility for stimulating economic growth in the event of a significant economic downturn, will have to fall to governments to adopt fiscal measures of increasing expenditure and/or cutting taxes.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

LINK ASSET SERVICES' FORECASTS

We do not currently think that the MPC would increase Bank Rate before any clearing of the fog on Brexit. We have moved back our forecast for the first increase from quarter 3 2020 to quarter 4 2020 and the second increase from quarter 1 2021 to quarter 1 2022.

Forecasts for average investment earnings beyond the three year time horizon will be heavily dependent on economic and political developments.

Gilt yields and PWLB rates

The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more "risky" assets i.e. equities, or the "safe haven" of government bonds. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently, although there are likely to also be periods of sharp volatility from time to time.

Our forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU, (apart from the departure of the UK), within our forecasting time period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth. However, the current round of increases in tariff rates sparked by President Trump, both actual and threatened, are causing on-going concern around the potential impact on world growth and also on inflationary pressures.

We would, as always, remind clients of the view that we have expressed in our previous interest rate revision newsflashes of just how volatile PWLB rates and bond yields are at present. Our revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

BANK RATE	now	previously
Q1 2020	0.75%	0.75%
Q1 2021	1.00%	1.25%
Q1 2022	1.25%	1.50%

Our target borrowing rates and the current PWLB (certainty) borrowing rates are set out below.

PWLB debt	Current borrowing rate as at 5.8.19	Target borrowing rate now (end of Q3 2019)	Target borrowing rate previous (end of Q3 2019)
5 year	1.12%	1.20%	1.50%
10 year	1.37%	1.50%	1.80%
25 year	2.04%	2.10%	2.40%
50 year	1.95%	2.00%	2.30%

Borrowing advice: since November 2018, PWLB rates have fallen significantly. As our long term forecast for Bank Rate is 2.25%, and all PWLB rates are very near to or below 2.25%, and well below 2.25% in periods up to 10 years, there is added value in most borrowing periods. Value, however, in the longer term rates could be negated or minimal, if Bank Rate does not climb to at least 2.25% over the medium term. Accordingly, clients will need to review and assess their risk appetite in terms of any underlying borrowing requirement they may have, and also project forward their position in respect of cash backed resources.

Any new borrowing should also take into account the ***continuing cost of carry***, the difference between investment earnings and borrowing rates, especially as our forecasts indicate that ***Bank Rate may rise to only 1.25% by March 2022.*** Please speak to your CRM to discuss opportunities available.

Please note on the 9 October 100 base points were added to the PWLB rates. This was due to high levels of borrowing and the Government determining the availability of Capital Finance. Borrowing was due to exceed the £85bn statutory limit, this has now been increased to £95bn. We are currently awaiting new target rates from our Treasury Advisors

Link Asset Services suggested budgeted investment earnings rates for investments up to about three months' duration in each financial year for the next six years are as follows: -

Average earnings in each year	Now	Previously
2019/20	0.75%	0.75%
2020/21	1.00%	1.00%
2021/22	1.00%	1.50%
2022/23	1.50%	1.75%
2023/24	1.50%	2.00%
2024/25	1.75%	2.00%
Later years	2.25%	2.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for an eventual trend of gently rising gilt yields and PWLB rates is unchanged. Negative, (or positive), developments could significantly impact safe-haven flows of investor money into UK, US and German bonds and produce shorter term movements away from our central forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps.

APPENDIX 3: Approved countries for investments as at 30 September 2019

Clients may wish to inform members of changes to their approved list of countries for investments.

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Hong Kong
- France
- U.K.

AA-

- Belgium
- Qatar

APPENDIX A

REVENUE CARRY FORWARDS - BASE BUDGET ALREADY APPROVED

Budget underspends to be carried forward into 2020/21 which have been approved during the year are provided below for information only.

*please note the figures quoted are forecast as at September 2019 out-turn monitoring. The final carry forward figures will reflect the actual out-turn position at year end.

BASE BUDGET C/FWDS APPROVED IN YEAR			May-19	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
Prosperous Communities	Our People	Housing Strategy	25	Selective Licensing - to fund fixed term posts.
		TOTAL	25	

APPENDIX A

REVENUE - PENDING APPROVAL BY MANAGEMENT TEAM

Bids for budget underspends to be carried forward into 2020/21 which require Management Team approval are as follows;

*please note the figures quoted are forecast as at September 2019 out-turn monitoring. The final carry forward figures will reflect the actual out-turn position at year end.

BASE BUDGET C/FWDS PENDING APPROVAL BY MT			May-19	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
Corporate Policy & Resources	Our Council	Financial Services	42	Towards cost of new finance system implementation 20/21.
Prosperous Communities	Our People	Housing Strategy	22	Contribution towards revenue costs related to private sector enforcement work.
Corporate Policy & Resources	Our Council	Business Improvement & Commercial De	29	Project spend carry forward to resource new system implementation 20/21.
Prosperous Communities	Our People	Cemeteries and Churchyards	10	Memorial testing - scheduled to take place Spring 2020.
Corporate Policy & Resources	Our Place	Admin Buildings	13	Towards cost of moving/clean up costs prior to moving to new operational services depot.
Corporate Policy & Resources	Our Place	Admin Buildings	54	£60k budget for health & safety work at current operational depot site. Carry forward to cover the cost of ant repartion costs prior to leaving site for new depot (to be considered as part of wider Depot business case).
		TOTAL	170	