	Corporate Policy and Resources
	Thursday, 5th November 2020

Subject: Budget and Treasury Monitoring - Period 2 2020/21 (1st April 2020 to 30th September 2020)

Report by:	Assistant Director, Finance, Business and Property Services
Contact Officer:	Sue Leversedge Business Support Team Leader sue.leversedge@west-lindsey.gov.uk
Purpose / Summary:	This report sets out the revenue, capital and treasury management activity from 1 April 2020 to 30 September 2020.

RECOMMENDATION(S):

REVENUE

a) That Members accept the forecast out-turn position of a £905k net contribution to reserves as at 30th September 2020 (see Section 2) relating to business as usual activity.

b) Members approve the use of Earmarked Reserves (2.4.1).

c) Members accept the use of Earmarked Reserves during the quarter approved by the Chief Finance Officer using Delegated powers (2.4.2).

d) That Members approve the amendment to the fees and charges schedules (2.3.2), to be effective immediately and **recommend to Council** any new Fees and Charges be implemented immediately.

e) Members approve budgets and expenditure for the use of the £196,690 Cultural Recovery Fund Grant in accordance with the Bid; £39,550 Capital, £33,500 transfer to Levy Reserve, and £123,635 Revenue

CAPITAL

f) Members approve the Capital Budget amendments as detailed in 3.2 and accept the current projected Capital Outturn as detailed in 3.1.2.

TREASURY

g) Accept the report, the treasury activity and changes to the prudential indicators.

IMPLICATIONS

Legal: None arising as a result in this report.

(N.B.) Where there are legal implications the report MUST be seen by the MO

Financial : FIN/81/21/B/SL

The draft revenue forecast out-turn position for 2020/2021 is currently reflecting a net contribution to reserves of £1,231k from business as usual activity as at 30th September 2020 (£444k as at 31st May 2020).

After taking account of approved revenue carry forwards of £230k, and carry forward requests from services pending future approval by Management Team of £96k (as detailed at Appendix 4) £905k will be the contribution to the General Fund Working Balance.

When then considering the impact of Covid-19 we are assuming that all grant funding towards additional expenditure will be utilised, and there will be a £448k pressure in relation to Income Losses which we will have to bear.

The net contribution to the General Fund Balance would then be £457k

Summary of Out-turn Position 2020/21		
	£ 000	
FORECAST OUTTURN AS AT 30.09.20	(1,231)	BEFORE CARRY FORWARDS
CARRY FORWARDS : BASE BUDGET-APPROVED IN YEAR	101	ALREADY APPROVED
CARRY FORWARDS : USE OF EARMARKED RESERVES	129	ALREADY APPROVED
SUB-TOTAL:	**(1,001)**	
SERVICE CARRY FORWARD REQUESTS	96	
NET CONTRIBUTION (TO) / FROM RESERVES:	**(905)**	
FORECAST NET IMPACT ON GENERAL FUND BALANCES-COVID19	448	
NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:	**(457)**	

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 £14.023m. This is a movement of £2.748m on the approved budget. The required amendments to the capital programme are detailed in 3.2.

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 £587k 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 (Jul-Sep) was £19.471m, which achieved an average rate of interest of 0.842% (Apr-Jun £18.840m 1.047%).

Staffing: None arising as a result in this report.

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

Data Protection Implications: None arising as a result of this report.

Climate Related Risks and Opportunities: None arising as a result if this report.

Section 17 Crime and Disorder Considerations: None arising as a result of this report.

Health Implications: None arising as a result of this report.

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

Risk Assessment: This is a monitoring report only.

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**

Executive Summary

This report provides the oversight of financial performance for;

REVENUE

- 'Business as Usual' Revenue Forecast Out-Turn (after carry forwards) - Surplus £905k (6.26% of Net Revenue Stream) – See 2.1 for details of significant variances.

- Forecast surplus includes net Treasury Management activity savings of £343k (£587k underspend of the cost of borrowing, offset by £244k pressure on investment property income as no acquisitions are anticipated this financial year).

- Forecast pressure above Covid-19 LA Support Grants £448k (see 2.2.7 for details).

- Remaining net surplus of £457k to be transferred to the General Fund Balance, which would result in a forecast Fund balance as at 31 March 2021 of £4.624m.

CAPITAL

- Capital Forecast Out-Turn: £14.023m, a variance of £2.748m against current budget £16.771m, this is made up of:

    - Anticipated Slippage of £3.266m (see section 3.2.1)

    - Clawback of £1.325m (see section 3.2.1)

    - Underspend of £0.876m five schemes (see section 3.2.2)

    - Overspend of £0.011m on one scheme (CRM Pay link integration)

    - Reinstatement of capital budget £0.058m residual balance (Sun Inn Capital Grant)

TREASURY MANAGEMENT

- Treasury Management Report and monitoring:

    - Average investment interest rate for July to September was 0.842%

    - Total Investments at the end of Period 2 £19.122m

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	P1 £'000	P2 £'000
Investments B/fwd (at 31.3.2020 incl. bank)	**11,670**	**13,490**
(Less) Capital expenditure	-1,811	-1,313
Add PWLB/Other LA Borrowing in year	0	0
Add/(Less) Net Revenue Expenditure	4,931	-1,026
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	-1,171	7,637
Add Working Capital Movement	-129	334
Investments c/fwd (at Period end)	**13,490**	**19,122**

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 30.09.2020.

Prudential Borrowing	Period 2 £'000
Total External Borrowing (PWLB) and	16,500
Other Local Authorities	3,500
Internal Borrowing	17,948
Total Prudential Borrowing at 30.09.2020	**37,948**

REVENUE BUDGET MONITORING PERIOD 2
(1st April 2020 to 30th September 2020)
Forecast Outturn for 2020/2021

2. The Revenue Budget forecast for 'business as usual' outturn currently stands at a net contribution to reserves of £905k as detailed in the table below (£444k as at period 1, to 31st May 2020), this is after taking account of £326k of revenue budget carry forwards, the details of which are provided at Appendix 4.

   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 Budget £	 Forecast Outturn £	 Forecast Outturn Variance £
Our People	1,911,900	1,717,456	(194,444)
Our Place	4,104,874	3,943,155	(161,719)
Our Council	6,116,300	5,725,258	(391,042)
Controllable Total	**12,133,074**	**11,385,869**	**(747,205)**
Corporate Accounting:			
Interest Receivable	(250,300)	(263,496)	(13,196)
Interest Payable	983,000	395,600	(587,400)
Investment Income	(1,618,600)	(1,373,555)	245,045
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	(1,033,435)	(1,033,435)	0
Contribution to Specific Reserves	1,864,161	1,864,161	0
Repayment of Borrowing	243,700	243,700	0
Net Revenue Expenditure	**14,457,000**	**13,357,684**	**(1,099,316)**
Funding Total	(14,457,000)	(14,588,200)	(131,200)
NET SUBSIDY FROM / (CONTRIBUTION) TO RESERVES FOR THE YEAR	**0**	**(1,230,516)**	**(1,230,516)**

Carry Forwards - approved in year	101,000
Carry Forwards - pending future approval	95,800
Carry Forwards - use of Earmaked Reserves	128,900
Net Contribution (To) / From Reserves	**(904,816)**
Forecast Net Impact on General Fund Balances-COVID19	447,904
Net Contribution (To) / From General Fund Balances	**(456,912)**

2.1 The significant movements being;

Cluster	EXPENDITURE	Total £000	Direction of Travel
	BUDGET UNDERSPENDS		
	Salary (savings) / pressure.	(£61)	↓
Corporate Accounting-Interest Paid	Treasury management activities - saving on borrowing costs.	(£587)	↑
Our Council	Commercial Contingency - to cover budgetary pressures arising from Covid 19.	(£200)	**New**
Our Council	Electoral Registration - Savings due to canvas reform.	(£16)	**New**
Our Place	Fuel - forecast saving due to reduced fuel prices.	(£25)	**New**
	PRESSURES		
Corporate Accounting-Investment Income	Net impact of investment property acquisitions - offset by the saving on borrowing costs.	£244	↓
	Various forecast outturn variances <£10k	£23	↑
		(£622)	

Cluster	INCOME	Total £000	Direction of Travel
	BUDGETED INCOME EXCEEDED		
Corporate Accounting- Interest Received	Icelandic Bank residual investment adjustment.	(£20)	New
Funding	Business Support Admin Grant- to support employee costs etc.	(£130)	New
Our Council	Green Waste service income target exceeded (£76k) plus operational savings of (£3k).	(£79)	↑
Our Council	Will bequest - passed to WLDC 'for use at their absolute discretion'.	(£46)	New
Our People	Hemswell Residents Company - extension to land management contract.	(£11)	↔
Our Place	Shopping Trolley reclaimed income.	(£25)	New
	BUDGETED INCOME NOT ACHIEVED		
Our People	Housing Benefits - forecast net subsidy position.	£10	↑
Our Place	Car park income - pay & display income not forecast to meet target.	£18	New
		(£283)	

TOTAL VARIANCE	**(£905)**	

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

2.2.1 Interest & Investment Income

- £587k of the forecast contribution relates to interest payable on borrowing. We provide a base budget estimated on the capital programme and 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 repayment of principle. However, 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.

- The borrowing saving is offset by a £244k pressure against Investment Income related to our property portfolio. The income budget was set to reflect the Capital Budget and the potential for further acquisitions to the Commercial Investment-Property Portfolio from remaining approved budgets. No acquisitions are anticipated this financial year.

- The remaining balance of £343k is included in the forecast as a net contribution to reserves.

- The Council has received £20k as a final settlement from Heritable Bank (Icelandic Banks) following its administration, in relation to investments made by the Council.

2.2.2 Funding

- A grant of £130k has been received to support the delivery of the Business Support grants, including staff costs, bank charges and postage.

2.2.3 Our Council

- £86k is a forecast carry forward request, pending approval at year-end (see Appendix 4 for details).

- The 2020/21 budget for Green Waste Charging reflects a net contribution of £812k. With actual income at £958k from subscriptions achieved during this period the forecast net contribution is £891k, £79k above the prudent original forecast. (£76k additional income, plus operational savings of £3k).

- A will bequest was made to the Council for £46k, for 'use at their absolute discretion'. It is proposed that the bequest be set aside to a reserve for future allocation for a specific purpose to be agreed by Members.

- The MTFP for 21/22 approved a £200k Commercial Contingency budget to mitigate a number of commercial risks, including investment properties, and demand led service generated income. This budget will therefore be used be utilised to fund a shortfall in rental income agreed as part of a Company Voluntary Arrangement on one of our tenants and contribute to any shortfall in government funding for the impact of Covid on sales fees and charges.

- £16k of savings have been achieved within Electoral Registration, due to canvas reform.

2.2.4 Our People

- £160k are approved carry forwards into 2021/22 (see Appendix 4 for details).

- £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 £10k reflects the Housing Benefits forecast net subsidy position.

2.2.5 Our Place

- £70k are approved carry forwards into 2021/22, £10k is a forecast carry forward request, pending approval at year-end (see Appendix 4 for details).

- There is a forecast saving on fuel costs of £25k, due to reduced fuel prices during the year.

- £25k of income has been received for the Shopping Trolley scheme. This scheme was not introduced to generate income but to help keep communities free of abandoned shopping trolleys, and we anticipate the number of reclaimed trolleys to reduce as supermarkets take action.

- There is a forecast pressure on car park income of £18k (not related to covid-19 impacts) which has been an issue over the last few years. A review of the Car Park Strategy will be undertaken in the coming months to assess demand, pricing and investment needs.

2.2.6 Establishment

Current vacancy levels after costs of interim staffing resources is forecast to achieve a £61k budget underspend for the year, this represents 0.61% of the overall employee budget. This is broken down by cluster as follows;

Cluster	Sum of variance £
Our Council	26,126
Our People	(41,700)
Our Place	(45,834)
Grand Total	**(61,408)**

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 Government have issued/allocated the following grant funding to date which are expected to be fully expended or any remaining funds returned to Government;

Revenue Grants to WLDC	£
Covid Support Grant Tranche 1-4	1,496,322
New Burdens from BEIS re business grants	130,000
High Street Recovery Grant	84,000
Outbreak prevention fund (via LCC)	100,000
Hardship fund	793,000
S31 Business Rates Reliefs top-up (estimate)	2,472,654
S31 Business Rates Reliefs (estimate)	523,878
Sales fees and charges grant support (estimate)	550,000
New Burdens BEIS discretionary fund admin	TBA
New Burdens Local Restrictions Admin grant	TBA
New Burdens Test and Trace Admin Grant	25,729
Rough Sleeping Contingency Fund	1,650
Next Steps Accommodation Programme	5,063
Local Authority Compliance and enforcement grant	46,233
Total WLDC Grants	**6,228,529**

£	Gov. Grants to our Communities
16,820,000	Business Rates Support
927,500	Business Rates Discretionary Fund
TBC	Local Restrictions support grant
38,500	Test and Trace support payments £500
23,131	Discrectionary Test and Treace support payments
17,809,131	**Total Grants to our communities**

In relation to direct support to WLDC towards the impact of the Covid-19 we have been allocated £1.496m to cover additional expenditure in addition we have received a further £0.035m from the Arts Council towards costs associated with the Trinity Arts Centre, therefore totalling £1.531m. Forecast expenditure at this time is £0.820m. Whilst there remains £0.708m available of this grant the funding is to support costs for the full financial year and we are therefore assuming that we will fully expend this grant by the year end.

The Government are also supporting Councils for losses of sales, fees and charges income, but not commercial property income. This is based on the premise that Council's will bear the first 5% of all budgeted income and the Government will support 75% of net losses thereafter. Based on Current estimations this grant will be £0.550m and we will need to absorb the pressure of £0.448m.

Row Labels	Sum of Total 19/20	Sum of Total 20/21	Grants	Balance
Cost	**3,125**	**820,176**	**(1,531,322)**	**-708,021**
Income Loss	14,470	1,388,781		
Savings (inc)	0	-168,200		
	14,470	1,220,581	(550,000)	685,051
WLDC Saving	-7	-237,144	0	-237,151
	14,463	**983,438**	**(550,000)**	**447,900**
Grand Total	**32,064**	**1,803,614**	**(2,081,322)**	

Detailed below are the financial impacts of Covid-19 on our Business Units;

Business Unit	Description	Variance (saving) / pressure £
Health & Wellbeing	Leisure Management Contractor support	678,000
Local Tax Collection	Court costs summonses and virtual mail	133,972
Car Parks	Income losses - reduced demand	132,631
Net Investment Interest	Interest rate reductions	124,957
Housing Benefits	Reduction in overpayments, overtime and virtual mail	118,833
Investment Properties	Rental Income reduction due to CVA	113,477
Development Management	Reduction in planning fees	105,500
Delayed Capital Schemes	MR Leisure Centre and ERP implementation	84,963
Economic Development	High Street Recovery costs	84,598
Commercial Waste Services	Trade Waste Income losses	72,010
Town Centre Markets	Income loss in support of recovery of the High Street	42,920
Land Charges	Personal Searches and EIR requests income losses	40,238
Building Control	Income losses reduced demand for service	31,947
Financial Services	Bad debt provision and transactional banking costs	26,851
Systems Development	System updates and virtual mail costs	24,178
ICT Services	Costs of ICT firewalls etc for working from home	21,033
Street Cleansing	Additional flytipping collection costs	20,201
Waste Management	Additional resources and PPE	19,000
Crematorium	Estimated increase in direct funerals (less income)	18,200
Licences - Community	Reduced income as licences not renewed for some premises	12,800
Trinity Arts Centre	Various net impact after £35k Arts grant support.	8,200
Homelessness & Housing Advice	Costs of assisting homeless	5,378
Property Income	Rent risk on shop lease	2,099
Democratic Representation	Civic events cancelled, and Members expenses	(21,700)
Corporate Management	Apprentice posts not recruited to at this time	(30,800)
Car Allowances & Mileage	Savings in employee travel costs	(65,872)
Grand Total		**1,803,614**

2.3 Fees and Charges

2.3.1 £2,285k has been received in Fees and Charges up to the end of the period against a budget for the period of £2,506k, a shortfall to date of £221k.

- The most significant areas of additional income forecast for the year being:
    - Garden Waste (£76k) - see 2.2.3
- The significant areas of under achieved income;
    - Car Parks £18k - see 2.2.5

2.3.2 Amendment to Fees and Charges Schedule

- **Street Naming and Numbering**

		2020/21 Excl. VAT £	2020/21 Inc. VAT £
Street Naming and Numbering:			
Confirmation of address details		£50.00	£50.00

Since the introduction of fees for Street Naming and Numbering requests in September 2019, it is now recognised that **all** enquiries regarding confirming an official postal address should also be chargeable.

WLDC receive several enquiries each year to confirm the official postal addresses of properties. To bring this in line with neighbouring authorities it is suggested a fee of £50 is charged for providing this written confirmation of this information.

- **Crematorium**

		2020/21 Excl. VAT £	2020/21 Inc. VAT £
Crematorium:			
The Farewell Service	A 10 minute service, for 6 mourners, 1 piece of music played on repeat. No minister.	£500.00	£500.00
Downloadable copy of Visual Tribute		£10.00	£12.00

<u>The Farewell Service</u>

A 10 minute service, for 6 mourners, one piece of music played on repeat. No minister. The farewell service offers more than a Direct service but less than a Funeral service, it will appeal to families who prefer a smaller service that is more affordable.

<u>Downloadable Copy of Visual Tribute</u>

The Visual Tribute played during the service is available to download from the supplier website, cost to WLDC £5.00 + VAT. The supplier has indicated the RRP should be £10.00 + VAT.

<u>Memorial Sales Discount</u>

As a promotional offer to build on secondary sales, when a Mulberry leaf, Barbican plaque or sanctum vault is purchased there will be a 10% discount applied to the book of remembrance entry.

- **Trinity Arts Centre**

		2020/21 Excl. VAT £	2020/21 Inc. VAT £
Trinity Arts Centre:			
Booking Fee (face to face / phone)		£1.00	£1.20

The TAC booking system is being replaced in January 2021. Part of the change has resulted in the introduction of a booking fee for face to face / over the phone bookings taken by Customer Services. This fee would be £1 (plus VAT) per transaction.

- **Planning Fee - Statutory**

		2020/21 Excl. VAT £	2020/21 Inc. VAT £
Planning Applications:			
New dwellinghouses	Where number of new dwellinghouses is not more than 50	£334.00	£334.00
	Where the number of dwellinghouses exceeds 50, £16,525 and an additional £100 for each dwelling in excess of 50 subject to a maximum in total of £300,000	£100.00	£100.00

The new 'dwellinghouse' fee was introduced on 2nd September 2020 and relates specifically to new dwellinghouses erected under the new permitted development allowance subject to prior approval. This is a statutory fee that is reported to Members for information.

2.4 Use and Contribution to Reserves

2.4.1 Use of Reserves

Members are asked to approve the following use of Earmarked Reserves (above £50k);

- £80k from Investment for Growth for legal and project consultancy spend on growth projects.

2.4.2 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 £78k;

- £13.1k from Unapplied Grants. Revenue spend related to the Gainsborough Regeneration Programme (Gainsborough Development Trust grant). Development of wayfinding strategy for Gainsborough Town Centre and stone plinth for sculpture.

- £41.6k from IT Reserve. To cover cost of Enabling Technology Officer and Data Migration Technical Officer posts during 2020/21.

- £23.3k from General Fund Balances. Legal costs in relation to Business Rates status. This may be in excess of £45k if barristers are employed.

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	£
Ministry of Housing, Communities & Local Government (MHCLG)	Business Rates Relief Grant	1,255,241
Taylor Lindsey	S106 Taylor Lindsey	1,000,000
MHCLG	Covid - LA Discretionary Grant Fund	813,500
Disabled Facilities Grant (DFG)	DFG Grant Funding	699,809
MHCLG	New Homes Bonus	368,151
MHCLG	Rural Services Grant	237,125
Department for Digital, Culture, Media & Sport (DCMS)	Cultural Recovery Fund	196,690
MHCLG	Covid - LA Support Grant (Tranche 3)	162,531
MHCLG	LA Discretionary Grant Fund	130,000
LCC	Covid 19 District Council Outbreak Prevention Funding	100,000
Department of Health and Social Care (DHSC)	Test and Trace Support Payments	87,360
Department for Works and Pensions (DWP)	HB Admin Grant	76,768
MHCLG	Covid Marshall	46,233
MHCLG	Flood Recovery Framework	40,500
Greater Lincolnshire Local Enterprise Partnership (GLLEP)	Manufacturing Zone Grant	15,000
MHCLG	Community Recovery Grant	13,627
DWP	Northgate - System Update Grants	6,015
Cabinet Office	Electoral Registration (Individual Electoral Registration)	5,826
MHCLG	Next Steps Accommodation Programme funding	5,063
Office for Low Emission Vehicles (OLEV)	Onestreet Residential Chargepoint Scheme	3,537
		5,262,976

<u>Trinity Arts Centre – Cultural Recovery Fund</u>

An award of £196,690 has been secured from the treasury's Cultural Recovery Fund. The allocation comes from a fund of £500m put aside to assist culturally significant organisations who were financially viable pre-covid to weather the storm of Covid-19 for the remainder of this financial year. Our bid included for the initiatives detailed in the table below;

Allocation	Rationale	Amount
Core Costs **Revenue support**	Covering expenditure relating to salaries, facility and utility costs, supplies and services.	118,918
Venue Levy **Reserves**	Repopulating venue levy reserves from lost income.	33,500
Digitisation **Capital/Financing**	Implementation of new digital services to aid Covid compliant contactless operations: **Box Office** *A flexible cloud based ticketing platform will be vital to ensure a box office service can be managed at alternative locations. An updated system will provide the opportunity to offer a self-serve option both on-site and online with additional intuitive algorithms to ensure dynamic seating plans which implement social distancing between seated parties.* **Ticket Scanners** *Ticket scanning devises will be required to ensure non-contact admittance can be undertaken.* **Digital Signage** *Digital Signage Screens will be required to relay Covid safety messages that can change and adapt in real time as guidance alters and provide customers with instructions on what to do inside the building to comply with social distancing guidelines.* **EPOS with Mobile Ordering** *A basic platform that allows an audience member to define their seat location and then place an order for refreshments will be essential to ensuring the viability of achieving any hospitality sales whilst reducing the risk of public queues and close contact operations.*	14,555
Adaptations **Revenue**	Alterations, tools and PPE required to ensure operations remain Covid compliant and venue is Covid secure: **Queue barrier system, specialist cleaning and sanitation equipment, personal protective equipment and screens.**	4,717
Equipment **Capital**	Equipment to ensure future resilience of TAC and to enable public performances: **Portable staging and rigging, live streaming technology.**	25,000
	Total	**196,690**

Approval to spend is therefore requested in accordance with the Bid £39,550 Capital Budget, £33,500 transfer to Levy Reserve, and £123,635 Revenue

Other Items for information

2.6 Planning Appeals

In period 2 2020/21 there were 10 appeals determined – 1 allowed and 9 dismissed.

There is one live application for costs.

Period	Number of Appeals	Allowed	Dismissed
June	2	0	2
July	4	0	4
August	4	1	3
September	0	0	0
Total for Period 2	**10**	**1**	**9**

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Period 2 Monitoring Report

At the end of September 2020, there was a total of £370k 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 £61k the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.

- Property Services £112k – this is due to deferred rent payment and company voluntary agreements (CVA) to support businesses during the pandemic.
- Leisure £97k
- Housing £37k
- Environmental Protection & Licensing £24k

Period	90 – 119 days £	120 – 149 days £	150+ days £	Total £
Period 1 - ending May 2020	79,469	6,064	142,405	227,938
Period 2 - ending Sept 2020	102,986	55,375	211,905	370,266

2.8 Changes to the Organisation Structure

There have been the following approved changes to the establishment during the period June to September 2020:

- Mayflower Project Officer – extended for 1 year. This post is funded from contributions received in previous years and carried forward to support the delivery of the Mayflower project.

- Senior Structure – the management restructure realised savings of £88k. Four of the Director/Assistant Director positions are filled, whilst two Assistant Director posts have recently been recruited to.

- Licensing and Local Land Charges Managers post has been replaced with a Senior Licensing & Community Officer, with an ongoing saving of £3k pa.

3.1 CAPITAL BUDGET MONITORING – Quarter 2

3.1.1 The Capital Budget forecast out-turn for schemes approved to spend (includes Stage 3 and BAU) totals £9.670m against a revised budget of £12.192m. Reasons for variations are detailed below. Pipeline Schemes (Pre Stage 1, Stage 1 and Stage 2) are expected to spend £4.353m (subject to formal approval). This gives an overall total spend of £14.023m as detailed in the table below.

Capital Investment Programme 2020/21

Corporate Priority / Scheme	Actuals to 30/09/2020	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	1,789,396	16,219,031	12,192,359	9,669,922	(786,723)	(1,735,714)
Stage 2	0	4,042,775	3,677,675	3,815,000	0	137,325
Stage 1	0	352,300	900,800	538,500	(20,000)	(342,300)
Pre-Stage 1	0	3,503,513	0	0	0	0
Total Capital Programme Gross Expenditure	1,789,396	24,117,619	16,770,834	14,023,422	(806,723)	(1,940,689)

3.1.2 The capital programme spend to date is £1.789m against a revised budget of £16.771m. Expenditure is forecast to be £14.023m resulting in an £2.748m variance. The variance consists of:

- £1.941m which is planned to be rephased. Of this amount £1.325m is to be brought forward from 21/22 with £3.266m to be slipped to future financial years.

- There are net projected underspends of £0.807m, significant items being £0.437m relating to the Trinity Arts Centre Improvement Projects where the current scheme has now closed and will be redesigned in light of the current Covid situation, £0.273m relating to the Public Sector Hub, the scheme is now closed and will also be remodeled and £0.146m of Capital Enhancements to Council Owned assets.

Subject to Committee approval the capital programme will be reduced in this financial year to reflect the amendments with £14.023m 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 2020/21

Corporate Priority / Scheme	Stage (1 April 2020)	Stage	Actuals to 30/09/2020	Original Budget 2020/21	Revised Budget 2020/21	Forecast Outturn 2020/21	Over/ (Underspend)	Carry Forward Requests/ Drawbacks	Comments
			£	£	£	£	£	£	
Vulnerable Groups & Communities									
Flooding Resilience	Stage 3	Stage 3	8,327	0	50,000	50,000	0	0	
Health and Wellbeing									
Disabled Facilities Grants	BAU	BAU	181,315	840,631	762,714	500,000	0	(262,714)	DFG work has recommenced in Sept. Due to limitation on contractors available in the current covid 19 situation, residual budget to be slipped to 2021/22
Private Sector Renewal	Stage 3	Stage 3	84,527	100,000	141,640	141,640	0	0	
Social Housing Scheme	Stage 3	Stage 3	0	300,000	1,000,000	1,000,000	0	0	
Leisure Facilities - Market Rasen	Stage 3	Stage 3	768,426	0	1,104,182	1,104,182	0	0	
Economy									
Market Rasen 3 year vision	Stage 2	Stage 2	0	200,000	200,000	0		(200,000)	Delayed as a result of Covid-19 but hoping to agree scope of spend and implement plans before the end of the year. Slippage to 2021/22
Hemswell Masterplan - Public Realm Improvements	Stage 2	Stage 2	0	150,000	150,000	50,000	0	(100,000)	c/f to 21/22 for Hemswell Cliff investment for growth scheme
Food Enterprise Zone infrastructure	Pre-Stage 1	Pre-Stage 1	0	1,983,513	0	0	0	0	
Crematorium	Stage 3	Stage 3	(10,920)	0	0	0	0	0	
Gainsborough Heritage Regeneration - THI	Stage 2	Stage 2	0	332,775	480,675	170,000	0	(310,675)	Successful recrutiment to THI officers means the scheme is now progressing but will be rephased over the residual term
Gainsborough Shop Front Improvement Sch	Stage 3	Stage 3	0	40,000	85,000	15,000	0	(70,000)	One scheme to complete in December, no further applications anticipated in 2020/21 due to Covid situation so scheme slipped to 2021/22
5-7 Market Place - Redevelopment	Stage 1	Stage 1	0	352,300	387,300	45,000	0	(342,300)	Initial preliminary surveys will be completed in Dec 2020/21, the scheme will not start on site until mid 2021/22
Trinity Arts Centre Improvement Projects	Stage 3	Stage 3	63,191	250,000	500,000	63,200	(436,800)	0	Scheme is now closed, given the current covid situation and new business case and associated capital bid will be requested for 2021/22
Gainsborough Growth - Grant for development (Cinema)	Stage 2	Stage 2	0	2,350,000	500,000	610,000	0	110,000	slipped in Q1 now to be pulled back from 2021/22 to fund land acquisition costs
Gainsborough Regeneration - Corringham Road Junction (Refcus)	Stage 2	Stage 2	0	1,010,000	1,010,000	1,010,000	0	0	
Riverside Walk Acquisition	Stage 1	Stage 1	0	0	493,500	493,500	0	0	
Saxilby Industrial Units	Stage 3	Stage 3	(15,000)	0	0	0	0	0	
Riverside Gateway (CPO)	Pre-stage 1	Pre-stage 1	0	1,460,000	0	0	0	0	
Made in Gainsborough	Stage 3	Stage 3	60,041	0	60,000	60,000	0	0	Scheme completed
The Sun Inn - Capital Grant	Stage 3	Stage 3	25,413	0	0	58,269	58,269	0	Scheme had completed in 2019/20 with a reported underspend, additional costs have been addressed in 2020/21 and the budget requires reinstatement financed from investment for growth reserve
Public Safety & Environment									
Vehicle Replacement Programme	BAU	BAU	49,000	0	52,500	89,000	0	36,500	Acquisition of a new vehicle has had to be brought forward from 2021/22 due to high maintenance costs of vehicle to be replaced. Clawback of budget from 2021/22
Depot Review	Stage 3	Stage 3	173,672	4,600,000	4,819,527	3,219,527	0	(1,600,000)	Work on site has now commenced and will complete in Sep 2021, phasing of capital spend is due to be finalised in October but initial indications are that £1.6m needs to be slipped to 2021/22
CCTV Expansion	Stage 3	Stage 3	0	0	199,265	199,265	0	0	

Capital Investment Programme 2020/21

Corporate Priority / Scheme	Stage (1 April 2020)	Stage	Actuals to 30/09/2020	Original Budget 2020/21	Revised Budget 2020/21	Forecast Outturn 2020/21	Over/ (Underspend)	Carry Forward Requests/ Drawbacks	Comments
Housing Growth									
Unlocking Housing - Living over the Shop	Stage 3	Stage 3	0	100,000	175,000	175,000	0	0	
Gainsborough Regeneration - Bowling Green Road (Refcus)	Stage 3	Stage 3	321,793	2,162,000	1,621,500	2,162,000	0	540,500	Start on site achieved May 2020 and scheme progressing against agreed milestones. Anticipate completion by December 2020 with all funds defrayed by end of Q4.
Housing Infrastructure (Southern SUE)	Stage 2	Stage 2	0	0	1,337,000	1,975,000	0	638,000	First claim received as of 30/09/2020.Clawback 2021/22 £638k in alignment with developers cashflow and claim projection
Finances									
Car Park Strategy Investment	Stage 3	Stage 3	0	0	0	0	0	0	
Financial Management System	Stage 3	Stage 3	0	220,000	270,000	125,000	0	(145,000)	26week project, commencement in January so scheme will slip into 2021/22
Capital Enhancements to Council Owned Assets	BAU	BAU	0	110,000	185,805	15,000	(145,805)	(25,000)	Car parking relining will complete in 2020/21 all other capital schemes will commence in 2021/22. This years budget will be retained in the Ear-marked reserve for use once a full condition survey is completed
Bus Station	Pre-stage 1	Pre-stage 1	0	60,000	0	0	0	0	
Carbon Efficiency	Stage 3	Stage 3	0	0	210,000	0	0	(210,000)	Scheme has not progressed due to the availability of contractors to carry out this work. Scheme slipped to 2021/22
Customer									
Telephony (incl. Contact Centre)	Stage 3	Stage 3	0	19,400	19,400	19,400	0	0	
Customer Relationship Management System	Stage 3	Stage 3	42,823	280,000	355,000	366,000	11,000	0	Additional spend Paylink integration into CRM and associated upgrade
3 D Secure Payment Software	Stage 3	Stage 3	0	0	12,000	12,000	0	0	
Performance Management System	Stage 1	Stage 1	0	0	10,000	0	(10,000)	0	no longer required part of ERP system
Income Management	Stage 3	Stage 3	0	0	48,650	48,650	0	0	
Staff & Members									
Public Sector Hub - Property	Stage 3	Stage 3	0	100,000	273,387	0	(273,387)	0	Scheme is now closed. The scheme needs to be remodelled and this will result in a new capital bid if appropriate.
Storage Refresh	BAU	BAU	0	80,000	210,000	210,000	0	0	
Firewall Update	BAU	BAU	36,789	17,000	36,789	36,789	0	0	
Project Management Software	Stage 1	Stage 1	0	0	10,000	0	(10,000)	0	no longer required part of ERP system
Investment									
Commercial Investment - Property Portfolio	Stage 3	Stage 3	0	7,000,000	0	0	0	0	no planned spend in 20/21
Total Capital Programme Gross Expenditure			**1,789,396**	**24,117,619**	**16,770,834**	**14,023,422**	**(806,723)**	**(1,940,689)**	

3.2 Capital Programme Update 2020/21

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

Approvals to carry forward £3.266m from 2020/21 to 2021/22 are requested for the following schemes.

- Disabled Facilities Grant (£0.263m)
- Market Rasen 3 year vision (£0.200m)
- Hemswell Masterplan – Public Realm Improvements (£0.100m)
- Gainsborough Heritage Regeneration THI – (£0.311m) budget to be slipped over the next 4 years.
- Gainsborough Shop Front Improvement Scheme – (£0.070m)
- 5-7 Market Place Redevelopment – (£0.342m)
- Central Depot Review - (£1.6m)
- Financial Management System - (£0.145m)
- Carbon Efficiency – (£0.210m)
- Capital Enhancements to Council Owned buildings (£0.025m)

Approval to bring forward funding £1.325m from 2021/22 to 2020/21 for the following schemes:

- 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 previously approved to bring forward £1.337m of this budget into 2020/21 they are now asked to approve to bring forward a further £0.638m from 2021/22 to 2020/2021 to align to the developers programme.
- Gainsborough Growth Cinema - bring forward £0.110m previously slipped to 2021/22 to fund land acquisition costs.
- Gainsborough Regeneration Bowling Green Road – bring forward £0.540m previously slipped to 2021/22 now anticipated completion by December 2020.
- Vehicle Replacement Programme – approval to bring forward £0.037m for the replacement of a vehicle due to high maintenance costs of the vehicle to be replaced.

3.2.2 £0.876m of the current capital programme has been assessed as not needed or no longer required for capital purposes, however two schemes require financing of £0.069m resulting in a net underspend of £0.807m.

The Underspend of £0.876m is made up of the following amounts:

- Trinity Arts Improvement Projects scheme no longer progressing in its current form - £0.437m
- Council Improvements to Council Owned Assets budget to be returned to earmarked reserve for use once condition survey is

completed.- £0.146m

- Performance Management System – budget no longer required scheme part of Phase 1 ERP - £0.010m
- Public Sector Hub Property – scheme no longer progressing in its current form- £0.273m
- Project Management Software budget no longer required scheme part of Phase 2 ERP - £0.010m

The overspend of £0.069m is made up of the following:

- The Sun Inn – Capital Grant project from 2019/20 remaining balance of £0.058m needs to be reinstated as further eligible expenditure has been claimed and other grant conditions may be met in the current financial year.
- Customer First Programme (CRM) – Request for approval to spend £0.011m for Integration of pay link with CRM system and an associated upgrade to be financed from the Project Investment Reserve

3.3 Acquisitions, Disposals and Capital Receipts

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

- Land for New Depot at Caenby Corner

3.3.2 **The** Council has not made any disposals.

3.3.3 Capital Receipts - The total value of capital receipts at the end of Quarter 2 was £137k this was due to income of £125k from the Housing Stock Transfer Agreement share of Right to Buy receipts and £12k loan repayments.

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

The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Council on 02 March 2020. It sets out the Council's investment priorities as being:

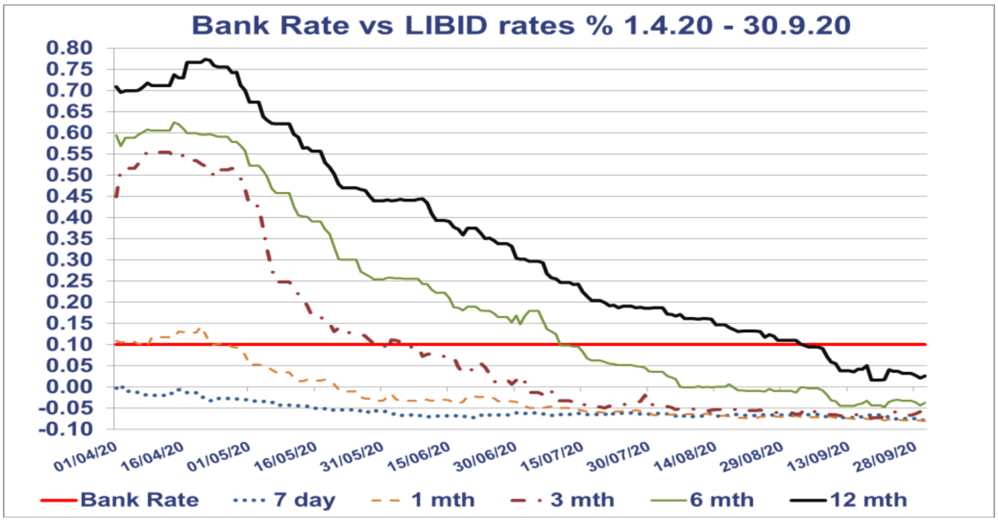
- Security of capital;
- Liquidity; and
- Yield.

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

4.2 Interest received (Jul-Sep) has been in excess of the 7 day average libid (-0.06%) with an average yield of 0.842% (including CCLA) and 0.152% (excluding CCLA). It is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low. The Council budgeted to receive £0.211m of investment income, the forecast outturn is now £0.145m.

Quarter ended 30 September 2020:



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.08	-0.08	-0.07	-0.05	0.02
Low Date	01/04/2020	30/09/2020	30/09/2020	18/09/2020	21/09/2020	18/09/2020
Average	0.10	-0.06	-0.02	0.11	0.21	0.35
Spread	0.00	0.08	0.22	0.63	0.67	0.76

4.3 Interest Rate Forecasts

The Council's treasury advisor, Link Group, have provided the following forecasts on 11 August 2020:

Link Group Interest Rate View 11.8.20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

Link Asset Services detailed economic commentary on developments during quarter ended 30 September 2020 is included in Appendix 1.

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 2020. (As at end Sept)

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 Q2 due during October. 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.

Investments and redemptions from the property fund were placed on hold in the first half of the financial year. From the 28 September 2020 the fund re-opened for transactions, however redemptions are now subject to a 90 day notice period.

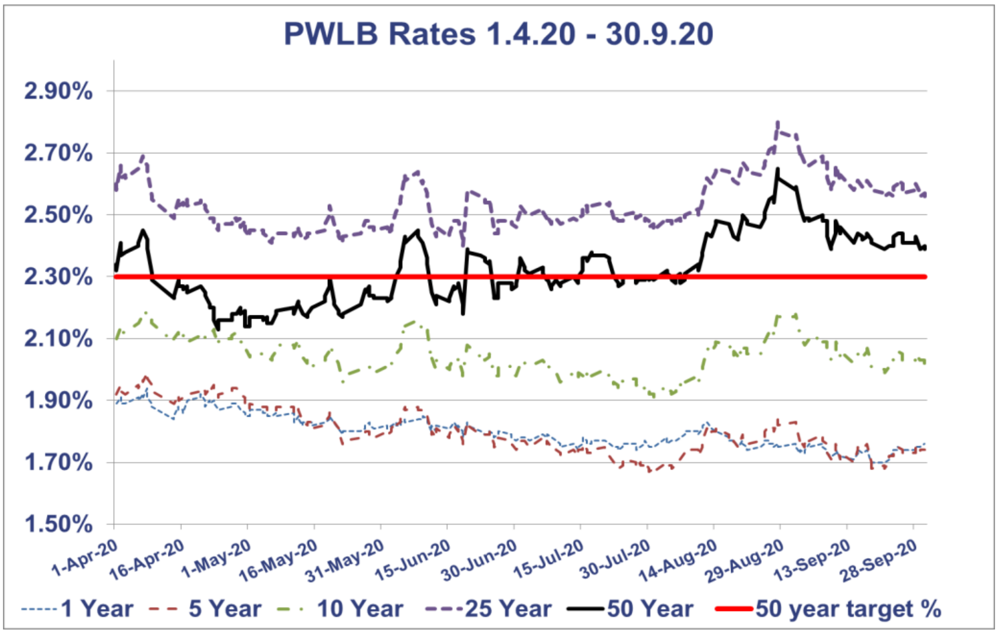
It is anticipated the fund value will drop this financial year by circa 6%-10%.

4.5 New External Borrowing

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

The Council's total external borrowing stands at £20m.

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



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.40%	2.13%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.80%	1.80%	2.04%	2.54%	2.33%

4.6 Borrowing in advance of need

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

4.7 Compliance with Treasury and Prudential Limits

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

During the financial year to date the Council has operated within these treasury and prudential indicators 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	55,307	55,307	55,307
Operational boundary for external debt	38,189	28,229	25,004
External Debt Long term Leases Investments	38,189 0 (13,321)	24,220 0 (12,066)	23,004 0 (14,726)
Net Borrowing	**24,868**	**12,154**	**8,278**
Prudential Indicators			
Capital Expenditure	24,118	14,028	14,023
Capital Financing Requirement (CFR)* *Of Which Commercial Property*	50,307 *30,000*	45,862 *21,666*	40,146 *21,666*
Annual change in CFR*	9,937	7,956	2,240
In year borrowing requirement	38,189	24,220	23,004
Under/(over)borrowing	12,118	21,642	17,142
Ratio of financing costs to net revenue stream*	8.89%	6.07%	3.74%
Incremental impact of capital investment decisions:			
Increase/(Reduction) in Council Tax (band change per annum)	£1.25	£0.74	£0.13

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

LINKGroup

West Lindsey District Council

Monthly Investment Analysis Review

September 2020

Monthly Economic Summary

General Economy

The UK Flash (i.e. provisional) Manufacturing PMI fell to 54.3 in September from August's final release of 55.2, as both output and new business growth slowed from August's recent peak. Similarly, the Flash Services PMI eased to 55.1 in September from 58.8 in August, signifying the slowest growth in the sector for three months. In turn, these releases led to the Flash Composite PMI (which incorporates both sectors), falling to 55.7 in September from 59.1 in August. Meanwhile, the construction PMI, which is released one month behind the others, fell to 54.6 in August from 58.1 in July, as a lack of new contracts to replace completed contracts acted as a brake on the speed of expansion. In spite of the recent reduction in activity levels, all sectors remained comfortably in "expansion" territory – i.e. a reading in excess of 50 – as the economy continued to recover.

The final reading of second quarter GDP confirmed that the UK contracted by 19.8% q/q and 21.5% y/y, which were both marginally lower than preliminary estimates (of 20.4% and 21.7% respectively). However, more timely monthly GDP data for July confirmed that the economy grew by 6.6% m/m compared to June, registering it's third consecutive month of growth since April's 20.4% m/m contraction. During this time the UK economy has grown by 18.6%, although it remains 11.7% smaller than in February, prior to the outbreak of the pandemic. Elsewhere, data showed that imports rose 7.5% m/m in July, outpacing a 3.5% rise in exports, causing the UK's trade surplus to narrow to £1.1 billion from a downwardly revised £3.9 billion in June.

Although the economy grew during July, the unemployment rate rose to 4.1% in the three months to July from 3.9% in the three months to June, as the number of people in work fell by 12,000. Since this data related to the period before the furlough scheme started to be unwound in August however, arguably of greater significance was the fact that the number of people claiming unemployment benefits rose by 73,700 in August, little changed from July's 69,900 rise – perhaps suggesting that the overwhelming majority of the estimated 3 million workers that have come off furlough since June have, to date, gone back to their jobs rather than into unemployment or inactivity. This may, in turn, explain July's upturn in average earnings (including bonuses), which contracted just 1% y/y in the three months to July compared to a 1.2% y/y fall in the three months to June - as many of those workers would have gone from receiving 80% of their salaries on the furlough to 100% upon returning to work.

UK inflation, as measured by the Consumer Price Index, fell to just 0.2% y/y in August compared to 1% in July, but was slightly higher than market expectations of a flat reading. This was the lowest reading since December 2015, driven largely by big price falls from restaurants and cafes due to the Eat Out to Help Out Scheme which was live throughout the month. This scheme had also had a positive impact on service sector activity in August and its conclusion can account for the last part of the fall in the PMI in September. As a result, consumer prices fell by 0.4% m/m in August, recording their biggest drop since January 2019. Similarly, the core inflation rate – which strips out the more volatile components like energy, food and alcoholic beverages – fell to 0.9% y/y in August, down from 1.8% in July, recording its lowest reading since June 2015. With inflation so far below target, it was no surprise to see the Monetary Policy Committee leave monetary policy unchanged during its September meeting - although the market did note that the Committee had been briefed on how a negative Bank Rate might be implemented effectively. As detailed in our forecast below, Link Group continues to expect Bank Rate to remain at 0.1%.

Buoyed partly by the impact of the Eat Out to Help Out scheme, retail sales rose by 0.8% m/m in August, slightly outperforming market expectations of a 0.7% rise. Retail sales are now 4% higher than their pre-pandemic level in February and up 2.8% y/y. The GfK Consumer Confidence Index, meanwhile, rose to -25 in September from -27 in August, but remains considerably lower than the -7 reading in February, prior to the pandemic.

Reflecting the impact of public health measures and government policies to support the economy during the coronavirus pandemic, the UK reported a record public sector current budget deficit (excluding public sector banks) of £32.0 billion in August, compared to July's £13.6 billion deficit. August's deficit compares to a deficit of just £3.1 billion a year earlier. Excluding public sector-owned banks, borrowing was a record £35.9 billion, roughly seven times more than in August 2019.

In the US, the economy added another 1.4 million jobs in August, which was slightly below both market expectations and the downwardly revised 1.7 million jobs added in July. Nevertheless, the unemployment rate fell further as a result, to 8.4% from July's 10.2% rate, and below market expectations of 9.8% rate. With prices (as measured by the Fed's preferred core Personal Consumption Expenditure deflator) having fallen by 0.8% in Q2, it was no surprise to see the Federal Reserve maintain their current monetary policy stance during September's meeting. In so doing however, they also noted that the Federal Funds Rate target range is expected to remain between 0-0.25% until labour market conditions are consistent with their assessment of maximum employment and that inflation is above 2% and on track to moderately exceed it for some time.

In Europe, the final estimate for GDP confirmed that the Eurozone economy shrank by 11.8% q/q in Q2, compared to a 3.6% contraction in the previous quarter, and slightly lower than initial estimates of a 12.1% contraction. While better than the initial estimates, two consecutive periods of contraction meant that the bloc's economy was now in recession. In addition, this figure meant that, for the second quarter in a row, the bloc has suffered its steepest ever contraction. With the final estimate of Eurozone inflation showing that prices fell by 0.2% y/y in August, the ECB decided again to leave both policy rates and its coronavirus stimulus programme unchanged during its September meeting.

Housing

Both the Halifax and Nationwide house price indices rose during August, by 1.6% m/m and 2% m/m respectively. As such, prices are now 5.2% and 3.7% higher than a year ago respectively, their recent gains partly driven by the stamp duty holiday announced by the Chancellor earlier this year.

Currency

The prospect of a no deal Brexit undermined Sterling this month, which fell against both the Dollar and the Euro.

September	Start	End	High	Low
GBP/USD	$1.1241	$1.1025	$1.1241	$1.0805
GBP/EUR	€ 1.34	€ 1.29	€ 1.34	€ 1.27

Forecast

Both Link Group and Capital Economics have maintained their interest rate forecasts amid the coronavirus outbreak. Bank Rate is forecast to remain unchanged at 0.1% throughout 2020 and 2021.

Bank Rate	Now	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Link Group	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Capital Economics	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-	-

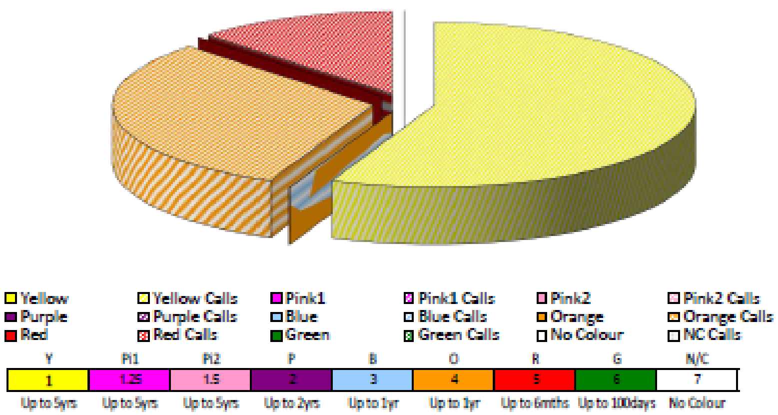
West Lindsey District Council

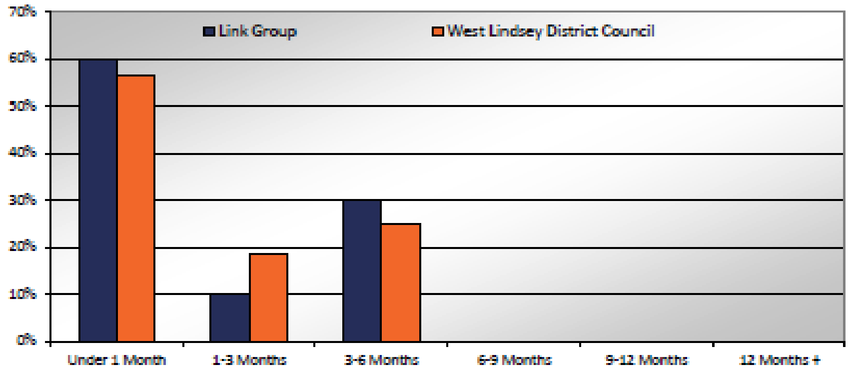
Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF LGIM	1,560,000	0.05%		MMF	AAA	0.000%
MMF Aberdeen Standard Investments	7,500,000	0.09%		MMF	AAA	0.000%
Lloyds Bank Plc (RFB)	2,000,000	0.10%		Call32	A+	0.005%
Santander UK Plc	1,000,000	0.47%		Call35	A	0.005%
Lloyds Bank Plc (RFB)	3,000,000	0.20%		Call95	A+	0.014%
Santander UK Plc	1,000,000	0.50%		Call95	A	0.014%
Borrower - Funds	**Principal (£)**	**Interest Rate**	**Start Date**	**Maturity Date**		
CCLA-LAPF	3,000,000	-3.40%				
Total Investments	**£19,060,000**	**-0.40%**				
Total Investments - excluding Funds	**£16,060,000**	**0.16%**				**0.004%**
Total Investments - Funds Only	**£3,000,000**	**-3.40%**				

West Lindsey District Council

Portfolio Composition by Link Group's Suggested Lending Criteria





Portfolios weighted average risk number = 2.43

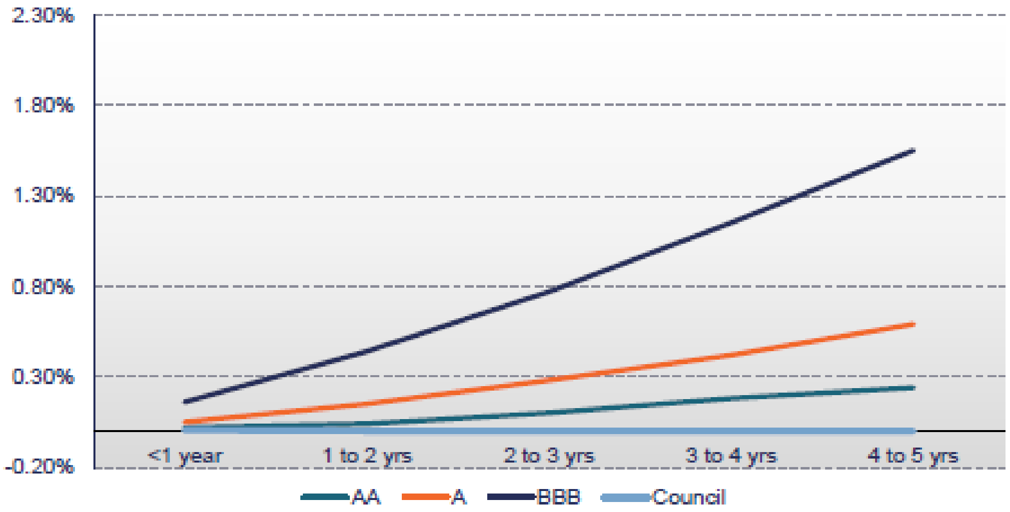
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	56.41%	£9,060,000	100.00%	£9,060,000	56.41%	0.08%	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	31.13%	£5,000,000	100.00%	£5,000,000	31.13%	0.16%	70	70	0	0
Red	12.45%	£2,000,000	100.00%	£2,000,000	12.45%	0.49%	65	65	0	0
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
	100.00%	**£16,060,000**	**100.00%**	**£16,060,000**	**100.00%**	**0.16%**	**30**	**30**	**0**	**0**

West Lindsey District Council

Investment Risk and Rating Exposure

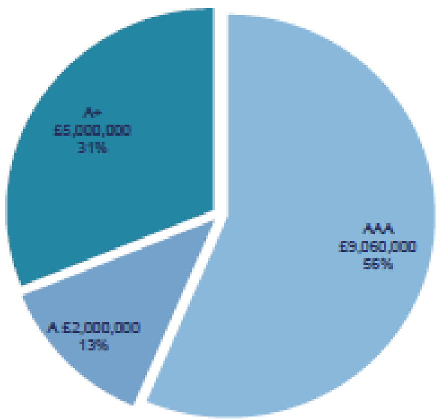
Investment Risk Vs. Rating Categories



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	0.004%	0.000%	0.000%	0.000%	0.000%

Rating Exposure



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

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

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

West Lindsey District Council

Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
15/09/2020	1772	Cooperatieve Rabobank U.A.	Netherlands	The Long Term and Short Term ratings were downgraded to 'A+' from 'AA'- and 'F1' from 'F1+' respectively. At the same time, the Negative Watch on the Long Term, Short Term and Viability ratings were removed. The Long Term Rating was placed on Negative Outlook.
15/09/2020	1773	ABN AMRO Bank N.V.	Netherlands	The Long Term Rating was downgraded to 'A' from 'A+'.
16/09/2020	1774	ING Bank N.V.	Netherlands	The Long Term, Short Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
18/09/2020	1775	Svenska Handelsbanken AB	Sweden	The Long Term and Viability Rating were removed from Negative Watch. At the same time, the Long Term Rating was placed on Negative Outlook.
18/09/2020	1776	Skandinaviska Enskilda Banken AB	Sweden	The Long Term, Short Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
18/09/2020	1777	Nordea Bank Abp	Finland	The Long Term, Short Term and Viability ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
28/09/2020	1779	DBS Bank Ltd.	Singapore	The Long Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
28/09/2020	1779	United Overseas Bank Ltd	Singapore	The Long Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
28/09/2020	1779	Oversea-Chinese Banking Corporation Ltd	Singapore	The Long Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's 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
03/09/2020	1771	Wells Fargo Bank, NA	United States	The Outlook on the Long Term Rating was changed to Negative from Stable.
21/092020	1778	West Bromwich 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
				No rating changes to report.

West Lindsey District Council

APPENDIX 1: Economics update

During the quarter ended 30th September 2020 *(quarter 3 of 2020):*

- There was a quicker than expected recovery in GDP in June and July;
- Retail spending rose 4.0% above its pre-virus level, but the recovery in investment lagged behind;
- There was a second wave of the virus and a tightening in COVID-19 restrictions in September;
- In September, the Chancellor announced a new fiscal package worth £5bn (0.2% of GDP) to support the economy;
- Concerns about a second wave and a no deal Brexit weighed on the FTSE 100 and the pound;
- There were divisions on the Monetary Policy Committee over the possible use of negative interest rates;

The initial economic recovery appears to have been quicker than anticipated. GDP rose by 2.4% m/m in May as manufacturing and construction work resumed, by 8.6% m/m in June as non-essential retail stores reopened, and by 6.6% m/m in July as pubs and restaurants reopened. The rise in the all sector PMI from 57.1 in July to 58.7 in August suggests that recovery continued at a strong pace in August. Indeed our 'CE BICS Indicator' suggests that the economy grew by 5.0% m/m in August.

Consumer spending appears to have recovered strongly. Retail sales rose by 0.8% m/m in August, pushing them 4.0% above their pre-pandemic level. The mini-boom in the housing market meant transactions rose by 28.9% y/y in August. Nationwide house prices rose by 0.9% m/m in September, which pushed up the annual rate to 5% – a four-year high. The Eat Out to Help Out, (EOHO), restaurant discount scheme and pent-up demand, also suggest that non-retail spending did well in August.

But this strength largely reflects the success of the government's fiscal support since March. Indeed, it is encouraging that the bulk of the 4 million workers that have come off the furlough scheme between May and the end of July have gone back to their jobs rather than into unemployment or inactivity.

Even so, there have been signs that households' appetite for credit is waning. Consumer credit rose by only £0.3bn in August compared to July's £1.1bn rise. Admittedly, it could be that consumers are just using cash saved during lockdown to finance big ticket purchases. Indeed, the household saving rate surged from 9.6% in Q1 to a record-high of 29.1% in Q2. But consumer confidence has also weakened, slipping from -16.6 in August to -17.9 in September according to the EC.

What's more, having fallen by 26.5% q/q in Q2, business investment still seems to be well below pre-pandemic levels. According to the latest ONS Business Impact of the COVID-19 Survey (BICS), 38% of businesses said their plans to expand had been scaled back or cancelled since the pandemic. And the Bank of England's Agents survey suggested that investment intentions remain close to their record lows.

Meanwhile, there have been worrying signs that activity started to drop in September. Footfall on UK high streets had fallen to -45% y/y by mid-September. And despite not even having returned to its pre-crisis level, seasonally adjusted car production dropped by 24% m/m in August.

The Chancellor announced further fiscal support in September. The centrepiece of his Winter Economic Plan (WEP) was the six-month long "Job Support Scheme" starting on 1 November. Under the scheme, the government will pay a maximum of 22% of worker's salaries and the company pays a minimum of 55%, as long as the employee is working a third of normal hours. The WEP also included an extension of the VAT cut for hospitality/tourism from 20% to 5% from 13 January to 31 March. All in, the Chancellor's new measures will probably cost around £5bn (0.2% of 2019 GDP), bringing the total cost of the government's direct fiscal measures to about £220bn (10% of GDP).

The mounting fiscal cost of the crisis is being reflected in public finance figures. Indeed, the government borrowed another huge sum of £35.9bn in August, leaving borrowing in the year to date at £173.5bn. That's already the highest cash figure on record, with seven months of the financial year still to go (the previous record was £158.3bn in 2009/10). Add in the effects of the weak economy and we think that the Chancellor could end up borrowing a huge £370bn (18.4% of GDP) in 2020/21 as a whole.

But the new package is unlikely to fully offset the hit to GDP and employment from the government's COVID-19 restrictions announced on 22 September. Indeed, the UK has begun to grapple with a second wave of coronavirus infections, with daily cases averaging about 5,500 during the last week of September (up from just 1,000 per day a month earlier). Consequently, new restrictions were brought in so that bars and restaurants have to close at 10pm, the reopening of other parts of the sports and hospitality sectors will be delayed, and people were advised to resume working from home if they can. This won't prevent some sectors from continuing to recover but will cause others to go backwards.

That is why we think that an impressive rebound in GDP of about +18% q/q in Q3 will give way to no rise at all in October. Add in some further restrictions as well as the drag on activity from the uncertainty over Brexit, and GDP may not rise in November and December either. Meanwhile, we still expect the unemployment rate to rise further, from 4.1% in July to 7% in Q4 2021.

This supports our existing view that the Bank of England will ease monetary policy further. Admittedly, the sharp drop in CPI inflation from +1.0% in July to +0.2% in August, due to the effects of the cut in VAT for hospitality/tourism and August's EOHO restaurant discount scheme, probably represents the low point for inflation. We expect CPI inflation to have risen to +0.6% in September and it could temporarily rise to 2.0% at the end of 2021. But the big picture is that it will be a few years before the economy is strong enough to sustain CPI inflation at the Bank of England's 2% target.

However, unlike the financial markets, we do not think the Bank will use negative rates in the next six months. Admittedly, in its September minutes, the MPC commented that it "had been briefed on the Bank's plans to explore how a negative Bank Rate could be implemented effectively". And MPC member Silvana Tenreyro noted the "encouraging" evidence on the use of negative rates in Japan and the euro-zone. But Bank of England Governor Andrew Bailey, and other MPC members such as Dave Ramsden and Andy Haldane, have talked down the prospect. So for the next 6-12 months, we think that QE will remain the tool of choice and that another £250bn of QE will be used over the next year, significantly more than the consensus forecast.

There are two key downside risks to the outlook. The first of these is the possibility that restrictions are tightened much further to contain the spread of coronavirus. If the government resorted to a two-week national lockdown at some point, that could reduce the level of GDP by 5% and push the point at which the economy returns to its pre-crisis level back by a year. This would also increase the possibility that the Bank of England has to do more at a later stage.

The second risk is a no deal Brexit at the end of the transition period on 31 December 2020. With just two weeks to go until Boris Johnson's 15 October deadline to reach a deal before the UK walks away and only three months until the transition period expires, it doesn't appear as though the two sides are nearing an agreement. **A no deal on 31 December is unlikely to spell disaster for the economy.** But it could lead to a hit to GDP of 1-3% depending on the type of no deal, setting back the UK's recovery from the recession.

The concerns about the consequences for the economy from a second wave of COVID-19 and a no deal Brexit have reduced the FTSE 100 almost back to May's level and weakened the pound from $1.35 to $1.28. Some spreads of corporate bonds over gilt yields such as BBB ones, have started to tick up. With COVID-19 and a no deal Brexit risks rising, the risks to our forecast that the FTSE 100 will rebound to its pre-crisis level by the end of 2022 and that the pound will climb back to $1.35 if there is a Brexit deal are firmly on the downside.

In the euro-zone, there is further evidence that the economic recovery is grinding to a halt. This has resulted in short-time working policies being extended in Europe's Big Four until the end of the year at a minimum. And there is a good chance that the ECB will provide additional stimulus soon, perhaps making the TLTROs more generous.

The continued economic recovery in the US in the face of its second wave in June and July has been impressive, but GDP remains below pre-virus levels. And while the Fed adopted “a flexible form of average inflation targeting” in August, it has offered no hints it is contemplating adding more stimulus soon. But the calls for more stimulus may grow louder if the recovery slows, particularly if Congress can’t agree on more fiscal support.

APPENDIX 2: Interest rate forecasts

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its last meeting on 6th August, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields initially spiked upwards in March, we have seen yields fall sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March, and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were only at 0.76% and the 50 year at 0.60%.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. At the same time the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; the HM Treasury consultation was initially due to end on 4th June, but that date was subsequently put back to 31st July. To date, the outcomes of the consultation have yet to be announced but it is clear that HM Treasury will most likely no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the primary aim is to generate an income stream (assets for yield).

Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)

- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the HM Treasury consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

APPENDIX 3: Approved countries for investments as at 30th September 2020

Clients may wish to draw the attention of members to any changes to their approved list of countries for investments since their last report to members.

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**