Corporate Policy and Resources Committee
Thursday, 11 February 2021

Subject: Budget and Treasury Monitoring - Period 3 2020/21 (1st April 2020 to 31st December 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 31 December 2020.

RECOMMENDATION(S):

REVENUE

a) Members accept the forecast out-turn position of a £223k net contribution to reserves as at 31st December 2020 (see Section 2) relating to 'business as usual' activity.

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) Members approve the grant application for the FCC Communities Foundation's Community Action Fund of up to £100k, and to approve the allocation of up to £11k from the Match Funding Grant, in addition to the National Leisure Recovery Fund Bid for £209k. Details at 2.5.3.

CAPITAL

d) Members accept the current projected Capital Outturn as detailed in 3.1.2.

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

IMPLICATIONS

Legal: None arising as a result in this report.

Financial : FIN//124/B/SL

On the 5th November 2020, this Committee approved the revised budget for 2020/21, which resulted in a transfer of £783k to the General Fund Balance:

Movement (To) / From GFB £ 000	
Will Bequest - set aside for agreed purpose	(46)
Business as Usual	(859)
Covid-19 Implications	448
Carry Forwards	(326)
	(783)

This report identifies variances against that revised budget, and is therefore forecasting additional movement (to) / from General Fund Balances.

The draft revenue forecast out-turn position for 2020/2021 is currently reflecting an additional net contribution to reserves of £223k from business as usual activity as at 31st December 2020.

After taking account of approved revenue carry forwards of £53k, and carry forward requests from services pending future approval by Management Team of £40k (as detailed at Appendix 4) £223k 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 £384k pressure in relation to income losses which we will have to bear. A £448k pressure was forecast for the revised budget – this pressure has reduced by £64k, to be returned to General Fund Balances.

The net contribution to the General Fund Balance would then be £287k.

Summary of Out-turn Position 2020/21		
	£ 000	
FORECAST OUTTURN AS AT 31.12.20	(315)	BEFORE CARRY FORWARDS
CARRY FORWARDS : BASE BUDGET-APPROVED IN YEAR	36	ALREADY APPROVED
CARRY FORWARDS : USE OF EARMARKED RESERVES	17	ALREADY APPROVED
SUB-TOTAL:	**(262)**	
SERVICE CARRY FORWARD REQUESTS	40	
NET CONTRIBUTION (TO) / FROM RESERVES:	**(223)**	
FORECAST NET IMPACT ON GENERAL FUND BALANCES-COVID19	(64)	
NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:	**(287)**	

The forecast total movement to General Fund Balances (including carry forwards) is;

Movement (To) / From GFB £ 000	
Will Bequest - set aside for agreed purpose	(46)
Business as Usual	(1,082)
Covid-19 Implications	384
Carry Forwards	(419)
	(1,163)

(Increase) / Decrease from Revised Budget 2020/21	(380)

The forecast General Fund Balance as at 31 March 2021 is £5.1m (£2.6m above the minimum working balance of £2.5k agreed by this Committee).

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 2.2.6.

The anticipated capital out-turn position 2020/21 is £9.738m. This is a movement of £4.375m on the approved budget. There are no requested amendments to the capital programme at this time.

The Treasury Management activities during the reporting period are disclosed in the body of this report. Total external borrowing is currently £20m.

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 raised to £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 (Oct-Dec) was £22.724m, which achieved an average rate of interest of 0.745% (Jul-Sep £19.471m, 0.842%).

Staffing: Salary budgets for 2020/21 were set based on an estimated 2% pay award. The actual pay award for the year is 2.75%.

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

- Revised Budget 2020/21 report on the 5th November 2020 approved a net movement to General Fund Balances of £783k.Forecast movements against the revised budget are;

- ‘Business as Usual’ Revenue Forecast Out-Turn (after carry forwards) - Surplus £223k (1.12% of Net Revenue Stream) – See 2.1 for details of significant variances.

- Forecast pressure above Covid-19 LA Support Grants £384k. This is a reduction of £64k against the pressure forecast for the revised budget (see 2.2.6 for details).

- Carry forwards approved during the year of £53k, and carry forwards pending future approval by Management Team of £40k (see Appendix 4 for details).

- Remaining net surplus of £380k (including carry forwards) to be transferred to the General Fund Balance, in addition to the £783k movement approved for the Revised Budget 2020/21 – a total of £1,163k. This would result in a forecast Fund balance as at 31 March 2021 of £5.148m.

CAPITAL

- Capital Forecast Out-Turn: £9.738m, a variance of £4.375m against current budget £14.113m, this is made up of:

  - Anticipated Slippage of £4.380m (see section 3.1.2).

  - Bring forward from 21/22 budget of £0.036m in relation to Private Sector Renewal (see section 3.1.2).

  - Underspend of £0.31m on three schemes (see section 3.1.2):
    - Vehicle Replacement Programme £0.01m
    - Capital Enhancements to Council Owned Assets £0.002m
    - Telephony £0.019m

There are no further requests to make any amendments to the capital programme at this time. Any adjustments will be detailed in the outturn report for 2020/21.

In addition, approval to spend is sought on Riverside Walkway – this committee has previously approved the budget.

TREASURY MANAGEMENT

- Treasury Management Report and monitoring:
  - Average investment interest rate for October to December was 0.745%
  - Total Investments at the end of Quarter 3 £20.931m

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	P1 £'000	P2 £'000	P3 £'000
Investments B/fwd (at 31.3.2020 incl. bank)	**11,670**	**13,490**	**19,122**
(Less) Capital expenditure	-1,811	-1,313	-2,201
Add PWLB/Other LA Borrowing in year	0	0	0
Add/(Less) Net Revenue Expenditure	4,931	-1,026	159
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	-1,171	7,637	371
Add Working Capital Movement	-129	334	3,480
Investments c/fwd (at Period end)	**13,490**	**19,122**	**20,931**

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 31.12.2020.

	Period 3
Prudential Borrowing	**£'000**
Total External Borrowing (PWLB) and	16,500
Other Local Authorities	3,500
Internal Borrowing	17,919
Total Prudential Borrowing at 31.12.2020	**37,919**

REVENUE BUDGET MONITORING PERIOD 3
(1st April 2020 to 31st December 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 £223k as detailed in the table below. This is in addition to the £905k movement to reserves approved as part of the revised budget in November 2020, a total of £1,128k for the year.

   This is after taking account of £93k of revenue budget carry forwards. This is in addition to the £326k carry forwards approved through the revised budget in November 2020, a total of £419k for the year. 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 forecast net impact on the General Fund Balances can be found at 2.2.6.

SERVICE CLUSTER	Budget £	2020/2021 Forecast Outturn £	Forecast Outturn Variance £
Our People	2,537,600	2,406,856	(130,744)
Our Place	4,378,564	4,325,576	(52,988)
Our Council	7,492,100	7,389,514	(102,586)
Controllable Total	**14,408,264**	**14,121,946**	**(286,318)**
Corporate Accounting:			
Interest Receivable	(194,700)	(226,100)	(31,400)
Interest Payable	465,600	468,100	2,500
Investment Income	(1,260,100)	(1,260,018)	82
Precepts and Levies	2,508,400	2,508,400	0
Movement in Reserves:			
To / (From) General Fund	534,000	534,000	0
Use of Specific Reserves	(1,787,735)	(1,787,735)	0
Contribution to Specific Reserves	5,113,071	5,113,071	0
Repayment of Borrowing	243,700	243,700	0
Net Revenue Expenditure	**20,030,500**	**19,715,364**	**(315,136)**
Funding Total	(20,030,500)	(20,030,500)	0
NET SUBSIDY FROM / (CONTRIBUTION) TO RESERVES FOR THE YEAR	**0**	**(315,136)**	**(315,136)**

Carry Forwards - approved in year	35,900
Carry Forwards - pending future approval	39,500
Carry Forwards - use of Earmaked Reserves	16,900
Net Contribution (To) / From Reserves	**(222,836)**
Forecast Net Impact on General Fund Balances-COVID19	(64,400)
Net Contribution (To) / From General Fund Balances	**(287,236)**

2.1 The significant movements being;

Cluster	EXPENDITURE	Total £000	Direction of Travel
	BUDGET UNDERSPENDS		
	Salary (savings) / pressure.	(£44)	New
	PRESSURES		
	Various forecast outturn variances <£10k	(£23)	New
		(£67)	

Cluster	INCOME	Total £000	Direction of Travel
	BUDGETED INCOME EXCEEDED		
Corporate Accounting-Interest Received	Interest Receivable.	(£31)	New
Our Council	Increase in bulky waste collections, and sale of new and replacement wheeled bins.	(£15)	New
Our People	Trinity Arts Centre - Cultural Recovery Fund.	(£91)	New
Our Place	Recharge to Outbreak and Prevention grant for officer time.	(£24)	New
Our Place	Shopping Trolley reclaimed income.	(£15)	New
	BUDGETED INCOME NOT ACHIEVED		
Our People	Housing Benefits - forecast net subsidy position.	£20	New
		(£156)	

TOTAL VARIANCE	**(£223)**

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

2.2.1 Interest & Investment Income

- Interest receivable on investments is forecast to be £31k above budget for the year.

2.2.2 Our Council

- £25k is an approved carry forward into 2021/22, £4k is a forecast carry forward request, pending approval at year-end (see Appendix 4 for details).

- Income from bulky waste collection has increased by £10k, and income from the sale of new and replacement wheeled bins has increased by £5k.

2.2.3 Our People

- £28k are approved carry forwards into 2021/22, £8k is a forecast carry forward request, pending approval at year-end (see Appendix 4 for details).

- £91k of the £177k Cultural Recovery Fund bid by the Trinity Arts Centre has contributed towards the core costs of the centre, resulting in a saving on the base budget.

- A pressure of £20k reflects the Housing Benefits forecast net subsidy position.

2.2.4 Our Place

- £28k are forecast carry forward requests into 2021/22, pending approval at year-end (see Appendix 4 for details).

- £24k of officer time has been recharged to the Outbreak and Prevention grant, resulting in a saving on the base budget.

- £15k 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.

2.2.5 Establishment

Current vacancy levels after costs of interim staffing resources is forecast to achieve a £44k budget underspend for the year, this represents 0.44% of the overall employee revised budget.

This is broken down by cluster as follows;

Cluster	Sum of variance £
Our Council	(62,162)
Our People	(4,200)
Our Place	22,000
Grand Total	**(44,362)**

2.2.6 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	£
S31 Business Rates Reliefs Top-Up (estimate)	2,472,654
Covid Support Grant Tranche 1-4	1,496,322
Hardship Fund	793,000
Sales Fees and Charges Grant Support (estimate)	550,000
S31 Business Rates Reliefs (estimate)	523,878
Cultural Recovery Fund (incl. Covid expenses and sustainability)	196,690
New Burdens Local Restrictions Admin Grant	185,600
New Burdens from BEIS re: Business Grants	130,000
Outbreak Prevention Fund (via LCC)	100,000
High Street Recovery Grant	84,000
New Burdens BEIS Discretionary Fund Admin	58,500
Surge Outbreak Funding	48,888
Local Authority Compliance and Enforcement Grant	46,233
New Burdens Test and Trace Admin Grant	25,729
New Burdens Business Rate Relief Admin Grant	11,700
New Burdens Hardship Funds	11,160
Next Steps Accommodation Programme	5,063
Rough Sleeping Contingency Fund	1,650
New Burdens Reintroduction of Shielding	TBA
Total WLDC Grants	**6,741,067**

Government Grants to our Communities	£
Business Rate Support Grant	16,820,000
Lockdown One Off Top Up	3,987,000
S31 Business Rates Reliefs top-up (estimate)	2,241,515
Local Restrictions Support Grant Additional Top Up	1,994,274
Additional Restrictions Grant	1,913,340
Local Restrictions Support Grant	1,329,516
Business Rates Discretionary Fund	927,500
Additional Restrictions Grant Top Up	849,815
S31 Business Rates Reliefs (estimate)	523,000
S31 Local Restrictions Support Grant Post 2 Closed initial allocation	243,595
S31 Christmas Support Payments - Wet Pubs	64,000
Test and trace Support Payments £500	38,500
Discretionary Test and Trace Support Payments	23,131
S31 Local Restrictions Support Grant Post 2 Open initial allocation	22,837
Total WLDC Grants	**30,978,023**

In relation to direct support to WLDC towards the impact of Covid-19 we have been allocated £1.496m to cover additional expenditure. Forecast expenditure at this time is £1.201m. Whilst there remains £0.295m 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 £0.536m and we will need to absorb the pressure of £0.384m.

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.	738,056
Local Tax Collection	Court costs summonses and virtual mail.	178,756
Car Parks	Income losses - reduced demand.	154,013
Delayed Capital Schemes	MR Leisure Centre and ERP implementation.	132,938
Net Investment Interest	Interest rate reductions.	126,790
Land Charges	Personal Searches and EIR requests income losses.	126,790
Investment Properties	Rental Income reduction due to CVA.	113,477
Housing Benefits	Reduction in overpayments, overtime and virtual mail.	109,606
Economic Development	High Street Recovery costs.	84,598
Commercial Waste Services	Trade Waste Income losses.	71,110
Financial Services	Bad debt provision and transactional banking costs.	63,220
Town Centre Markets	Income loss in support of recovery of the High Street. Consultant for long term proposals.	62,920
Waste Management	Additional resources and PPE.	60,500
Economic Development	Consultancy spend to scope next phase on growth projects. High Street business advisor. Grants administrator.	53,971
ICT Services	Costs of ICT firewalls etc. for working from home.	53,256
Building Control	Income losses reduced demand for service.	44,834
Street Cleansing	Additional fly tipping collection costs.	29,801
Community Safety	CCTV commercial customers, and Shopwatch customers may be unable to pay.	27,302
Communications	Communications support - capacity required to deliver.	25,000
Systems Development	System updates and virtual mail costs.	24,178
Crematorium	Estimated increase in direct funerals (less income).	22,800
General Grants etc.	Contribution to community centre may increase.	20,000
Licences - Community	Reduced income as licences not renewed for some premises.	17,186
Development Management	Reduction in planning fees.	14,063
Customer Services	Increase in cardnet charges.	14,000
Homelessness & Housing Advice	Costs of assisting homeless.	10,378
Democratic Representation	Civic events cancelled, and Members expenses.	(23,200)
Legal Services	Reduced costs of legal as service not working as usual.	(25,000)
Trinity Arts Centre	Various net impact after £35k Arts grant & Cultural Recovery Grant support.	(47,987)
Car Allowances & Mileage	Savings in employee travel costs.	(77,818)
	Grand Total:	**2,205,538**

Forecast Grant Funding not yet Allocated	**295,200**
Covid Pressure - Contribution (To) / From Reserves	**383,618**
Movement from Reserves - Mid Year Review	**448,000**
Forecast Additional Movement (To) / from Reserves	**(64,400)**

2.3 Fees and Charges

£2,885k has been received in Fees and Charges up to the end of the period against a budget for the period of £2,740k, £145k above budget for the period.

The most significant areas of additional income forecast for the year being:

- Bulky Waste Collections (£10k)
- Sale of New and Replacement Wheeled Bins (£5k)

2.4 2020/21 Use of and Contribution to Reserves

2.4.1 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 £77.1k;

- £20k from Local Development Order (LDO) Reserve – grant funding not achieved in year to fund LDO and Major Projects Officer (grant-funded post).

- £20k from Maintenance of Facilities reserve:
  - £9.3k asbestos removal and demolition of Sandsfield Lane Sports Pavilion.
  - £10.7k The Plough - new boiler £7k plus other minor repairs and maintenance expenditure.

- £9k from IT reserve. Firmstep Licence Dec 20 to Mar 21. Approved by CPR 23.07.20 FIN/47/21 (£19K 2021/22 built into MTFP).

- **Request from General Fund Balances**

  £28.1K for Local Government Reorganisation Work (CPR previously approved £100k for devolution costs – balance remaining after this movement £31.9k).

2.4.2 Contribution to Reserves

- £5k to the Civic Reserve from in year budget underspends to fund the replacement of the civic car. The annual contribution of £5k pa has been built into the 2021/2022 to 2025/2026 MTFP to ensure sufficient funds for vehicle replacement in 2023/2024.

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. The forecast balance as at 31st March 2021 is £301.7k.

2.5.1 Successful Grant Bids and New Grant determinations

The following grants have been received during this period:

Grant Issued By	Name of Grant	£
MHCLG	Compliance & Enforcement (Covid Marshalls)	46,233
MHCLG	New Homes Bonus	184,075
MHCLG	Covid - LA Support Grant (Tranche 4)	333,060
MHCLG	Covid - Income compensation for lost sales, fees & charg	117,615
DWP	Test & Trace Support Grant - Discretionary Scheme	23,131
MHCLG	Covid - Local and additional restrictions grant	3,242,856
DWP	HB Admin Grant	19,192
MHCLG	New Burdens Admin Grant	22,860
Gainsborough Town Council	Mayflower 400	2,000
Misc Developers	CIL -WLDC Admin	3,096
Various rail companies	Insurance Contribution	20,306
Cabinet Office	Firebrand Training Grant	7,200
MHCLG	Business Rates Relief Grant	502,096
MHCLG	Business Rates Relief Grant	2,406,786
DWP	Test & Trace - Admin Grant	25,729
		6,956,235

2.5.2 Grant Bids Approved Under Delegated Decision

- Trinity Arts Centre – Cultural Recovery Fund

The second round funding has resulted in the opportunity to bid for a further £98k in support of the recovery and sustainability of the Trinity Arts Centre through the pandemic restrictions.

2.5.3 Grant Bid Requiring Member Approval

- FCC Communities Foundation's Community Action Fund

West Lindsey District Council own and manage a number of green spaces in Gainsborough. We deliver routine management of these sites and seek opportunities to enhance the spaces with improved access, encourage volunteer/resident involvement and support environmental protection. A new funding opportunity has become available which the council is eligible to apply for, to support costs of green space improvements.

An application will be submitted to FCC Communities Foundation's Community Action Fund. This fund provides grants of between £2,000 and £100,000 for amenity projects eligible under Object D of the Landfill Communities Fund. Areas in Gainsborough now fall within the 10-mile eligibility radius of an FCC landfill site.

Activity costs are being scoped for the potential to make improvements at Pitt Hills and Theaker Avenue Nature Area. Officers will assess opportunities for improvements at each site and subject to costs and deliverability, the FCC application will be made for one of these sites. Improvement activity at both sites will be directed according to the Gainsborough Green Spaces Strategy, which contains activity recommendations following detailed assessments of our green spaces.

A project group will be established for officers working on the funding bid. Local ward Members will be invited to be part of this activity. The deadline for 2021 Round 1 is 3rd March 2021.

The FCC Community Action Fund requires a Contributing Third Party Payment of 10.75% of the total grant awarded. A full explanation of this can be viewed online: https://fcccommunitiesfoundation.org.uk/terms/contributing-third-party-funding-explained

Approval is requested to submit an application for up to £100,000.
Approval is requested to allocate up to £10,750 from the Match Funding Grant to meet the Contributing Third Party Payment.

- National Leisure Recovery Grant

Sports England have recognised the financial pressure on Local Authority Leisure Management Companies due to the Covid-19 national and local lockdowns and restrictions. We have been allocated £180k within the fund and have submitted a bid of £209k to cover operational costs which would otherwise be covered by income.

Other Items for information

2.6 Planning Appeals

In period 3 2020/21 there were 9 appeals determined – 1 allowed and 8 dismissed.

There are 3 live application for costs.

Period	Number of Appeals	Allowed	Dismissed
October	3	0	3
November	1	0	1
December	5	1	4
Total for Period 3	**9**	**1**	**8**

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Period 3 Monitoring Report

At the end of December 2020, there was a total of £346k 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 £36k the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.

- Leisure £138k
- Property Services £82k – this is due to deferred rent payment and company voluntary agreements (CVA) to support businesses during the pandemic.
- Housing £36k
- 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
Period 2 - ending Sept 2020	102,986	55,375	211,905	370,266
Period 3 - ending Dec 2020	9,434	42,203	294,203	345,840

2.8 Changes to the Organisation Structure

There were no approved changes to the organisation structure during this period.

3.1 CAPITAL BUDGET MONITORING – Quarter 3

3.1.1 The Capital Budget forecast out-turn for schemes approved to spend (includes Stage 3 and BAU) totals £7.622m against a revised budget of £9.760m. Reasons for variations are detailed below. Pipeline Schemes (Pre Stage 1, Stage 1 and Stage 2) are expected to spend £2.116m (subject to formal approval). This gives an overall total spend of £9.738m as detailed in the table below.

Capital Investment Programme 2020/21

Corporate Priority / Scheme	Actuals to 31/12/2020	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	3,976,985	16,219,031	9,759,522	7,621,510	(31,400)	(2,106,612)
Stage 2	0	4,042,775	3,815,000	1,993,000	0	(1,822,000)
Stage 1	13,514	352,300	538,500	123,514	0	(414,986)
Pre-Stage 1	0	3,503,513	0	0	0	0
Total Capital Programme Gross Expenditure	3,990,499	24,117,619	14,113,022	9,738,024	(31,400)	(4,343,598)

3.1.2 The capital programme spend to date is £3.990m against a revised budget of £14.113m. Expenditure is forecast to be £9.738m resulting in an £4.375m variance. The variance consists of:

- An anticipated £4.344m to be re-phased at the financial year end. Of this amount £0.036m is to be brought forward from 21/22 relating to the Private Sector Renewal Scheme with £4.380m to be slipped to future financial years.

- There are net projected underspends of £0.031m which relates to £0.010m on the vehicle replacement programme, £0.019m on the Telephony Scheme which is now closed and £0.002m on Capital Enhancements to Council Owned Assets.

It is proposed that no amendments to the Capital Programme will take place at this time. The schemes will be adjusted at the financial year end when the Capital Financing will be finalised. Final amendments to the schemes will be reported at Quarter 4.

The committee are asked to approve spend on the Riverside Walkway acquisition, this committee has previously approved this budget. This will effectively move the scheme to Stage 3.

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 31/12/2020	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	11,189	0	50,000	50,000	0	0	
Health and Wellbeing									
Disabled Facilities Grants	BAU	BAU	301,740	840,631	500,000	500,000	0	0	
Private Sector Renewal	Stage 3	Stage 3	147,791	100,000	141,640	177,791	0	36,151	If all planned individual schemes are completed in 20/21 a clawback of budget from 21/22 will be required
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	994,217	0	1,104,182	1,104,182	0	0	
Economy									
Market Rasen 3 year vision	Stage 2	Stage 2	0	200,000	0	0		0	
Hemswell Masterplan - Public Realm Improvements	Stage 2	Stage 2	0	150,000	50,000	0	0	(50,000)	Scheme slipped to 21/22 report going to MT Feb 2021
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	170,000	0	0	(170,000)	Delays on scheme due to covid, resulting in slippage to 21/22
Gainsborough Shop Front Improvement Scheme	Stage 3	Stage 3	0	40,000	15,000	15,000	0	0	
5-7 Market Place - Redevelopment	Stage 1	Stage 1	0	352,300	45,000	45,000	0	0	
Trinity Arts Centre Improvement Projects	Stage 3	Stage 3	63,191	250,000	102,800	102,800	0	0	
Gainsborough Growth - Grant for development (Cinema)	Stage 2	Stage 2	0	2,350,000	610,000	500,000	0	(110,000)	Slippage to 21/22 - only land acquisition anticipated in 20/21
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	13,514	0	493,500	78,514	0	(414,986)	Riverside Walk acquisition expected to complete in January 2020 with works on construction expected start of 2021/22.
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	
The Sun Inn - Capital Grant	Stage 3	Stage 3	25,413	0	58,269	25,413	0	(32,856)	Slippage to 21/22
Public Safety & Environment									
Vehicle Replacement Programme	BAU	BAU	79,000	0	89,000	79,000	(10,000)		The final vehicle has now been delivered and was secured for a lower cost than anticipated
Depot Review	Stage 3	Stage 3	192,985	4,600,000	3,269,527	1,824,620	0	(1,444,907)	Land purchased at the end of August, work on site commenced in early November and site should be fully operational from November 2021. Slippage due to delays and review of cashflow to 21/22
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 31/12/2020	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	0		(175,000)	Applications have been received but spend is not anticipated to commence until 21/22
Gainsborough Regeneration - Bowling Green Road (Refcus)	Stage 3	Stage 3	1,975,030	2,162,000	2,162,000	2,162,000	0	0	
Housing Infrastructure (Southern SUE)	Stage 2	Stage 2	0	0	1,975,000	483,000	0	(1,492,000)	Work is on track - there are still some pre conditions to be signed so payment expected to slip until 21/22
Finances									
Car Park Strategy Investment	Stage 3	Stage 3	0	0	0	0	0	0	
Financial Management System	Stage 3	Stage 3	8,988	220,000	125,000	50,000	0	(75,000)	Slip to 21/22
Capital Enhancements to Council Owned Assets	BAU	BAU	0	110,000	15,000	13,000	(2,000)		underspend
Bus Station	Pre-stage 1	Pre-stage 1	0	60,000	0	0	0	0	
Carbon Efficiency	Stage 3	Stage 3	0	0	0	0	0	0	
Customer									
Telephony (incl. Contact Centre)	Stage 3	Stage 3	0	19,400	19,400	0	(19,400)	0	Stage 4 submitted to ICT board - new bid for 21/22
Customer Relationship Management System	Stage 3	Stage 3	106,530	280,000	366,000	161,000	0	(205,000)	Planning/AI/CRM projects to slip to 21/22
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	0	0	0	0	
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	0	0	0	0	
Storage Refresh	BAU	BAU	0	80,000	210,000	0	0	(210,000)	Due to covid delaying the procurement process this expenditure will now be 21/22
Firewall Update	BAU	BAU	36,789	17,000	36,789	36,789	0	0	
Project Management Software	Stage 1	Stage 1	0	0	0	0	0	0	
Investment									
Commercial Investment - Property Portfolio	Stage 3	Stage 3	0	7,000,000	0	0	0	0	
Total Capital Programme Gross Expenditure			3,990,499	24,117,619	14,113,022	9,738,024	(31,400)	(4,343,598)	

3.2 Acquisitions, Disposals and Capital Receipts

3.2.1 The Council has not made any asset acquisitions during Quarter 3.

3.2.2 The Council has had no asset disposals during Quarter 3.

3.2.3 Capital Receipts - The total value of capital receipts at the end of Quarter 3 was £173k this was due to income of £125k from the Housing Stock Transfer Agreement share of Right to Buy receipts, £24k loan repayments and £24k repayments of DFG Grants

4. TREASURY MONITORING – PERIOD 3 (Oct - Dec)

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:

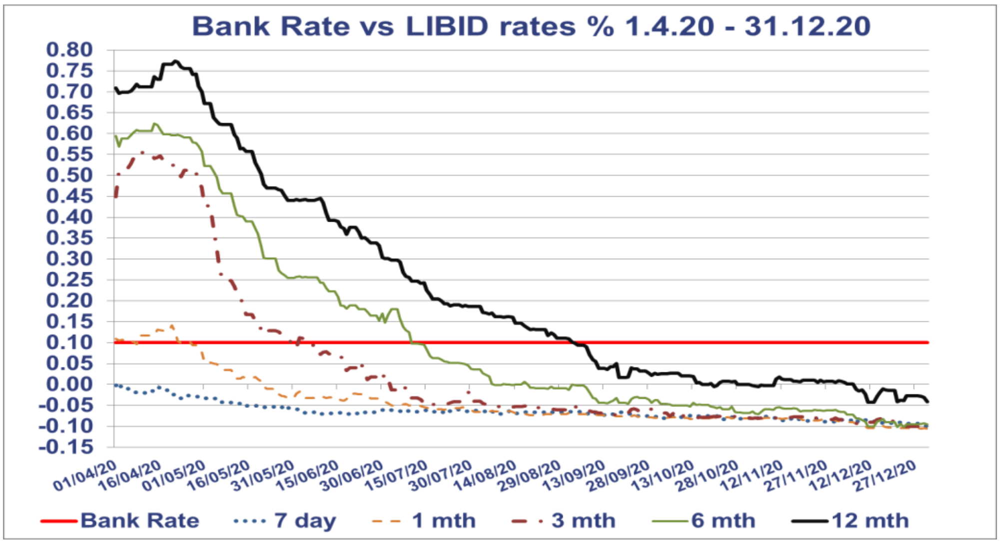
- Security of capital;
- Liquidity; and
- Yield.

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 (Oct-Dec) has been in excess of the 7 day average libid (-0.07%) with an average yield of 0.745% (including CCLA) and 0.12% (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 £0.163m.

Quarter ended 31 December 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	-0.10	-0.11	-0.10	-0.10	-0.04
Low Date	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/12/2020
Average	0.10	-0.07	-0.04	0.04	0.12	0.23
Spread	0.00	0.10	0.25	0.66	0.73	0.82

4.3 Interest Rate Forecasts

The Council's treasury advisor, Link Group, have provided the following forecasts:

These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

Link Asset Services detailed economic commentary on developments during quarter ended 31 December 2020 is included in Appendix 1.

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

Appendix 3 details the Approved countries for investments as at 31 December 2020. (As at end December)

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 Q3 due during January. 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.

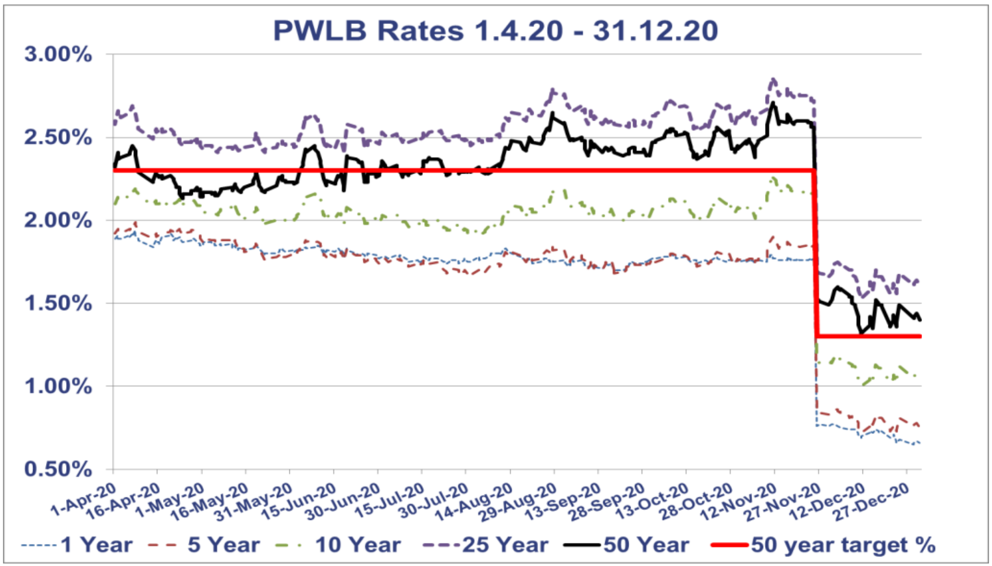
It is anticipated the fund value will drop this financial year by circa 6%-10%.

4.5 New External Borrowing

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

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

It is anticipated that no further borrowing will be undertaken during this financial year.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Date	29/12/2020	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
Date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.66%	1.68%	1.94%	2.46%	2.26%

4.6 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 31 December 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 forecast outturn of the Capital Programme as detailed in section 3 of this report.

	Original £'000	P1 £'000	Q2 £'000	Q3 £'000
Treasury Indicators				
Authorised limit for external debt	55,307	55,307	55,307	55,307
Operational boundary for external debt	38,189	28,229	25,004	23,074
External Debt Long term Leases Investments	38,189 0 (13,321)	24,220 0 (12,066)	23,004 0 (14,726)	20,000 0 (16,481)
Net Borrowing	**24,868**	**12,154**	**8,278**	**3,519**
Prudential Indicators				
Capital Expenditure	24,118	14,028	14,023	9,738
Capital Financing Requirement (CFR)* *Of Which Commercial Property*	50,307 *30,000*	45,862 *21,666*	40,146 *21,666*	38,701 *21,666*
Annual change in CFR*	9,937	7,956	2,240	795
In year borrowing requirement	38,189	24,220	23,004	20,000
Under/(over)borrowing	12,118	21,642	17,142	18,701
Ratio of financing costs to net revenue stream*	8.89%	6.07%	3.74%	3.66%
Incremental impact of capital investment decisions:				
Increase/(Reduction) in Council Tax (band change per annum)	£1.25	£0.74	£0.13	£0.01

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

West Lindsey District Council

Monthly Investment Analysis Review

December 2020

Monthly Economic Summary

General Economy

The UK Flash (i.e. provisional) Manufacturing PMI rose to 57.3 in December from 55.6 in November, pointing to the strongest growth in the manufacturing sector since November 2017 as businesses brought forward orders to guard against potential disruption caused by the end of the Brexit transition period. The Flash Services PMI, meanwhile, rose to 49.9 in December from 47.6 in November but, by remaining below 50, still signalled a second consecutive month of decline in the sector. Ultimately, the manufacturing sector's growth enabled the Flash Composite PMI (which incorporates both sectors), to rise to 50.7 in December from 49.0 in November. Although the rise was less than market expectations of 51.3, it did suggest that private sector output rose during the month. The construction PMI, meanwhile, which is released one month behind, rose to 54.7 in November from 53.1 in October, supported by sharp increases in house building.

Monthly GDP data for October confirmed that the economy grew by 0.4% m/m, less than half the pace of that seen in September's 0.9% increase. The slower pace of growth reflected the gradual re-imposition of nationwide restrictions as COVID-19 cases began to climb once again. The reading suggested that growth was already slowing prior to the subsequent introduction of the second lockdown in November. However, quarterly GDP data confirmed that the economy expanded by a record 16% in the three months to September, compared to a preliminary estimate of 15.5%, largely reflecting the easing of lockdown restrictions earlier in the quarter. Nevertheless, this growth still left the UK economy 8.6% smaller than it was in last year's third quarter. Trade data, meanwhile, revealed that the UK's trade surplus fell from £0.61bn in September to a deficit of £1.74 billion in October, as exports declined by 3.6% on the month while imports rose by 1.2%.

The UK's unemployment rate rose to 4.9% in the three months to October, compared to 4.8% in the previous period and against market expectations of a rise to 5.1%. This represented the highest jobless rate since the three months to August 2016, as employers shed workers as the government's scheme shifted more of the support onus on firms for furloughed employees. Although the scheme was extended at month's end, redundancies still reaching a record 370,000, 56,000 higher than the previous record in the three months to September. More timely data showed that, after falling in each of the previous two months, the number of people claiming unemployment benefits in November rose by 64,300 to 2.7 million, 1.4 million higher than in March. Nevertheless, the continued return of staff from furlough for much of the period saw average weekly earnings (excluding bonuses) rise by 2.8% y/y in the three months to October - the largest rise since February.

UK inflation, as measured by the Consumer Price Index, dropped to 0.3% y/y in November from 0.7% y/y in October and lower than market expectations of a fall to 0.6% y/y. The greater than expected fall was largely attributable to increased discounting during Black Friday sales at month-end. This discounting also contributed to consumer prices falling by 0.1% m/m in November after a flat reading in October, compared to expectations of a 0.1% rise. Despite CPI inflation falling further away from the Bank of England's 2% target, the Monetary Policy Committee unanimously voted to maintain policy rates and its quantitative easing programme at its December meeting. The prospect of a subsequent "emergency" meeting in January to announce additional stimulus, which the market postulated might occur in the event of a "no-deal" Brexit, eventually dissipated once the UK signed a free trade agreement with the EU just prior to month end.

Retail sales, meanwhile, fell 3.8% m/m in November, falling short of market forecasts of a 2.8% contraction and October's 1.3% gain. This marked the first month of falling sales since April, reflecting the imposition of the second national lockdown which forced non-essential retail stores to close. Despite this, however, retail sales remain 2.4% y/y higher and above their pre-pandemic levels. Consumer confidence, meanwhile, rose to -26 in December from -33 in November, as the launch of the UK's COVID-19 vaccination programme boosted sentiment.

Reflecting the impact of public health measures and government policies to support the economy during the coronavirus pandemic, the UK reported a public sector budget deficit (excluding public sector banks) of £31.6 billion in November, £26.0 billion more than in November 2019 and the third-highest monthly deficit since records began in 1993. Borrowing in the first eight months of this financial year is estimated to have been £240.9 billion, a record in any April to November period. Borrowing looks set to remain elevated following the announcement of further support for the economy this month.

In the US, the imposition of COVID-19 restrictions saw the economy add 245,000 jobs in November, significantly below a downwardly revised 610,000 jobs in October and some way less than market forecasts of 469,000. Nevertheless, the gain was sufficient to nudge the US unemployment rate down to 6.7% in November from 6.9% in October, lower than forecasts of 6.8%. Prices (as measured by the Fed's preferred core Personal Consumption Expenditure deflator), rose just 1.1% y/y in November compared to expectations of 1.3% y/y and the Federal Reserve's 2% average target. Given the state of the economy, it was no surprise to see the Federal Reserve maintain their current ultra-accommodative monetary policy stance during December's meeting. Congress, meanwhile, finally approved an $892bn aid package to support future growth.

The final estimate of Eurozone GDP revealed that the bloc's economy expanded by 12.5% q/q during Q3, rebounding from the record 11.8% q/q slump in Q2. However, the rise in December's Flash Composite PMI to just 49.8 from 45.3 in November – remaining below the expansion level of 50 – suggests that the bloc contracted again during Q4, as measures to counter rising coronavirus cases were reintroduced. With prices across the bloc falling by 0.3% y/y in November against this backdrop, the European Central Bank maintained interest rates at current levels. However, as expected, it increased the size and duration of its

Housing

Both the Halifax and Nationwide house price indices continued to rise, the former by 1.2% m/m during November and the latter by 0.8% m/m during December – which were both up from the respective 0.3% m/m and 0.9% m/m rises witnessed during their prior months. On an annual basis, the indices have risen 7.6% y/y and 7.3% y/y respectively. Behavioural shifts as a result of COVID-19 may provide support for housing market activity, while the stamp duty holiday is expected to continue to provide a near term boost by bringing purchases forward.

Currency

The commencement of distribution of COVID-19 vaccines in the UK (which dimmed the allure of the US Dollar as a safe haven), as well as the agreement of a post-Brexit UK-EU trade deal and further loosening of Eurozone monetary policy resulted in Sterling improving against both the Dollar and the Euro this month.

October	Start	End	High	Low
GBP/USD	$1.3363	$1.3670	$1.3670	$1.3211
GBP/EUR	€1.1106	€1.1172	€1.1172	€1.0907

Forecast

Both Link Group and Capital Economics have made no change to their interest rate forecasts. Bank Rate is forecast to remain

Bank Rate	Now	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Link Group	0.10%	0.10%	0.10%	0.10%	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%	0.10%	0.10%	0.10%	-	-	-			-

West Lindsey District Council

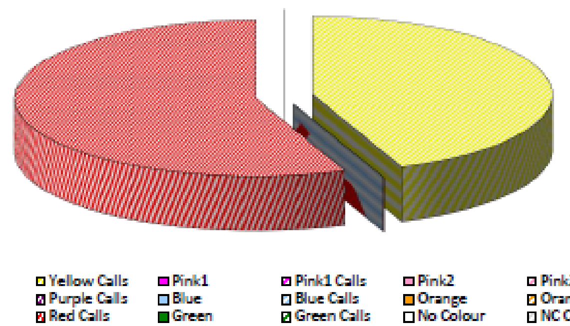
Current Investment List

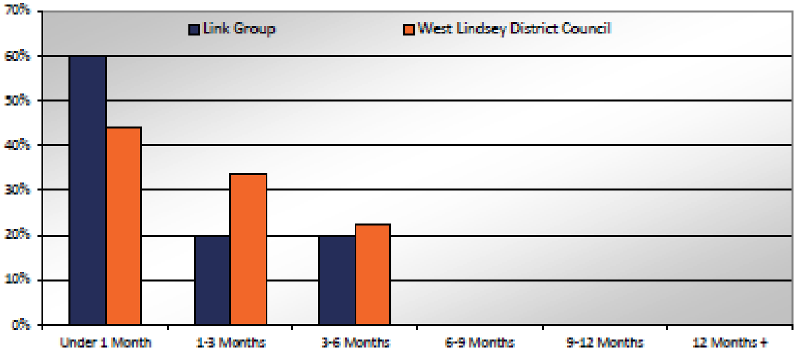
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF LGIM	930,000	0.01%		MMF	AAAm	
MMF Aberdeen Standard Investments	6,920,000	0.01%		MMF	AAAm	
Lloyds Bank Plc (RFB)	2,000,000	0.05%		Call32	A+	0.004%
Santander UK Plc	4,000,000	0.30%		Call35	A	0.005%
Lloyds Bank Plc (RFB)	2,000,000	0.20%		Call95	A+	0.013%
Santander UK Plc	1,000,000	0.40%		Call95	A	0.013%
Lloyds Bank Plc (RFB)	1,000,000	0.10%		Call95	A+	0.013%
Borrower - Funds	**Principal (£)**	**Interest Rate**	**Start Date**	**Maturity Date**		
Property Fund CCLA-LAPF	3,000,000	-2.60%				
Total Investments	**£20,850,000**	**-0.26%**				
Total Investments - excluding Funds	**£17,850,000**	**0.13%**				0.008%
Total Investments - Funds Only	**£3,000,000**	**-2.60%**				

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

West Lindsey District Council

Portfolio Composition by Link Group's Suggested Lending Criteria





Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

Portfolios weighted average risk number = 3.24

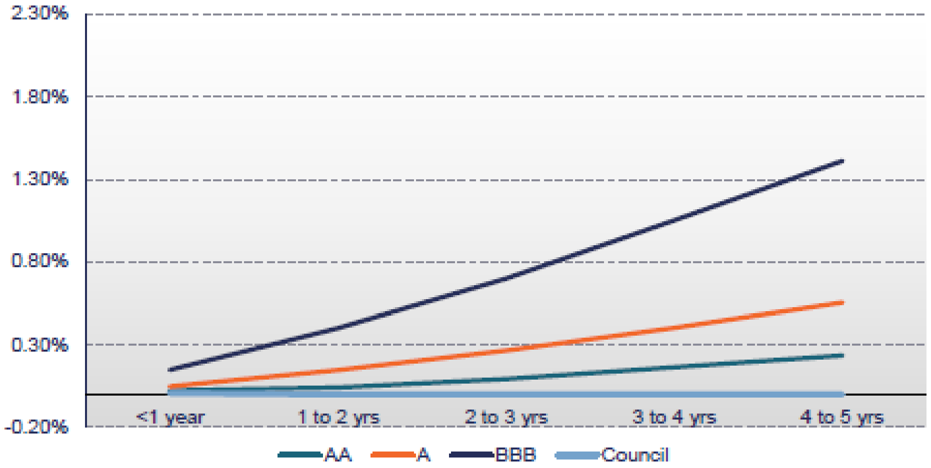
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	43.98%	£7,850,000	100.00%	£7,850,000	43.98%	0.01%	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	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	56.02%	£10,000,000	100.00%	£10,000,000	56.02%	0.22%	58	58	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%	**£17,850,000**	**100.00%**	**£17,850,000**	**100.00%**	**0.13%**	**33**	**33**	**0**	**0**

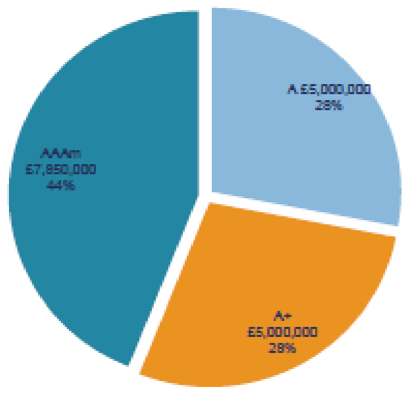
West Lindsey District Council

Investment Risk and Rating Exposure

Investment Risk Vs. Rating Categories



Rating Exposure



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.09%	0.16%	0.24%
A	0.05%	0.15%	0.27%	0.40%	0.55%
BBB	0.15%	0.40%	0.70%	1.05%	1.41%
Council	0.008%	0.000%	0.000%	0.000%	0.000%

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

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

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

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

West Lindsey District Council

Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
				No rating changes to report.

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
				No rating changes to report.

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
01/12/2020	1787	Credit Suisse AG	Switzerland	The Long Term Rating was upgraded to 'Aa3' from A1'. At the same time, the Outlook was changed to Stable from Positive.

West Lindsey District Council

APPENDIX 1: Economics update

During the quarter ended 31st December 2020 *(quarter 3 of financial year 2020/21):*

- The UK and EU signed a last-minute Brexit deal;
- Effective COVID-19 vaccines were announced and started to be rolled out;
- A second lockdown in November and a strict tiering system was imposed in December;
- The MPC announced an extra £150bn of Quantitative Easing (QE);
- The Chancellor announced a new fiscal package worth £55bn (2.4% of GDP) to support the economy;
- The positive news on Brexit and vaccines boosted the pound and the FTSE 100.

- **The Brexit deal the EU and UK signed on 24.12.20 came too late to give a boost to GDP growth in Q4. In fact, GDP probably fell again in the final quarter.** The second COVID-19 lockdown imposed in November and the subsequent tier system, which kept hospitality businesses closed in much of the country, could mean that GDP fell by about 3.5% q/q in Q4. Indeed, our CE BICS Indicator suggests that the economy fell by 8.0% m/m in November and that the economy did not rebound by much in December.

- **Admittedly, consumer spending appears to have held up much better than in the previous England-wide lockdown in March/April.** Retail sales "only" fell by 3.8% m/m in November, a fraction of the 18.1% m/m fall in April. This still left them 2.7% above their pre-crisis level and there was a much smaller drop in car sales in November than in April, (-29% m/m vs -98% m/m). What's more, the mini-boom in the housing market meant mortgage approvals rose to 104,969 in November, leaving them 43% above their pre-crisis level.

- However, much of the resilience of retail sales is because November's lockdown was less strict as schools, factories and construction sites stayed open. This meant that petrol sales held up much better, "only" falling by 16.6% m/m compared to the 51.8% m/m contraction in April. Also firms have improved at selling online. Indeed, the value of all the goods sold on the internet rose by 6.3% m/m in November. **What's more, the more widespread Tier 4 COVID-19 restrictions, which closely resemble November's lockdown, raise the chances that the economy stagnates, if not contracts, in the first three months of 2021.**

- The reduced ability of households to spend during November's lockdown meant that they repaid £1.5bn of unsecured loans in that month. But lower debt and higher savings means that consumers will be in a good position to boost spending once COVID-19 restrictions are eased.

- In response to the second lockdown, in November the Chancellor announced a further £55bn, (2.4% of GDP), of COVID-related spending in 2020/21 on top of the total £280bn, (14.5% of GDP), of policy support previously announced. He also extended the furlough scheme, which pays up to 80% of an employee's wages and was due to end on 3110.20, until 30.04.21, and announced that businesses forced to close would be able to get a grant of £3,000 per month.

- The extraordinary fiscal cost of the crisis is being reflected in public finance figures. Indeed, the government borrowed an extra £31.6bn in November, the third highest figure on record, taking total borrowing this financial year so far to £240.9bn compared to £57.4bn in the whole of 2019/20. What's more, borrowing is likely to remain high over the next few months as the new restrictions keep many businesses closed and millions of workers on the furlough scheme. We expect the budget deficit to reach about £420bn, (21.7% of GDP), in 2020/21, its highest since WW2 and slightly more than the £400bn the OBR forecast in its November report.

- **However, beyond the next few months we think the outlook is much brighter now a Brexit deal has been signed and an effective vaccine is being rolled out.** Indeed, we are now more optimistic than the OBR and the Bank of England. Admittedly, custom checks and procedures will still be required on goods moving between the UK and the EU for the first time since 1973, so there will probably be some disruption at the ports in early 2021.

- **Any disruption at the borders will probably be short-lived as firms will quickly become familiar with the new procedures.** The Brexit deal removes the uncertainty and downside risk of a no deal. and for the first time in four-and-a-half years, businesses can now plan knowing the shape of the UK/EU relationship.

- **What's more, in contrast to what most other forecasters appear to have assumed, we are not convinced that the COVID-19 crisis will significantly reduce the economy's supply capacity and prevent it from returning to the pre-crisis trend.** Our analysis suggests that permanent hits to supply are most likely to happen after recessions associated with financial crises and wars, as they reduce the supply of credit or destroy large parts of the capital stocks. Neither of those things has happened this time. As such, we expect the economy to be just 1% smaller in 2024/25 compared to if the pandemic had never happened and to get back to its pre-virus trend later in the decade.

- So, rather than running a deficit of 3.9% of GDP by 2025/26 as the OBR expects, we think the deficit may have returned to around 2.5% of GDP by then. In this case, there may not be much of a fiscal hole to fill. **In fact, the danger is that fiscal policy is tightened too soon to fill a perceived hole in the public finances caused by the crisis that never materialises.**

- As a result, we think that the £150bn of Quantitative Easing (QE) that the Bank committed to at its meeting on 4.11.20 may prove to be the last loosening of policy it will need to do. The risk to this view is that the Bank may want to respond to the latest lockdown, but even if it does, we think it will increase <u>the pace</u> of the asset purchases already announced, rather than increasing its total QE. The Bank is also probably not ready to implement negative rates yet so this currently limits its ability to cut rates.

- **However, unlike the financial markets, we do not think the Bank will raise rates in the next five years.** Admittedly, the end of the VAT cut for the hospitality industry on 31.3.21 and higher oil prices, will probably push inflation briefly above 2.0% in late 2021. But the time spent above 2.0% is likely to be fleeting. We expect inflation to be closer to 1.5% in 2022 than 2.0%. Even if inflation did rise to 2.0%, the Bank has said it would need to be convinced it will stay above 2.0% before it tightens policy. As such, Bank Rate may not rise above 0.10% for around five years. After all, in the minutes of its December meeting the MPC said risk management considerations implied that policy should lean strongly against downside risks to the outlook: we, therefore, expect the MPC to wait until the economy is fully recovered from the crisis before it considers raising rates.

- Record low interest rates for the next few years will keep equities looking attractive relative to bonds. The rotation away from the tech stocks which have benefited from COVID-19 lockdowns, towards more traditional consumer-facing and financial stocks, should boost UK equity prices over the next few years. But a stronger pound will keep any market exuberance in check. We expect the FTSE 100 to rise by about 13% from 6,650 now to 7,500 by end-2021.

- The key risk to our economic and financial views is if a third lockdown is implemented across the UK in Q1, (as has now been announced on 5th January, with some variations between nations). That would probably cause GDP to shrink again and would raise the risk of greater longer-term scarring effects on the economy, putting the onus on policymakers to do more. That said, we disagree with the markets' expectations that Bank Rate will be cut into negative territory in the coming months. If it were to act, we think the Bank would prop up demand through speeding up its asset purchases or boosting the uptake of its lending schemes, rather than negative rates.

- The story is similar in the eurozone where the additional COVID-19 restrictions which have been rolled out across Europe, will hamper growth in Q4 2020 and Q1 2021. However, now that a vaccine has been approved by European authorities, the economy should be able to rebound rapidly in the second half of 2021. The ECB's message that it will persist with its flexible asset purchase programme until at least early 2022, should reassure investors that there will not be a reversal of the compression of bond yields anytime soon to historically low levels.

- **Meanwhile, the outlook in the US is a bit rosier.** The vaccine rollout there is moving along swiftly and the $900bn stimulus package passed by Congress in December means we have raised our GDP growth forecast for 2021 to 5.5%, from 5.0%. With Fed officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the Fed funds rate to be still at near-zero until 2024 or later.

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 subsequent meetings, 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 2024 as economic recovery is expected to be only gradual.

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.

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 31st December, all gilt yields from 1 to 8 years were in negative territory, while even 25 year yields were only at 0.84% and the 50 year at 0.64%.**

- 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 9.10.19, 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 11.3.20, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and **on 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates;** the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **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)

As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as it will take the UK a prolonged period to eliminate spare capacity in the economy so that inflation might start to become a sufficient concern for both the MPC to consider raising Bank Rate, and for gilt holders to require a higher yield.

APPENDIX 3: Approved countries for investments as at 31 December 2020

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.**