



Corporate Policy and  
Resources

Thursday, 22 July 2021

**Subject: Budget and Treasury Monitoring - Quarter 1 2021/2022  
(1<sup>st</sup> April 2021 to 31<sup>st</sup> May 2021)**

Report by:

Assistant Director, Finance, Business and  
Property Services

Contact Officer:

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Purpose / Summary:

This report sets out the revenue, capital and  
treasury management activity from 1 April 2021  
to 31 May 2021.

## **RECOMMENDATION(S):**

### **REVENUE**

- a) Members accept the forecast out-turn position of a £0.005m net deficit as at 31<sup>st</sup> May 2021 (see Section 2) relating to business as usual activity.
- b) Members approve the use of Earmarked Reserves (2.4.1).
- c) Members accept the use of Earmarked Reserves during the quarter approved by the Chief Finance Officer using Delegated powers (2.4.2).
- d) Members accept the addition to the statutory fees and charges schedule for Planning Applications (2.3.2).

### **CAPITAL**

- e) Members accept the current projected Capital Outturn as detailed in 3.1.1.
- f) Members approve the capital budget carry forwards of £3.364m

detailed at 3.1.2.

- g) Members are also asked to approve a capital budget of £0.1m for renovation of empty homes in Gainsborough and approve an initial spend of £0.02m for the renovation of the first two homes, detailed at 3.1.2.

#### **TREASURY**

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

#### **IMPLICATIONS**

**Legal:** None arising as a result in this report.

## Financial : FIN/33/22/B/SL

### REVENUE

The draft revenue forecast out-turn position for 2021/2022 is currently reflecting a net deficit from reserves of £0.005m relating to business as usual activity as at 31<sup>st</sup> May 2021.

When then considering the impact of Covid-19 we are currently forecasting that the Covid Support Grants received from Government (£0.974m) will cover the additional costs and loss of income forecast for the financial year.

In addition, an Earmarked Reserve of £0.5m was approved through the MTFP for 2021/2022 as a contingency for the ongoing impacts of the pandemic on the Councils finances, and the position will continue to be monitored throughout the year.

The summary of forecast Covid financial implications are contained within the report at 2.2.7.

Summary of Out-turn Position 2021/2022	
	£ 000
FORECAST OUTTURN AS AT 31.05.21	(132) BEFORE CARRY FORWARDS
CARRY FORWARDS : BASE BUDGET-APPROVED IN YEAR	0 ALREADY APPROVED
CARRY FORWARDS : USE OF EARMARKED RESERVES	137 ALREADY APPROVED
<b>NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:</b>	<b>5</b>

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

### CAPITAL

The anticipated capital out-turn position 2021/2022 is £11.118m. This is a variance of £3.234m on the approved budget. The variance requests for slippage into 2022/2023 are detailed at 3.1.2.

Members are also asked to approve a capital budget of £0.1m funded by Section 106 monies for renovation of empty homes in Gainsborough and approve an initial spend of £0.02m for the renovation of the first two homes. See 3.1.2 for details.

### TREASURY

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.

Average investments for the period (Apr-May) was £20.217m, which achieved an average rate of interest of 0.86% (Jan-Mar was 23.752m,

0.763%).

**Staffing:** Salary budgets for 2021/2022 were set based on an estimated 0% pay award. The actual pay award for the year is yet to be confirmed.

There is an estimated 0.06% (£0.007m) surplus for the year against original employee budgets as a result of staff turnover.

This is after the 2% (£0.184m) Vacancy Factor included within the 2021/2022 Budget, which was applied to salary budgets for posts which are on our organisational establishment (basic pay, superannuation and national insurance).

Without the vacancy factor, there would be a 1.6% surplus across all employee budgets.

**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**

## 1. Executive Summary

**This report provides the oversight of financial performance for:**

### **REVENUE**

- 'Business as Usual' Revenue Forecast Out-Turn (after carry forwards) - Deficit £0.005m. (-0.04% of Net Revenue Budget – see 2.1 for details of significant variances).
- There is no forecast pressure above Covid-19 Support Grants from Government and contingency funds held within Earmarked Reserves at this time (see 2.2.7 for details).

### **CAPITAL**

- Capital Forecast Out-Turn £11.118m, a variance of £3.234m against current budget £14.352m, this is made up of:
- Anticipated Slippage into 2022/2023 of £3.364m (see section 3.1.2).
- There is a request to increase the budget for the Disabled Facilities Fund by £0.094m. This is due to additional grant funding which was received in March 2021.
- £0.036m Budget is requested for Member Laptop refresh – the budget is to be funded from the revenue Covid Expenditure Support Grant. This is to ensure that Members have equipment which is fit for purpose, and supports remote working.

There are associated revenue costs of £0.022m, which will also be met from the revenue Covid Expenditure Support Grant. Total cost £0.058m.

- Members are also asked to approve a capital budget of £0.1m funded by Section 106 monies for renovation of empty homes in Gainsborough and approve an initial spend of £0.02m for the renovation of the first two homes. See 3.1.2 for details.

## TREASURY MANAGEMENT

- Treasury Management Report and monitoring:
  - Average investment interest rate for April to May was 0.86%.
  - Total Investments at the end of Quarter 1 was £16.376m.

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	Qtr. 1 £'000
Investments B/fwd. (at 31.3.2021 incl. bank)	<b>16,872</b>
(Less) Capital expenditure	-499
Add PWLB/Other LA Borrowing in year	0
Add/(Less) Net Revenue Expenditure	-2,604
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	13,631
Add Working Capital Movement	-11,024
<b>Investments c/fwd. (at Period end)</b>	<b>16,376</b>

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 May 2021.

	Qtr. 1 £'000
<b>Prudential Borrowing</b>	<b>£'000</b>
Total External Borrowing (PWLB) and Other Local Authorities	16,500 3,500
Internal Borrowing	18,832
<b>Total Prudential Borrowing at 31.05.2021</b>	<b>38,832</b>





2.1 The significant movements being;

Cluster	EXPENDITURE	Total £000	Direction of Travel
	<b>BUDGET UNDERSPENDS</b>		
	Salary ( <i>savings</i> ) / pressure. Includes 2% vacancy factor £184k.	(£7)	New
	<b>PRESSURES</b>		
Our Council	Software Licence Fee nationwide increase.	£52	New
	Various forecast outturn variances <£10k	£13	New
		<b>£58</b>	

Cluster	INCOME	Total £000	Direction of Travel
	<b>BUDGETED INCOME EXCEEDED</b>		
Corporate Accounting-Interest Received	Interest Receivable.	(£72)	New
Our Council	Green Waste service income target exceeded.	(£31)	New
Our Place	Shopping Trolley reclaimed income.	(£16)	New
	<b>BUDGETED INCOME NOT ACHIEVED</b>		
Funding	Government Grants - Localised Council Tax Support administration subsidy grant.	£56	New
Our People	Housing Benefits - forecast net subsidy position.	£10	New
		<b>(£53)</b>	
	<b>TOTAL VARIANCE</b>	<b>£5</b>	

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

### 2.2.1 Interest & Investment Income

- (£0.072m) - Interest receivable on investments is forecast to be £0.072m above budget for the year.

### 2.2.2 Our Council

- (£0.031m) - Income from Green Waste subscriptions received above budget for the year to date.

- £0.052m - Pressure for software licenses. This is the result of a nationally agreed framework and an increase in the number of licensed users. The ICT Team will over the next year look to reduce these costs by converting some users to an alternative license model, and by reviewing the applications used and suggesting alternative approaches to reduce costs.

### 2.2.3 Our People

- £0.137m - approved carry forwards into 2022/2023 (see Appendix 2 for details).
- £0.01m - reflects the Housing Benefits forecast net subsidy position, a pressure of forecast subsidy against the budget set for the year.

### 2.2.4 Our Place

- £0.006m - There is a pressure on market fee income due to charges being suspended for April and May in support of traders in their financial recovery from Covid-19 impacts. Charges have been reinstated from 1<sup>st</sup> June 2021. This pressure will offset by the use of the Commercial Contingency budget.
- £0.016m of income has been received to date 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 Funding

£0.056m reduction in funding against the budget. The budget was set at an estimated value of £0.159m. The final settlement was announced in March 2021 as £0.103m.

### 2.2.6 Establishment

A 2% vacancy factor against salary budgets was approved for 2021/2022 through the MTFP, which equates to a reduction of £0.184m.

Current vacancy levels after costs of interim staffing resources is forecast to achieve a further £0.007m budget underspend for the year; this represents 0.06% of the overall employee revised budget. This is detailed by cluster as follows:

Cluster	Sum of variance £
Our Council	(169,784)
Our People	973
Our Place	(22,898)
2% Vacancy Factor	184,400
<b>Grand Total</b>	<b>(7,309)</b>

## 2.2.7 Financial Implications of Covid-19

We are monitoring the ongoing financial implications of the Covid-19 pandemic and will update Members regularly.

We are currently forecasting that the Covid Support Grants received from Government (£0.974m) will cover the additional costs and loss of income forecast for the financial year.

In addition, an Earmarked Reserve of £0.5m was approved through the MTFP for 2021/2022 as a contingency for the ongoing impacts on the pandemic on the Councils finances, and the position will continue to be monitored throughout the year.

The tables below present the forecast financial impact of Covid-19 on the Council for 2021/2022.

<b>Full Year 2021/2022 Financial Summary</b>	<b>£000</b>
Total Covid-19 pressure to date	867
LA Covid Support Grant 20/21 - Balance Remaining Held in Earmarked Reserves	(434)
LA Covid Support Grant 21/22	(510)
Earmarked Reserve Approved 21/22 MTFP	(500)
Additional grant for loss of income (estimate)	(30)
<b>Net Covid-19 Allocation Balance Remaining</b>	<b>(607)</b>

<b>Covid-19 Pressures</b>	<b>2021/22 Actuals £000</b>
Loss of income due to service closures / changes - services covered by Sales, Fees and Charges Grant	230
Loss of Income - other service closures / changes	169
Loss of Income - dividends and investment returns	47
Cost Pressures - Covid costs funded from Support Grant *	483
Cost Pressures - Impact on Projects	36
Other Income Received to Support Services	(12)
Savings	(86)
<b>Total Pressures</b>	<b>867</b>

<b>* Cost Pressures - Covid costs funded from Support Grant</b>	<b>£000</b>
Additional Resources - agency, backfilling, overtime	232
Health & Wellbeing - Leisure Management contractor support	117
Elections - additional postal vote application costs, risk assessments of polling stations	16
Economic Development - additional resources for project development.	40
ICT Team - member laptop refresh (revenue)	22
Democratic Representation - hire of premises and equipment to hold meetings	15
Theatre - cost of equipment to comply with Covid regulations	17
Other costs <£10k	24
	<b>483</b>

Costs are mitigated by savings achieved and other income received to support services.

## 2.3 Fees and Charges

2.3.1 £1.444m has been received in Fees and Charges up to the end of the period against a budget for the period of £1.617m, a shortfall to date of £0.173m.

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

- Garden Waste subscriptions £0.031m

The significant areas of forecast income losses are due to the ongoing impact of Covid-19 and will be subject to a claim against the Local Government Income Compensation Scheme for Lost Sales, Fees and Charges:

- Car Park income (season tickets and parking fees) £0.108m
- Trinity Arts Centre box office takings £0.066m
- Local Tax Collection – Court Costs Recovered £0.02m

### 2.3.2 Amendment to Fees and Charges Schedule

Prosperous Communities Committee		Planning Applications							
		2020/21	Proposed Increase		2021/22	VAT Amount	2021/22 Charge Inc. VAT	VAT Rate	
		£	%	Type	or £	£	£	£	
<b>Prior Approval</b>									
Erection, extension, or alteration of a university building		£0.00				£96.00	£0.00	£96.00	OS
Construction of new dwellinghouses	Not more than 50 Dwellinghouses	£0.00				£334.00	£0.00	£334.00	OS
	more than 50 dwellinghouses	£0.00				£100.00	£0.00	£100.00	OS
<b>Approval/Variation/discharge of condition</b>									
Discharge of condition(s) - Approval of details and/or confirmation that one of more planning conditions have been complied with	Householder Permissions	£0.00				£34.00	£0.00	£34.00	OS
	All other permissions	£0.00				£116.00	£0.00	£116.00	OS

#### Prior Approval

New fees that come into force on 30<sup>th</sup> July 2021 as a consequence of the Town and Country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) (Amendment) Regulations 2021 are to be added to the fees and charges schedule for Planning Applications as listed above.

#### Approval/Variation/Discharge of Condition

On 2<sup>nd</sup> September 2020, new fees were introduced by the Town and Country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) (Amendment) Regulations 2020 are to be added to the fees and charges schedule for Planning Applications as listed above.

These are statutory fees, and are reported to Members for information.

## 2.4 2021/2022 Use of and Contribution to Reserves

### 2.4.1 Use of Reserves – Member Approval Required

The following use of Earmarked Reserves is greater than £0.05m and requires the approval of Corporate Policy and Resources committee:

- £0.079m from Unapplied Grants reserve. Balance of Covid Test & Trace Parent and Guardian Grant for distribution to eligible applicants.

## 2.4.2 Use of Reserves – Delegated Decision

The Chief Finance Officer has used delegated powers to approve the use of earmarked reserves up to £0.05m.

- £36k from IT reserve. To cover the cost of paying for the existing licences during the transition to the Customer Relationship Management (CRM) system.
- 
- £22k from Redundancy Contingency Reserve. Pension strain payment.
- £20k from Unapplied Grants Reserve. Test & Trace Discretionary fund.
- £19k from I.T. Reserve. To cover the cost of a licence for the period Apr 21 to Dec 21 pending the implementation of ERP (approved CPR 23.07.20).
- £8.1k from Unapplied Grants reserve. Outbreak Prevention Grant to cover continuing agency costs.
- £7.4k from Unapplied Grants reserve. Test & Trace Parent & Guardian Admin grant.

## 2.5 Grants

As at 1st April 2021 we had an amount of £1.878m 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 31<sup>st</sup> March 2022 is £0.771m (including the use of earmarked reserves detailed at 2.4.1 and 2.4.2).

### 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	Levelling Up Fund	TBC
Ministry of Housing, Communities & Local Government	Restart Grant (Business)	4,836,141
Ministry of Housing, Communities & Local Government	Disabled Facilities Grant	794,041
Ministry of Housing, Communities & Local Government	LA Support Grant (Covid)	509,966
Ministry of Housing, Communities & Local Government	Homelessness & Rough Sleepers 2021/22	179,541
Ministry of Housing, Communities & Local Government	New Burdens 2021 Grant	166,800
Dept Health & Social Care	Contain Outbreak Management Fund	131,604
Lincolnshire County Council	Outbreak & Prevention	100,000
Dept Business, Energy & Industrial Strategy	Decarbonisation Grant Scheme	68,000
Lincolnshire County Council	Winter Grant Payments (Test & Trace)	63,350
Cabinet Office	Local Elections Support Grant	36,250
Department for Work and Pensions	DWP New Burdens	32,448
Ministry of Housing, Communities & Local Government	Lower Tiers Services Grant	21,460
Sport England Council	Cultural Recovery Grant	18,331
England Sports Council	National Leisure Recovery Fund	12,358
England Sports Council	ESC Lottery Fund	5,000
Ministry of Housing, Communities & Local Government	Rough Sleepers Initiative	5,000
		<b>6,980,290</b>

## Other Items for information

### 2.6 Planning Appeals

In Quarter 1 2021/2022 there were 2 appeals determined – 0 allowed and 2 dismissed.

There is 1 live application for costs.

Period	Number of Appeals	Allowed	Dismissed
April	0	0	0
May	2	0	2
<b>Total for Quarter 1</b>	<b>2</b>	<b>0</b>	<b>2</b>

### 2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Quarter 1 Monitoring Report

At the end of May 2021, there was a total of £0.18m outstanding debt in the system over 90 days. The majority of this debt was over 150 days old and mainly comprised of:

- Environmental Protection & Licensing £0.054m
- Housing Benefits overpayments £0.041m the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.
- Housing £0.043m

The level of outstanding debt for the same period 2020/2021 is provided below for information.

2020/2021 Total £	Month	90 – 119 days £	120 – 149 days £	150+ days £	2021/2022 Total £
227,938	Quarter 1 - ending May 2021	8,813	8,120	163,504	180,437

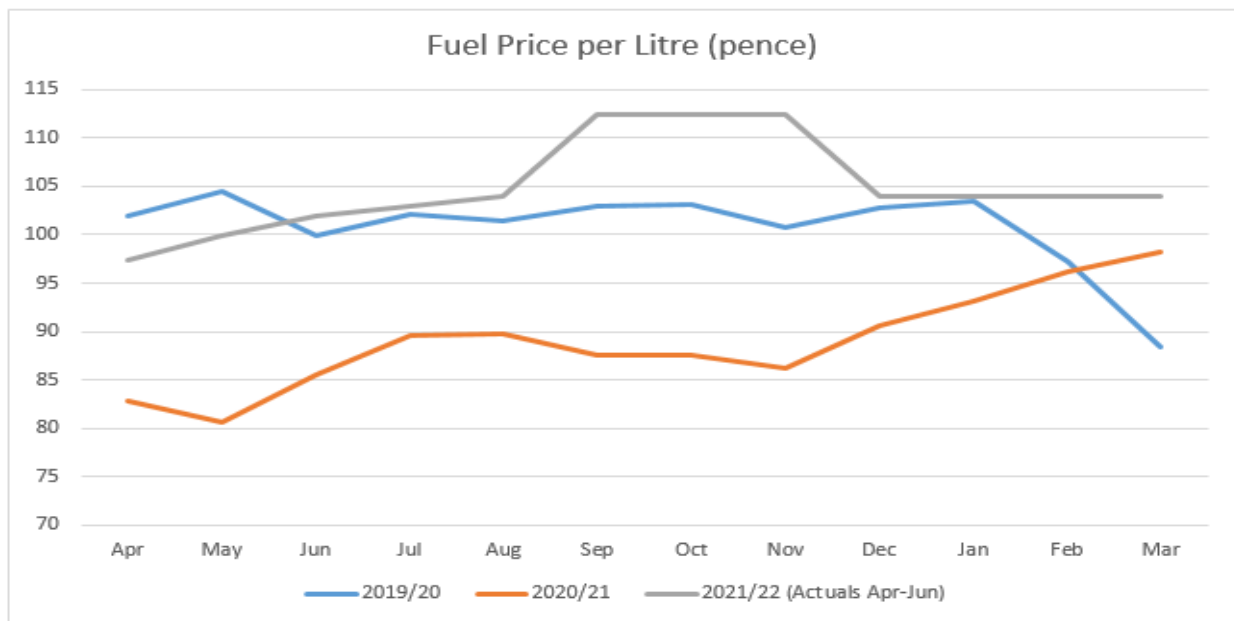
### 2.8 Changes to the Organisation Structure

- Our Council – a permanent administration post of ‘Change Support Officer’ has been approved. The impact on the MTFP is c£0.015m ongoing.
- Our Place – the post of Housing, Strategy and Supply Manager has been deleted, and the new post of Homes Health and Wellbeing Team Manager has been created. The impact on the MTFP is c£0.001m ongoing.

## 2.9 Fuel

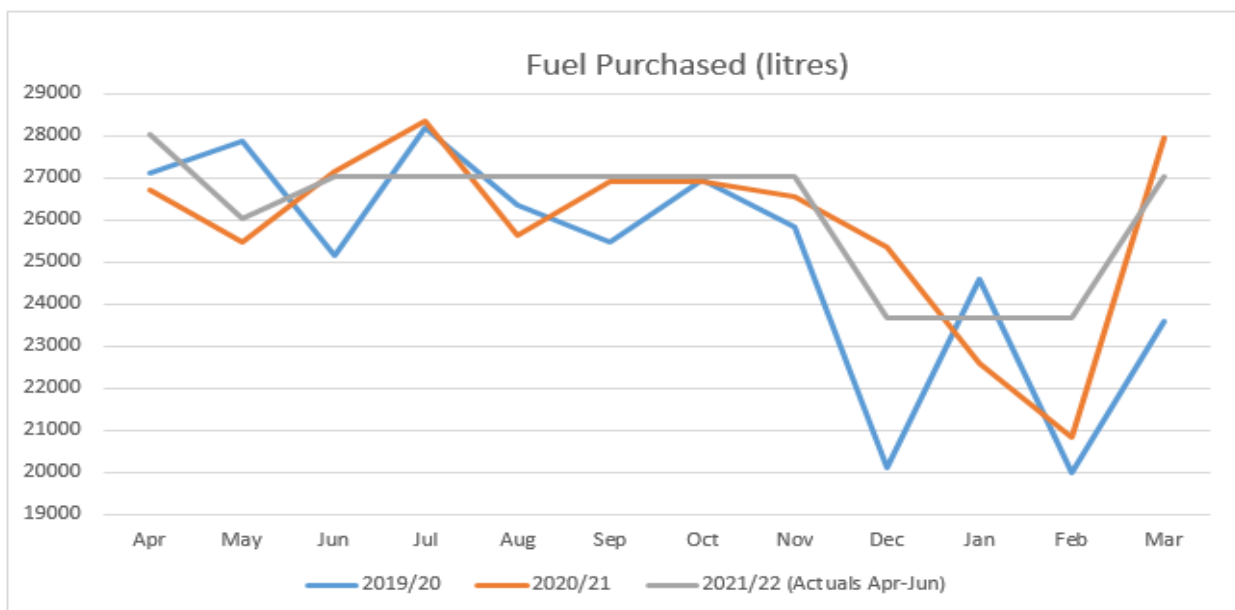
2.9.1 The chart below show the actual price paid per litre of fuel, in pence, during 2019/2020 and 2020/2021. The prices shown for 2021/2022 are actuals to date, for the period April to June 2021, and estimated rates for the remainder of the financial year.

There is a projected peak in fuel prices during the move to the new depot (estimated September to November 2021) when it is anticipated that fuel cards will be used during the transition, which will be payable at a higher rate than when we are able to fuel from our own tanks.



2.9.2 The chart below show the actual volume of fuel purchased, in litres, during 2019/2020 and 2020/2021. The volumes shown for 2021/2022 are actuals to date, for the period April to June 2021, and estimated consumption for the remainder of the financial year.

There is a drop in fuel purchased December to February, which reflects the pause in Garden Waste collections.





### 3.1 CAPITAL BUDGET MONITORING – Quarter 1

3.1.1 The Capital Budget forecast out-turn for schemes approved to spend (includes Stage 3 and BAU) totals £7.796m against a revised budget of £7.899m. Pipeline Schemes (Pre Stage 1, Stage 1 and Stage 2) are expected to spend £3.321m (subject to formal approval) against a revised budget of £6.453m. This gives an overall total spend of £11.118m against a total revised budget of £14.352m as detailed in the table below.

Capital Investment Programme 2021/2022

Corporate Priority / Scheme	Actuals to 31/05/2021	Original Budget 2021/2022	Revised Budget 2021/2022	Forecast Outturn 2021/2022	Over / (Underspend)	Carry Forward Requests/ Drawbacks
	£	£	£	£	£	£
Total Capital Programme Gross Expenditure - Stage 3 and BAU	498,552	3,892,445	7,899,063	7,796,495	94,232	(196,800)
Stage 2	0	3,292,000	4,122,000	1,272,000	0	(2,850,000)
Stage 1	0	1,842,300	1,935,950	1,654,250	35,600	(317,300)
Pre-Stage 1	0	369,800	394,800	394,800	0	0
Total Capital Programme Gross Expenditure	498,552	9,396,545	14,351,813	11,117,545	129,832	(3,364,100)

3.1.2 Approval to Carry Forward £3.364m to 2022/2023, are requested for the following schemes;

- £0.15m Market Rasen 3 Year Vision – final details of the scheme to be approved in September 2021 with anticipation that the scheme will open in Quarter 3 with expenditure been incurred into 2022/2023.
- £0.317m 5-7 Market Place Redevelopment contract unlikely to be signed off before Quarter 4. Only preliminary costs expected this financial year.
- £2.5m Gainsborough Growth – Grant for Development (Cinema) Acquisition of site expected this year but further works dependent upon the Levelling up Fund bid for which the outcome will not be known until November 2021.
- £0.197m Customer Relationship Management System – Artificial Intelligence and Planning integration are currently being scoped but unlikely to progress until 2022/2023.
- £0.2m ERP System Phase 2 – Still progressing with Stage 1. Stage 2 unlikely to progress until 2022/2023.

Approval is sought for amendments/additions/deletions to the following schemes:

- There is a request to increase the budget for the Disabled Facilities Fund by £0.094m. This is due to additional grant funding which was received in March 2021.
- £0.036m Budget is requested for Member Laptop refresh – the budget is to be funded from revenue Covid Expenditure Support Grant. There are associated revenue costs of £0.022m, which will also be met from the revenue Covid Expenditure Support Grant. Total cost £0.058m.



- Members are asked to approve a budget of £0.1m financed by Section 106 monies to renovate empty properties and bring them back into use. WLDC are working on this project in conjunction with LEAP who will purchase the empty properties in Gainsborough. A cost of £0.01m per property for renovation costs is anticipated with the intention to purchase ten properties. Members are also asked to approve an initial spend of £0.02m for the first two properties.

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

### Capital Investment Programme 2021/2022

Corporate Priority / Scheme	Stage (1 April 2021)	Stage	Actuals to 31/05/2021	Original Budget 2021/22	Revised Budget 2021/22	Forecast Outturn 2021/22	Over/ (Underspend)	Carry Forward Requests/ Drawbacks	Comments
			£	£	£	£	£	£	
<b>Vulnerable Groups &amp; Communities</b>									
Extra Care Provision Scheme	Stage 1	Stage 1	0	1,500,000	1,500,000	1,500,000	0	0	
<b>Health and Wellbeing</b>									
Disabled Facilities Grants	BAU	BAU	94,841	857,714	803,008	897,240	94,232	0	Additional grant received in March 2021 - request to use in 2021/2022.
Private Sector Renewal	Stage 3	Stage 3	20,000	98,547	43,842	43,842	0	0	
Market Rasen Leisure Centre	Stage 4	Stage 4	(435)	0	0	0	0	0	
<b>Economy</b>									
Market Rasen 3 year vision	Stage 2	Stage 2	0	200,000	200,000	50,000	0	(150,000)	Final scheme to be approved by committee in September 21, anticipation that the scheme will open in Q3.
Hemswell Masterplan - Public Realm Improvements	Stage 2	Stage 2	0	0	50,000	50,000	0	0	
Crematorium	Stage 4	Stage 4	(7,330)	0	0	0	0	0	
Crematorium Phase 2	Stage 3	Stage 3	1,312	154,000	154,000	154,000	0	0	
Gainsborough Heritage Regeneration - THI	Stage 2	Stage 2	0	402,000	572,000	572,000	0	0	
Gainsborough Shop Front Improvement Scheme	Stage 3	Stage 3	0	70,000	72,713	72,713	0	0	
5-7 Market Place - Redevelopment	Stage 1	Stage 1	0	342,300	387,300	70,000	0	(317,300)	Contract not likely to be signed off until Q4, outturn this year are preliminary contract costs.
Trinity Arts Centre Improvement Projects	Pre-Stage 1	Pre-Stage 1	0	279,800	304,800	304,800	0	0	
Gainsborough Growth - Grant for development (Cinema)	Stage 2	Stage 2	0	2,390,000	3,000,000	500,000	0	(2,500,000)	Acquisition of site anticipated Q2, further works dependent upon Levelling Up Fund bid - outcome will not be know until November 2021.
Riverside Walk Acquisition	Stage 3	Stage 3	0	0	415,000	415,000	0	0	
Saxilby Industrial Units	Stage 4	Stage 4	(15,000)	0	0	0	0	0	
The Sun Inn - Capital Grant	Stage 3	Stage 3	0	0	32,856	32,856	0	0	
Hemswell Cliff Investment for Growth	Stage 2	Stage 2	0	100,000	100,000	100,000	0	0	
<b>Public Safety &amp; Environment</b>									
Vehicle Replacement Programme	BAU	BAU	0	438,400	438,400	438,400	0	0	
Depot Review	Stage 3	Stage 3	379,572	1,650,000	2,464,245	2,464,245	0	0	
CCTV Expansion	Stage 3	Stage 3	0	0	199,265	199,265	0	0	

**Capital Investment Programme 2021/2022**

Corporate Priority / Scheme	Stage (1 April 2021)	Stage	Actuals to 31/05/2021	Original Budget 2021/22	Revised Budget 2021/22	Forecast Outturn 2021/22	Over/ (Underspend)	Carry Forward Requests/ Drawbacks	Comments
			£	£	£	£	£	£	
<b>Housing Growth</b>									
Unlocking Housing - Living over the Shop	Stage 3	Stage 3	0	0	175,000	175,000	0	0	
Housing Infrastructure (Southern SUE)	Stage 3	Stage 3	0	218,784	2,193,784	2,193,784	0	0	
<b>Finances</b>									
Financial Management System	Stage 3	Stage 3	25,593	145,000	198,150	198,150	0	0	
Capital Enhancements to Council Owned Assets	BAU	BAU	0	50,000	50,000	50,000	0	0	
Carbon Efficiency	Stage 3	Stage 3	0	210,000	210,000	210,000	0	0	Capital scheme for light replacement is currently under review due to issues regarding procurement of supplier. This will be reviewed by period 6 and is likely the scheme will be broken down into smaller projects to make the work more manageable for potential contractors.
Richmond House Conservatory	Stage 3	Stage 3	0	0	20,000	20,000	0	0	
<b>Customer</b>									
Telephony (incl. Contact Centre)	Pre-Stage 1	Pre-Stage 1	0	20,000	20,000	20,000	0	0	
Income Management	Stage 1	Stage 1	0	0	48,650	48,650	0	0	
3 D Secure Payment Software	Stage 3	Stage 3	0	0	12,000	12,000	0	0	
Customer Relationship Management System	Stage 3	Stage 3	0	0	206,800	10,000	0	(196,800)	Artificial Intelligence and planning integration are currently being scoped but unlikely to progress until 2022-23
<b>Staff &amp; Members</b>									
ERP Systems (Phase 2)	Stage 2	Stage 2	0	200,000	200,000	0	0	(200,000)	Still progressing with Phase 1 - Phase 2 unlikely to progress until 2022-23
Document management system	Pre-Stage 1	Pre-Stage 1	0	70,000	70,000	70,000	0	0	
Storage Refresh	Stage 3	Stage 3	0	0	210,000	210,000	0	0	
Members laptop refresh	Stage 1	Stage 1	0	0	0	35,600	35,600	0	Members laptop refresh - budget requested from revenue (Covid grant)
<b>Total Capital Programme Gross Expenditure</b>			<b>498,552</b>	<b>9,396,545</b>	<b>14,351,813</b>	<b>11,117,545</b>	<b>129,832</b>	<b>(3,364,100)</b>	

## **Commercial Investment Properties 2021/2022**

3.1.4 The Council has no plans to invest in any more properties during 2021/2022.

### **3.2 Acquisitions, Disposals and Capital Receipts**

3.2.1 The Council has made no acquisitions in April/May 2021.

3.2.2 There have been no asset disposals during April/May 2021.

3.2.3 Capital Receipts - The total value of capital receipts at the end of Quarter 1 total £0.12m relating to;

- £0.88m from the Housing Stock Transfer Agreement share of Right to Buy receipts.
- £0.008m Loan repayments.
- £0.024m for the Council's share of the proceeds of two plots of land.



#### 4.4 Investments

The Council held investments of £16.376m at 31/05/2021. The table below details these investments for P1:

<b>Investments at P1</b>	<b>P1 £'000</b>
Lloyds Deposit Account	0
Lloyds (32 Day Notice	3,500
Lloyds (95 Day Notice	0
Santander (35 Day Notice Account)	5,000
Santander (95 Day Notice Account)	0
Lloyds Bank Account	116
LGIM Money Market Fund	0
CCLA Property Fund	3,000
Aberdeen Liquidity Fund	4,760
<b>Total</b>	<b>16,376</b>

#### 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 Q1 due during July. The effects of Covid-19 (coronavirus) had resulted in a sharp fall in economic activity and in significant declines in the value of many assets; however recent data has shown signs of a recovery underway.

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.

#### 4.6 New External Borrowing

No new borrowing was undertaken in Quarter 1 of the financial year.

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

#### 4.7 Total Prudential Borrowing at Quarter 1

	<b>Qtr. 1 £'000</b>
<b>Prudential Borrowing</b>	
Total External Borrowing	20,000
Total Internal Borrowing	18,832
<b>Total Prudential Borrowing</b>	<b>38,832</b>

#### 4.8 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 31 May 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	Qtr. 1 £'000
<b>Treasury Indicators</b>		
Authorised limit for external debt	45,000	45,000
Operational boundary for external debt	40,062	32,500
External Debt	31,000	27,500
Investments	(12,133)	(12,645)
<b>Net Borrowing</b>	<b>18,867</b>	<b>14,855</b>
<b>Prudential Indicators</b>		
Capital Expenditure	9,396	10,930
Capital Financing Requirement (CFR)*	41,340	40,101
<i>Of Which is Commercial Property*</i>	22,999	20,585
Annual change in CFR*	1,278	1,575
External Debt Forecast	31,000	27,500
Under/(over)borrowing	10,340	12,601
Ratio of financing costs to net revenue stream*	7.12%	6.99%
<b>Incremental impact of capital investment decisions:</b>		
Increase/Reduction (-) in Council Tax (band change per annum)	£0.00	-£0.15

\* CFR Commercial property assumes another VRP contribution will be made in 2021/22 of £0.374m

4.10 Detailed below is the monthly investment report.



APPENDIX 1



West Lindsey District Council

Monthly Investment Analysis Review

May 2021

Monthly Economic Summary

General Economy

By rising to 66.1 in May from 60.9 in April, the Flash (i.e. provisional) UK Manufacturing PMI signalled that the sector grew at a record-breaking pace this month. Output, new orders and employment components all rose, whilst purchasing costs recorded their fastest increase since the series began in 1992. The Flash Services PMI, meanwhile, rose to 61.8 in May from 61.0 in April, signalling the fastest pace of expansion in service sector activity since October 2013. As a result, the Flash Composite PMI (which incorporates both sectors), rose to 62.0 in May from 60.7 in April, itself a record high since the index was first compiled in January 1998. The construction PMI, meanwhile, which is released one month behind, eased to 61.6 in April from 61.7 in March. Total new work increased for the 11th consecutive month and at the fastest rate for just over six-and-a-half years, while the pace of job creation was the steepest since December 2015.

GDP data for March showed that, ahead of the unwinding of the third national lockdown, the UK economy grew by 2.1% m/m compared to February's upwardly revised 0.7% m/m gain. Despite this improvement, output still contracted by 1.5% during the first quarter of 2021 thanks to January's contraction. At quarter end, the economy was still 6.1% below that seen just ahead of the pandemic, in Q1 2020. Trade data, meanwhile, revealed that an 8% jump in imports caused the UK's trade deficit to rise to £2.1 billion in March compared to a downwardly revised £0.9 billion in February.

The UK's unemployment rate fell to 4.8% in the three months to March, compared to 4.9% in the previous period and marginally below forecasts of 5%. Within the data, it was notable that employment in fact rose by 84,000 in the three months to March – posting its first gain since March 2020. Vacancies also rose by 36,000 during the period, although they remain 15% below their pre-pandemic level. More timely claimant count data for April also suggested that the number of people who claimed unemployment benefits during the month fell by 15,100 to 2.6 million. Finally, average weekly earnings (including bonuses) rose by 4% y/y in the three months to March compared to a 4.5% y/y rise previously. However, when excluding "compositional effects", caused by the loss of low paid jobs during the pandemic, economists estimate that pay growth was nearer 2.5%.

UK inflation, as measured by the Consumer Price Index, rose to 1.5% y/y in April from 0.7% y/y in March and marginally above market forecasts of 1.4%. The biggest upward contributions came from rising fuel price inflation and energy prices as Ofgem's price caps returned to their pre-pandemic levels. On a monthly basis, consumer prices matched forecasts by rising 0.6% in April, compared to a 0.3% increase in March. With the annual rate still well below the Monetary Policy Committee's 2% target, the Committee voted to maintain Bank Rate at 0.1% and leave their quantitative easing strategy unchanged during their May meeting.

Retail sales, meanwhile, surged 42.4% y/y in April compared to a 7.2% y/y rise in March, significantly above expectations of a 36.8% gain. This abnormally high figure was due to the impact of the first national lockdown depressing sales in April 2020, thus setting an abnormally low base for comparative purposes. On a monthly basis, sales rose 9.2% during April following a 5.1% rise in March, largely the result of a 69.4% m/m leap in clothing and footwear sales following the re-opening of non-essential stores during the month. Reflecting increased optimism amid continued vaccination rollouts, the GfK Consumer Confidence index also posted a gain of 6 points during May to reach -9, exceeding expectations of a rise to -12.

The UK's public sector net borrowing (excluding public sector banks) reached £31.7 billion in April, although this was £15.6 billion less than in April last year. Nevertheless, it still represented the second highest April borrowing since monthly records began in 1993. Public sector net borrowing in the financial year-to-March, meanwhile, was estimated to have been £300.3 billion, £246.1 billion more than in the previous year and the highest nominal public sector borrowing in any financial year since records began in 1947.

In the US, non-farm payrolls rose by 266,000 in April, which was significantly less than both expectations of a rise of 978,000 and March's downwardly revised 770,000 gain. The "miss" was more put down to a lack of available workers, rather than a lack of available jobs. Despite this, the unemployment rate rose to 6.1% from 6% in March as more workers re-entered the labour market and began looking for work. The US economy, meanwhile, expanded at an annualised 6.4% (1.6% q/q) rate in Q1 2021, slightly less than market expectations of 6.5%, and following a 4.3% (1.08% q/q) expansion in the previous quarter. Against this backdrop, price growth (as measured by the Federal Reserve's preferred core Personal Consumption Expenditure deflator) accelerated to 3.1% y/y in April compared to 1.9% in March. This represented the highest inflation rate since the 1990s and well above the Fed's 2% target. Fed officials however, continued to reiterate that such price pressures, caused by fiscal stimulus, supply constraints and rising commodity prices, are expected to be transitory.

In contrast, the Eurozone economy contracted by 1.8% y/y during Q1, following a 4.9% slump during Q4, as several countries across the region reimposed social distancing and lockdown measures. This left output 5.5% lower than prior to the pandemic. Meanwhile, core inflation was confirmed at just 0.7% y/y in April compared to the Flash estimate of 0.9%.

### Housing

Reflecting the continuation of the stamp duty holiday and the desire to re-evaluate living space requirements, the Halifax and Nationwide house price indices both posted robust gains in April. The former saw monthly increases of 1.4% and an annual improvement of 8.2%. This compared to a 2.1% monthly rise and a 7.1% annual gain for the latter.

### Currency

The prospect of lockdown ending in June helped Sterling gain ground against both the Dollar and the Euro this month.

May	Start	End	High	Low
GBP/USD	\$1.3928	\$1.4215	\$1.4215	\$1.3885
GBP/EUR	€1.1535	€1.1625	€1.1674	€1.1513

### Forecast

Link Group changed its Bank Rate forecast this month to incorporate a Bank Rate rise to 0.25% in 2023.

Bank Rate	Now	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%
Capital Economics	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-	-

## West Lindsey District Council

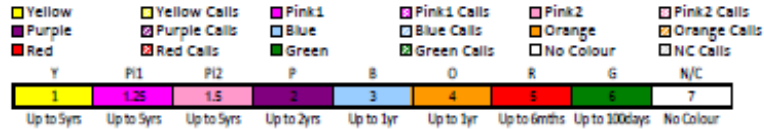
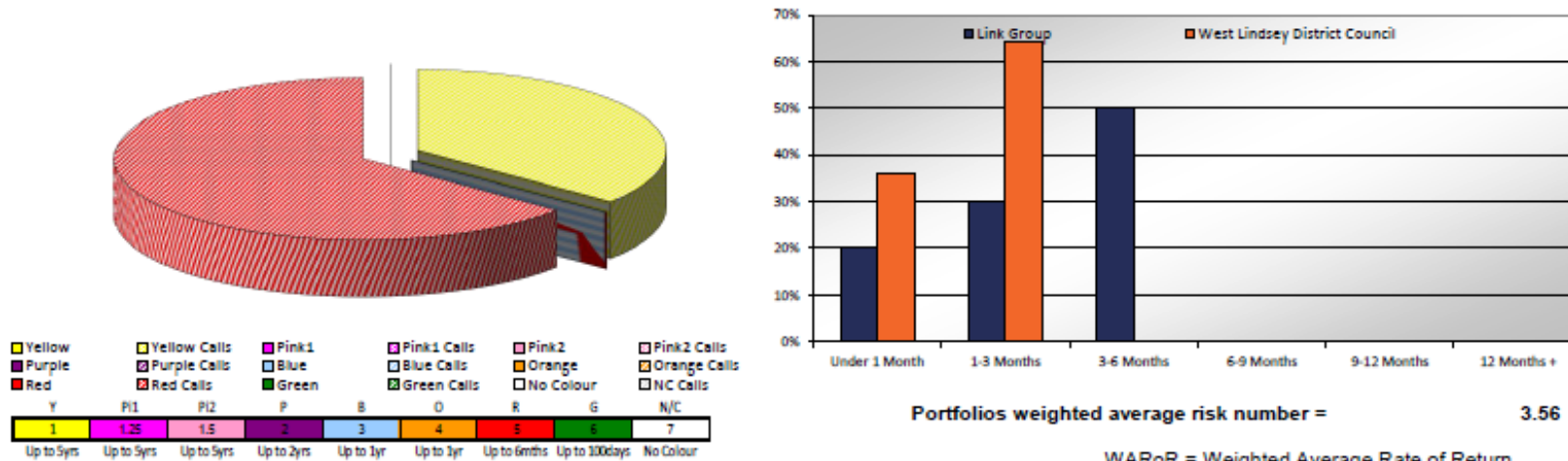
### Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	4,760,000	0.01%		MMF	AAAm	
Lloyds Bank Plc (RFB)	3,500,000	0.03%		Call32	A+	0.004%
Santander UK Plc	5,000,000	0.30%		Call35	A	0.005%
<b>Borrower - Funds</b>	<b>Principal (£)</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>		
OCLA-LAPF	3,000,000	3.70%				
<b>Total Investments</b>	<b>£16,260,000</b>	<b>0.78%</b>				
<b>Total Investments - excluding Funds</b>	<b>£13,260,000</b>	<b>0.12%</b>				<b>0.004%</b>
<b>Total Investments - Funds Only</b>	<b>£3,000,000</b>	<b>3.70%</b>				

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



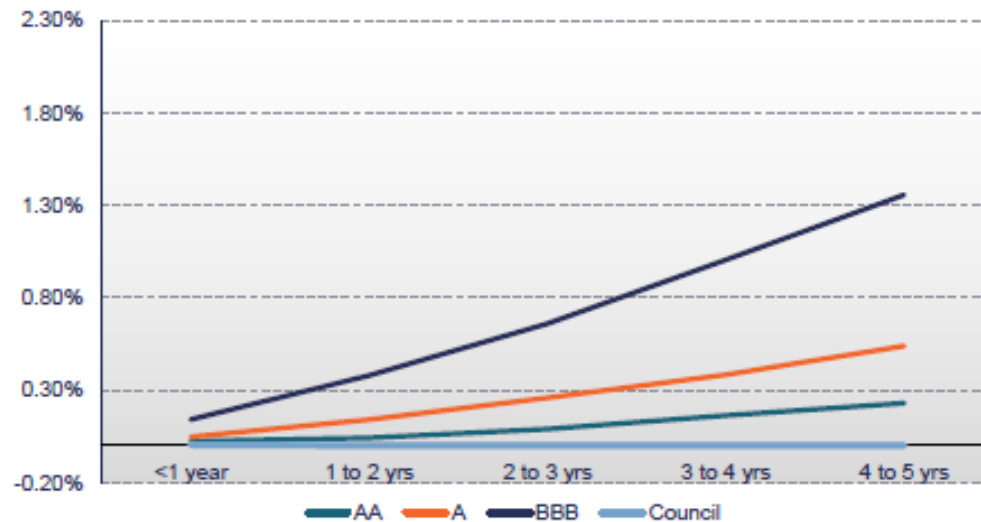
WARoR = Weighted Average Rate of Return  
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs	
									WAM	WAM at Execution
Yellow	35.90%	£4,760,000	100.00%	£4,760,000	35.90%	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	64.10%	£8,500,000	100.00%	£8,500,000	64.10%	0.19%	34	34	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
<b>Total</b>	<b>100.00%</b>	<b>£13,260,000</b>	<b>100.00%</b>	<b>£13,260,000</b>	<b>100.00%</b>	<b>0.12%</b>	<b>22</b>	<b>22</b>	<b>0</b>	<b>0</b>

# West Lindsey District Council

## Investment Risk and Rating Exposure

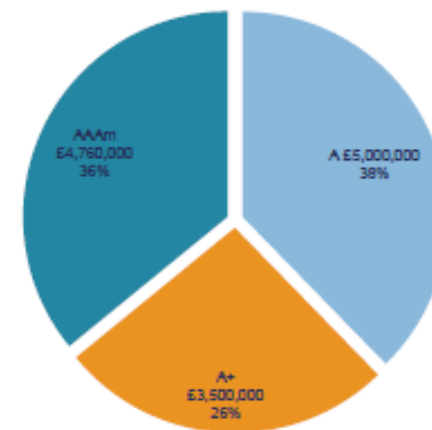
Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.09%	0.16%	0.23%
A	0.05%	0.14%	0.26%	0.38%	0.54%
BBB	0.14%	0.38%	0.66%	1.01%	1.36%
Council	0.00%	0.00%	0.00%	0.00%	0.00%

Rating Exposure



### Historic Risk of Default

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

### Chart Relative Risk

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

### Rating Exposures

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

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
13/05/2021	1805	Citibank N.A.	United States	The Outlook on the Long Term Rating was changed to Stable from Negative.
19/05/2021	1806	Macquarie Bank Ltd	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
27/05/2021	1809	Close Brothers Ltd	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.

### West Lindsey District Council

#### Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
				There were no rating changes to report.

### West Lindsey District Council

#### Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
13/05/2021	1804	Santander Financial Services Plc (NRFB)	United Kingdom	'A2' Long Term Rating and 'A-2' Short Term Rating were assigned to this entity. At the same time, a Negative Outlook was assigned to the Long Term Rating.
24/05/2021	1807	JP Morgan Chase Bank N.A.	United States	The Outlook on the Long Term Rating was changed to Positive from Stable.
24/05/2021	1808	Bank of America N.A.	United States	The Outlook on the Long Term Rating was changed to Positive from Stable.

## West Lindsey District Council

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