



Corporate Policy and
Resources

Thursday, 15 April 2021

**Subject: Budget and Treasury Monitoring - Period 4 2020/2021
(1st April 2020 to 31st March 2021)**

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 March 2021.

RECOMMENDATION(S):

REVENUE

- a) Members accept the forecast out-turn position of a £0.54m net contribution to reserves as at 31st March 2021 (see Section 2) relating to business as usual activity.
- b) Members approve the use of Earmarked Reserves of £0.683m and £0.024m from in year surpluses (2.4.1) for the purpose of making a voluntary revenue provision – total £0.707m.
- c) Members accept the contribution to General Fund Balances (2.4.2), and Earmarked Reserves (2.4.3).
- d) Members approve the amendment to the Fees and Charges schedule for the Crematorium (2.3.2), to be effective immediately and **recommend to Council** that any new Fees and Charges be implemented immediately.
- e) Members accept the Revenue budget carry forwards of £1.033m approved in year (Appendix 2).
- f) Members to note the commitment of £125k to support the development

of a bid to the Levelling Up Fund, as approved by Delegated Decision (2.5.2).

CAPITAL

- g) Members accept the current projected Capital Outturn as detailed in 3.1.2.
- h) Members approve the capital budget carry forwards of £5.442m detailed at 3.1.3.

TREASURY

- i) Accept the report, the treasury activity and the prudential indicators.

IMPLICATIONS

Legal: None arising as a result in this report.

Financial : FIN/1/22/SL

On the 5th November 2020, this Committee approved the revised budget for 2020/2021, which resulted in a transfer of £0.783m 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 £0.54m from business as usual activity as at 31st March 2021 (£0.223m as at 31st December 2020).

However, a further £0.157m of carry forwards has been approved by the Management Team from the overall surplus position (as detailed at Appendix 2), therefore, £0.383m will be the contribution to the General Fund Working Balance. This is in addition to the service revenue carry forwards of £0.876m previously approved within the Revised Budget.

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 £0.222m pressure in relation to income losses, which we will have to bear. A £0.448m pressure was forecast for the revised budget – this pressure has reduced by £0.226m.

Within this figure, there is £0.461m of unallocated LA Covid Support Grant (£1.496m received during 2020/2021). This balance is to be held within the Covid reserve to support ongoing costs of the pandemic.

Summary of Out-turn Position 2020/21		
	£ 000	
FORECAST OUTTURN AS AT 31.03.21	(1,417)	BEFORE CARRY FORWARDS
CARRY FORWARDS : BASE BUDGET-APPROVED IN YEAR	281	ALREADY APPROVED
CARRY FORWARDS : USE OF EARMARKED RESERVES	151	ALREADY APPROVED
SUB-TOTAL:	(985)	
SERVICE CARRY FORWARD REQUESTS	445	Approved by Management Team 29.03.21
NET CONTRIBUTION (TO) / FROM RESERVES:	(540)	
CARRY FORWARD REQUEST FROM IN YEAR SURPLUS	157	Approved by Management Team 29.03.21
FORECAST NET IMPACT ON GENERAL FUND BALANCES-COVID19	(226)	
NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:	(609)	

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

TOTAL CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES FOR THE YEAR 2020/2021		£'000
Business as Usual (less cfwd request from in-year surplus)		(1,244)
Will Bequest - set aside for agreed purpose		(46)
Covid Implications		222
Carry Forwards		(1,360)
		(2,426)
(Increase) / Decrease from Mid-Year Review Revised Budget 2020/2021		(1,643)

The forecast General Fund Balance as at 31 March 2021 is £6.523m. Excluding carry forwards, and will bequest, the forecast balance is £5.118m (£2.618m above the minimum working balance of £2.5m 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 2020/2021 is £8.653m. This is a variance of £5.46m on the approved budget. The variances and requests for slippage are detailed at 3.1.2.

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 (Jan-Mar) was £23.752m, which achieved an average rate of interest of 0.763% (Oct-Dec £22.724m, 0.745%).

Staffing: Salary budgets for 2020/2021 were set based on an estimated 2% pay award. The actual pay award for the year is 2.75%.

There is an estimated 2.1% surplus (£0.061m at mid-year review plus £0.149m at period 4. Total £0.21m) for the year against original salary budgets as a result of staff turnover. This is comparable to the 2% (£0.184m) Vacancy Factor included within the 2021/2022 Budget.

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 2020/2021 report on the 5th November 2020 approved a net movement to General Fund Balances of £0.783m. Forecast movements against the revised budget are;
- 'Business as Usual' Revenue Forecast Out-Turn (after carry forwards) - Surplus £0.54m. However, a further £0.157m of carry forwards has been approved by the Management Team from the overall surplus position (as detailed at Appendix 2), therefore, £0.383m will be the contribution to the General Fund Working Balance (2.06% of Net Revenue Budget – see 2.1 for details of significant variances).
- Forecast pressure above Covid-19 LA Support Grants £0.222m. This is a reduction of £0.226m against the pressure forecast for the revised budget at the mid-year point (see 2.2.6 for details).

Within this figure, there is £0.461m of unallocated LA Covid Support Grant (£1.496m received during 2020/2021). This balance is to be held within the Covid reserve to support ongoing costs of the pandemic.

- Carry forwards approved during the year of £1.033m (see Appendix 2 for details). This is in addition to the £0.326m approved at the mid-year review. Total carry forwards for the year £1.359m.
- Remaining net surplus of £1.643m (including carry forwards) to be transferred to the General Fund Balance, in addition to the £0.783m movement approved for the Revised Budget 2020/2021 – a total of £2.426m. This would result in a forecast Fund balance as at 31 March 2021 of £6.523m.

CAPITAL

- Capital Forecast Out-Turn: £8.653m, a variance of £5.46m against current budget £14.113m, this is made up of:
- Anticipated Slippage of £5.442m (see section 3.1.2).
- Bring forward from 21/22 budget of £0.104m in relation to Private Sector Renewal and Disabled Facilities Grant (see section 3.1.2).
- Underspend of £0.011m on two schemes (see section 3.1.2):

- Vehicle Replacement Programme £0.010m
- Capital Enhancements to Council Owned Assets £0.001m
- Overspend on two schemes of £0.007m (see section 3.1.2)
 - Flooding resilience £0.005m
 - Leisure facilities-Market Rasen £0.002m
- Schemes that have now closed £0.0194m (Telephony)
- Approval is also sought to transfer £0.0146m from Trinity Arts Centre capital scheme to the revenue budget and a request is made for £0.020m of funding to be made available from reserves for the contribution to Richmond House Conservatory.

TREASURY MANAGEMENT

- Treasury Management Report and monitoring:
- Average investment interest rate for Jan to March was 0.763%
- Total Estimated Investments at the end of Quarter 4 £19.69m

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	P1 £'000	P2 £'000	P3 £'000	P4 £'000
Investments B/fwd (at 31.3.2020 incl. bank)	11,670	13,490	19,122	20,931
(Less) Capital expenditure	-1,811	-1,313	-2,201	-1,575
Add PWLB/Other LA Borrowing in year	0	0	0	0
Add/(Less) Net Revenue Expenditure	4,931	-1,026	159	4,629
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	-1,171	7,637	371	-1,870
Add Working Capital Movement	-129	334	3,480	-2,425
Investments c/fwd (at Period end)	13,490	19,122	20,931	19,690

Our prudential borrowing position reflects actual borrowing undertaken from the Public Works Loans Board (PWLB)/Other Local Authorities and the amount of internal borrowing required to meet the actual costs of borrowing up to the 31.03.2021.

	Period 4
Prudential Borrowing	£'000
Total External Borrowing (PWLB) and Other Local Authorities	16,500 3,500
Internal Borrowing	18,080
Total Prudential Borrowing at 31.03.2021	38,080

REVENUE BUDGET MONITORING PERIOD 4
(1st April 2020 to 31st March 2021)
Forecast Outturn for 2020/2021

2. The Revenue Budget forecast for 'business as usual' outturn currently stands at a net contribution to reserves of £0.383m as detailed in the table below. This is in addition to the £0.905m movement to reserves approved as part of the revised budget in November 2020, a total of £1.288m for the year.

This is after taking account of £1.033m of revenue budget carry forwards. This is in addition to the £0.326m carry forwards approved through the revised budget in November 2020, a total of £1.359m for the year. The details of which are provided at Appendix 2.

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 Actual Outturn £	Outturn Variance £
Our People	2,470,800	2,211,328	(259,472)
Our Place	4,578,464	4,130,641	(447,823)
Our Council	7,281,100	6,603,886	(677,214)
Controllable Total	14,330,364	12,945,855	(1,384,509)
Corporate Accounting:			
Interest Receivable	(194,700)	(236,100)	(41,400)
Interest Payable	465,600	468,100	2,500
Investment Income	(1,260,100)	(1,273,304)	(13,204)
Precepts and Levies	2,508,400	2,508,400	0
Movement in Reserves:			
To / (From) General Fund	564,200	564,200	0
Use of Specific Reserves	(1,734,935)	(1,734,935)	0
Contribution to Specific Reserves	5,113,071	5,113,071	0
Repayment of Borrowing	243,700	267,900	24,200
Net Revenue Expenditure	20,035,600	18,623,187	(1,412,413)
Funding Total	(20,035,600)	(20,039,870)	(4,270)
NET SUBSIDY FROM / (CONTRIBUTION) TO RESERVES FOR THE YEAR	0	(1,416,683)	(1,416,683)

Carry Forwards - approved in year	280,900
Carry Forwards - approved at year end	601,500
Carry Forwards - use of Earmarked Reserves	151,400
Net Contribution (To) / From Reserves	(382,883)
Forecast Net Impact on General Fund Balances-COVID19	(225,600)
Net Contribution (To) / From General Fund Balances	(608,483)

2.1 The significant movements being;

Cluster	EXPENDITURE	Total £000	Directio n of Travel
BUDGET UNDERSPENDS			
	Salary (savings) / pressure.	(£149)	↑
Our Council	Crematorium - savings on operational costs i.e. promotional and marketing project postponed to 21/22.	(£32)	New
Our Place	Fuel - impact of low fuel prices.	(£26)	New
PRESSURES			
Movement in Reserves-MRP	Voluntary Revenue Provision of £707.2k - £683k from Valuation Volatility Reserve and £24.2k from in year surplus.	£24	New
Our People	Installation of barriers at the 2 leisure centre sites.	£17	New
	Various forecast outturn variances <£10k	(£54)	↓
		(£220)	

Cluster	INCOME	Total £000	Directio n of Travel
BUDGETED INCOME EXCEEDED			
Corporate Accounting-Interest Received	Interest Receivable.	(£41)	↑
Our Council	Increase in bulky waste collections, and sale of new/replacement bins.	(£34)	↑
Our People	Trinity Arts Centre - Cultural Recovery Fund.	(£106)	↑
Our Place	Building Control - Increase in applications in final quarter.	(£24)	New
Our Place	Street naming and Numbering income.	(£13)	New
Our Place	Planning Fee income - large planning applications received earlier than anticipated.	(£110)	New
Our Place	Recharge to Outbreak and Prevention grant for officer time.	(£35)	↑
Our Place	Shopping Trolley reclaimed income.	(£26)	↑
BUDGETED INCOME NOT ACHIEVED			
Our People	Housing Benefits - forecast net subsidy position.	£69	↓
		(£320)	

TOTAL VARIANCE	(£540)
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2.2 Significant items (>£10k) of note by Cluster:

2.2.1 Interest & Investment Income

- Interest receivable on investments is forecast to be £0.041m above budget for the year.

2.2.2 Our Council

- £0.466m - approved carry forwards into 2021/2022 (see Appendix 2 for details).
- The crematorium has £0.032m of savings against several operational budget lines, including reduced contract values and promotional activities which have been deferred to 2021/2022.
- Income from bulky waste collection has increased by £0.025m, and income from the sale of new and replacement wheeled bins has increased by £0.009m.
- Fuel costs within this cluster are £0.007m below revised budget, due to reduced fuel prices during the year.

2.2.3 Our People

- £0.227m - approved carry forwards into 2021/2022 (see Appendix 2 for details).
- £0.017m for the installation of barriers at the entrance to the two leisure centres, to enable control of access to the sites.
- £0.106m of the £0.177m 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 £0.069m reflects the Housing Benefits forecast net subsidy position.

2.2.4 Our Place

- £0.183m - approved carry forwards into 2021/2022 (see Appendix 2 for details).
- £0.035m of officer time has been recharged to the Outbreak and Prevention grant, resulting in a saving on the base budget.
- £0.026m 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.
- A large planning fee application has been received earlier than anticipated, resulting additional income of £0.11m in the current financial year.

- Fuel costs within this cluster are £0.019m below revised budget, due to reduced fuel prices during the year.
- Income streams in the following areas have increased in the final quarter above the levels anticipated at the mid-year budget review;
 - Building control income - £0.024m
 - Street naming and numbering - £0.013m

2.2.5 Establishment

Current vacancy levels after costs of interim staffing resources is forecast to achieve a £0.149m budget underspend for the year, this represents 1.48% of the overall employee revised budget (1.49% against the original budget). This is broken down by cluster as follows;

Cluster	Sum of variance £
Our Council	(80,884)
Our People	(11,600)
Our Place	(56,700)
Grand Total	(149,184)

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	£
Covid Support Grant Tranche 1-4	1,496,322
Hardship Fund	793,388
Sales Fees and Charges Grant Support - claim 1 & 2	322,215
Sales Fees and Charges Grant Support (estimate claim 3)	213,985
National Leisure Recovery Fund	181,542
Cultural Recovery Fund (incl for some Covid expenses and sustainability)	177,021
New Burdens from BEIS re: Business Grants	130,000
Outbreak Prevention Fund (via LCC)	100,000
New Burdens BEIS Discretionary Fund Admin	58,500
Surge Outbreak Funding	48,888
Local Authority Compliance and Enforcement Grant	46,233
Elections - additional funding allocations to support Returning Officers in delivering the May 2021 local elections in a covid secure way	36,250
High Street Recovery Grant	34,995
New Burdens Test and Trace Admin Grant	25,729
New Burdens Business Rate Relief Admin Grant	11,700
New Burdens Hardship Funds	11,160
Self-Isolation Payments Funding (test & trace) - admin	7,126
Next Steps Accommodation Programme	5,063

Rough Sleeping Contingency Fund	1,650
Total WLDC Grants	3,701,767
Government Grants to our Communities	£
Business Rate Support Grant	16,810,000
Lockdown One Off Top Up	3,987,000
S31 Business Rates Reliefs top-up (estimate)	2,241,515
LRSG CLOSED Addendum 16 Feb to 31 March	2,089,239
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	927,490
Additional Restrictions Grant Top Up	849,815
S31 Local restrictions support grant Post 2 closed second allocation	547,730
S31 Business Rates Reliefs (estimate)	523,000
S31 Local Restrictions Support Grant Post 2 Closed initial allocation	243,595
Self-Isolation Payments Funding (test & trace) parent & guardian	79,000
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
S31 Local restrictions support grant Post 2 open second allocation	16,120
S31 Test and Trace support	12,500
Discretionary Test and Trace Support	9,500
Discretionary Test and Trace Support Payments top-up	7,369
Total WLDC Grants	33,729,471

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 £1.035m. There remains £0.461m of this grant and this is to be transferred to the Covid Reserve, to support the ongoing costs of the pandemic.

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 £0.222m.

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.	485,782
Local Tax Collection	Court costs summonses and virtual mail.	179,576
Car Parks	Income losses - reduced demand.	159,597
Delayed Capital Schemes	MR Leisure Centre and ERP implementation.	132,938
Net Investment Interest	Interest rate reductions.	127,228
Investment Properties	Rental Income reduction due to CVA.	113,477
Land Charges	Personal Searches and EIR requests income losses.	112,117
Housing Benefits	Reduction in overpayments, overtime and virtual mail.	91,619
Economic Development-High Street Recovery	High Street Recovery costs.	84,598
Commercial Waste Services	Trade Waste Income losses.	72,700
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.	62,300
ICT Services	Costs of ICT firewalls etc. for working from home.	53,256
Financial Services	Bad debt provision and transactional banking costs.	47,584
Building Control	Income losses reduced demand for service.	44,834
Economic Development	Consultancy spend to scope next phase on growth projects. High Street business advisor. Grants administrator.	43,136
Street Cleansing	Additional fly tipping collection costs.	42,307
Community Safety	CCTV commercial customers, and Shopwatch customers may be unable to pay.	30,366
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
Communications	Communications support - capacity required to deliver.	19,500
Licences - Community	Reduced income as licences not renewed for some premises.	14,600
Customer Services	Increase in cardnet charges.	14,000
Homelessness & Housing Advice	Costs of assisting homeless.	10,378
Elections	Postal vote application costs	10,000
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.	(77,362)
Car Allowances & Mileage	Savings in employee travel costs.	(78,115)
Grand Total:		1,878,114

Forecast Grant Funding not yet Allocated	461,400
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Covid Pressure - Contribution (To) / From Reserves	222,394
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Movement from Reserves - Mid Year Review	448,000
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Forecast Additional Movement (To) / from Reserves	(225,600)
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2.3 Fees and Charges

2.3.1 £3.655m has been received in Fees and Charges up to the end of the period against a budget for the period of £3.181m, £0.474m above budget for the period.

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

- Planning Fee Income £0.110m
- Bulky Waste Collections £0.025m
- Building Control income £0.024m

- Street Naming and Numbering £0.013m
- Sale of New and Replacement Wheeled Bins £0.009m

2.3.2 Amendment to Fees and Charges Schedule

- **Crematorium**

A memorial service or memory service can be held at Lea Fields Crematorium, before or sometimes instead of a funeral service.

This could be just a memorial service or used as an alternative location for people to deliver eulogies, read passages from scripture or literature, or sing songs.

Typically, if prior to a burial the coffin will be placed on the catafalque whilst the service takes place. At the end of the service, the coffin is taken back out of the chapel to its final resting place.

Lea Fields Crematorium offer a 45 minute service hourly at 10:30: 11:30: 12:30: 13:30: 14:30 and 15:30.

The cost of the memorial service is equal to the charge within the current schedule for 'Chapel Fee (extension 40 minutes)'.

Prosperous Communities Committee				Crematorium				
2020/21 Excl. VAT	2020/21 Inc. VAT	Proposed Increase		2021/22	VAT Amount	2021/22 Charge Inc. VAT	VAT Rate	
£	£	% Type	or £	£	£	£		
Memorial or Memory Service (45 minutes)	£0.00	£0.00	3%	£232.00	£232.00	£0.00	£232.00	X

2.4 2020/2021 Use of and Contribution to Reserves

2.4.1 Use of Reserves – Member Approval Required

The following use of Earmarked Reserves is greater than £0.050m and requires the approval of Corporate Policy and Resources committee:

- **£0.683m Voluntary Revenue Provision**

A Voluntary Revenue Provision of £0.707m will be made to reduce outstanding prudential borrowing (Capital Financing Requirement) which has been used to finance the capital programme and which has included the investments in commercial property. The consideration to provide for a voluntary contribution is deemed prudent for 2020/2021, as part of the annual review. A voluntary contribution allows for amounts to be withdrawn at a future date, should it be deemed appropriate. This contribution will be funded from the Valuation Volatility Reserve £0.683m and £0.024m being funded from in year surpluses.

The balance of the Valuation Volatility Reserve will reduce to £1.084m, the minimum balance requirement of 5% of the purchase price.

The overall investment totalled £21.666m. The portfolio's current valuation is £20.727m, an increase of £0.272m on the purchase price. By making this voluntary revenue provision, should all assets be sold at their current valuation and proceeds be used to repay borrowing, a balance of £0.232m would remain outstanding which would be met from the Valuation Volatility Reserve, and the balance of which could be returned to the General Fund. However, the revenue impact would be a net ongoing pressure of £0.784m being the amount of income which is being utilised to support ongoing service delivery and would therefore need to be replaced.

2.4.2 Contribution to General Fund Balances

£0.012k – Corporate Policy and Resources committee has previously approved (meeting date 05.11.20) the use of £0.023k from General Fund Balances for legal costs in relation to Business Rates status. The final costs are lower than anticipated resulting in a return of funds to General Fund Balances.

2.4.3 Contribution to Reserves

- £0.033m to Neighbourhood Planning Grant reserve. Grant received in excess of the costs incurred to be transferred to the reserve to support future cost of service delivery.
- £0.002m to the Community Grant Scheme. Funds generated from the Community Lottery scheme. The application of these funds to be determined by Members.
- £0.461m to the Covid reserve. Unallocated LA Covid Support Grant received during 2021/2022 to support the ongoing costs of the pandemic.
- £0.001m to Trinity Arts Centre reserve. Proceeds from sale of obsolete equipment transferred to reserve to support future reinvestment in the centre.
- £0.583m to Unapplied Grants reserve:
 - £0.227m Council Tax Hardship Grant
 - £0.124m DCLG Homelessness Grant
 - £0.008m Outbreak Prevention Grant (OPG)
 - £0.086m Self Isolation Funding (Test & Trace)
 - £0.138m National Leisure Recovery Fund (NLRF)

2.5 Grants

As at 1st April 2020 we had an amount of £0.575m 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 £0.885m (including the £0.583m contribution to Unapplied Grants detailed at 2.4.3).

2.5.1 Successful Grant Bids and New Grant determinations

The following grants have been received/awarded during this period:

Grant Issued By	Name of Grant	£
Ministry of Housing, Communities & Local Government	Covid - Lockdown Payment Scheme	3,987,000
Ministry of Housing, Communities & Local Government	Covid - Local Restrictions Support Grant (Addendum Loc	1,994,274
Ministry of Housing, Communities & Local Government	Business Rates Relief Grant	1,255,270
Ministry of Housing, Communities & Local Government	Covid - Additional Restrictions Grant Tranche 2	849,815
Ministry of Housing, Communities & Local Government	Covid - Local Restrictions Support Grant (Closed)	547,730
Taylor Lindsey	S106 Taylor Lindsey	500,000
Ministry of Housing, Communities & Local Government	Covid - Local Restrictions Support Grant (Closed) 02/12 t	243,595
Ministry of Housing, Communities & Local Government	Rural Services Grant	237,125
Ministry of Housing, Communities & Local Government	New Homes Bonus	184,076
Sport England	National Leisure Recovery Fund	180,000
Ministry of Housing, Communities & Local Government	Covid - Christmas Support Payment (CSP) Wet Led Pub	64,000
Ministry of Housing, Communities & Local Government	Covid - BEIS New Burdens	58,500
Cabinet Office	Covid - Funding for May 2021 Local Elections	36,250
Ministry of Housing, Communities & Local Government	Covid - Local Restrictions Support Grant (Open) 02/12 to	22,837
Ministry of Housing, Communities & Local Government	Neighbourhood Planning Grant	20,000
Department for Work and Pensions	HB Admin Grant	19,192
Department for Work and Pensions	HB Admin Grant	19,192
Department for Work and Pensions	Additional Benefit Admin Subsidy	16,910
Ministry of Housing, Communities & Local Government	Covid - Local Restrictions Support Grant (Open)	16,120
Department for Work and Pensions	Contribution towards Customer Services Security	8,095
Ministry of Housing, Communities & Local Government	Self Isolation Payments	7,369
Office for low Emission Vehicles - Dept for Transport	Onstreet Residential Chargepoint Scheme	4,720
Department for Work and Pensions	NNDR Contributions	2,785
Gainsborough Town Council	Contribution to food and garden festival	2,308
Office for National Statistics	ONS New burdens	1,445
Ministry of Housing, Communities & Local Government	19/20 Cold Weather Fund	TBC
		10,278,608

2.5.2 Grant Bid and Funding Approved Under Delegated Decision

- Levelling Up Fund Bid

On the 3rd of March the Chancellor announced two new government funding mechanisms, the Levelling Up Fund (LUF) and the Community Renewal Fund (CRF).

The LUF is a £4.8bn fund that is targeted at support for town centres and high street regeneration, local transport projects and cultural/heritage assets. Bids are invited up to £20m and there is a maximum of 1 bid per MP for the area or part thereof.

As we endeavour to ensure that our bid was strong, this is a competitive process and even a quality bid may be unsuccessful. It is therefore imperative that any work done in preparation for this bid is reusable.

The bids are due to be submitted by the 18th June. This provides a window of 10 weeks to develop a quality bid from West Lindsey. It is this timescale that required that an emergency decision was made.

The outline business case around which our work would focus includes:

1. Regeneration of vacant retail space
2. Site acquisition and clearance
3. Delivery of multi-screen cinema leisure offer
4. Repurposed retail/commercial/leisure space with potential to include food market/hall

5. Incubator business units
6. Community green space and enhanced public realm
7. Improved connectivity to town centre

Quotes have been provided and a budget of £125k has been approved for this work and support which is to be funded from the Investment for Growth Reserve.

2.5.3 Grant Bid Update – Cultural Recovery Fund (Round 2)

The Council received a grant allocation of £177,021 for the bid submitted in Round 1 to support recovery and sustainability of the Trinity Arts Centre which has been significantly affected by Covid-19 restrictions. Unfortunately we were not successful in our bid for funding from Round 2.

Other Items for information

2.6 Planning Appeals

In period 4 2020/2021 there were 7 appeals determined – 0 allowed and 7 dismissed.

There are 3 live application for costs.

Period	Number of Appeals	Allowed	Dismissed
January	5	0	5
February	2	0	2
March	0	tbc	tbc
Total for Period 4	7	0	7

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Period 4 Monitoring Report

At the end of March 2021, there was a total of £0.225m 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 £0.036m the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.
- Property Services £0.057m – £0.038m is due to deferred rent payment and company voluntary agreements (CVA) to support businesses during the pandemic.
- Housing £0.038m
- Environmental Protection & Licensing £0.053m

The level of outstanding debt for the same period 2019/2020 is provided for information. Provision has been made to increase the contribution to bad debt provision by £0.070m for 2020/2021, due to the impact of Covid-19. The final provision required will be reported in the final outturn report presented to Corporate Policy and Resources committee in June 2021.

2019/2020 Total £	Period	90 – 119 days £	120 – 149 days £	150+ days £	2020/2021 Total £
156,073	Period 1 - ending May 2020	79,469	6,064	142,405	227,938
181,880	Period 2 - ending Sept 2020	102,986	55,375	211,905	370,266
189,056	Period 3 - ending Dec 2020	9,434	42,203	294,203	345,840
180,831	Period 4 - ending Mar 2021	47,439	27,401	149,763	224,602

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 4

3.1.1 The Capital Budget forecast out-turn for schemes totals £8.653m against a revised budget of £14.113m. This has resulted in a variance of £5.46m, of which a net £5.442m is requested for carry forward/claw back and £0.018m being net underspends on scheme budgets.

3.1.2 Approvals to Carry Forward £5.442m, are requested as detailed in the table below, with the most significant being;

- £0.050m Hemswell Masterplan Public Realm Improvements.
- £0.170m Gainsborough Heritage Regeneration – THI delays on scheme due to Covid 19.
- £0.610m Gainsborough Growth –Grant for development (Cinema) – delays with the purchase of land.
- £0.450m Riverside Walkway Acquisition – construction works to commence in 2021/2022
- £1.241m Depot – due to be operational November 2021.
- £0.199m CCTV Expansion – expenditure to be incurred in 2021/2022
- £0.175m Living Over the Shop – applications received but spend anticipated 2021/2022.
- £1.975m Housing Infrastructure (Southern SUE) – Work is on track but payment expected 2021/2022
- £0.071m ERP System – Implementation planned for November 2021
- £0.206m Customer Relationship Management System
- £0.210m Carbon Efficiency – Parish Street Lighting. Due to Covid 19 delaying the procurement process this will now be carried out in 2021/2022

The remaining £0.189m is made up of small carry forward requests as detailed in the summary table below.

Included in the net carry forward amount are claw backs totaling £0.104m. Approval is sought to bring forward this funding from 2021/2022 for the following schemes:

- £0.056m Disabled Facilities Grant
- £0.048m Private Sector Renewal

The net underspend position of £0.018m relates to schemes that have either underspent/overspent/schemes that are closed or schemes requesting approval/amendments.

Schemes which overspent:

- £0.002m Market Rasen Leisure Centre, this has been financed from borrowing
- £0.005m Flooding Resilience Grant – This will be financed from additional grant claims.

Schemes that have underspent are:

- Vehicle Replacement Programme - £0.010m
- Capital Enhancements to Council Owned Assets - £0.001m

The following scheme has been closed

- Telephony - £0.02m budget to be removed and new bid submitted for 2021/2022

Approval is sought for amendments/additions to the following schemes

- Transfer £0.0146m from Trinity Arts Centre Improvement Projects capital scheme to revenue. This relates to money received as part of the Cultural Recovery Fund Grant.
- There is a request for £0.02m funding from the Facilities Maintenance Reserves for the Council's contribution to Richmond House Conservatory, which will enhance our asset, but will provide better facilities for civil marriages. The overall scheme is £0.06m and is also being funded by Lincolnshire County Council and Gainsborough Town Council in equal shares. Due to timing this funding will not be expended until 2021/2022.

All amendments to the schemes will be made at the year end when the capital schemes have closed and the final outturn has been confirmed. The position reported reflects the estimated outturn at this point and will be subject to further change.

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

Corporate Priority / Scheme	Stage (1 April 2020)	Stage	Actuals to 28/2/2021	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	20,449	0	50,000	54,949	4,949	0	increase of budget required - will be offset by flooding grant claimed from DEFRA
Health and Wellbeing									
Disabled Facilities Grants	BAU	BAU	442,224	840,631	500,000	555,731	0	55,731	clawback from 21/22 required - was slipped earlier in the year
Private Sector Renewal	Stage 3	Stage 3	169,991	100,000	141,640	189,991	0	48,351	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	agreement received from secretary of state with solicitor so may complete this year or slip to 21/22
Leisure Facilities - Market Rasen	Stage 3	Stage 3	1,013,537	0	1,104,182	1,106,389	2,207	0	potential small overspend re officers time
Economy									
Market Rasen 3 year vision	Stage 2	Stage 2	0	200,000	0	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	10,000	0	(5,000)	Delays to scheme slip to 21/22
5-7 Market Place - Redevelopment	Stage 1	Stage 1	0	352,300	45,000	0	0	(45,000)	Costs committed to spend Q1 21/22
Trinity Arts Centre Improvement Projects	Stage 3	Stage 3	63,191	250,000	102,800	63,200	(14,600)	(25,000)	£14k to transfer to revenue - £25k to slip if grant conditions allow - awaiting clarification if not will be repaid and shown as underspend
Gainsborough Growth - Grant for development (Cinema)	Stage 2	Stage 2	0	2,350,000	610,000	0	0	(610,000)	Slippage to 21/22 delays with land purchase
Gainsborough Regeneration - Corringham Road Junction (Refcus)	Stage 2	Stage 2	0	1,010,000	1,010,000	1,010,000	0	0	Works completed end of January 2021 with claim submitted and paid over before year end.
Riverside Walk Acquisition	Stage 3	Stage 3	13,000	0	493,500	43,000	0	(450,500)	Riverside Walk acquisition nearing completion anticipated March 2021 but may slip with works on construction expected start of 2021/22 slip remaining budget.
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	1,028,657	4,600,000	3,269,527	2,028,657	0	(1,240,870)	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 cash flow to 21/22
CCTV Expansion	Stage 3	Stage 3	0	0	199,265	0		(199,265)	plan of spend to be provided to PCC before 31.3.21 to spend in 21/22

Capital Investment Programme 2020/21

Corporate Priority / Scheme	Stage	Actuals to 28/2/2021	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	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	1,975,030	2,162,000	2,162,000	2,162,000	0	0	
Housing Infrastructure (Southern SUE)	Stage 2	0	0	1,975,000	0	0	(1,975,000)	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	0	0	0	0	0	0	
Financial Management System	Stage 3	30,275	220,000	125,000	54,000	0	(71,000)	Work is underway. slippage to 21/22
Capital Enhancements to Council Owned Assets	BAU	13,580	110,000	15,000	13,580	(1,420)		underspend
Bus Station	Pre-stage 1	0	60,000	0	0	0	0	
Carbon Efficiency	Stage 3	0	0	0	0	0	0	
Richmond House Conservatory	Stage 2	0	0	0	0	20,000	(20,000)	Establish budget for Richmond House Conservatory and slip to 21/22
Customer								
Telephony (incl. Contact Centre)	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	144,500	280,000	366,000	159,950	0	(206,050)	Planning/AI/CRM projects to slip to 21/22
3 D Secure Payment Software	Stage 3	0	0	12,000	0	0	(12,000)	slip to 21/22 - expected May 2021
Performance Management System	Stage 1	0	0	0	0	0	0	
Income Management	Stage 3	0	0	48,650	0	0	(48,650)	Slipped 2021
Staff & Members								
Public Sector Hub - Property	Stage 3	0	100,000	0	0	0	0	
Storage Refresh	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	36,789	17,000	36,789	36,789	0	0	
Project Management Software	Stage 1	0	0	0	0	0	0	
Investment								
Commercial Investment - Property Portfolio	Stage 3	0	7,000,000	0	0	0	0	
Total Capital Programme Gross Expenditure		5,089,755	24,117,619	14,113,022	8,652,648	(18,265)	(5,442,109)	

Commercial Investment Properties 2020/2021

3.1.4 The Council has not invested in any commercial property during the year.

3.1.5 The portfolio has generated a 6.34% gross return on purchase price, and £1.428m in income relevant to the financial year.

3.1.6 All lease payments are up to date.

3.2 Acquisitions, Disposals and Capital Receipts

3.2.1 The Council has made no acquisitions in Quarter 4 to date.

3.2.2 The Council has made the following disposals in Quarter 4.

12 properties have been transferred on the 31st March 2021, as part of a funding agreement with P3 our viable social housing partner, as previously agreed by this Committee.

3.2.3 Capital Receipts - The total value of capital receipts for the year to date total £0.187m relating to;

- £0.125m from the Housing Stock Transfer Agreement share of Right to Buy receipts,
- £0.033m Loan repayments
- £0.029m Repayment of DFG Grants

There is a further £0.008m due to be received before the end of March relating to the Council's share of the proceeds of a plot of land.

4. TREASURY MONITORING – PERIOD 4 (Jan - Mar)

The Treasury Management Strategy Statement (TMSS) for 2020/2021, 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 (Jan-Mar) has been in excess of the 7 day average libid (-0.07%) with an average yield of 0.763% (including CCLA) and 0.089% (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 2024, investment returns are expected to remain low. The Council budgeted to receive £0.211m of investment income, the forecast outturn is now £0.183m.

4.3 Interest Rate Forecasts (Further Detail Appendix 1)

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

Link Group Interest Rate View		8.3.21											
	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	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30

4.4 Investments

The Council is anticipated to hold investments of £19,690m at 31/03/2021. The table below details these investments for Q4:

	P1	Q2	Q3	Q4
Investments at Q4	£'000	£'000	£'000	£'000
Lloyds Deposit Account	0	0		0
Lloyds (32 Day Notice)	0	2,000	2,000	5,000
Lloyds (95 Day Notice)	1,000	3,000	3,000	0
Santander (35 Day Notice Account)	0	1,000	4,000	5,000
Santander (95 Day Notice Account)	0	1,000	1,000	0
Lloyds Bank Account	368	62	81	40
LGIM Money Market Fund	7,500	1,560	930	0
CCLA Property Fund	3,000	3,000	3,000	3,000
Aberdeen Liquidity Fund	1,990	7,500	6,920	6,650
Total	13,858	19,121	20,931	19,690

4.5 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 Q4 due during April. 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% however, there are already signs of some recovery. A review of this investment is currently being undertaken.

4.6 New External Borrowing

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

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

4.7 Total Prudential Borrowing at Q4

	P1	Q2	Q3	Q4
Prudential Borrowing	£'000	£'000	£'000	£'000
Total External Borrowing	20,000	20,000	20,000	20,000
Total Internal Borrowing	17,209	17,948	17,919	18,080
Total Prudential Borrowing	37,209	37,948	37,919	38,080

4.8 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 31 March 2021.

4.9 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	Q4 £'000
Treasury Indicators					
Authorised limit for external debt	55,307	55,307	55,307	55,307	55,307
Operational boundary for external debt	38,189	28,229	25,004	23,074	21,235
External Debt Investments	38,189 (13,321)	24,220 (12,066)	23,004 (14,726)	20,000 (16,481)	20,000 (19,690)
Net Borrowing	24,868	12,154	8,278	3,519	310
Prudential Indicators					
Capital Expenditure	24,118	14,028	14,023	9,738	8,653
Capital Financing Requirement (CFR)*	50,307	45,862	40,146	38,701	38,155
<i>Of Which Commercial Property</i>	30,000	21,666	21,666	21,666	21,666
Annual change in CFR*	9,937	7,956	2,240	795	249
External Debt Forecast	38,189	24,220	23,004	20,000	20,000
Under/(over)borrowing	12,118	21,642	17,142	18,701	18,155
Ratio of financing costs to net revenue stream*	8.89%	6.07%	4.78%	4.84%	3.63%
Incremental impact of capital investment decisions:					
Increase/Reduction (-) in Council Tax (band change per annum)	£1.25	£0.74	£0.13	£0.01	£0.01

4.10 Due to the timing of this report the Monthly Investment Review report is not yet available.

APPENDIX 1: Interest rate forecasts

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is now probably to the upside but is subject to major uncertainty due to the virus - both domestically and its potential effects worldwide.
- There is relatively little domestic risk of increases or decreases in Bank Rate in the near-term, nor significant changes in shorter-term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates anytime soon but increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates).

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

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, resulting in further national lockdowns or severe regional restrictions i.e. economic recovery and growth is slower than expected.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand and the pace of recovery of the economy.
- **UK / EU trade arrangements** – if there was a major impact on trade flows due to complications with customs paperwork or lack of co-operation in sorting out significant issues. A resurgence of the **Eurozone sovereign debt crisis**. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021**. In the German general election of September 2017, Angela Merkel’s CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down. The latest regional elections in two states in March 2021 have placed a big question mark over whether the CDU will win sufficient votes to even be part of a coalition government when the general election takes place later this year.

- **Other minority EU governments.** Italy, Spain, Austria, Sweden, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **France.** The French general election is coming up in spring 2022.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

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

- **UK** - a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.