



Corporate Policy and Resources
Committee

Thursday, 23rd July 2020

Subject: Budget and Treasury Monitoring – Period 1 2020/21 (1st April 2020 to 31st May 2020)

Report by:

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Purpose / Summary:

This report sets out the revenue, capital and treasury management activity from 1 April 2020 to 31st May 2020.

RECOMMENDATION(S):

- a) That Members accept the forecast out-turn position of a £444k net contribution to reserves as at 31st May 2020 (see Section 2).
- b) Members accept the use of Earmarked Reserves during the quarter approved by the Chief Finance Officer using Delegated powers (2.4.1) and the contribution to Earmarked Reserves (2.4.2).
- c) That Members approve the amendment to the fees and charges schedule for the Crematorium (2.3.3), to be effective immediately.
- d) Members approve the Capital Budget amendments as detailed in 3.1.2 to 3.1.5 and accept the current projected Capital Outturn as detailed in 3.1.1.

IMPLICATIONS

Legal: None arising as a result of this report.

Financial: FIN/28/21/B/SL

The draft revenue forecast out-turn position for 2020/2021 is currently reflecting a net contribution to reserves of £444k as at 31st May 2020.

This is after taking account of approved carry forwards of £83k as detailed at Appendix 1.

Summary of Out-turn Position 2020/21		
	£ 000	
FORECAST OUTTURN AS AT 31.05.20	(527)	BEFORE CARRY FORWARDS
CARRY FORWARDS : USE OF EARMARKED RESERVES	83	ALREADY APPROVED
NET CONTRIBUTION (TO) / FROM RESERVES:	(444)	
FORECAST USE OF GENERAL FUND BALANCES-COVID19	599	
NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:	155	

The items with significant variances are contained within this report at 2.1 and 2.2.

The forecast financial implications of Covid-19 are contained within this report at 2.2.7.

The anticipated capital out-turn position 2020/21 is £14.074m. This is a movement of £10.044m on the original budget. The required amendments to the capital programme are detailed in 3.1.2 to 3.1.5.

The Treasury Management activities during the reporting period are disclosed in the body of this report. Total external borrowing is currently £20m. We are forecasting a £516k 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. However, to enable us to maintain effective cash management during a period of uncertainty on future cash flows, including the receipt of significant Government Grant Funding and anticipated variations on our income and expenditure levels as a consequence of the Covid-19 pandemic, on the 30 March 2020 an urgent Delegated Decision approved an increase to our Treasury Counterparty limits:

- Upper investment limits with AAA rated Money Market Funds to be raised, £7.5m from £5m
- Lloyds Bank, our bankers, raised to £2m current account, £7.5m deposit account (increased from £1m and £5m respectively)

Average investments for the period (Apr-May) was £16.612m, which achieved an average rate of interest of 1.173% 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: 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

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

- 'Business as Usual' Revenue Forecast Out-Turn (after carry forwards) - Surplus £444k (3.09% of Forecast Net Revenue Expenditure) – See 2.1 for details of significant variances.
- Forecast surplus includes net Treasury Management activity savings of £313k (£516k underspend of the cost of borrowing, offset by £203k pressure on investment property income as no acquisitions are now anticipated this financial year.
- Forecast pressure above Covid-19 LA Support Grants £599k (see 2.2.7 for details).
- Remaining net deficit of £155k to be drawn down from the General Fund Balance, which would result in a forecast Fund balance as at 31 March 2021 of £3.709m.

CAPITAL

- Capital Forecast Out-Turn: £14.074m, a variance of £14.698m against current budget £28.772m, this is made up of:
 - **Anticipated Slippage of £12.834m to 2021/22**
 - £8.334m for investment properties – in the current situation the Council are not expecting to make any property purchases this financial year.
 - £2.5m Gainsborough Cinema – Due to Covid-19 the scheme is expected to have a delayed start.
 - £1.46m Riverside Gateway – the scheme to slip to 2021/22.
 - £0.540m Bowling Green Road – scheme expected to slip 3 months into 2020/21 due to a delayed start.
 - **Overspend on two schemes of £0.120m**
 - £0.080m Market Rasen Leisure Centre £60k of which is due to Covid-19 implications with the remainder being inclement weather, additional storage and CCTV.
 - £0.020m Firewall Implementation.
 - £0.020m IT Storage Refresh.
 - **Underspend on one scheme.**
 - £1.984m Food Enterprise Zone - this project is no longer deliverable at this point in time, but remains a key priority for WLDC and for the GLEP as set out within the Greater

Lincolnshire Industrial Strategy. We will continue to work with landowners and funders to bring forward a deliverable scheme.

- The Housing Infrastructure Scheme (Southern SUE) was due to commence in 2021/22, the Committee is now asked to approve £1.337m of the budget being brought forward from 2021/22 to 2020/21, as spend will be incurred during this financial year with a grant claim to be submitted to recover the costs.
- Phase 2 of the Made In Gainsborough Project has previously had £0.075m allocated. The expenditure has now been finalised at £0.060m. The committee is now asked to formally approve this budget.

TREASURY MANAGEMENT

- Treasury Management Report and monitoring:
 - Average investment interest rate for Period 1 was 1.173%
 - Total Investments at the end of Period 1 £13.490m

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	Period 1 £'000
Investments B/fwd (at 31.3.2020 incl. bank)	11,670
Less Capital expenditure	(1,811)
Add PWLB/Other LA Borrowing in year	0
Less Net Revenue Expenditure	4,931
Add Net Collection Fund Movement (Ctax/NNDR)	(1,171)
Add Working Capital Movement	239
Investments c/fwd (at 31.05.2020)	13,858

Our prudential borrowing position reflects actual borrowing undertaken from the Public Works Loans Board/Other Local Authorities and the amount of internal borrowing required to meet the actual costs of borrowing up to the 31.05.2020.

Prudential Borrowing at 31.05.2020	Period 1 £'000
Total External Borrowing (PWLB) and Other Local Authorities	16,500
Internal Borrowing	3,500
Total Prudential Borrowing at 31.05.20	17,209

REVENUE BUDGET MONITORING PERIOD 1
(1st April 2020 to 31st May 2020)
Forecast Outturn for 2020/2021

2. The Revenue Budget forecast outturn currently stands at a net contribution to reserves of 444k as detailed in the table below, this is after taking account of £83k of budget carry forwards, the details of which are provided at Appendix 1.

Details of headline variances by Cluster can be found below at 2.1 and 2.2.

Details of the Covid-19 financial implications and LA Support Grant shortfall can be found at 2.2.7.

SERVICE CLUSTER	2020/2021		Forecast Outturn Variance £
	Budget £	Forecast Outturn £	
Our People	1,752,400	1,671,500	(80,900)
Our Place	4,107,600	4,099,600	(8,000)
Our Council	6,087,100	5,951,386	(135,714)
Controllable Total	11,947,100	11,722,486	(224,614)
Corporate Accounting:			
Interest Receivable	(250,300)	(242,400)	7,900
Interest Payable	983,000	467,200	(515,800)
Investment Income	(1,618,600)	(1,415,600)	203,000
Precepts and Levies	2,505,000	2,508,440	3,440
Movement in Reserves:			
To / (From) General Fund	(369,600)	(369,600)	0
Use of Specific Reserves	(862,135)	(862,135)	0
Contribution to Specific Reserves	1,778,835	4,178,835	2,400,000
Repayment of Borrowing	243,700	243,700	0
Net Revenue Expenditure	14,357,000	16,230,926	1,873,926
Funding Total	(14,357,000)	(16,758,200)	(2,401,200)
NET SUBSIDY FROM / (CONTRIBUTION) TO RESERVES FOR THE YEAR	0	(527,274)	(527,274)
Carry Forwards - use of Earmarked Reserves		83,200	
Net Contribution (To) / From Reserves		(444,074)	
Forecast Use of General Fund Balances-COVID19		599,100	
Net Contribution (To) / From General Fund		155,026	

With effect from 2020/21 the designation of services to Cluster have been amended to reflect the Corporate Plan 2019 – 2023.



2.1 The significant movements being;

Cluster	EXPENDITURE	Total £000	Direction of Travel
BUDGET UNDERSPENDS			
	Salary savings.	(£158)	New
Corporate Accounting-Interest Paid	Treasury management activities - saving on borrowing costs.	(£516)	New
PRESSURES			
Corporate Accounting-Investment Income	Net impact of investment property acquisitions - offset by the saving on borrowing costs.	£203	New
	Various forecast outturn variances <£10k	£44	New
		(£427)	

Cluster	INCOME	Total £000	Direction of Travel
BUDGETED INCOME EXCEEDED			
Our Council	Green Waste service income target exceeded (£31k) plus operational savings of (£4k).	(£35)	New
Our People	Hemswell Residents Company - extension to land management contract.	(£11)	New
BUDGETED INCOME NOT ACHIEVED			
Our People	Housing Benefits - forecast net subsidy position.	£17	New
Our Place	Property Services - Anticipated voids awaiting lease agreements.	£12	New
		(£17)	

TOTAL VARIANCE	(£444)
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2.2 Significant items (>£10k) of note by Cluster:

2.2.1 Interest & Investment Income

- £516k of the forecast contribution relates to interest payable on borrowing. We provide a base budget estimated 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 mitigates 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 saving is offset by a £203k pressure against Investment Income. The income budget was increased in 2020/21 to reflect the potential for further acquisitions to the Commercial Investment-Property Portfolio. No acquisitions are now anticipated this financial year.
- The remaining balance of £313k is included in the forecast net contribution to reserves.

2.2.2 Funding and Contribution to Specific Reserves

£2.4m Extended Retail Relief Grant is anticipated from the Government, £1.593m has been received to date. The grant will offset the 2020/21 deficit the reduction in income will have on the Collection Fund and will therefore be transferred to the NNDR Volatility Reserve at year-end to offset the repayment of this deficit in future years.

2.2.3 Our Council

- The 2020/21 budget for Green Waste Charging reflects a net contribution of £812k. With actual income at £913k from subscriptions achieved during this period the forecast net contribution is £847k, £35k above the prudent original forecast. (£31k additional income, plus operational savings of £4k).

2.2.4 Our People

- £83.2k is an approved carry forward into 2021/22 (see Appendix 1)
- £11k additional income is due to the extension of the Hemswell Resident Company contract to 31st March 2023 (was budgeted to 31st December 2020).
- A pressure of £17k reflects the Housing Benefits forecast net subsidy position.

2.2.5 Our Place

- There is a forecast shortfall in property rental income of £12k, due to voids in tenancy whilst awaiting lease agreements.

2.2.6 Establishment

Current vacancy levels after costs of interim staffing resources is forecast to achieve a £158k budget underspend for the year, this represents 1.6% of the overall employee budget. This is broken down by cluster as follows;

Cluster	Sum of variance £
Our Council	(193,499)
Our People	29,400
Our Place	5,600
Grand Total	(158,499)

2.2.7 Financial Implications of Covid-19

We are monitoring the ongoing financial implications of the Covid-19 pandemic and will update Members regularly. The forecast financial impact on the 2020/21 outturn position is detailed in the table below.

There is a forecast shortfall in LA Covid Support Grant and High Street Recovery Grant of £599k.

The impact of Covid-19 will be closely monitored and a revised budget 2020/21 and a mid-year review of the Medium Term Financial Plan will be presented to the November meeting of this Committee.

Category	Forecast Impact 20/21	Significant Variances - Notes
	(Surplus) / Deficit £	
Grants Paid Out	19,477,500	Business Support Grants
Grants Received	(23,756,217)	Business Rate Relief Grant S31 £2,400k, Covid-19 Support Grant £1,085k, Council Tax Hardship Fund £793k, BEIS Business support Grant £18,664k, LA Discretionary Grant Fund £814k
Grand Total	(4,278,717)	

LA Covid Support Grant	(1,000,731)
High Street Recovery Grant	(84,598)
LA Covid Support Grant	(1,085,329)

Category	Forecast Impact 20/21	Significant Variances - Notes
	(Surplus) / Deficit £	
Cost	816,148	SLM Leisure assistance £678k, Markets-signage and sanitation station £8k, agency staff (markets, waste collection, building control, homelessness) £31k, overtime and additional hours (housing benefits, local tax collection, waste collection) £18k, ICT spare laptops and headsets £17k, postage to vulnerable people and businesses £12k, capital salaries due to delayed schemes £20k, Fixed term finance post extended £22k, waste services PPE £5k, bank charges for grant payments £5k
Income Loss	1,155,143	Planning fee income £125k, Investment interest £119k, Housing Benefits overpayments reclaimed £82k, council tax loss of court costs £90k, car parks (pay & display, permits, fines) £150k, property rental income reduction £115k, building control £74k, land charges £36k, markets stallage fees £35k, street cleansing services for private clients £20k, bulky waste collections £13k, Trinity Arts Centre £171k, trade waste £106k, liquor licences £6k, other income £13k
Saving	(251,850)	1 apprentice vacancy not recruiting (£17k), Trinity Arts Centre operating costs (£112k), car allowances & mileage (£48k), trade waste disposal costs (£25k), Land charges search fees (£10k), legal services (£12k), civic events (£13k), other operating expenditure savings (£15k)
Income	(35,000)	TAC - Art Council England Grant (£35k)
Grand Total	1,684,441	

LA Covid Support Grant Shortfall	599,112
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2.3 Fees and Charges

2.3.1 £1,280k has been received in Fees and Charges up to the end of the period against a budget for the period of £1,561k, a shortfall to date of £281k.

- The most significant areas of additional income forecast for the year being:
 - Garden Waste (£31k) - see 2.2.3

2.3.2 There is a forecast pressure for the year on fees and charges of £829k due to the impact of Covid-19, however £172k of this is offset by savings realised, leaving a net pressure of £657k.

The significant areas of under achieved income due to the impact of Covid-19 being (see 2.2.7);

- **Trade Waste £106k** – partly offset by £25k forecast saving on disposal costs. Net pressure of £81k.
- **Planning Fee Income £125k**
- **Local Tax Collection £90k** - loss of recovery of court costs
- **Car Parks £150k** - Permits, Pay & Display and Fines
- **Building Control £74k**
- **Trinity Arts Centre £171k** – a grant claim from Art Council England has been successful for £35k partly offset this loss of income, plus operational savings of £112k are forecast due to site closure. Net pressure forecast of £24k.
- **Land Charges £36k**
- **Markets £35k**
- **Street Cleansing £20k** – Private contractor work

2.3.3 Amendment to Fees and Charges Schedule – Crematorium

Members are asked to approve an addition to the fees and charges schedule approved by Council in March 2020, relating to Crematorium charges, to be effective immediately;

Prosperous Communities Committee		Crematorium			
2020/21	VAT Amount	2020/21 Charge Inc. VAT	VAT Rate		
£	£	£			
Pro Visual tribute (2-25 photographs)	Professionally edited slideshow	£66.67	£13.33	£80.00	S

Visual Tribute – Professionally Edited Slideshow

Our supplier offers two very similar visual tribute services, but with vastly different costs. This was overlooked at the time of setting fees and charges.

The slideshow currently offered is for photos with a simple fade transmission played either on a loop throughout the service, or at a particular time during the service, to any piece of music which we sell for £48 (incl. VAT).

However, families are requesting a Pro-tribute, which again are photos, but professionally edited into a video-style tribute shown at a particular time during the service, to any piece of music.

We are proposing to sell at £80 (incl. VAT), which is consistent with what is being charged by other service providers and fully recovers our costs in providing this service.

2.4 Use and Contribution to Reserves

2.4.1 2020/21 Use of Reserves – Delegated Decisions

The Chief Finance Officer has used delegated powers to approve the use of earmarked reserves up to £50k, new delegated decisions totalled £121.6k;

- £5k from Communities at Risk reserve. Revenue spend related to Hemswell Cliff Regeneration (MT 14.04.20 FIN/7/21).
- £45k from Connectivity Fund. Call Connect contract for 2 years at £45k pa (CP&R 23.04.20 FIN/8/21)
- £35.4k from Project Investment reserve. To cover revenue spend on CRM scheme - CRM license.
- £36.2k from Unapplied Grants. New Burdens income budget correction.

2.4.2 2020/21 Contributions to Reserves

The following contributions to earmarked reserves total £41.8k;

£41.8k Homelessness Prevention grant to Unapplied Grants. Required for temporary staffing resources in 2021/22.

2.5 Grants

As at 1st April 2020 we had an amount of £575k 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.

2.5.1 Successful Grant Bids and New Grant determinations

The following grants have been awarded during this period:

Grant Issued By	Name of Grant	Revenue/ Capital	£
MHCLG	Covid - Business Support Grant	Revenue	18,664,000
MHCLG	Business Rates Relief Grant	Revenue	1,592,822
MHCLG	Covid - LA Support Grant	Revenue	947,496
MHCLG	Covid - CT Hardship grant	Revenue	793,388
MHCLG	Preventing Homelessness Grant	Revenue	128,800
MHCLG	Local Council Tax Support Administration Subsidy Grant	Revenue	103,265
MHCLG	High Street Recovery Fund	Revenue	84,598
Heritage Lottery Fund	THI	Revenue	58,600
DWP	Housing Benefits New Burdens Grants	Revenue	51,100
Arts Council	Mayflower	Revenue	50,000
DWP	Housing Benefits Admin Grant	Revenue	38,384
Art Council England	Emergency Fund	Revenue	35,000
LCC	Scampton RAF	Revenue	30,700
MHCLG	Covid 19 - Contingency Fund - Homelessness	Revenue	16,500
Defra	Flood Resilience Grant	Capital	15,943
MHCLG	Rough Sleeping Initiative	Revenue	9,970
MHCLG	Letting Agents Transparency and Redress Scheme	Revenue	1,233
Defra - SSCL	Air Quality Taxi Database burdens	Revenue	597
TOTAL:			22,622,396

Other Items for information

2.6 Planning Appeals

In period 1 2020/21 there were no appeals determined

There are 2 live applications for costs.

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Period 1 Monitoring Report

At the end of May 2020, there was a total of £228k 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 £62k the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.
- Property Services £46k – this is due to deferred rent payment agreements to support businesses during the pandemic.
- Leisure £40k
- Housing £23k
- Environmental Protection & Licensing £22k

Period	90 – 119 days £	120 – 149 days £	150+ days £	Total £
Period 1 - ending May 2020	79,469	6,064	142,405	227,938

2.8 Changes to the Organisation Structure

There have been no changes to the organisation structure during the period.

3.1 CAPITAL BUDGET MONITORING – Period 1

3.1.1 The Capital Budget forecast out-turn for schemes approved to spend (includes Stage 3 and BAU) totals £10.123m against a revised budget of £18.818m. Pipeline Schemes (Pre Stage 1, Stage 1 and Stage 2) are expected to spend £3.950m (subject to formal approval). This gives an overall total spend of £14.074m as detailed in the table below.

Capital Investment Programme 2020/21

Corporate Priority / Scheme	Actuals to 31/05/2020	Original Budget 2020/21	Revised Budget 2020/21	Forecast Outturn 2020/21	Over / (Underspend)	Carry Forward Requests/ Drawbacks
Total Capital Programme Gross Expenditure - Stage 3 and BAU	451,176	15,469,031	18,817,920	10,123,359	179,789	(8,874,350)
Stage 2	25,500	4,542,775	5,477,675	2,977,675	0	(2,500,000)
Stage 1	0	602,300	972,800	972,800	0	0
Pre-Stage 1	0	3,503,513	3,503,513	0	(2,043,513)	(1,460,000)
Total Capital Programme Gross Expenditure	476,676	24,117,619	28,771,908	14,073,834	(1,863,724)	(12,834,350)

3.1.2 Approvals to Carry Forward £12.834m, are requested for the following schemes.

- £8.334m for investment properties – in the current situation the Council are not expecting to make any property purchases this financial year.
- £2.5m Gainsborough Cinema – Due to Covid-19 the scheme is expected to have a delayed start.
- £1.46m Riverside Gateway – the scheme to slip to 2021/22.
- £0.540m Bowling Green Road – scheme expected to slip 3 months into 2020/21 due to a delayed start.

3.1.3 Approval to bring forward funding from 2021/22 to 2020/21.

- This committee has previously approved a budget of £2.194m for Housing Infrastructure Scheme (Southern SUE) to be fully funded by a grant from Homes England – Housing Infrastructure Fund commencing in 2021/22. Members are now asked to approve £1.337m of this budget being brought forward to 2020/21 as spend will be incurred during this financial year, and a grant claim submitted to recover the costs.

3.1.4 In December 2019 this committee approved a £0.075m budget allocation to Phase 2 of the Made in Gainsborough Project. The expenditure has now been finalised at £0.060m and it is therefore proposed the capital budget is now formalised to fund this programme of works.

3.1.5 The net underspend £1.864m is made up of the following amounts, which members are requested to approve:

- £1.984m reported underspend on the Food Enterprise Zone Scheme. This project is no longer deliverable at this point in time, but remains a key priority for WLDC and for the GLEP as set out within the Greater Lincolnshire Industrial Strategy. We will continue to work with landowners and funders to bring forward a deliverable scheme.

- £0.080m reported overspend on Market Rasen Leisure Centre due to £40k additional costs in relation to Covid-19 and inclement weather conditions and £40k due to CCTV cameras and additional storage; this will be financed from borrowing.
- £0.020m overspend on the Firewall implementation, this will be financed from the IT Reserve
- £0.020m overspend on the Storage Refresh Project, request to draw down this from the £0.060m contingency earmarked in the IT Reserve.

Commercial Investment Properties 2020/21

3.1.6 The Council has paused its programme with regards to purchasing commercial investment properties for 2020/21 due to the current uncertainty regarding the Covid-19 pandemic.

3.2 Acquisitions, Disposals and Capital Receipts

3.2.1 The Council has made no acquisitions in Period 1.

3.2.2 There have been no asset disposals during Period 1.

3.2.3 Capital Receipts – The total value of capital receipts at the end of period 1 was £132k. £125k from ACIS relating to right to buy and £7k of loan repayments.

3.3 The out-turn position for capital schemes is provided in the table below.

Capital Investment Programme 2020/21

Corporate Priority / Scheme	Actuals to 31/05/2020	Original Budget 2020/21	Revised Budget 2020/21	Forecast Outturn 2020/21	Over / (Underspend)	Carry Forward Requests/ Drawbacks
	£	£	£	£	£	£
Vulnerable Groups & Communities						
Flooding Resilience	500	0	50,000	50,000	0	0
Health and Wellbeing						
Disabled Facilities Grants	72,914	840,631	762,714	762,714	0	0
Private Sector Renewal	26,342	100,000	141,640	141,640	0	0
Social Housing Scheme	0	300,000	300,000	300,000	0	0
Leisure Facilities - Market Rasen	336,497	0	1,024,182	1,104,182	80,000	0
Economy						
Crematorium	(30,706)	0	0	0	0	0
Gainsborough Shop Front Improvement Sch	0	40,000	85,000	85,000	0	0
Saxilby Industrial Units	(15,000)	0	0	0	0	0
Public Safety & Environment						
Vehicle Replacement Programme	0	0	52,500	52,500	0	0
Depot Review	27,944	4,600,000	4,819,527	4,819,527	0	0
CCTV Expansion	0	0	27,265	27,265	0	0
Housing Growth						
Unlocking Housing - Living over the Shop	0	100,000	175,000	175,000	0	0
Gainsborough Regeneration - Bowling Green Road (Refcus)	0	2,162,000	2,162,000	1,621,500	0	(540,500)
Finances						
Car Park Strategy Investment	(4,103)	0	0	0	0	0
Capital Enhancements to Council Owned Assets	0	110,000	125,805	185,805	60,000	0
Carbon Efficiency	0	0	210,000	210,000	0	0
Customer						
Telephony (incl. Contact Centre)	0	19,400	19,400	19,400	0	0
Income Management	0	0	48,650	48,650	0	0
Staff & Members						
Public Sector Hub - Property	0	100,000	273,387	273,387	0	0
Storage Refresh	0	80,000	190,000	210,000	20,000	0
Siem Firewall Update	36,789	17,000	17,000	36,789	19,789	0
Investment						
Commercial Investment - Property Portfolio	0	7,000,000	8,333,850	0	0	(8,333,850)
Total Capital Programme Gross Expenditure - Stage 3 and BAU	451,176	15,469,031	18,817,920	10,123,359	179,789	(8,874,350)
Stage 2	25,500	4,542,775	5,477,675	2,977,675	0	(2,500,000)
Stage 1	0	602,300	972,800	972,800	0	0
Pre-Stage 1	0	3,503,513	3,503,513	0	(2,043,513)	(1,460,000)
Total Capital Programme Gross Expenditure	476,676	24,117,619	28,771,908	14,073,834	(1,863,724)	(12,834,350)

4. TREASURY REPORT INCLUDING MONITORING – Period 1 (1st April 2020 to 31st May 2020)

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. However, on the 30 March 2020 an urgent Delegated Decision was signed off to increase our Treasury Counterparty limits:

- Upper investment limits with AAA rated Money Market Funds to be raised, £7.5m from £5m
- Lloyds Bank, our bankers, raised to £2m current account, £7.5m deposit account (increased from £1m and £5m respectively)

These changes were required and are maintained for effective cash management due to receiving Grants from Government in relation to Covid-19 initiatives.

4.2 Interest has been in excess of the 7 day average Libid (-0.03%) and SONIA 0.0677% [Sterling Overnight Index Average] with an average yield of 1.173% (including CCLA) and 0.398% (Excluding CCLA).

4.3 Interest Rate Forecasts

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

Link Asset Services Interest Rate View								
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

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 in July.

The effects of Covid-19 (coronavirus) has resulted in a sharp fall in economic activity and in significant declines in the value of many assets.

These changes will be reflected in property valuations, however, at present, the sheer pace of change in the investment environment and the relative

infrequency of transactions in the sector means that it is not possible for valuers to be confident that their valuations truly reflect prevailing conditions.

CCLA asset managers have a duty to ensure that all transactions in the property funds are conducted at prices which are accurate and fair to both holders and those wishing to purchase or sell units/shares.

In circumstances where that is not possible and where there is therefore a material risk of disadvantage to either party, CCLA are obliged to suspend transactions until the required level of certainty is re-established. No further investments or redemptions will be allowed until further notice.

It is anticipated the fund value will drop this financial year by circa 6-10%.

4.5 New External Borrowing

The Council has not taken out any new external borrowing in this period. Total External Borrowing stands at £20m.

4.6 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 31 May 2020.

4.7 Compliance with Treasury and Prudential Limits

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

During the financial year to date, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

The prudential and treasury Indicators are shown below.

	Original £'000	P1 £'000
Treasury Indicators		
Authorised limit for external debt	55,307	55,307
Operational boundary for external debt	38,189	28,220
External Debt	38,189	24,220
Long term Leases	0	0
Investments	(13,321)	(12,066)
Net Borrowing	24,868	12,154
Prudential Indicators		
Capital Expenditure	24,118	14,028
Capital Financing Requirement (CFR)*	50,307	45,862
<i>Of Which Commercial Property</i>	<i>30,000</i>	<i>21,666</i>
Annual change in CFR*	9,937	7,956
In year borrowing requirement	38,189	24,220
Under/(over)borrowing	12,118	21,642
Ratio of financing costs to net revenue stream*	8.89%	6.07%
Incremental impact of capital investment decisions:		
Increase/Reduction (-) in Council Tax (band change per annum)	£1.25	£0.74

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



West Lindsey District Council

Monthly Investment Analysis Review

May 2020

General Economy

Although the Flash Manufacturing PMI for May rose to 40.6 from April's Final release of 32.6, it still pointed to the second steepest contraction in the manufacturing sector since 2009. In a similar vein, the Flash Services PMI rose to 27.8 from April's Final release of 13.4 – but this was still the second lowest reading since the survey began. As a result of these gains, the Flash Composite PMI for May rose to 28.9 from April's 13.8 – but still indicated that manufacturing output and service sector activity both contracted faster than during the financial crisis, with new orders and employment contracting at the second fastest rate since the survey began in 1998. The Construction PMI, meanwhile, (which is released on a different timescale to the main service and manufacturing reports) plunged to 8.2 in April from 39.3 in March – pointing to the steepest pace of contraction in the sector since the survey began in 1997.

GDP data revealed that the UK economy shrank by 2.0% in the three months to March after stagnating in the three months to February, but this was slightly better than market expectations of a 2.6% contraction. Nevertheless, it was still the steepest decline in GDP since Q4 2008. The broad-based nature of declines in activity illustrated the impact of the measures taken to reduce transmission of the coronavirus. As a result, the economy contracted by 5.7% in the twelve months to March, down significantly from the upwardly revised 0.2% y/y growth recorded in February – but, once again, this was better than the market's expectation of a 7.2% contraction. Meanwhile, a 12.9% m/m fall in exports saw the UK record a trade deficit of £6.68 billion in March, compared to a downwardly revised £1.54 billion deficit in February.

Against this backdrop, the UK's unemployment rate surprisingly fell to 3.9% in the three months to March from 4.0% in the three months to February, below market expectations of 4.4%. However, the data was based on surveys covering only one week of the coronavirus lockdown. More recent data showed that the number of people claiming unemployment related benefits rose by a record 856,500 during April, compared to 12,100 people in March. Average earnings in the three months to March rose by 2.4% from a year earlier, easing from a 2.8% rise in the previous period. Excluding bonuses, average earnings increased by 2.7%, which was also lower than the 2.9% gain recorded in the three months to February.

Consumer Price Inflation (CPI) fell to 0.8% y/y in April from 1.5% y/y in March, due in part to falls in energy and utility prices (the latter the result of the decline in Ofgem's price cap). However, the core CPI rate - which strips out the more volatile components - eased to 1.4% y/y in April from 1.6% y/y in March, also indicating easing underlying price pressures. As such, inflation is currently well below the Bank of England's 2% target. In monthly terms, the CPI fell 0.2% during April after being unchanged during March.

Retail sales, meanwhile, plunged a record 18.1% m/m during April, as many stores ceased trading in response to the coronavirus pandemic. This outturn was significantly worse than the 5.2% decline recorded in March, and less than expectations of a 16% decline. The year-on-year fall in retail sales of 22.6% was also a record. Mirroring the worsening impact of the coronavirus upon activity, the GfK Consumer Confidence index eased to a preliminary reading of -34 in May from -33 in April, reaching its lowest level since 2009. Against this economic backdrop, it was no surprise to see the MPC leave the Bank

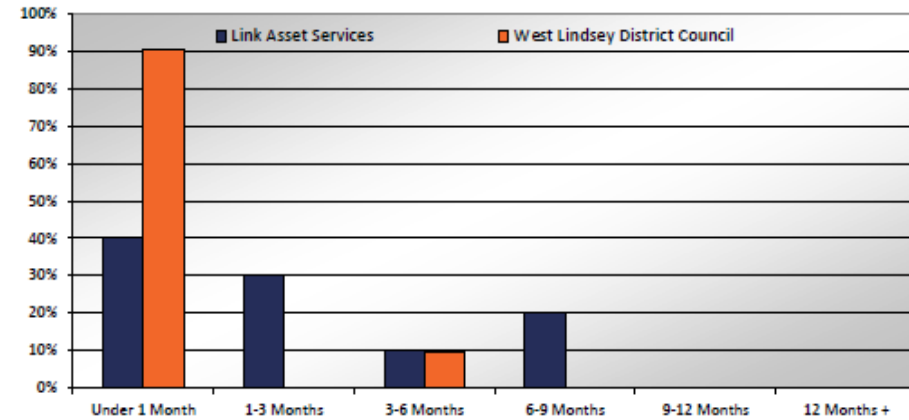
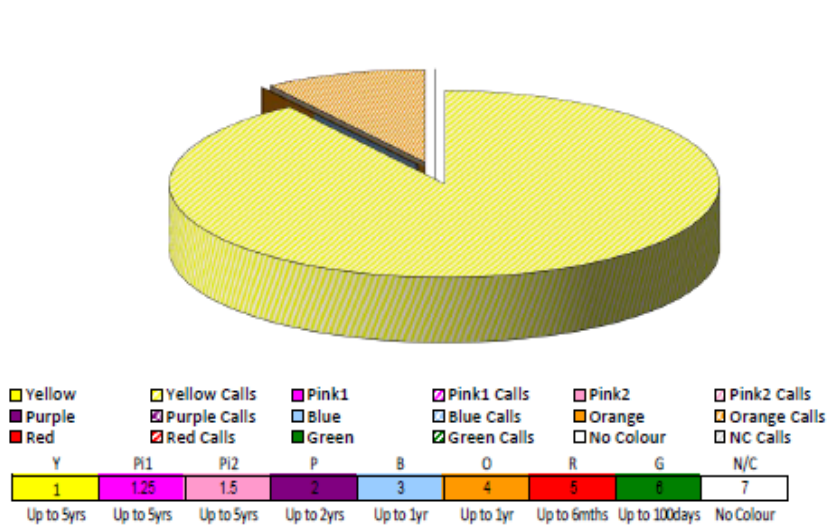
West Lindsey District Council

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF LGIM	7,500,000	0.32%		MMF	AAA	0.000%
MMF Aberdeen Standard Investments	1,990,000	0.32%		MMF	AAA	0.000%
Lloyds Bank Plc (RFB)	1,000,000	0.45%		Call95	A+	0.014%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
CCLA-LAPF	3,000,000	0.70%				
Total Investments	£13,490,000	0.41%				
Total Investments - excluding Funds	£10,490,000	0.33%				0.001%
Total Investments - Funds Only	£3,000,000	0.70%				

West Lindsey District Council

Portfolio Composition by Link Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **1.29**

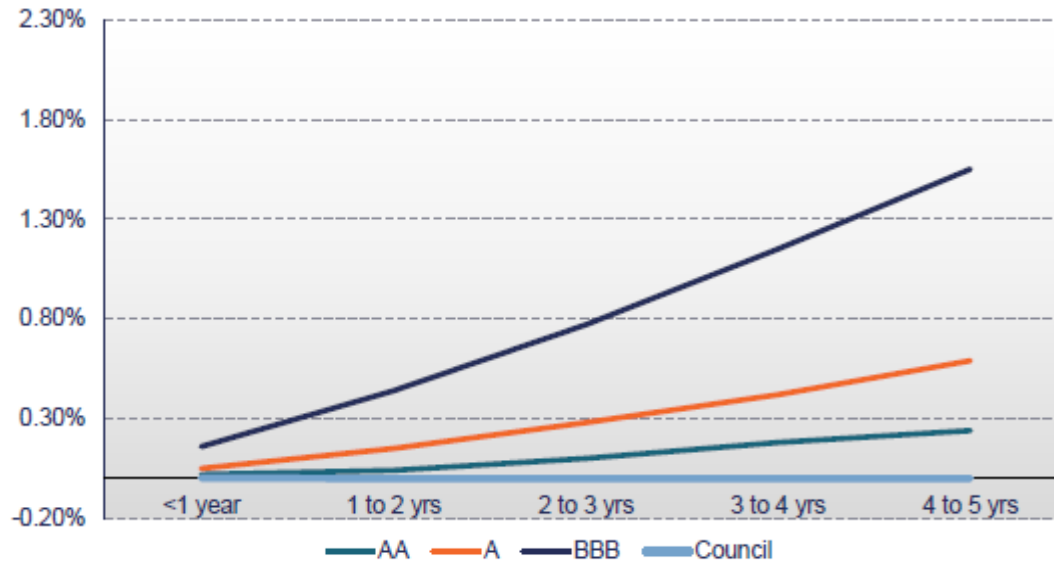
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	90.47%	£9,490,000	100.00%	£9,490,000	90.47%	0.32%	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	9.53%	£1,000,000	100.00%	£1,000,000	9.53%	0.45%	95	95	0	0
Red	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£10,490,000	100.00%	£10,490,000	100.00%	0.33%	9	9	0	0

West Lindsey District Council

Investment Risk and Rating Exposure

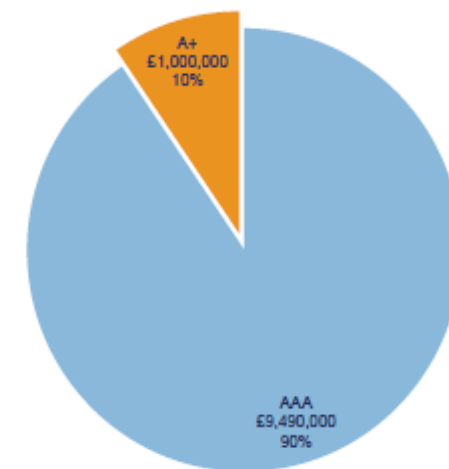
Investment Risk Vs. Rating Categories



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	0.16%	0.44%	0.77%	1.15%	1.55%
Council	0.001%	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 FITC

Date	Update Number	Institution	Country	Rating Action
18/05/2020	1758	France Sovereign Rating	France	The Outlook on the Sovereign Rating was changed to Negative from Stable.
22/05/2020	1761	Australia Sovereign Rating	Australia	The Outlook on the Sovereign Rating was changed to Negative from Stable.
26/05/2020	1762	Macquarie Bank Ltd.	Australia	The Outlook on the Long Term Rating was changed to Negative from Stable.
29/05/2020	1763	Societe Generale	France	The Long Term Rating was downgraded to 'A-' from 'A' and was removed from Negative Watch and placed on Stable Outlook. The Viability Rating was downgraded to 'a-' from 'a' and was removed from Negative Watch.
29/05/2020	1764	Deutsche Bank AG	Germany	The Long Term, Short Term and Viability ratings were removed from Negative Watch and the Long Term Rating was placed on Negative Outlook.

West Lindsey District Council

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
01/05/2020	1756	Nationwide Building Society	United Kingdom	The Long Term Rating was downgraded to 'A1' from 'Aa3' and the Outlook was changed to Stable from Negative.
01/05/2020	1756	Nottingham Building Society	United Kingdom	The Long Term Rating was downgraded to 'Baa2' from 'Baa1'.
01/05/2020	1756	Principality Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.

West Lindsey District Council

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
14/05/2020	1757	HSBC Bank PLC	United Kingdom	The Long Term Rating was downgraded to 'A+' from 'AA-' and the Outlook was changed to Stable from Negative. The Short Term Rating was downgraded to 'A-1' from 'A-1+'.
14/05/2020	1757	HSBC UK Bank PLC	United Kingdom	The Long Term Rating was downgraded to 'A+' from 'AA-' and the Outlook was changed to Stable from Negative. The Short Term Rating was downgraded to 'A-1' from 'A-1+'.
18/05/2020	1759	Societe Generale	France	The Outlook on the Long Term Rating was changed to Negative from Stable.
19/05/2020	1760	OP Corporate Bank PLC	Finland	The Outlook on the Long Term Rating was changed to Negative from Stable.

West Lindsey District Council

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REVENUE CARRY FORWARDS – ALREADY APPROVED

Budget underspends to be carried forward into 2021/22 which have already been approved during the year are provided below for information only.

*please note the figures quoted are as forecast as at May 2020 out-turn monitoring. The final carry forward figures will reflect the actual out-turn position.

USE OF EARMARKED RESERVES			May 20	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
Prosperous Communities	Our People	General Grants etc	77	Forecast balance on Member Local Grants budget (£144k approved over 4 years 19/20 - 22/23).
Prosperous Communities	Our People	General Grants etc	6	Use of EMR approved by CPR 06.02.19 (FIN/138/18). Remaining balance of Community Payback budget to be cfwd (approved by MT 14.04.20 FIN/7/21)
TOTAL			83	