

**Subject: Budget and Treasury Management Monitoring – Period 2 2016/17
including Mid-Year Review and
Treasury Management Mid-Year Report.**

Report by:	Financial Services Manager (Deputy S151) Tracey Bircumshaw
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Purpose / Summary:	This report sets out the revenue, capital and treasury management activity from 1 April 2016 to 30 September 2016.

RECOMMENDATION(S):

- a) **That Members accept the forecast out-turn position as at 30 September 2016. (1.1)**
- b) **That Members accept the draft MTFP position for 2017/18 to 2021/22.**
- c) **Members accept the use of Earmarked Reserves approved by the Director of Resources using Delegated powers (2.1)**
- d) **Members grant approval to incur Capital expenditure. (7.2)**
- e) **Members approve the amendments to the Capital and Revenue budget, including creating budgets for projects funded by grants and not included in the original Capital Programme.**
- f) **Members approve the Capital budget carry forwards of £5,640k (12.3)**
- g) **Members accept the Commercial Income position.**
- h) **That Members accept the Treasury Management Report and Treasury position to 30 September 2016.**

IMPLICATIONS

Legal: None arising as a result of this report.

Financial FIN/87/17

The current forecast surplus totals £575k as at 30 September 2016, work will continue throughout the year to monitor the situation and to identify ongoing impacts on the Medium Term Financial Plan as part of the Budget Process. However it is anticipated that, subject to unknowns at this time, this will be the out-turn position at 31 March 2016.

The capital forecast out-turn position for 2016/17 is estimated to be £10,928k with an out-turn variance against the capital programme revised budget of £5,982k, £5,640k has been requested as capital budget carry forwards and £342k saving.

The Treasury Management activities during the reporting period are disclosed in the body of this report.

There have been no breaches of Treasury or Prudential Indicators to report and we again out-perform our benchmark in relation to investment yields.

Staffing: None arising as a result of this report.

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

Risk Assessment: This is a monitoring report only.

Climate Related Risks and Opportunities: This is a monitoring report only.

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

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

Executive Summary

1. REVENUE BUDGET MONITORING – Forecast out turn for 2016/17

1.1 The forecast Revenue Budget out-turn for the 2016/17 financial year is a surplus position of £575k as at Period 2 (30 September 2016). Previous forecast as at Period 1 (31 May 2016) was surplus of £177k.

1.2 The significant variances are;

EXPENDITURE	£000	Direction of Travel
BUDGET UNDERSPENDS		
Salary savings.	-£179	↑
Reduction in Pension Deficit payable to Pension fund due to overpayment during 2015/16.	-£171	↔
Local Tax Collection - summons and committal forecast costs based on activity to date.	-£20	NEW
Housing Strategy - no further payments to other agencies due.	-£15	NEW
Corporate Governance - software support & maintenance saving.	-£18	NEW
Base budget review after actual outturn savings.	-£53	NEW
PRESSURES		
HMRC underpayment relating to 2013/2014	£34	NEW
Marshall's Yard Offices - unbudgeted repairs.	£13	NEW
Various forecast outturn variances <£10k	-£10	↓
	-£419	

INCOME	£000	Direction of Travel
BUDGETED INCOME EXCEEDED		
Planning Application fees projected to exceed budget for year - to offset increased staffing costs to meet demand.	-£220	NEW
Homelessness - safeguarding officer LCC (16/17 only)	-£14	NEW
Housing Benefits - pressure attributable to rent allowance recovery offset by DHP Discretionary Payments Grant.	-£21	NEW
Trade Waste income increased demand for service.	-£27	NEW
Investment Interest receivable.	-£40	NEW
BUDGETED INCOME NOT ACHIEVED		
Licence income reduced due to anticipated reduction in applications (Hackney Carriage licences £8k).	£10	↔
Local Land Charges - Law Society change - no longer charge for CON290	£10	NEW
Street Cleansing for private clients - slow down in demand for service.	£15	NEW
Corporate Fraud - no definite external work confirmed at this point.	£29	NEW
Projected rental income from purchase of investment properties not yet realised.	£50	NEW
Car Park income pressure due to loss of income from Market Rasen, offset by increased income in Gainsborough.	£40	NEW
Market stallage income not expected to meet budgeted target based on current take up- review of market service in progress.	£12	↑
	-£156	
TOTAL VARIANCE		-£575

- 1.3 Included within the forecast surplus is £170.8k which relates to overpaid employer contributions during 2015/16 which have been treated as an early payment of the Pension Deficit due in 2016/17, as agreed with the Lincolnshire Pension Fund. This committee agreed to this one-off surplus being returned to the General Fund balance at its meeting on 28 July 2016.
- 1.4 Also included within the forecast surplus are Base Budget Review savings of £52.7k.

Following the closure of accounts 2015/16 a review of 2016/17 controllable Base Budgets compared to previous 3 years spend is carried out by Budget Managers with their Finance Business Partners to identify budget savings or opportunities to increase income targets. Whilst in year savings total 52.7k, the ongoing impact is £147.5k across all services and will be built into the Medium Term Financial Plan 2017-18, thus reducing the Council's saving target.

The savings identified in year 2016/17 of £52.7k will be removed from service budgets.

2. Use and Contribution to Reserves 2016/2017

- 2.1 The Director of Resources has used delegated powers to approve the use of earmarked reserves under £50k, new delegated decisions totalled £135.7k;
- £28.7k from Community Grant Scheme reserve. Payment to Community Lincs (2nd year of 3 year agreement). Release of Community Grant Scheme over 3 years approved by CP&R 19/02/15 (FIN/134/15).
 - £50k from Local Development Order (LDO) earmarked reserve for commissioning technical studies (flood, contamination, master-planning).
 - £2k from Parish Lighting earmarked reserve. To support the ongoing SLA agreement with LCC for maintenance costs.
 - £40.8k from Community Grant Scheme earmarked reserve. Cost of equipment and installation of community defibrillators. £8.2k to be recovered as contributions from site locations over the next 12 months which will be returned to the earmarked reserve (net cost of scheme £32.6k). Scheme approved by Prosperous Communities 13.09.16 (FIN/69/17)
 - £14.2k from Councillor Initiative Fund reserve. To match spend to date - £108k approved over 3 years from 16/17 to 18/19. Approved by CP&R 12.05.16 FIN/12/17

3. Grants

As at 1st April 2016 we had an amount of £420k 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.

3.1 Successful Grant Bids

Aviation Heritage Lincolnshire – Bastian in the Skies project has been awarded £423,500 by the Heritage Lottery Fund. WLDC will act as the accountable body for this grant.

4. Other Items for information

4.1 Planning Appeals

In period 2 2016/17 there were 20 appeals determined, as follows;

June 2016 – 13 appeals, 7 dismissed and 6 allowed

July 2016 – 3 appeals, 3 dismissed

August 2016 – 3 appeals, 3 dismissed

September 2016 – 1 appeal, 1 dismissed

None of these appeals resulted in an award of costs against the Council.

5. Fees and Charges

Members were presented with the 2016/17 Fees and Charges report on 17 December 2015. It was agreed that in future, budget monitoring would incorporate monitoring income reporting on volume and price variances.

The data for Period 2 is included in this report at Appendix B.

6. Mid Year Medium Term Financial Plan Update

Whilst the budget process is ongoing, and we await final outcomes of the finance settlement and actuarial pension review it is envisaged that we have identified adequate savings or increased income to balance the 2017/18 budget without the use of General Fund Balances.

With regard to the Medium Term Financial Plan, we are still considering options to meet the circa £1m funding gap currently anticipated by 2021/22.

The Business Plans and investment options to generate these funds is ongoing.

Further detail is included within the report at

7. CAPITAL BUDGET MONITORING - Forecast out turn for 2016/17

7.1 The capital programme spend for the year is £10,928k, which is a variance against revised budget of (£5,982k).

Of this £5,640k is requested to be carried forward and represents slippage and multi-year spend on approved schemes. The details of the capital carry forward requests are detailed at (13.3).

7.2 Capital Programme 2016/17 - Update

A request for budget approval of £400k to facilitate a loan advance is reported elsewhere on this agenda.

7.3 Approval to incur Capital Expenditure

There have been no requests for approval to incur Capital Expenditure.

8. TREASURY MANAGEMENT UPDATE – Forecast Out Turn for 2016/17

There have been no breaches of Prudential Indicators.

Interest received has been in excess of the 7 day libid benchmark (0.28%) with an average yield of 1.22%

9. INTRODUCTION

- 9.1 This is the second in a series of reports for the financial year 2016/17 that gives Members information on differences between the approved budgets and forecast outturn income and expenditure for the year ended 31 March 2017. The financial information has been presented in an income and expenditure layout.
- 9.2 The capital programme is presented within the body of the report.
- 9.3 Compared to the approved budget for 2016/17 the Council's forecast outturn revenue position as at 31st March 2017 is a surplus of £575k.

10. REVENUE FORECAST OUT-TURN (April 2016 to March 2017)

10.1 The forecast revenue out-turn as at 31 March 2017 income and expenditure variances are shown in the table below.

Revenue Budget Monitoring September 2016	2016/17 Original Budget £	2016/17 Revised Budget £	2016/17 Budget Profile to 30 September £	2016/17 Actual to 30 September £	2016/17 Variance to Budget £	2016/17 Forecast Outturn £	2016/17 Outturn Variance £
Income							
Government Grants	0	0	0	0	0	0	0
Service Specific Government Grants	(23,429,100)	(23,503,283)	(11,658,130)	(11,967,991)	(309,861)	(23,215,568)	287,715
Other Grants and Contributions	(622,200)	(3,000)	0	(4,928)	(4,928)	(4,900)	(1,900)
Customer and Client Receipts	(2,985,400)	(4,093,020)	(1,746,590)	(2,089,509)	(342,919)	(3,949,919)	143,101
Total Income	(27,036,700)	(27,599,303)	(13,404,720)	(14,062,428)	(657,708)	(27,170,387)	428,916
Expenditure							
Employees	9,666,100	9,755,650	4,956,875	4,986,069	29,194	9,606,595	(149,055)
Premises	1,010,100	1,021,800	524,044	543,589	19,545	774,119	(247,681)
Transport	919,100	929,000	423,682	397,322	(26,360)	890,231	(38,769)
Supplies and Services	1,857,900	2,840,930	1,108,466	1,698,147	589,681	2,700,776	(140,154)
Third Party Payments	1,595,000	2,075,600	933,884	1,553,817	619,933	2,048,724	(26,876)
Transfer Payments	23,213,400	23,371,900	11,770,501	11,553,424	(217,077)	22,981,177	(390,723)
Total Expenditure	38,261,600	39,994,880	19,717,452	20,732,369	1,014,917	39,001,622	(993,258)
Business Units Controllable Total	11,224,900	12,395,577	6,312,732	6,669,941	357,209	11,831,235	(564,342)
Corporate Accounting							
Interest and Investment Income	(214,500)	(214,500)	(62,763)	(62,763)	0	(254,500)	(40,000)
Interest Payable	192,500	192,500	19,055	19,055	0	139,700	(52,800)
Parish Council Tax Requirement	1,610,050	1,610,050	1,610,050	1,610,050	0	1,610,050	0
Drainage Board Precept	338,300	338,300	169,150	169,451	301	338,900	600
Statutory Accounting							
Capital Expenditure Charged to General Fund	2,888,700	2,888,700	0	0	0	2,888,700	0
Support Services	5,689,600	5,279,300	33,150	0	(33,150)	5,279,300	0
Recharges	(5,689,600)	(5,279,300)	(33,150)	0	33,150	(5,279,300)	0
Movement in Reserves							
Transfer To / From General Fund	(109,615)	(110,292)	0	242,000	242,000	(314,692)	(204,400)
Transfer To / From Specific Reserves	(706,100)	(1,879,900)	0	0	0	(1,594,200)	285,700
Net Revenue Expenditure	15,224,235	15,220,435	8,048,224	8,647,734	599,510	14,645,193	(575,242)
Funded By							
Revenue Support Grant	(1,387,300)	(1,387,300)	(124,861)	(124,861)	0	(1,387,300)	0
Capital Grants and Contributions	0	3,800	0	46,376	46,376	3,800	0
Other Government Grants	(565,900)	(565,900)	(283,064)	(352,945)	(69,881)	(565,900)	0
Retained NNDR	(3,309,700)	(3,309,700)	271,983	271,983	0	(3,309,700)	0
New Homes Bonus	(2,480,600)	(2,480,600)	(1,246,637)	(1,246,637)	0	(2,480,600)	0
Council Tax	(5,668,602)	(5,668,602)	0	0	0	(5,668,602)	0
Parish Council Tax requirement	(1,610,050)	(1,610,050)	0	0	0	(1,610,050)	0
Council Tax Freeze Grant	0	0	0	0	0	0	0
Share of Council Tax Surplus	(202,083)	(202,083)	0	0	0	(202,083)	0
Total Funded By	(15,224,235)	(15,220,435)	(1,382,579)	(1,406,084)	(23,505)	(15,220,435)	0
(Surplus) / Deficit for the Year	0	0	6,665,645	7,241,650	576,005	(575,242)	(575,242)

10.2 The forecast revenue out-turn as at 31 March 2017 variances by Strategic Clusters of Services are shown in the table below. Further analysis by Business Unit is included in this report at Appendix A.

CLUSTER	2016/17 up to 30th September 2016 Revised Budget £	2016/17 up to 30th September 2016 Forecast Outturn £	2016/17 up to 30th September 2016 Forecast Outturn Variance £
Chief Executive / Directors	562,400	550,500	(11,900)
Commercial	2,446,500	2,467,000	20,500
Customer First	1,524,100	1,469,643	(54,457)
Democratic and Member Support	3,228,500	3,153,355	(75,145)
Economic Development and Neighbourhoods	1,804,377	1,445,659	(358,718)
Housing and Regeneration	1,482,400	1,521,478	39,078
Organisational Transformation	1,347,300	1,223,600	(123,700)
Controllable Total	12,395,577	11,831,235	(564,342)
Corporate Accounting Total	1,926,350	1,834,150	(92,200)
Statutory Accounting Total	2,888,700	2,888,700	0
Movement in Reserves Total	(1,990,192)	(1,908,892)	81,300
Net Revenue Expenditure	15,220,435	14,645,193	(575,242)
Funding Total	(15,220,435)	(15,220,435)	0
(SURPLUS)/DEFICIT FOR THE YEAR	0	(575,242)	(575,242)

10.3 The major variances of note are detailed below.

- a) Purchase of Investment Properties – completion of purchase of investment properties is not anticipated before January 2017, compared to budgeted forecast of July 2016. This results in a net pressure of £50k during 2016/17.
- b) Commercial projects – budgeted income and expenditure built into the MTFP are not anticipated to be utilised during 2016/17. The forecast shortfall was to be met from reserves, therefore this has resulted in an increase in forecast reserves balance of £100.7k, with no impact on the overall budget position of the Council.
- c) Included within the forecast surplus are Base Budget Review savings of £52.7k, across several budget lines.

INCOME

Service Specific Government Grants - £288k deficit

Pressure attributable to rent allowance recovery has been offset by DHP Discretionary Payments grant. Net surplus of (£21k) across Housing Benefits is forecast.

Customer and Client Receipts – £143k deficit

Taxi Licence Income – a reduction in the number of applications, partly due to recent policy changes, and the impact of a change in Government policy to issue licences for 3 years rather than annually has resulted in a forecast reduction in income of £8k. The profiled budget implications of the policy changes will be built into the MTFP for future years.

Market Stallage Fees – cancelled markets and lower stall numbers has resulted in a forecast reduction in income of £12k. A review of the market service is in progress.

Car Park Income – deficit of (£65K) of which £15k due to the delay in charging at Market Rasen, £50k relates to a number of factors, Beaumont Street remaining open, delay in implementing new charges and free after 3 impacty, this is offset also by increased income from sale of season tickets (£25k). It must be noted that the budget was modelled on assumptions as no data was available.

Planning Application fees – projected to exceed budget for year by (£220k) due to a rise in the number of major applications.

Homelessness – income of (£14k) received in 2016/17 only for safeguarding officer.

Corporate Fraud – pressure of £29k against commercial income budgets. External work has not been agreed although there is potential to work with neighbouring Local Authorities.

Street Cleansing – there is a forecast pressure of £15k due to a slowdown in demand for the service.

Local Land Charges – due to a Law Society change there is no longer a charge for CON290 work, resulting in a £10k pressure.

Trade Waste – increased income of (£27k) is forecast for the year, due to increased demand for the service.

Investment Properties – deficit of £139.2k – see note above for net impact on budget position.

Commercial projects – deficit of £175.8k – see note above for net impact on budget position.

EXPENDITURE

Employees – (£149k) surplus

Salary costs are (£179k) less than revised budget. This variance is due to a reduction in costs arising from vacancies pending the outcome of proposed restructures and future recruitment to vacant posts.

£34k has been paid to HMRC in year relating to an underpayment in 2013/14.

Premises – (£248k) surplus

Commercial Projects – surplus of (£276.5k) borrowing costs – see note above for net impact on budget position.

Marshall's Yard Offices – deficit of £11k due to unbudgeted repairs and maintenance costs.

Transport – (£39k) surplus

The Base Budget Review has identified (£27k) savings against transport budgets – primarily fuel (£24.5k) due to fluctuating prices in year and impact of purchase of fuel efficient refuse collection vehicles.

Supplies and Services – (£140k) surplus

Corporate Governance – savings of (£18k) have been identified for software support and maintenance as there are no major updates anticipated for the remainder of the financial year.

Community Transport scheme – (£100k) pa for 2 years was approved by Members from Earmarked Reserves to develop a Community Transport scheme. There is no spend expected during this financial year. The budget will be returned to the Earmarked Reserve and drawn down at a future date when required.

Council Tax collection – saving (£13k) reduction in summons and committal costs based on activity to date.

Third Party Payments – (£27k) surplus

Housing Strategy – no further payments to other agencies are due this financial year, resulting in a saving of (£15k). Project delivery budget of (£18k) has been identified through Base Budget Review as no longer needed and is an ongoing saving.

Transfer Payments – (£391k) surplus

Pressure attributable to rent allowance recovery has been offset by DHP Discretionary Payments grant. Net surplus of (£21k) across Housing Benefits is forecast.

Interest and Investment Income – (£40k) surplus

Investment interest receivable for the year is forecast to be (£40k) above budget, reflective of higher than anticipated cash, due to capital programme slippage.

Interest Payable – (£53k) surplus

Investment Properties – surplus of (£53k) – see note above for net impact on budget position.

Transfer to/from General Reserves – (£204k) surplus

Overpaid Employer Contributions – (£170.8k) which relates to overpaid employer contributions during 2015/16 have been treated as an early payment of the Pension Deficit due in 2016/17, as agreed with the Lincolnshire Pension Fund.

This was reported to Members within the Budget and Treasury Management Monitoring – Quarter 1 2016/17 report on 28 July 2016, where it was agreed that this one-off surplus in 2016/17 be returned to General Fund balances.

Investment Properties – surplus of (£34k) – see note above for net impact on budget position.

Transfer to/from Specific Reserves – 286k deficit

Commercial Projects slippage – increase in reserve of £100.7k – see note above for net impact on budget position.

£185k forecast movement in earmarked reserves (including £100k return to Community Transport reserve).

11. Aged Debt Summary

Aged Debt Summary Period 1 Monitoring Report

At the end of September 2016 there was a total of £340k outstanding debt in the system over 90 days. The majority of this debt was over 150 days old and mainly comprised of:

Trade Waste of £19k

Waste £15k

Public Protection of £35k - irrecoverable approval to write off to be approved

Housing Benefits £60k – pre

Housing of £64k

Property and Assets of £77k of which £31k is in dispute

Month	90 – 119 days	120 – 149 days	150+ days	Total
April	4,746	5,319	211,130	221,196
May	5,566	5,354	216,147	227,067
June	63,058	5,127	207,263	275,448
July	11,711	58,543	202,426	272,680
August	21,777	10,225	254,105	286,108
September	56,795	19,005	264,068	339,869

12. CHANGES TO THE ORGANISATION STRUCTURE

Changes to the establishment are made under Corporate Delegation by the Chief Executive and S151 Officer.

12.1 Localism

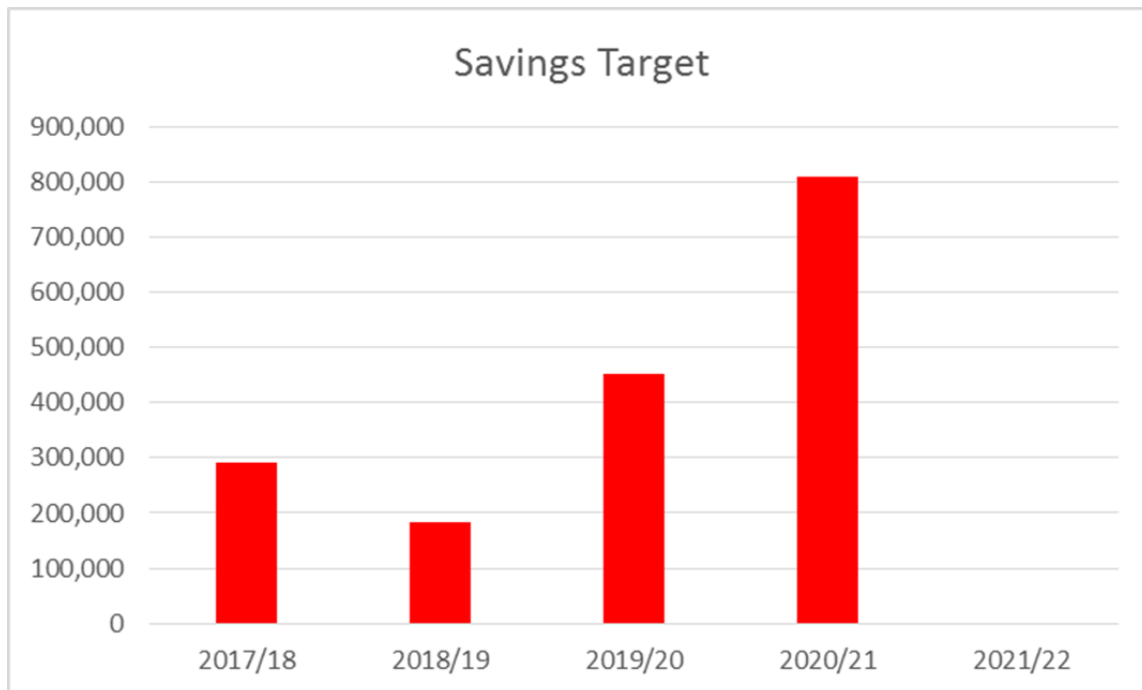
We have reviewed the approach to “localism” following a report to the Prosperous Communities Committee in October 2015. This led to a restructuring of the team in 2016 giving a greater focus on communities helping themselves and dealing with community safety and anti-social behaviour issues. As well as ensuring we use resources efficiently to tackle these issues it has helped to save around £181k.

12.2 Operational Services

A temporary structure has been in place within the Operational Services Management Team since the last service manager left the organisation in 2013. A restructure proposal has been approved by GCLT and will now be rolled out, with full implementation expected by early November. The previous Team Managers role has been merged with the vacant Strategic Lead Commercial position to create a Head of Operations and Trading Services. The post holder will dedicate 80% of his time to commercial trading services and 20% dealing with strategic waste issues. Therefore roles and responsibilities of the rest of the team have been reviewed with two posts given additional responsibility for leading the services, there is also more resilience being provided for the front line management of the operational teams-this is in line with the demands of increasing Health and Safety legislation. A new administrative post is also being created to assist with the additional burden created mainly by services having a more commercial focus. The new structure gives individuals the opportunity to develop and will provide resilience for the foreseeable future. It results in an annual sustainable saving of over £23k.

13. Medium Term Financial Plan update

The Medium Term Financial Plan identified a savings target of £1.065m by 2020/21. A number of new budgets and savings have been approved by this Committee, by the Chief Executive as Head of Paid Service and changes in government policies relating to increased budget requirements for the Apprenticeship Levy and Living Wage impacts. Resulting in a current savings target of £0.811m for 2020/21 with an anticipated further £0.250 needing to be realised for 2021/22



Further savings have been identified to balance the 2017/18 budget, relating to contract renewals, proposed structure changes and increased planning fee income expectations. However, these are yet to be clarified and will be detailed in future Budget setting reports, due to be presented to this Committee in February.

The Business Planning process for 2017/18 is currently underway, these Cluster Business Plans detail options for future investment needed to deliver corporate plan objectives, new efficiencies and/or additional income to meet saving targets.

We await details of the Actuarial Pension Review, the Financial Settlement, New Homes Bonus (which is currently under review) to inform Council Tax setting and to enable us to finalise the Medium Term Financial Plan, due to be presented to Council on 6 March 2017.

14. Capital Programme Forecast Out turn

14.1 The Capital Programme 2016/17 was approved at Council on 3 March 2016 and totalled £15,109k, and carry forwards of £1,785k approved at its meeting in 12 May 2016 giving a revised budget of £16,894k.

14.2 The forecast capital programme spend for the year is £10,943k and therefore this committee are asked to approve this as a revised Capital Budget 2016/17. Significant schemes are planned over the medium term and continue to be developed, and will therefore be reprofiled over the Medium Term. A variance of £5,989k is therefore expected, with £342k being surpluses against budgeted costs and carry forward requests of £5,640k.

14.3 The carry forwards of £5,640k represents slippage and multi-year spend on the following schemes. Further narrative is included in the capital monitoring table below.

Capital Scheme	£	Corporate Priority
Market Place	100,000	Asset Management
WLDC Business Loans via Crowd funding	500,000	Open for Business
Replace IDOX scanner	10,000	Excellent VFM Services
CRM System	40,000	Excellent VFM Services
Gainsborough Growth	2,575,000	Central Lincolnshire Local Plan
Hemswell Masterplan - Public Realm Improvements	130,000	Asset Management
Commercial Investment Other	2,065,000	Asset Management
Replacement Planning/Building Control/Land Charges System	20,000	Excellent VFM Services
Capital Enhancements to Council Owned Assets	200,000	Asset Management

Total	5,640,000
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14.4 Property Acquisitions to Period 2

There have been no property acquisitions during period 2.

14.5 Capital Receipts to Period 2

There has been a £39k capital receipt during period 2. It is expected that the Council will receive £20k for the sale of a plot of land in the near future.

14.6 New Capital Schemes

A request for £400k budget provision for the purpose of a loan advance is included elsewhere on this agenda.

14.7 The forecast capital out-turn as at 31st March 2017 and capital programme variances are shown in the table below.

Capital Investment Programme 2016/17

Corporate Priority / Scheme	Actuals to 30/09/201	Original Budget	Revised Budget 2016/17	Forecast Outturn	Underspend	Carry Forward Requests	Comments
		£	£	£	£	£	
Open for Business							
WLDC Business Loans via crowd funding	0	500,000	500,000	0	0	(500,000)	Business case currently being developed
Company Purchase	60,000	0	75,000	75,000		0	
Broadband	0	0	555,000	444,000	(111,000)	0	Currently in negotiations with LCC regarding final contract price
People First							
Disabled Facilities Grants	213,865	472,500	618,900	618,900	0	0	Demand suggests budget will be fully expended
Prosperous & Enterprising							
Independent Living	34,268	0	34,300	34,268	(32)	0	Demand suggests budget will be fully expended
Strategic Housing - Empty homes	34,238	0	74,100	74,100	0	0	Budget is for works to purchased houses, work ongoing
Asset Management							
Capital Enhancements to Council Owned Assets	76,593	655,000	774,300	574,300	0	(200,000)	Continued required capital investment in council assets
Carbon Management Plan	0	0	20,000	20,000	0	0	
Market Place	0	150,000	150,000	50,000	0	(100,000)	Scheme under development
Hemswell Masterplan	0	150,000	150,000	20,000	0	(130,000)	Scheme under development
Commercial Investment - Property Portfolio	0	5,000,000	5,000,000	5,000,000	0	0	Potential properties currently being evaluated
Commercial Investment - Other	0	2,165,000	2,165,000	100,000	0	(2,065,000)	Business case approved, scheme under development but unlikely to commence this financial year
Central Lincolnshire Local Plan							
Gainsborough Growth	0	3,225,000	3,225,000	650,000	0	(2,575,000)	Significant regeneration programme, schemes under development
Acquisitions	13,620	1,200,000	1,200,000	995,000	(205,000)	0	Approval given for property acquisition
Gainsborough Growth Fund	139,385	125,000	392,000	392,000	0	0	Demand suggests budget will be fully expended
Food Enterprise Zone infrastructure	0	250,000	250,000	250,000	0	0	
Marina	0	0	0	0	0	0	
Excellent, VFM Services							
Replacement Refuse Freighters	902,926	930,000	1,069,100	1,057,900	(11,200)	0	Vehicles will be replaced throughout the year as lease expires
Desktop Refresh/SAN and SQL replacement	0	10,000	10,000	10,000	0	0	Hardware replacement/upgrades required for 2016/17 will be expended during the year
Update Job Evaluation System	0	10,000	10,000	10,000	0	0	Systems being identified for evaluation
Replace IDOX Scanner	0	10,000	10,000	0	0	(10,000)	Unlikely to proceed until 2017/18
Meeting Room management software	0	15,000	15,000	0	(15,000)	0	Not to be progressed
CRM System	0	50,000	50,000	10,000	0	(40,000)	Systems being identified for evaluation
Refurbishment Interior Trinity Arts Centre	7,111	40,000	40,000	40,000	0	0	Scheme underway, Curtains and Screen procured
Website Replacement	1,921	0	38,300	38,300	0	0	Ongoing costs of website development
Replacement Building Control/Land Charges/Planning System	35,112	0	200,000	180,000	0	(20,000)	Carry forward request to allow for post project milestone payment
CCTV System upgrade	132,617	0	180,000	180,000	0	0	Phase 1 complete. Scheme on track to be completed this financial year
Replacement Financial Ledger suite	10,395	0	10,400	10,400	0	0	Scheme completed
Civic Services Investment	29,200	51,000	93,500	93,500	0	0	Considerations ongoing
Total Capital Programme Gross Expenditure	1,691,251	15,008,500	16,909,900	10,927,668	(342,232)	(5,640,000)	

15. Treasury Management Mid-year report including Quarter 2 April – September 2016 monitoring

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council on 3 March 2011.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Governance and Audit Committee:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2016/17 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2016/17;
- A review of the Council's borrowing strategy for 2016/17;
- A review of any debt rescheduling undertaken during 2016/17;
- A review of compliance with Treasury and Prudential Limits for 2016/17.

15.1 Key Changes to the Treasury and Capital Strategies

The Committee are requested to recommend the following changes to the Governance and Audit Committee for scrutiny prior to recommendation to Council.

The Borrowing Strategy

With regard to the borrowing strategy – where capital investment is required that does not achieve a commercial return to finance borrowing costs, the borrowing will be undertaken if costs of borrowing are both affordable and sustainable over the life of the asset.

15.2 Economics update

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme. The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and business surveys, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.

The Bank of England meeting on August 4th addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8%. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market.

He also warned that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor Phillip Hammond announced after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on November 23.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI has started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 10% fall in the value of sterling on a trade weighted basis is likely to result in a 3% increase in CPI over a time period of 3-4 years. However, the MPC is expected to look thorough a one off upward blip from this devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures within the UK economy.

The American economy show forward indicators are pointing towards a pickup in growth in the rest of 2016. The Brexit vote, has caused a delay in the timing of an increase in interest rates which is now strongly expected in December this year.

In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) but slowed to +0.3% (+1.6% y/y) in quarter 2. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand in the their economies and economic growth.

Japan is still showings slow growth and making little progress on fundamental reform of the economy while Chinese economic growth has been weakening and medium term risks have been increasing.

15.3 Interest Rate Forecasts

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

Capita Asset Services undertook a quarterly review of its interest rate forecasts after the MPC meeting of 4th August cut Bank Rate to 0.25% and gave forward guidance that it expected to cut Bank Rate again to near zero before the year end. The above forecast therefore includes a further cut to 0.10% in November this year and a first increase in May 2018, to 0.25%, but no further increase to 0.50% until a year later. Mark Carney,

has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when the growth in average disposable income is still weak and could well turn negative when inflation rises during the next two years to exceed average pay increases.

The overall longer trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities. However, we have been experiencing exceptional levels of volatility in financial markets which have caused significant swings in PWLB rates. Our PWLB rate forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The overall balance of risks to economic recovery in the UK remains to the downside. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some major developed economies, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Weak capitalisation of some European banks.
- A resurgence of the Eurozone sovereign debt crisis.
- Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a further flight to safe havens (bonds).
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.50
3 month LIBID	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.30	0.40	0.50	0.60
6 month LIBID	0.30	0.30	0.30	0.40	0.40	0.50	0.50	0.50	0.60	0.60	0.70
12 month LIBID	0.50	0.50	0.60	0.60	0.70	0.70	0.70	0.80	0.80	0.80	0.90
5 yr PWLB	1.00	1.00	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.30
10 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80
25 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60
50 yr PWLB	2.10	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.40

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

15.4 Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2016/17, which includes the Annual Investment Strategy, was approved by the Council on 3 March 2016.

The underlying TMSS approved previously requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out below:

- Increase in maximum investment with Local Authority Property Fund to £3m – With slippage in the capital programme and minimal long term investment options it is proposed that this limit is increased. This does not come without risks – the value of the investment can go down and may result in an impairment of the investment at some future time

These changes be recommended to the Governance and Audit to scrutinise prior to approval by full Council.

15.5 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure, Changes to the Financing of the Capital Programme

This table below draws together the main strategy elements of the capital expenditure plans, highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the

table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue changes for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2016/17 Original Estimate £'000	2016/17 Revised Estimate £'000
Total Unsupported spend	15,109	10,928
Financed by:		
Capital receipts	806	1,104
Capital grants	898	1,045
Revenue	3,115	2,784
S106	0	0
Leases	0	0
Total financing	4,819	4,933
Borrowing need	10,290	5,995

15.6 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose*. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

15.7 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

There have been no changes to the Treasury or Prudential Indicators.

The Director of Resources reports that no difficulties are envisaged for the current or future years in complying with prudential indicators.

The reduction in Indicators at Q2 reflect the impact of the revised Capital Programme.

The Treasury and Prudential monitoring information is reported below;

	Original £'000	P1 £'000	Q2 £'000
Treasury Indicators			
Authorised limit for external debt	22,931	22,931	22,931
Operational boundary for external debt	10,411	10,411	10,411
External Debt	10,290	10,290	0
Long term Leases	342	342	342
Investments	-16,882	-22,584	-23,155
Net Borrowing	-6,250	-22,242	-22,813
Prudential Indicators			
Capital Expenditure	15,109	16,970	10,928
Capital Financing Requirement (CFR)*	11,476	11,476	7,181
Annual change in CFR*	10,069	10,069	5,774
In year borrowing requirement	10,290	10,290	5,995
Under/(over)borrowing	3,960	3,960	2,056
Ratio of financing costs to net revenue stream*	0.49%	0.51%	0.0%
Incremental impact of capital investment decisions:			
Increase/Reduction (-) in Council Tax (band change per annum)	£0.99	£1.02	-£0.16

15.8 Investment Portfolio

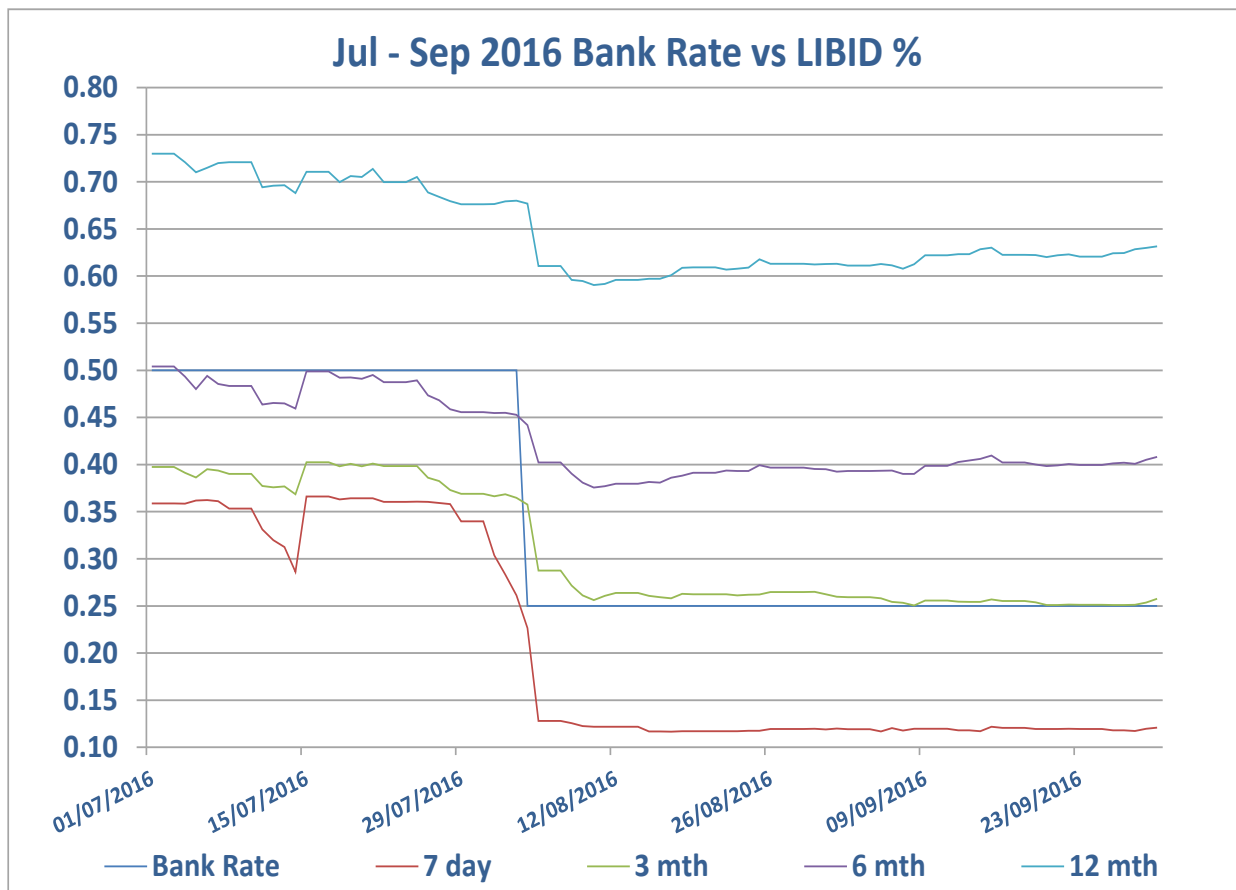
In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.25% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis together with other risks which could impact on the

creditworthiness of banks, prompts a low risk strategy. Given this risk environment, investment returns are likely to remain low.

The average level of funds available for investment purposes during the quarter was £23.1m (£22.5m P1). These funds were available on a temporary basis, the level of funds available was dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council holds £21m core cash balances for investment purposes (i.e. funds available for more than one year). The annualised investment rate for the first six months of the year is 1.22% against a benchmark 7 day libid of 0.28%.

Investment performance for period ended 30 September 2016

Benchmark	Benchmark Q1	Actual Q1	Interest Earned P1 £	Benchmark Q2	Actual Q2	Interest Earned Q2 £
Overnight	0.36%	0.47%	5,973	0.28%	0.31%	5,933
7 day	0.36%	0.75%	5,728	0.28%	0.65%	4,892
1 month	0.38%	-	-	0.30%	-	-
3 month	0.46%	0.55%	3,793	0.38%	0.44%	358
6 month	0.60%	0.75%	11,765	0.52%	0.83%	11,037
9 month	-	0.84%	4,188	-	0.84%	4,234
12 month	0.87%	1.12%	10,347	0.76%	1.09%	15,596
Other	-	5.85%	29,141	-	5.56%	28,024
Total			70,935			70,074
Grand Total			-			141,009



As illustrated, the Council continues to outperform the benchmark. The Council's budgeted investment return for 2016/17 is £0.196m, and performance for the year to date is in line with the budget.

The Council held £22.5m (£19.1m P1) of investments as at 30 September 2016 and the investment portfolio yield for the first 6 months of the year for investments is 1.20% (1.27% P1), the yield reflects the investment in the Local Authority Property Fund.

Investment in Local Authority Property Fund

The Council has £2m invested in the CCLA Property Fund. Interest is receivable on a quarterly basis. Interest received can be seen in the table above in the section marked 'other'.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the financial year 2016/17.

Treasury Officers continue to mitigate investment risk in accordance with Treasury Management Practices.

15.9 Borrowing

The Council's capital financing requirement (CFR) for 2016/17 is £7.181m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

The Council has not borrowed in this period and therefore has not borrowed in advance of need.

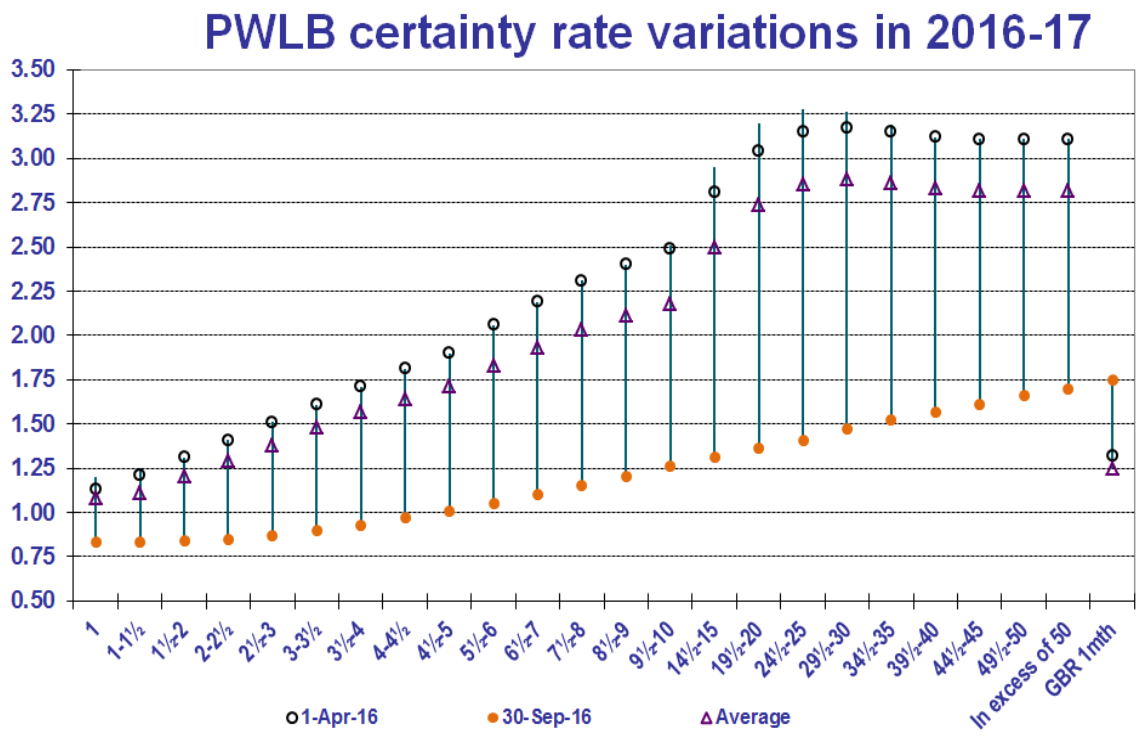
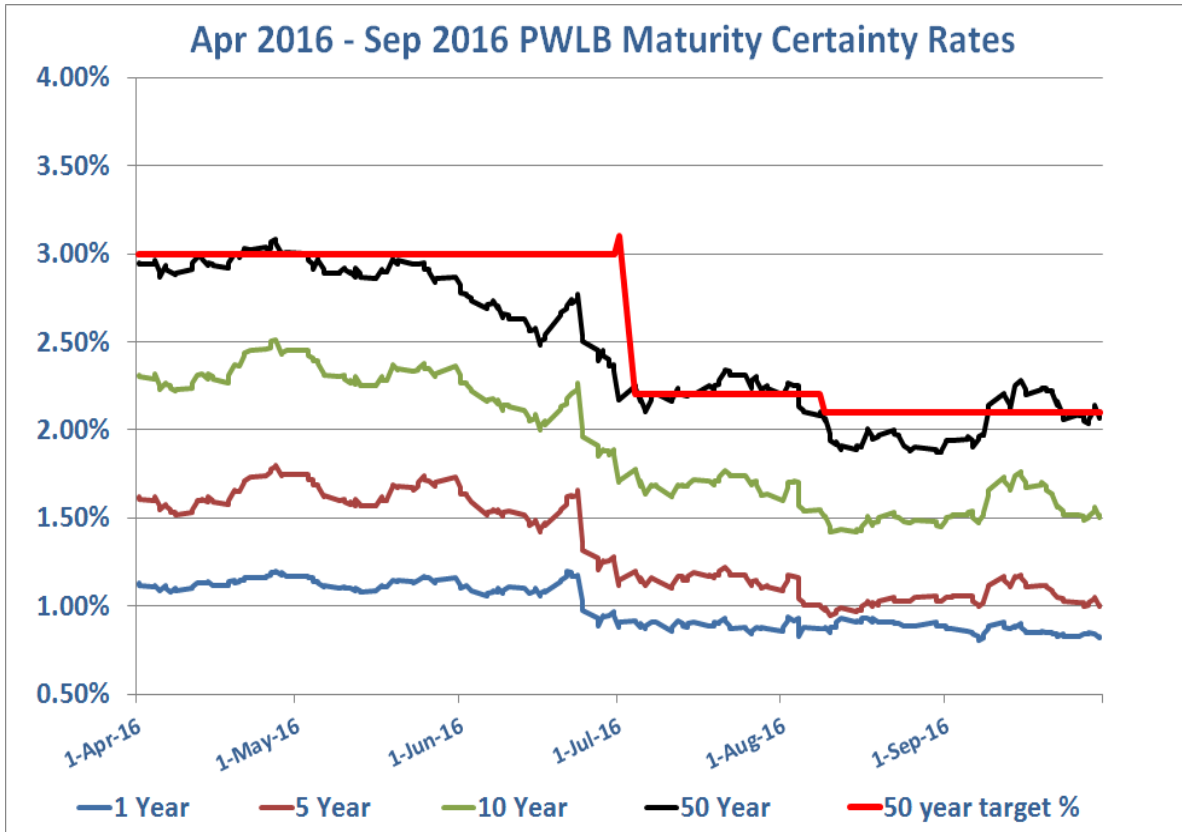
As shown in the graph below, the general trend to date has been a sharp fall in interest rates in the current financial year.

During the six month to 30 September, no borrowing – either long or short term was undertaken. However, credit arrangements such as finance leases are classified as borrowing under the capital control arrangements for local authorities. The Council procures replacement vehicles and certain other assets (telephone system, fuel tanks) through finance lease arrangements which count as credit arrangements. The liability to pay the finance leases are disclosed as other long term liabilities in the Council's accounts. The operational limit that has been approved for 2016/17 is £10.411m.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date:

PWLB certainty rates 1 April 2016 to 30 September 2016

	1 Year	5 Year	10 Year	25 Year	50 Year
1/4/16	1.13%	1.62%	2.31%	3.14%	2.95%
30/9/16	0.83%	1.01%	1.52%	2.27%	2.10%
Low	0.81%	0.95%	1.42%	2.08%	1.87%
Date	07/09/2016	10/08/2016	10/08/2016	12/08/2016	30/08/2016
High	1.20%	1.80%	2.51%	3.28%	3.08%
Date	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016
Average	0.99%	1.33%	1.92%	2.69%	2.46%



West Lindsey District Council

Monthly Investment Analysis Review

September 2016



West Lindsey District Council

Monthly Economic Summary

General Economy

This month there was still a focus on the UK's decision to leave the European Union. The hard data released however, was more positive than many expected. Nevertheless, the path to Brexit is a long one and while the initial impact may be less than feared, it does not mean that issues will not materialise over the medium term. Furthermore, the active stance taken by the Monetary Policy Committee last month, including cutting interest rates to 0.25%, will also have likely supported the recent rebound in activity.

A boost to exports and more than a 10% fall in the value of the pound helped the PMI manufacturing activity survey recover from initial Brexit impacts and rise to a 10 month high. In August activity in the sector jumped to 53.3, from 48.2 in July. Export orders flowed at their fastest rate for two years whilst factories increased output by the highest amount since January. Construction activity also recovered in August, with the PMI headline reading rising to 49.2 from 45.9 in July, suggesting the economy is stabilising post the referendum vote. However, activity in the sector still remains slightly below 50, the level that divides "expansion" from "contraction". Economists now fear the construction industry will face further issues in the face of strong inflation pressures with raw material prices rising by their fastest pace in five years. Completing the set, service sector activity had the biggest one month gain in the PMI survey's history as it soared to 52.9 in August from 47.4 in July. This boosted the composite PMI activity reading to a five month high of 53.2. If the uplift in sentiment transfers to "hard" economic output data then it would suggest that an imminent recession will be avoided and puts the possibility of a second rate cut before the end of the year more in the balance.

The Bank of England met in September and voted unanimously to keep interest rates at a record low of 0.25% whilst also leaving the bond buying schemes unchanged. Furthermore, they improved their Q3 growth forecast, predicting that growth will be closer to 0.3% as opposed the 0.1% they originally forecast. Nevertheless, the Bank said they are still likely to cut interest rates again this year with a further cut of 0.1basis points expected when they next meet in November.

British inflation held firm remaining at an annual rate of 0.6% in August, slightly below the 0.7% forecast. Clothing and hotels had lower prices, counteracting the price rise in fuel prices, food and airfares. In terms of growth, the service sector exceeded initial estimates in Q2 and this resulted in final UK Q2 GDP growth being revised to 0.7% from 0.6%.

In the three months to August employment rose by 174,000 showing there has not yet been any post Brexit shedding. Unemployment is still expected to rise, however, as companies wait for greater clarity on the UK's exit deal from the European Union. Growth in workers' wages slowed in August, signalling a tough period ahead as British households are likely to face higher inflation as a result of the weaker pound.

UK Public Sector Net Borrowing for August registered a deficit of £10.55bn, but lower than the £11.47bn figure recorded for the same period last year. However, it failed to meet the forecast of just £10bn. The Office for National Statistics stated there was little impact from the Brexit vote as Income and Corporation Tax receipts rose strongly.

Retail sales calmed in August, falling -0.2% after strong growth in July of 1.9%. Despite the slight fall there is still a pattern of strong growth in the sector on an annual basis as sales volumes are up 6.2% compared with last year and higher than the forecast of 5.4%. John Lewis has mentioned they have noticed little impact of the Brexit vote, but they suggested that the full impact has not yet become clear.

Adding to the positive tone to data releases was figures for UK's trade balance in July. The deficit in the UK's goods balance improved to -£11.764bn in July from a revised -£12.920bn in June. Conversely, the services balance fell slightly to £7.262bn in July from £7.347bn in June.

Q2 GDP growth was also published for the Eurozone this month. GDP was up 0.3% in the euro area and by 0.4% in the EU28, with annual growth rates of 1.6% and 1.8% respectively. Exports were a leading factor in this growth, increasing by 1.1% in both areas. At the individual level, Germany grew at 1.7% and France at 1.4% but Romania (5.9%) and Slovakia (3.7%) published the highest growth rates. With regards employment across the region, the unemployment rate remained at its lowest level since July 2011 at 10.1%, down from 10.7% in August a year ago. The EU 28 also remained stable at 8.6%, down from 9.3% in August 2015. The lowest unemployment rates were recorded in the Czech Republic (3.9%) and Germany (4.2%), whilst Spain remained as one of the highest, at 19.5%.

Across the Atlantic, non-farm payrolls improved by 151,000 in August, with the unemployment rate holding steady at 4.9%. This was less than the expected rise of 180,000 and a slowdown from the previous two months which had a combined rise of 546,000. Average hourly earnings only increased by a 0.1% and Americans worked fewer hours last month with average weekly hours dipping to 34.3. These figures have reignited the debate as to whether another interest rate hike before the end of the year will benefit the US economy. The final Q2 estimate for US GDP was upwardly revised this month, increasing from initial estimates of 1.1% to a 1.4% annualised growth rate. This rise was due to business' pumping more money into research and development and exports growing strongly.

Housing

Halifax house prices fell a further 0.2% in August, after falling 1.1% in July. The second consecutive month of falling house prices has caused the annual growth rate to decline to 6.9%, its lowest level in more than a year. This slowdown is supported by the British Bankers Association survey. According to the survey the number of mortgages approved fell to 36,997 in August, its lowest point since January 2015 and 21% lower than this time last year. Nationwide House prices reflect this slowdown has continued into September. While prices rose by 0.3% on the month, this was below that seen in August (0.6%) and pulled the annual rate down to 5.3% from 5.6% previously.

Forecast

Neither Capita Asset Services (CAS) nor Capital Economics altered their forecasts this month. It is mutually anticipated that another rate cut will occur in the last quarter of this year with CAS forecasting a potential hike occurring in the second quarter of 2018.

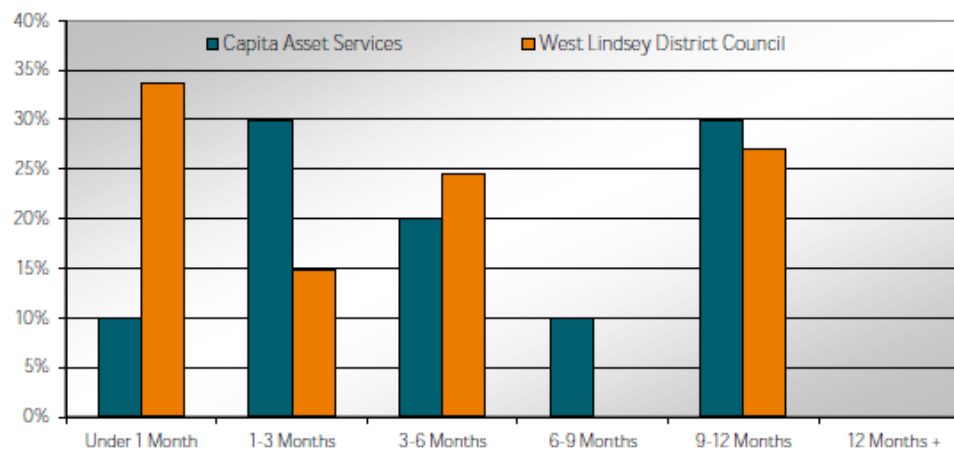
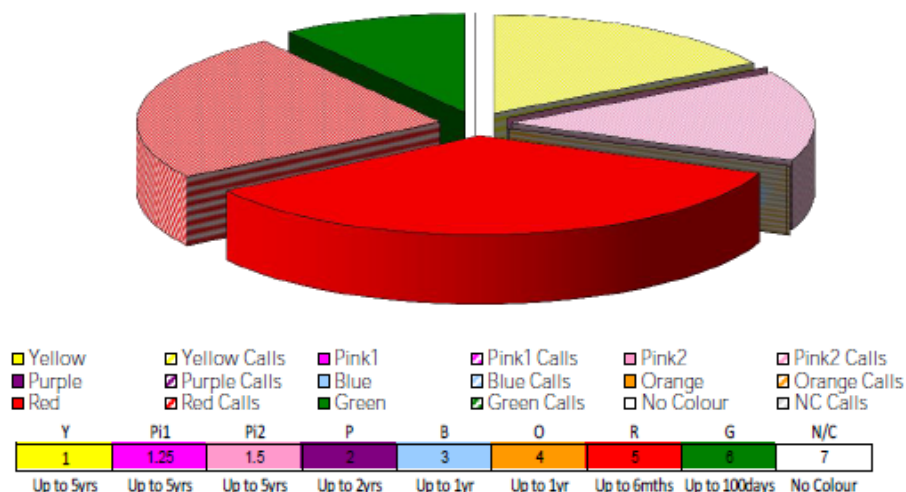
Bank Rate	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Capita Asset Services	0.10%	0.10%	0.10%	0.10%	0.10%
Capital Economics	0.10%	0.10%	0.10%	0.10%	0.10%

West Lindsey District Council

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF LGIM	3,350,000	0.35%		MMF	AAA	0.000%
ECF Insight Liquidity Plus	3,000,000	0.75%		ECF	AAA	0.000%
Lloyds Bank Plc	500,000	0.80%	15/07/2016	17/10/2016	A	0.003%
Nationwide Building Society	2,000,000	0.84%	19/02/2016	21/11/2016	A	0.010%
Goldman Sachs International Bank	1,000,000	0.44%	01/09/2016	01/12/2016	A	0.011%
Santander UK Plc	2,000,000	0.80%		Call120	A	0.022%
Lloyds Bank Plc	1,000,000	1.05%	10/02/2016	08/02/2017	A	0.024%
Goldman Sachs International Bank	1,000,000	0.63%	01/09/2016	01/03/2017	A	0.028%
Santander UK Plc	1,000,000	0.90%		Call180	A	0.033%
Lloyds Bank Plc	1,000,000	1.25%	15/07/2016	14/07/2017	A	0.053%
Lloyds Bank Plc	1,000,000	1.05%	03/08/2016	02/08/2017	A	0.056%
Lloyds Bank Plc	1,000,000	1.00%	18/08/2016	18/08/2017	A	0.059%
Lloyds Bank Plc	500,000	1.00%	12/09/2016	11/09/2017	A	0.064%
Santander UK Plc	2,000,000	1.05%		Call365	A	0.067%
CCLA - LAPF	2,000,000					
Total Investments	£22,350,000	0.72%				0.022%

Portfolio Composition by Capita Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = 3.92

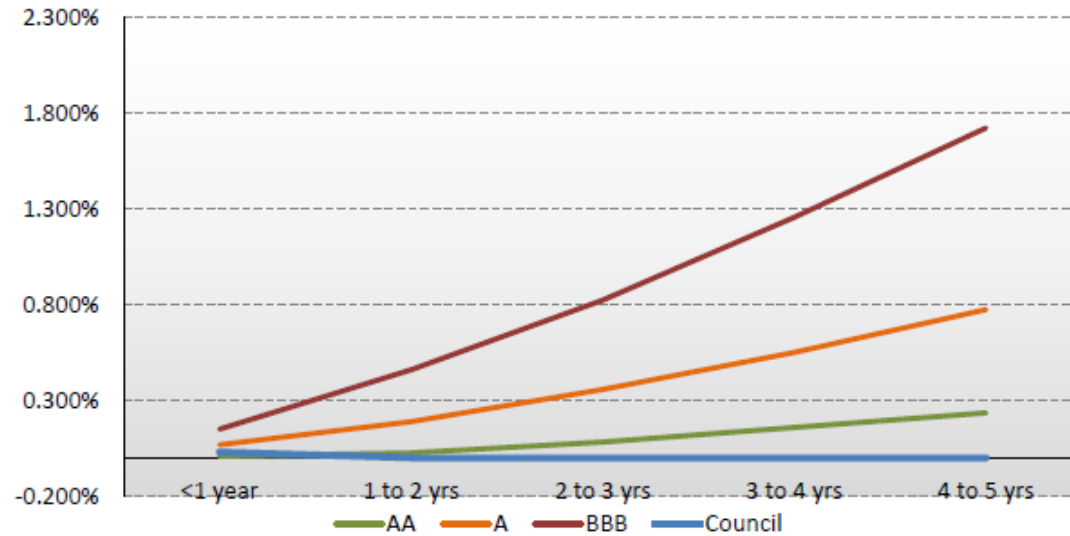
WARoR = Weighted Average Rate of Return
 WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/ECFs	
									WAM	WAM at Execution
Yellow	16.46%	£3,350,000	100.00%	£3,350,000	16.46%	0.35%	0	0	0	0
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	14.74%	£3,000,000	100.00%	£3,000,000	14.74%	0.75%	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	58.97%	£12,000,000	41.67%	£5,000,000	24.57%	0.96%	207	282	190	320
Green	9.83%	£2,000,000	0.00%	£0	0.00%	0.53%	107	136	107	136
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£20,350,000	55.77%	£11,350,000	55.77%	0.79%	132	180	172	279

West Lindsey District Council

Investment Risk and Rating Exposure

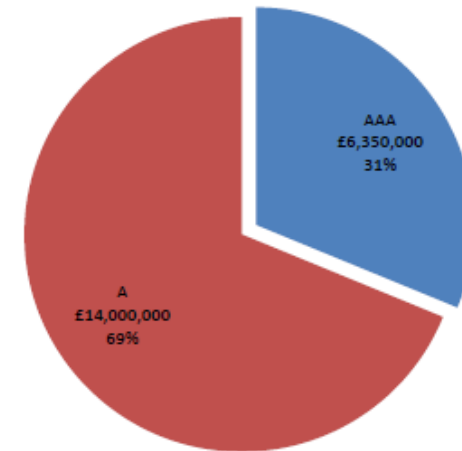
Investment Risk Vs. Rating Categories



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	0.007%	0.024%	0.081%	0.158%	0.234%
A	0.067%	0.189%	0.356%	0.551%	0.775%
BBB	0.150%	0.460%	0.824%	1.257%	1.726%
Council	0.029%	0.000%	0.000%	0.000%	0.000%

Rating Exposure



Historic Risk of Default

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

Chart Relative Risk

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

Rating Exposures

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

West Lindsey District Council

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
07/09/2016	1472	Newcastle Building Society	U.K.	Affirmed and withdrew the ratings of Newcastle Building Society. Long Term Rating affirmed at 'BB+', 'Stable Outlook', Rating Withdrawn. Short Term Rating affirmed at 'B', Rating Withdrawn.

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
16/09/2016	1473	Norddeutsche Landesbank Girozentrale	Germany	Long Term Rating downgraded to 'A3' from 'A2', removed from 'Negative Watch' and placed on 'Negative Outlook'. Short Term Rating downgraded to 'P-2' from 'P-1', removed from 'Negative Watch'.

Monthly Credit Rating Changes S&P

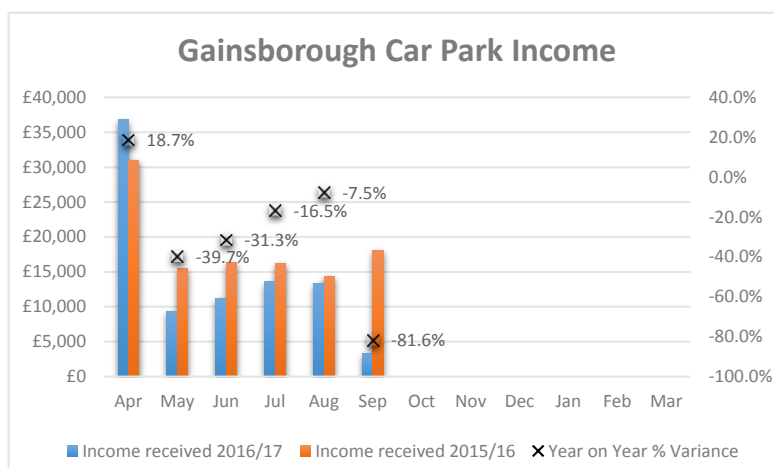
Date	Update Number	Institution	Country	Rating Action
19/09/216	1474	Finland Sovereign Rating	Finland	Affirmed at 'AA+', Outlook changed to 'Stable' from 'Negative'.

REVENUE FORECAST OUTTURN AS AT 31ST MARCH 2017

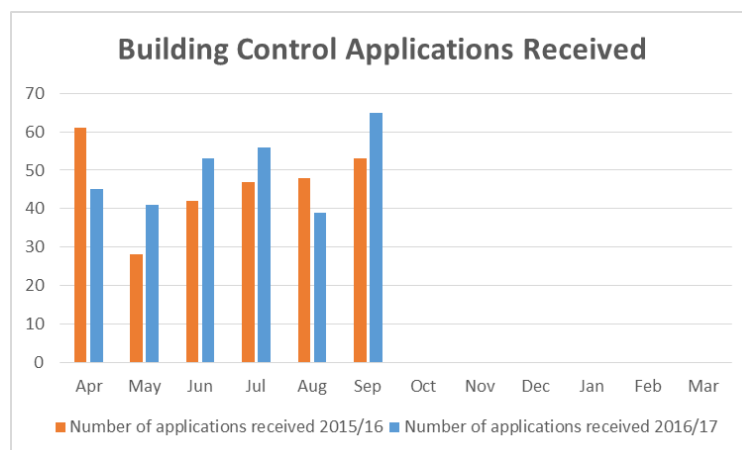
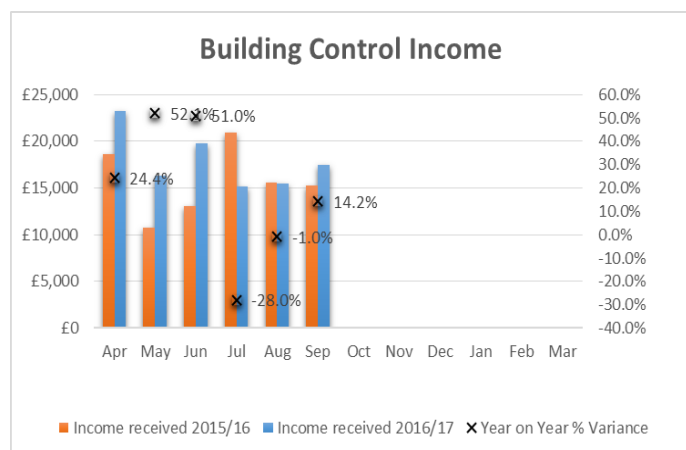
REPORT BY CLUSTER AND BUSINESS UNIT

Cluster	Business Unit	2016/17 up to	2016/17 up to	2016/17 up to
		30th September 2016	30th September 2016	30th September 2016
		Revised Budget £	Forecast Outturn £	Forecast Outturn Variance £
Chief Executive / Directors	Chief Executive	153,500	151,000	(2,500)
	Chief Operating Officer	109,300	111,700	2,400
	Commercial Director	188,000	174,800	(13,200)
	Director of Resources	111,600	113,000	1,400
Chief Executive / Directors Total		562,400	550,500	(11,900)
Commercial	Public Conveniences	72,500	72,500	0
	Street Cleansing	509,200	524,200	15,000
	Town Centre Markets	72,000	84,000	12,000
	Trade Waste	6,100	(20,900)	(27,000)
	Waste Management	1,786,700	1,807,200	20,500
Commercial Development Total		2,446,500	2,467,000	20,500
Customer First	Building Control	104,200	107,800	3,600
	Customer Services	582,100	572,802	(9,298)
	Debtors	22,800	15,580	(7,220)
	Food Safety	134,500	136,022	1,522
	Fraud	14,250	43,250	29,000
	Health and Safety	71,100	71,100	0
	Housing Benefits Admin	245,750	182,450	(63,300)
	Housing Benefits Payments	(195,300)	(216,456)	(21,156)
	Housing Benefits Projects	75,800	80,301	4,501
	Land Charges	21,500	34,100	12,600
	Licences - Community	(24,500)	(6,700)	17,800
	Local Tax Collection	250,900	236,840	(14,060)
	Parish Lighting	54,700	56,700	2,000
	Pest and Dog Control	26,700	23,700	(3,000)
	Pollution Control	110,800	114,366	3,566
	Support Services - Admin	28,800	17,788	(11,012)
Customer First Total		1,524,100	1,469,643	(54,457)
Democratic and Member Support	Communications	121,600	87,700	(33,900)
	Corporate Management - Apprentices	44,600	39,500	(5,100)
	Corporate Management - Finance	1,045,700	1,049,400	3,700
	Democratic Representation	529,300	526,700	(2,600)
	Financial Services	566,100	587,988	21,888
	Human Resources	287,400	281,700	(5,700)
	Legal Services	130,700	130,700	0
	Precepts	177,000	177,000	0
	Register of Electors	138,300	134,967	(3,333)
	Support Services - Corporate	187,800	137,700	(50,100)
Democratic & Business Support Total		3,228,500	3,153,355	(75,145)
Economic Development and Neighbourhoods	Community Action & Community Safety	329,400	314,400	(15,000)
	Development Management	(180,300)	(391,818)	(211,518)
	Economic Development	757,377	717,277	(40,100)
	Environmental Initiatives	56,000	56,000	0
	General Grants etc	573,700	473,700	(100,000)
	Planning Policy - Forward Planning	71,700	79,600	7,900
	Neighbourhood Planning & Local Plans	196,500	196,500	0
Economic Development Total		1,804,377	1,445,659	(358,718)
Housing and Regeneration	Admin Buildings	243,700	255,400	11,700
	Car Parks	(140,400)	(108,080)	32,320
	Commercial Properties	(372,700)	(337,200)	35,500
	Culture, Heritage & Leisure	605,900	621,000	15,100
	Emergency Planning	19,000	19,000	0
	Environmental Initiatives	44,000	44,000	0
	Homelessness/ Housing Advice	359,700	310,279	(49,421)
	Housing Strategy	185,600	125,094	(60,506)
	Other Council Properties	(13,200)	(10,000)	3,200
	Private Sector Housing Renewal	151,400	180,229	28,829
	Property Services	228,600	249,800	21,200
	Tourism	45,700	45,700	0
	Community Safety	125,100	126,256	1,156
Housing Strategy Total		1,482,400	1,521,478	39,078
Organisational Transformation	Business Improvement & Commercial Development	481,900	398,900	(83,000)
	Cemeteries and Churchyards	66,900	60,700	(6,200)
	ICT Services	223,300	224,100	800
	Parks & Open Spaces	56,000	57,000	1,000
	Systems Development	519,200	482,900	(36,300)
Organisation for Transformation Total		1,347,300	1,223,600	(123,700)
BUSINESS UNIT CONTROLLABLE GRAND TOTAL		12,395,577	11,831,235	(564,342)
	Corporate Accounting Total	1,926,350	1,834,150	(92,200)
	Statutory Accounting Total	2,888,700	2,888,700	0
	Movement in Reserves Total	(1,990,192)	(1,908,892)	81,300
	Net Revenue Expenditure	2,824,858	2,813,958	(10,900)
	Funding Total	(15,220,435)	(15,220,435)	0
	(SURPLUS)/DEFICIT FOR THE YEAR	0	(575,242)	(575,242)

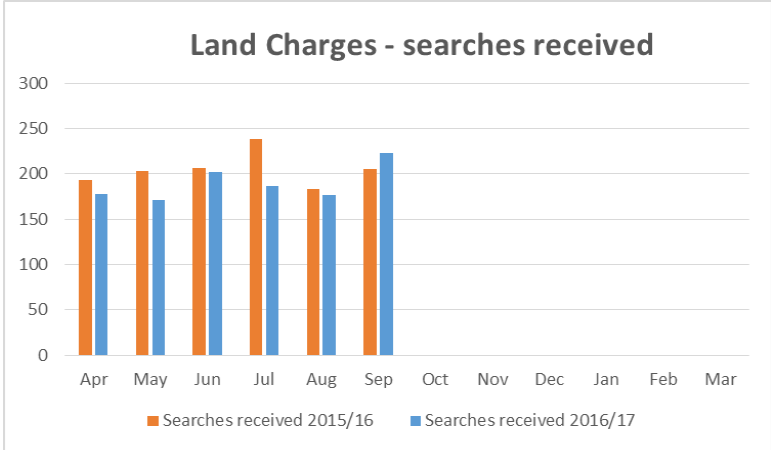
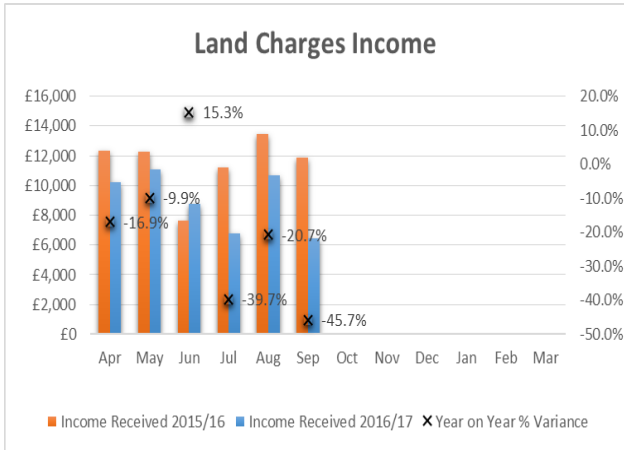
FEES AND CHARGES ANALYSIS – BY INCOME & VOLUME PER MONTH



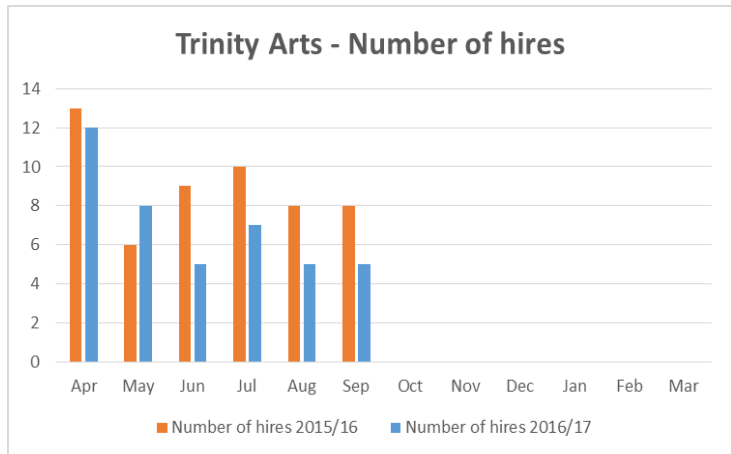
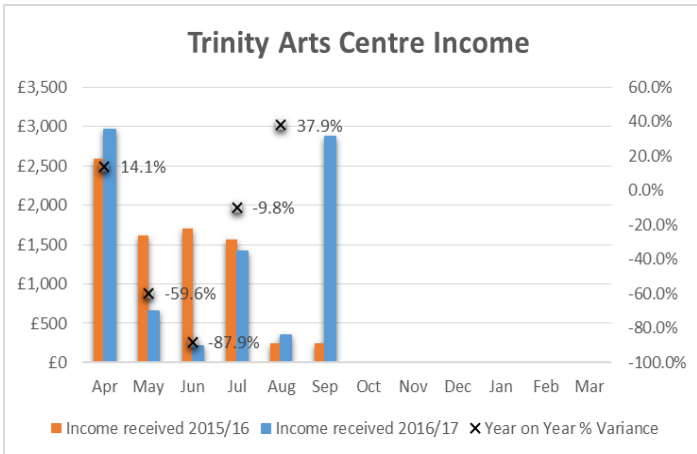
The figures at the start of each year are typically affected by when we receive the first payments for permits, particularly those paid for on a quarterly basis. This drives much of the variance. Overall we would expect the income to be less than 2015/16 as up to July we still had the multi storey car park. Whilst income has reduced across the two years it is actually exceeding the budget indicating that we retained more of the customers than we expected. Further reductions are reflected due to our charging policy change in August this year.



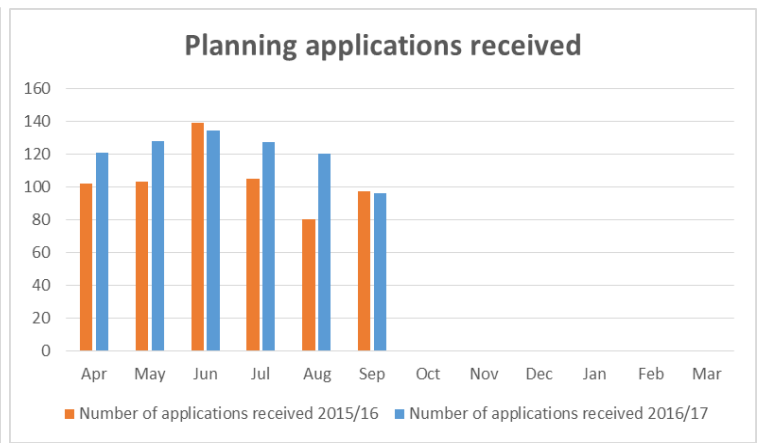
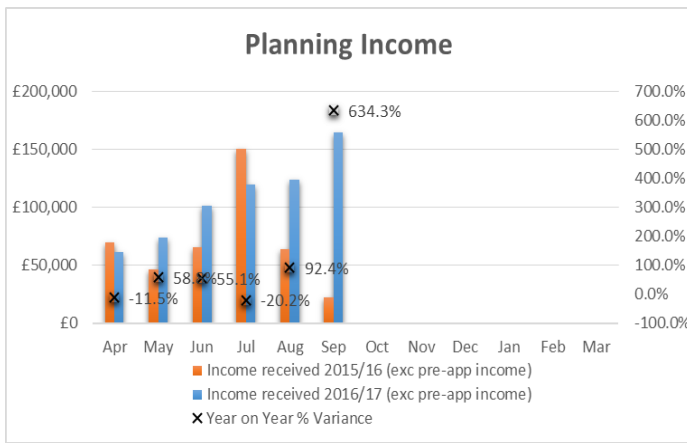
The Council have made significant investment in the Building Control service to equip the team so it may compete effectively in the wider market. For the past 3yrs Building Control have been focusing on improving and developing its services, through building relationships, improving reputation and raising the profile of the team. The benefits of this are starting to be realised with a small increase in fees when compared to last year, however the construction industry continues to be fickle and volatile and there is still much work and investment to be made in ensuring this trend continues long term. Work has now started on delivering some of the additional services highlighted in the new Business Plan for Building Control. Air testing has just been launched with Fire Risk Assessments and Warranty work, in conjunction with LABC, providing a very exciting opportunity for the Authority, following shortly. Other members of the team are booked on training courses over the next 3 months to further enhance the service building control can offer to the community.



The land charges service is currently going through a major change in the way it delivers the service to customers by implementing an automated system. Transitional arrangements have been made for this process to take place, however whilst the new system is being purchased, the data transferred and the process tested, the time taken to complete searches will take longer due to staff having to focus on both the implementation of the new process whilst simultaneously processing searches on the current system.



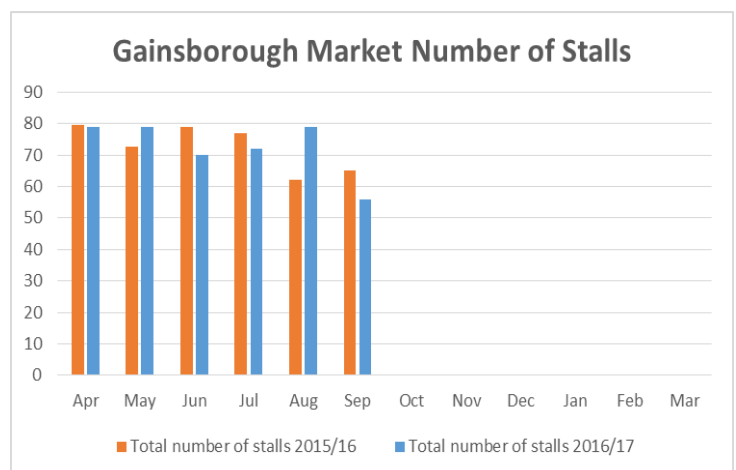
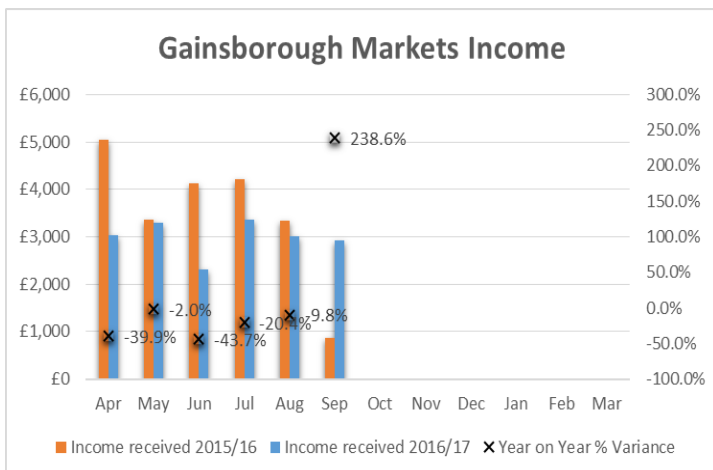
This is not a true reflection of the performance of Trinity Arts Centre as the fees and charges element relates to a small percentage of the overall business. Performances are booked on the most advantageous terms possible, sometimes this is on a hire basis and sometimes on a split of income. The programme is put together on the best offer at the time and the important information to collect and monitor is the surplus generated by the performances ensuring a positive effect on the bottom line rather than a loss.



The number of planning applications received continues to grow and is now at one of the highest levels we've ever seen – and it's not just the number of applications but the type that have changed too.

Reflecting the high level of growth underway throughout the district, this year has seen a surge in larger and much more complex planning applications that require a great deal more time and attention to consider, as well as a multi-discipline approach that has led to more officers becoming involved in these bigger planning and growth projects. As a result this has been a very busy period for the team and there are no signs of this letting up in the next couple of years with the adoption of the new local plan still well on-track for public examination by the end of this year.

All this has resulted in a significantly higher than budgeted income with fees for both pre-application advice and planning applications exceeding targets by more than 25% in the year to date – this has enabled us to maintain our current resources and at the same time really drive up the quality of services, as shown by the excellent performance and very positive customer feedback during the past few months.



Market income down compared with last year in line with trends of recent years. A business case for an in-house improvement plan was approved by Prosperous Communities Committee in September, however this decision has been challenged and further work is required, therefore planned changes are unlikely to be implemented before Xmas.

