	Corporate Policy and Resources
	Thursday, 10 February 2022

Subject: Budget and Treasury Monitoring - Quarter 3 2021/2022 (1st April 2021 to 31st December 2021)

Report by:	Assistant Director, Finance, Business and Property Services
Contact Officer:	Sue Leversedge Business Support Team Leader sue.leversedge@west-lindsey.gov.uk
Purpose / Summary:	This report sets out the revenue, capital and treasury management activity from 1 April 2021 to 31 December 2021.

RECOMMENDATION(S):

REVENUE

a) Members accept the forecast out-turn position of a £0.014m net deficit from reserves as at 31st December 2021 (see Section 2) relating to business as usual activity.

b) Members accept the use of Earmarked Reserves during the quarter approved by the Chief Finance Officer using Delegated powers (2.4.1).

CAPITAL

c) Members accept the current projected Capital Outturn as detailed in 3.1.1.

d) Members are asked to approve £0.01m spend on Play Park works and equipment at Hemswell Cliff, against the Hemswell Masterplan Public Realm Improvements capital scheme (3.1.3).

e) Members accept the proposal that we do not make any amendments to the capital programme at this time. The schemes will be adjusted at Quarter 4 2021/2022 when the Capital Financing will be finalised.

TREASURY

f) Members accept the report, the treasury activity and the prudential indicators.

IMPLICATIONS

Legal: None arising as a result in this report.

Financial : FIN/157/22/CPR/SL

REVENUE

The draft revenue forecast out-turn position for 2021/2022 is currently reflecting a net deficit from reserves of £0.014m relating to business as usual activity as at 31st December 2021.

When then considering the impact of Covid-19 we are currently forecasting that the additional costs and loss of income forecast for the financial year, offset by savings, will total a net pressure of £1.243m. This will leave a balance of £0.286m remaining against the Covid Support funds held to support Covid recovery (total £1.529m).

The summary of forecast Covid financial implications are contained within the report at 2.2.8.

A summary of the forecast out-turn position relating to business as usual activity:

Summary of Out-turn Position 2021/2022		
	£ 000	
FORECAST OUTTURN AS AT 31.12.21	(294)	BEFORE CARRY FORWARDS
CARRY FORWARDS : BASE BUDGET-APPROVED IN YEAR	20	ALREADY APPROVED
CARRY FORWARDS : USE OF EARMARKED RESERVES	176	ALREADY APPROVED
SUB-TOTAL:	**(98)**	
SERVICE CARRY FORWARD REQUESTS	112	Pending Approval by Management Team 28.03.22
NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:	**14**	

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 £8.877m. This is a variance of £0.954m on the approved budget. The required amendments to the Capital Programme are detailed at 3.1.2.

TREASURY

The Treasury Management activities during the reporting period are disclosed in the body of this report. Total external borrowing is currently £25m; however, no additional borrowing will be required this financial year.

There have been no breaches of Treasury or Prudential Indicators within the period of this report.

Average investments for the period (Oct-Dec) was £21.626m, which achieved an average rate of interest of 0.727% (Jun-Sep was 21.286m, 0.754%).

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, with the latest employer offer being 1.75%. This offer has not been accepted by the Unions and negotiations are ongoing.

The salary costs included in this report are based on this increase being applied for the year.

There is an estimated 1.15% (£0.136m) surplus for the year against original employee budgets as a result of staff turnover.

This is after the 2% (£0.183m) 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 2.7% (£0.319m) 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**	**X**

1. Executive Summary

This report provides the oversight of financial performance for:

REVENUE

- 'Business as Usual' Revenue Forecast Out-Turn (after carry forwards) – Deficit from Reserves £0.014m. (-0.10% 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 2.2.8 for details).

CAPITAL

- Capital Forecast Out-Turn £8.877m, a variance of £0.954m against current budget £9.831m and include the following requests;

Members are asked to approve;

- Members are asked to approve the spend £0.01m for Hemswell Play Park works and equipment, from the Hemswell Masterplan-Public Realm Improvements capital budget of £0.05m. This is to aid the play park's adoption by Hemswell Cliff Parish Council.

- No further amendments to the Capital Budget are requested at this time. Any final adjustments will be detailed in the Quarter 4 2021/2022 report.

TREASURY MANAGEMENT

- Treasury Management Report and monitoring:

- Investments held as at 31 December 2021 were:

    - Average investment interest rate for October to December was 0.727%.

    - Total Investments at the end of Quarter 3 was £22.219m.

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	Qtr. 2 £'000	Qtr. 3 £'000
Investments B/fwd (at 30.09.2021 incl. bank)	**16,376**	**20,602**
Add/(Less) Capital expenditure	(3,255)	(943)
Add/(Less) PWLB/Other LA Borrowing in year	0	0
Add/(Less) Net Revenue Expenditure	(2,018)	(1,563)
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	27,246	20,237
Add/(Less) Working Capital Movement	(17,747)	(16,114)
Investments c/fwd (at 31.12.2021)	**20,602**	**22,219**

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 December 2021.

Prudential Borrowing	Qtr.2 £'000	Qtr. 3 £'000
Total External Borrowing (PWLB) and	16,500	16,500
Other Local Authorities	3,500	3,500
Internal Borrowing	20,198	14,425
Total Prudential Borrowing at 31.12.2021	**40,198**	**39,425**

REVENUE BUDGET MONITORING QUARTER 2
(1st April 2021 to 31st December 2021)
Forecast Outturn for 2021/2022

2. The Revenue Budget forecast for 'business as usual' out-turn currently stands at a net deficit from reserves of £0.014m as detailed in the table below.

   This is after taking account of £0.308m of revenue budget carry forwards. The details of which are provided at **Appendix 4**.

   Details of headline variances by Cluster can be found below at 2.1 and 2.2.

   Details of the Covid-19 financial implications can be found at 2.2.8.

SERVICE CLUSTER	2021/2022 Original Budget £	Revised Budget £	Forecast Outturn £	Outturn Variance £
Our People	1,529,000	2,196,000	1,990,857	(205,143)
Our Place	3,778,100	4,217,900	4,175,152	(42,748)
Our Council	6,372,700	6,702,700	6,284,626	(418,074)
Controllable Total	**11,679,800**	**13,116,600**	**12,450,635**	**(665,965)**
Corporate Accounting:				
Interest Receivable	(124,600)	(124,600)	(175,500)	(50,900)
Interest Payable	377,700	383,500	372,100	(11,400)
Investment Income	(1,434,900)	(1,434,900)	(1,434,359)	541
Precepts and Levies	2,574,700	2,574,700	2,572,300	(2,400)
Movement in Reserves:				
To / (From) General Fund	(1,943,700)	(3,482,400)	(3,482,400)	0
Use of Specific Reserves	(3,011,800)	(2,575,900)	(2,575,900)	0
Contribution to Specific Reserves	4,719,000	5,291,500	5,291,500	0
Repayment of Borrowing	442,900	442,900	823,000	380,100
Net Revenue Expenditure	**13,279,100**	**14,191,400**	**13,841,376**	**(350,024)**
Funding Total	(13,279,100)	(14,191,400)	(14,135,800)	55,600
NET SUBSIDY FROM / (CONTRIBUTION) TO RESERVES FOR THE YEAR	**0**	**0**	**(294,424)**	**(294,424)**

Carry Forwards - approved in year	20,300
Carry Forwards - approved at year end	112,000
Carry Forwards - use of Earmaked Reserves	175,700
Net Contribution (To) / From General	**13,576**

2.1 The significant movements being;

Cluster	EXPENDITURE	Total £000	Direction of Travel
	BUDGET UNDERSPENDS		
	Salary (savings) / pressure. Includes 2% vacancy factor £183k. Includes est. 1.75% pay award.	(£136)	↑
Our Council	Corporate Contingency budget not required.	(£20)	↔
Our People	Reduced spend on legal services.	(£49)	New
	PRESSURES		
Movement in Reserves	Voluntary Revenue Provision - Commercial Properties.	£180	New
Our Council	Software Licence Fee nationwide increase.	£52	↔
Our Council	Telephony costs - continued compliant connection to the Voter Registration Process and the DWP Benefits system.	£23	↓
Our Council / Our Place	Fuel - increased costs.	£22	New
	Various forecast outturn variances <£10k	£61	↓
		£133	

Cluster	INCOME	Total £000	Direction of Travel
	BUDGETED INCOME EXCEEDED		
Corporate Accounting- Interest Received and Paid	Interest Receivable £51k, Interest Payable £11k.	(£62)	↓
Our Council	Green Waste service income target exceeded - service subscriptions £46k, new bin sales £19k.	(£65)	↑
Our Place	Planning Pre Application advice income forecast above budget for the year.	(£22)	↔
Our Place	Shopping Trolley reclaimed income.	(£53)	↑
	BUDGETED INCOME NOT ACHIEVED		
Funding	Government Grants - Localised Council Tax Support administration subsidy grant.	£56	↔
Our Place	Property Services - loss of rental income due to transfer of Housing Stock to P3.	£27	↔
		(£119)	

	TOTAL VARIANCE	**£14**

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

2.2.1 Movement in Reserves

- The total Voluntary Revenue Provision (VRP) for 2021/2022 is £0.374m. It is proposed to use £0.194m of the Commercial Contingency budget to offset this cost.

  The balance of £0.18m is to be met from in year surplus, if there are sufficient balances at year-end.

  Alternatively, the £0.18m balance will be funded from the Valuation Volatility Reserve if required.

  The forecast outturn reported at Qtr.3 2021/2022 includes the VRP as a use of in year surplus. Without this transaction, the forecast outturn is **a net contribution to reserves** of £0.166m.

2.2.2 Interest & Investment Income

- (£0.062m) - Interest receivable on investments is forecast to be £0.051m above budget for the year, and interest payable on borrowing is forecast to be £0.011m less than budget for the year.

2.2.3 Our Council

- £0.008m approved carry forwards into 2022/2023, and £0.026m pending approval at year-end (see Appendix 4 for details).

- (£0.065m) - Income from Green Waste service received above budget for the year to date. £0.046m is from service subscriptions, and £0.019m from the sale of new bins.

- (£0.020m) – being the balance of a corporate contingency budget which is not required.

- £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.

- £0.023m – Pressure for telephony costs. To ensure the continued compliant connection to the Voter Registration Process and DWP Benefits system. The Council has engaged in a procurement exercise with a reduced requirement to try to reduce further costs.

- £0.022m – increased fuel costs due to market price for fuel, and the use of fuel cards during the transition period when moving depot sites (from late July to early December 2021).

2.2.4 Our People

- £0.162m approved carry forwards into 2022/2023, £0.038m pending approval at year-end (see Appendix 4 for details).

- £0.049m - reduced spend on legal services is forecast for 2022/2023 (£0.032m within Development Management).

2.2.5 Our Place

- £0.026m approved carry forwards into 2022/2023, £0.048m pending approval at year-end (see Appendix 4 for details).

- £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 were reinstated from 1st June 2021. This pressure will be offset by the use of the Commercial Contingency budget.

- £0.027m – the transfer of housing stock to P3 has realised a net pressure for the year, due to loss of rental income.

- (£0.022m) – The forecast income for planning pre-application advice is expected to be greater than budget, based on activity for this period.

- (£0.053m) 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.

2.2.6 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.

2.2.7 Establishment

A 2% vacancy factor against salary budgets was approved for 2021/2022 through the MTFP, which equates to a reduction of £0.183m.

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, with the latest employer offer being 1.75%. The salary costs included in this report are based on this increase being applied for the year.

Current vacancy levels after costs of interim staffing resources is forecast to achieve a further £0.136m budget underspend for the year; this represents 1.06% of the overall employee revised budget. This is detailed by cluster as follows:

Cluster	Sum of variance £
Our Council	(229,230)
Our People	(85,237)
Our Place	(5,032)
2% Vacancy Factor	183,400
Grand Total	**(136,099)**

2.2.8 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 additional costs and loss of income forecast for the financial year, offset by savings, will total a net pressure of £1.243m. This will leave a balance of £0.286m remaining against the Covid Support funds held to support Covid recovery (total £1.529m).

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

Full Year 2021/2022 Financial Summary	£000	
Total Covid-19 pressure to date	1,243	
LA Covid Support Grant 20/21 - Balance Remaining Held in Earmarked Reserves	(434)	
LA Covid Support Grant 21/22	(510)	
Additional grant for loss of income (estimate)	(85)	(1,029)
Earmarked Reserve Approved 21/22 MTFP	(500)	
Net Covid-19 Allocation Balance Remaining	**(286)**	

Covid-19 Pressures	2021/22 Actuals £000
Loss of income due to service closures / changes - services covered by Sales, Fees and Charges Compensation Grant for the period Apr - Jun 2021 (Qtr 1)	162
Loss of income due to service closures / changes	665
Cost Pressures - Covid costs funded from Support Grant *	536
Other Income Received to Support Services	(12)
Savings	(108)
Total Pressures	**1,243**

* Cost Pressures - Covid costs funded from Support Grant	£000
Additional Resources - agency, backfilling, overtime	387
Economic Development - additional resources for project development	48
Theatre - cost of equipment to comply with Covid regulations	17
Democratic Representation - hire of premises and equipment to hold meetings	21
ICT Team - headsets / licences / training	20
ICT Team - additional laptop provision for Covid virtual working (capital)	14
Health & Wellbeing - Leisure Management contractor support	12
Other costs <£10k	17
	536

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

2.3 Fees and Charges

2.3.1 £3.277m has been received in Fees and Charges up to the end of the period against a budget for the period of £3.35m, a shortfall to date of £0.073m. However, the forecast for the year is a surplus of £.0.039m.

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

- Garden Waste subscriptions £0.046m
- Garden Waste sale of new bins £0.019m
- Planning pre-application advice £0.022m

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

- Trinity Arts Centre box office takings £0.126m
- Local Tax Collection – Court Costs Recovered £0.122m
- Car Park income (season tickets and parking fees) £0.076m

2.4 2021/2022 Use of and Contribution to Reserves

2.4.1 Use of Reserves – Delegated Decision

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

- £0.005m from the Communities at Risk reserve. Cost of 9 days consultancy from East Midlands Community Led Housing to help inform the Authority on alternative housing and land management solutions for the RAF Scampton decommissioning work.
- £0.005m from the Vehicle Replacement Reserve. Contribution towards the cost of a new gritting machine (remaining cost met from sale of existing vehicle/equipment).
- £0.006m from the Cultural Strategy Reserve for consultation work.
- £0.009m from the Cultural Strategy Reserve, for a Cultural Strategy Officer, fixed term for 2 years from January 2022.
- £0.003m from the IT Reserve. Revenue costs of the Customer Relationship Management System capital scheme (support costs).

2.5 Grants

As at 1st April 2021 we had an amount of £0.885m relating to grants received which had yet to be expended. Budget provision will be created throughout the financial year as required to deliver projects in accordance with grant terms. The forecast balance as at 31st March 2022 is £0.379m (including the use of earmarked reserves detailed at 2.4.1).

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	£
Homes England	Housing Infrastructure Funding	1,498,067
Department for Levelling Up, Housing and Communities	New Home Bonus	179,785
Department of Health and Social Care	Contain Outbreak Management Fund	100,000
Lincolnshire County Council	Outbreak & Prevention	60,752
Department for Levelling Up, Housing and Communities	Covid- Test and Trace Grants - Main Scheme	52,000
Midlands Energy Hub	Private Rented Sector (PRS) Compliance and Enforcement competition	47,829
Department for Levelling Up, Housing and Communities	Lower Tiers Services Grant	32,190
Department for Work and Pensions	DWP System Upgrades	24,825
Department for Levelling Up, Housing and Communities	Emergency Planning	14,749
Department for Work and Pensions	Kickstart Grant	10,278
Department for Environment, Food & Rural Affairs	Allergens	2,807
		2,023,283

<u>**Other Items for information**</u>

2.6 Planning Appeals

In Quarter 3 2021/2022 there were 3 appeals determined – 1 allowed and 2 dismissed.

There is 1 live application for costs.

Period	Number of Appeals	Allowed	Dismissed
October	**1**	0	1
November	**1**	0	1
December	**1**	1	0
Total for Quarter 3	**3**	**1**	**2**

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

At the end of December 2021, there was a total of £0.219m 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 £0.058m – the debt recovery process is under way for all debt over 90 days, payment plans are being put in place where possible.

- Housing Benefits overpayments £0.036m the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.

- Housing £0.018m – the majority of which are in the process of debt recovery, or a payment plan is being implemented.

- Property Services £0.017m – the majority of which are in the process of debt recovery.

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

2020/2021 Total £
227,938
370,266
345,840

Month	90 – 119 days £	120 – 149 days £	150+ days £	2021/2022 Total £
Quarter 1 - ending May 2021	8,813	8,120	163,504	180,437
Quarter 2 - ending Sept 2021	47,871	3,217	158,630	209,718
Quarter 3 - ending Dec 2021	16,097	13,499	189,805	219,401

2.8 Changes to the Organisation Structure

2.8.1 **Planning and Regeneration Restructure -** The restructure has been approved to support the creation of a sustainable permanent structure for the team, and to provide adequate resource to deliver the work areas of Development Management, Local Plan and Housing Delivery and Growth.

The impact for 2021/2022 is an additional cost of £0.087m, which has been met from an approved carry forward of in year surplus at year-end 2020/2021.

Ongoing implications from 2022/2023, a pressure of £0.166m, have been built into the MTFP.

2.8.2 **Policy and Strategy Structure –** the Corporate Policy Manager post was deleted, and 3 new posts created:

- Policy & Strategy Officer – Corporate Strategy & Business Planning
- Policy & Strategy Officer – Climate & Sustainable Environment
- Head of Strategy & Policy

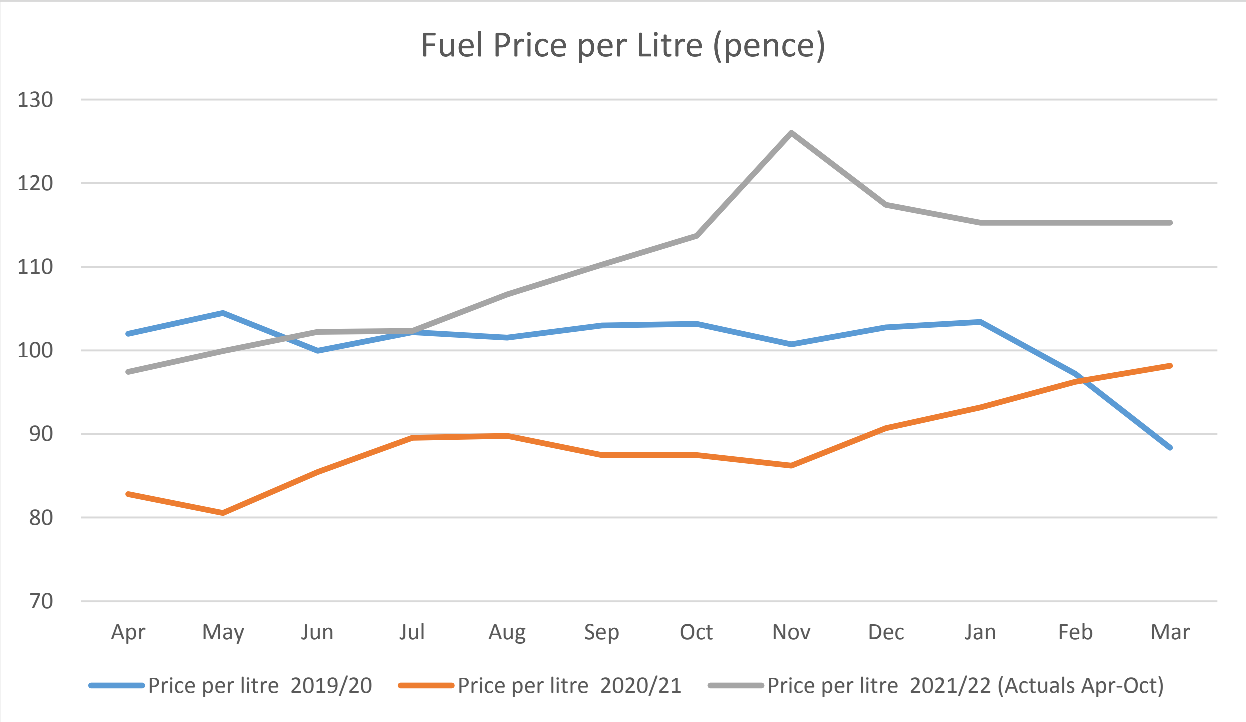
The overall impact is a pressure of £0.089m in 2021/2022 funded from Management Structure savings.

2.8.3 **Finance Service Restructure –** a restructure of the service has been approved, and the financial implications of amendments to the team have been contained within existing budget provision.

2.9 Fuel

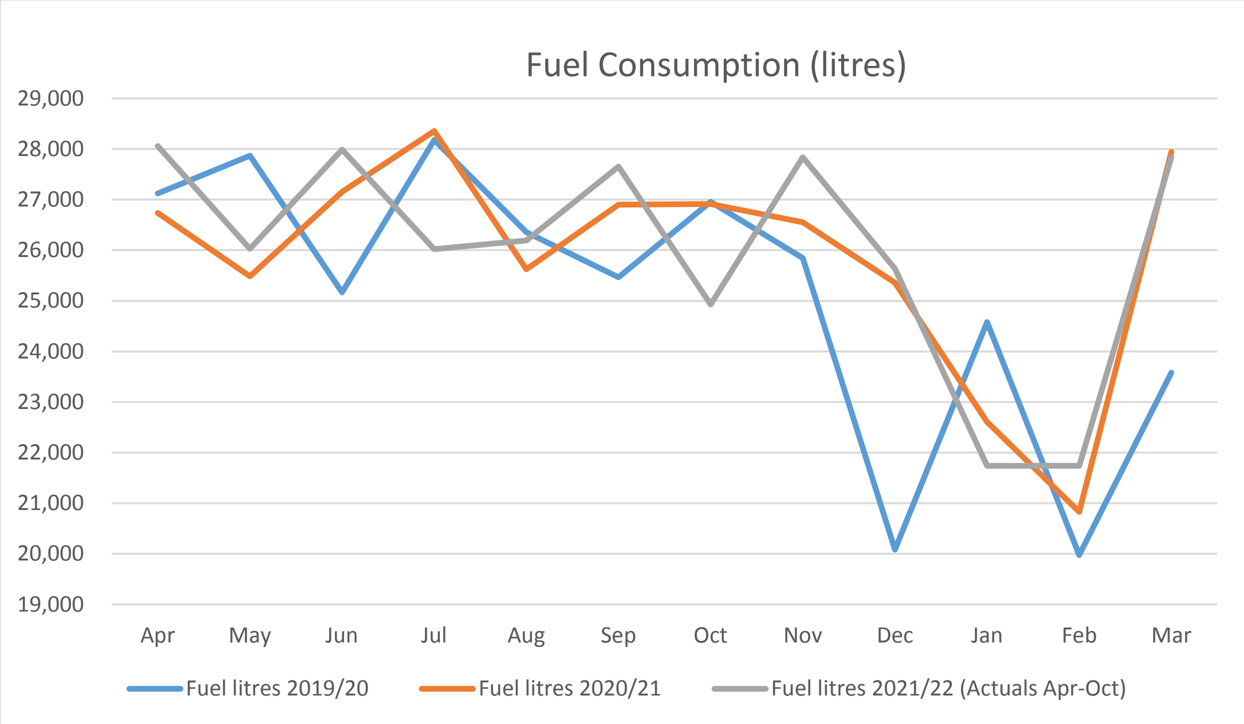
2.9.1 The chart below shows the actual price paid per litre of fuel, in pence, during 2019/2020 and 2020/2021. The prices shown for 2021/2022 are actuals to date, for the period April to January 2022, and estimated rates for the remainder of the financial year.

During the period from late July to early December 2021 a combination of fuel cards and fuel from the existing depot site tanks have been used to deplete the stock held in the tanks, pending the transfer to the new site. The fuel tank at the new depot site was available for use from early December 2021.



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 January 2022, 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 3 2021/2022

3.1.1 The Capital Budget forecast out-turn for schemes approved to spend (includes Stage 3 and BAU) totals £7.999m against a revised budget of £8.805m. Reasons for variations are detailed below.

Pipeline Schemes (Pre Stage 1, Stage 1 and Stage 2) are expected to spend £0.877m (subject to formal approval). This gives an overall total spend of £8.876m as detailed in the table below.

Capital Investment Programme 2021/2022

Corporate Priority / Scheme	Actuals to 31/12/2021	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	4,655,616	4,784,545	8,805,488	7,999,396	(374,662)	(431,430)
Stage 2	42,000	3,092,000	919,316	770,916	0	(148,400)
Stage 1	0	1,500,000	86,240	86,240	0	0
Pre-Stage 1	0	20,000	20,000	20,000	0	0
Total Capital Programme Gross Expenditure	4,697,616	9,396,545	9,831,044	8,876,552	(374,662)	(579,830)

3.1.2 The capital programme spend to date is £4.698m against a revised budget of £9.831m. Expenditure is forecast to be £8.876m resulting in a £0.954m variance. The variance consists of:

- An anticipated £0.58m to be re-phased at the financial year-end. Of this amount £0.05m is to be brought forward from 2022/2023 with £0.63m to be slipped to future financial years.

- There are net projected underspends of £0.375m which is made up of £0.002m overspend on the Private sector Housing scheme which is now closed and underspends of £0.377m on various projects as detailed in the summary table below.

It is proposed that no amendments to the Capital Programme will take place at this time. The schemes will be adjusted at the financial year-end when the Capital Financing will be finalised. Final amendments to the schemes will be reported to Committee at Quarter 4 2021/2022.

3.1.3 Members are asked to approve £0.01m spend on Play Park works and equipment at Hemswell Cliff against the Hemswell Masterplan Public Realm Improvements capital. This is to aid the play park's adoption by Hemswell Cliff Parish Council.

3.1.4 This Committee, at its meeting in November, approved funding to support the Levelling Up Fund Bid. A request to spend £0.389m in 2021/2022 was approved and this has been added into the monitoring table below. Individual business cases will be brought to this committee for approval at future meetings.

3.1.5 Individual schemes are detailed in the table below and commentary provided on performance.

Capital Investment Programme 2021/22

Corporate Priority / Scheme	Stage (1 April 2021)	Stage	Actuals to 31/12/2021	Original Budget 2021/22	Revised Budget 2021/22	Contingency Budget	Revised Budget Excluding Contingency Budget	Forecast Outturn 2021/22	Over/ (Underspend) Against Revised Budget 2021/22	Carry Forward Requests/ Drawbacks	Contingency Budget Spent	Comments
			£	£	£	£	£	£	£	£	£	
Vulnerable Groups & Communities												
Extra Care Provision Scheme	Stage 1	Stage 1	0	1,500,000	0	0	0	0	0	0	0	
LEAP - Supported Accommodation	-	Stage 3	0	0	20,000	0	20,000	28,570	0	8,570	0	Scheme approved Sept 2021 it is anticipated this will be finalised in 22/23 - minor drawback from 22/23 anticipated.
Property Flood Resilience	-	Stage 3	29,409	0	34,200	0	34,200	29,409	(4,791)	0	0	Claims submitted in 21/22 - these will be funded from external grant - the claim will be made once all applications have been received.
Rough Sleeper Accomodation Project	-	Stage 2	42,000	0	0	0	0	42,000	0	42,000	0	The grant was to be paid on completion of a Grant Funding Agreement, it was finalised sooner than anticipated so the spend came out this financial year instead of the projected 2022/2023.
Local Authority Delivery Grant Phase 2 - Green Homes	-	Stage 3	0	0	560,000	0	560,000	300,000	0	(260,000)	0	Agreement took longer than anticipated to sign with Eon who are delivering the scheme on our behalf. Funding was due to all be spent by 31st March 2022 but Government extended the deadline of spend until 30th June 2022.
Health and Wellbeing												
Disabled Facilities Grants	BAU	BAU	679,618	857,714	977,140	0	977,140	927,140	0	(50,000)	0	All the DFG budget has been committed but due to a shortage of contractors not all work will be finalised before 31.3.2022.
Private Sector Renewal	Stage 3	Stage 3	46,000	98,547	43,842	0	43,842	46,000	2,158	0	0	Small overspend - project is now finished.
Market Rasen Leisure Centre	Stage 4	Stage 4	(435)	0	0	0	0	0	0	0	0	

Capital Investment Programme 2021/22

Corporate Priority / Scheme	Stage (1 April 2021)	Stage	Actuals to 31/12/2021	Original Budget 2021/22	Revised Budget 2021/22	Contingency Budget	Revised Budget Excluding Contingency Budget	Forecast Outturn 2021/22	Over/ (Underspend) Against Revised Budget 2021/22	Carry Forward Requests/ Drawbacks	Contingency Budget Spent	Comments
			£	£	£	£	£	£	£	£	£	
Economy												
Market Rasen 3 year vision	Stage 3	Stage 3	0	200,000	50,000	0	50,000	0	0	(50,000)	0	Budget reapproved by PC & CPR in September for historic building grant scheme. Scheme developed and opened to applicants in Qtr. 3 21/22. A number of building owners have raised interest in the scheme since open, however due to individual project timelines none are expected to be in a position to draw down funds in this financial year.
Hemswell Masterplan - Public Realm Improvements	Stage 2	Stage 2	0	0	50,000	0	50,000	10,000	0	(40,000)	0	£10k spend in 2021/2022 to purchase wet pour base for a play park and additional play equipment to aid the play parks adoption by Hemswell Cliff Parish Council. £40k to be carried over to 2022/2023 and spent in conjunction with the £100k Investment for Growth for Building Regeneration / Community Space.
Crematorium	Stage 4	Stage 4	(7,085)	0	0	0	0	0	0	0	0	
Crematorium Phase 2	Stage 3	Stage 3	8,915	154,000	154,000	0	154,000	154,000	0	0	0	
Gainsborough Heritage Regeneration - THI	Stage 2	Stage 2	0	402,000	50,400	0	50,400	0	0	(50,400)	0	Building owners have been withholding applications due a lack of confidence and uncertainty due to COVID and the announcement of LUF funding which is supplementary to this scheme. Interested building owners have started coming forward following the results of LUF bid have been communicated, however due to project timelines no applicants will be in the position to draw down funds in this financial year.
Gainsborough Shop Front Improvement Scheme	Stage 3	Stage 3	5,300	70,000	5,300	0	5,300	5,300	0	0	0	

Capital Investment Programme 2021/22

Corporate Priority / Scheme	Stage (1 April 2021)	Stage	Actuals to 31/12/2021	Original Budget 2021/22	Revised Budget 2021/22	Contingency Budget	Revised Budget Excluding Contingency Budget	Forecast Outturn 2021/22	Over/ (Underspend) Against Revised Budget 2021/22	Carry Forward Requests/ Drawbacks	Contingency Budget Spent	Comments
			£	£	£	£	£	£	£	£	£	
Economy												
5-7 Market Place - Redevelopment	Stage 3	Stage 3	2,184	342,300	250,000	0	250,000	190,000		(60,000)	0	Delays to start of building works due to limiting factors such as quantity surveyor availability and other professional services such as legal. Expecting to have paid out £40k preliminary costs and £150k relating to GLLEP LOTS grant and match funding before year end. Original scheme budget included contingency of £59.5k (10%), this has been slipped into 2022/23 as at Qtr 1.
Trinity Arts Centre Improvement Projects	Stage 3	Stage 3	15,750	279,800	20,500	0	20,500	20,500	0	0	0	
Gainsborough Growth - Grant for development (Cinema)	Stage 2	Stage 2	0	2,390,000	718,916	0	718,916	718,916	0	0	0	
Riverside Walk Acquisition	Stage 3	Stage 3	99,770	0	415,000	0	415,000	415,000	0	0	0	
Saxilby Industrial Units	Stage 4	Stage 4	(15,000)	0	0	0	0	0	0	0	0	
The Sun Inn - Capital Grant	Stage 3	Stage 3	0	0	0	0	0	0	0	0	0	
Hemswell Cliff Investment for Growth	Stage 2	Stage 2	0	100,000	100,000	0	100,000	0	0	(100,000)	0	Focus for spend is to invest in rejuvenation of run down building to provide a community space. Its location can facilitate links with community and business park which is an aim of the Masterplan. Focus 2022/2023 is to gain funding agreement for community space within ex-sergeants mess (currently New Owners Charity). No spend to date due to no engagement with previous owner and no feasible opportunities within business park arose during this financial year.
Thriving Gainsborough - LUF	-	Stage 3	0	0	259,300	0	259,300	259,300	0	0	0	LUF budget and anticipated spend as agreed CPR December (not including cinema).

Capital Investment Programme 2021/22

Corporate Priority / Scheme	Stage (1 April 2021)	Stage	Actuals to 31/12/2021	Original Budget 2021/22	Revised Budget 2021/22	Contingency Budget	Revised Budget Excluding Contingency Budget	Forecast Outturn 2021/22	Over/ (Underspend) Against Revised Budget 2021/22	Carry Forward Requests/ Drawbacks	Contingency Budget Spent	Comments
			£	£	£	£	£	£	£	£	£	
Public Safety & Environment												
Vehicle Replacement Programme	BAU	BAU	347,560	438,400	438,400	0	438,400	438,400	0	0	0	
Depot Review	Stage 3	-	1,969,757	1,650,000	2,467,607	500,000	1,967,607	2,167,607	(300,000)	0	200,000	Depot is now operational - still awaiting final invoices. The original scheme budget included £500k contingency budget (10%). £200k of the contingency has been spent.
CCTV Expansion	Stage 3	Stage 3	120,929	0	199,265	0	199,265	167,265	(32,000)	0	0	The scheme is forecast to be spent in full before the end of 2021/2022, however there may be a carry forward required at year-end subject to any further contractor/supplier delays. £32k is to be reallocated to revenue to cover the cost of a 5 year line connection fee.
Housing Growth												
Unlocking Housing - Living over the Shop	Stage 3	Stage 3	0	0	30,400	0	30,400	30,400	0	0	0	
Housing Infrastructure (Southern SUE)	Stage 3	Stage 3	980,480	218,784	2,193,784	0	2,193,784	2,193,784	0	0	0	
Finances												
Financial Management System	Stage 3	Stage 3	123,480	145,000	198,150	0	198,150	198,150	0	0	0	
Capital Enhancements to Council Owned Assets	BAU	BAU	25,857	50,000	76,000	0	76,000	60,875	(15,125)	0	0	The budget is based on the Asset Management Plan, but, before work is undertaken external consultants are asked to review the life of an asset and if the works need undertaking or can be delayed and sometimes events occur outside of the Council's control that means some works are brought forward or may not have been on the plan i.e. death of a tenant and work required on a property to enable the property to be re let.
Carbon Efficiency	Stage 3	Stage 3	0	210,000	50,000	0	50,000	50,000	0	0	0	
Richmond House Conservatory	Stage 3	Stage 3	0	0	20,000	0	20,000	0	0	(20,000)	0	The works quote came in at £150k all parties agreed a total cost of £60k for the works, therefore, all 3 parties have had to reconsider the project.

Capital Investment Programme 2021/22

Corporate Priority / Scheme	Stage (1 April 2021)	Stage	Actuals to 31/12/2021	Original Budget 2021/22	Revised Budget 2021/22	Contingency Budget	Revised Budget Excluding Contingency Budget	Forecast Outturn 2021/22	Over/ (Underspend) Against Revised Budget 2021/22	Carry Forward Requests/ Drawbacks	Contingency Budget Spent	Comments
			£	£	£	£	£	£	£	£	£	
Customer												
Telephony (incl. Contact Centre)	Pre-Stage 1	Pre-Stage 1	0	20,000	20,000	0	20,000	20,000	0	0	0	
Income Management	Stage 1	Stage 1	0	0	86,240	0	86,240	86,240	0	0	0	
3 D Secure Payment Software	Stage 3	Stage 3	0	0	12,000	0	12,000	12,000	0	0	0	
Customer Relationship Management System	Stage 3	Stage 3	8,447	0	20,000	0	20,000	16,696	(3,304)		0	Software costs - budget to be reduced to revenue.
Staff & Members												
ERP Systems (Phase 2)	Stage 2	Stage 2	0	200,000	0	0	0	0	0	0	0	
Document management system	Stage 3	Stage 3	15,050	70,000	75,000	0	75,000	75,000	0	0	0	
Storage Refresh	Stage 3	Stage 3	185,997	0	200,000	0	200,000	200,000	0	0	0	
Additional Laptop Provision for Covid Virtual Working	Stage 1	Stage 3	13,633	0	35,600	0	35,600	14,000	(21,600)	0	0	Number of laptops required is less than initially expected.
Total Capital Programme Gross Expenditure			**4,697,616**	**9,396,545**	**9,831,044**	**500,000**	**9,331,044**	**8,876,552**	**(374,662)**	**(579,830)**	**200,000**	

3.2 Acquisitions, Disposals and Capital Receipts

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

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

3.2.3 Capital Receipts - The total value of capital receipts at the end of Quarter 3 totalled £0.283m relating to:

- £0.088m from the Housing Stock Transfer Agreement share of Right to Buy receipts.

- £0.031m Loan repayments.

- £0.024m for the Council's share of the proceeds of two plots of land.

- £0.140m from the sale of Lea Road School.

4. TREASURY MONITORING – Quarter 3 (Sep – Dec 2021)

The Treasury Management Strategy Statement (TMSS) for 2021/2022, which includes the Annual Investment Strategy, was approved by the Council on 01 March 2021. It sets out the Council's investment priorities as being:

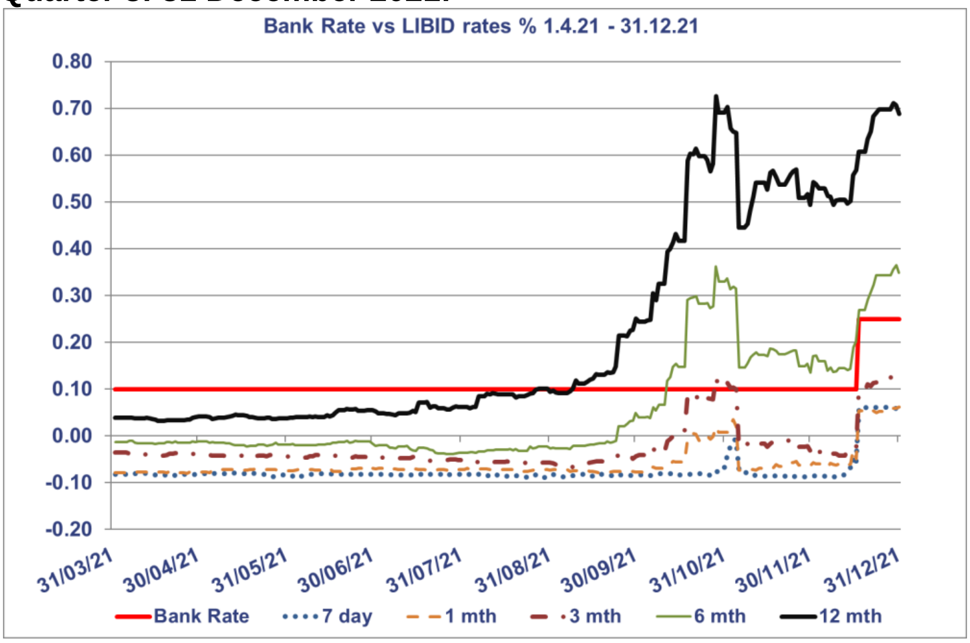
- Security of capital;
- Liquidity; and
- Yield.

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

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

4.2 Interest received (Oct-Dec) has been in excess of the 7 day average libid (-0.07%) with an average yield of 0.727% (including CCLA) and 0.096% (excluding CCLA). It is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen weakly since the Bank Rate was cut to 0.10% in March 2020 and only recently raised to 0.25% in December 2021. Given this environment and the fact that Bank Rate may only rise marginally over the course of 2022, investment returns are expected to remain low. The Council budgeted to receive £0.090m of investment income, the forecast outturn is now £0.158m.

Quarter 3: 31 December 2021:



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.25	0.06	0.06	0.14	0.36	0.73
High Date	17/12/2021	29/12/2021	31/12/2021	31/12/2021	30/12/2021	28/10/2021
Low	0.10	-0.09	-0.08	-0.07	-0.04	0.04
Low Date	01/07/2021	27/08/2021	17/09/2021	08/09/2021	27/07/2021	08/07/2021
Average	0.11	-0.07	-0.05	-0.01	0.09	0.31
Spread	0.15	0.15	0.14	0.20	0.40	0.68

4.3 Interest Rate Forecasts

The Council's treasury advisor, Link Group, have provided the following forecasts on 20 December 2021:

Link Group Interest Rate View	20.12.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Link Asset Services detailed economic commentary on developments during quarter ended 31 December 2021 is included in Appendix 1.

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

Appendix 3 details the Approved countries for investments as at 31 December 2021.

4.4 Investment in Local Authority Property Fund (CCLA)

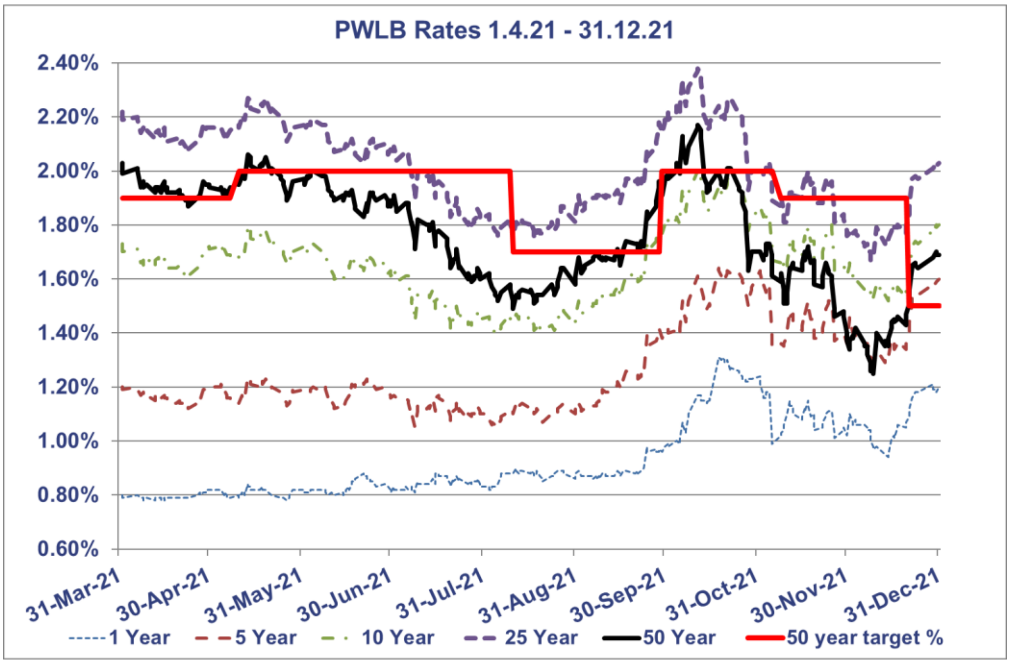
The total the Council has invested now stands at £3m (of an approved £4m). Interest is receivable on a quarterly basis with Q3 due during October.

4.5 New External Borrowing

New temporary borrowing of £5m was undertaken in the third quarter of the financial year.

The Council's total external borrowing stands at £25m.

It is anticipated that no further borrowing will be undertaken during this financial year and that borrowing at the end of 2021/2022 will be £25m.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.81%	1.05%	1.39%	1.67%	1.25%
Date	08/07/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	1.31%	1.64%	2.01%	2.38%	2.17%
Date	18/10/2021	18/10/2021	11/10/2021	11/10/2021	11/10/2021
Average	0.99%	1.31%	1.63%	1.94%	1.68%
Spread	0.50%	0.59%	0.62%	0.71%	0.92%

4.6 Borrowing in advance of need

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

4.7 Compliance with Treasury and Prudential Limits

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

During the financial year to date the Council has operated within these treasury and prudential indicators and in compliance with the Council's Treasury Management Practices.

The prudential and treasury Indicators are shown below and take into account the revisions to the Capital Programme as detailed in section 3 of this report.

	Original £'000	Q2 £'000	Q3 £'000
Treasury Indicators			
Authorised limit for external debt	45,000	45,000	45,000
Operational boundary for external debt	40,062	30,000	30,000
External Debt Long term Leases Investments	31,000 0 (12,133)	27,500 0 (17,689)	25,000 0 (19,219)
Net Borrowing	**18,867**	**7,311**	**5,781**
Prudential Indicators			
Capital Expenditure	9,396	8,755	8,876
Capital Financing Requirement (CFR)* *Of Which Commercial Property*	41,340 *22,999*	40,088 *20,585*	39,425 *20,585*
Annual change in CFR*	1,278	1,562	1,915
External Debt	31,000	25,000	25,000
Under/(over)borrowing	10,340	15,088	14,425
Ratio of financing costs to net revenue stream*	7.12%	7.98%	6.70%
Incremental impact of capital investment decisions:			
Increase/(Reduction) in Council Tax (band change per annum)	£0.00	£2.27	£2.27

4.8 The Monthly Investment Review report for December is attached at Appendix 1.

APPENDIX 2: Economics update

During the quarter ended 31st December 2021:

During the quarter ended 31st December 2021 *(quarter 3 of financial year 2021/22):Monthly*

- *GDP rose 0.1% in October as product/labour shortages held back output;*
- *There were signs of faster GDP growth in November, before surging COVID-19 cases in December hit activity;*
- *Inflation jumped to a nine-year high of 5.1% in November;*
- *Bank Rate rose from 0.10% to 0.25% in December;*
- *Gilt yields and sterling fell, before both turned a corner in recent weeks.*

Q4 had a weak start in October, with the economy eking out GDP growth of only 0.1% m/m. That was much lower than the 0.6% m/m growth in September and reflected falls in output in hospitality (-5.6% m/m), energy (-2.8% m/m) and mining (-5.0% m/m). In fact, without the boost from more face-to-face doctor appointments and the vaccine programme, GDP would have contracted in month-on-month terms.

There were some signs that activity gained some momentum in November. That seems to have been driven mainly by faster growth in consumer spending amid stronger-than-usual Black Friday sales and anecdotal reports that households brought forward some of their Christmas shopping. In November, retail sales jumped by 1.4% m/m, households' unsecured borrowing rose by a healthy £1.2bn, and survey data pointed to resilience in other sectors too, despite continued supply chain disruptions and shortages.

But any improvement in activity probably proved short-lived. The surge in COVID-19 cases caused by the Omicron variant prompted the government to impose 'Plan B' restrictions from mid-December, which included guidance to work from home and COVID-19 passports for some hospitality venues. Timely data indicated that households changed their behaviour in response to the risk of infection, even without the imposition of formal restrictions limiting social interactions. For example, restaurant attendance was hit hard in the run-up to Christmas, while journeys on public transport fell. That chimes with the fall in December's flash PMIs, which pointed to a big drop in services output.

That prompted the government to announce a new £1bn support package for consumer-facing businesses in retail and hospitality as those sectors lost earnings over the Christmas period due to heightened virus caution and the 'Plan B' measures. With eligible businesses able to receive grants of up to £6,000, that should have helped to cushion some of the blow. That said, the measures are much less generous than the support offered earlier in the pandemic and crucially don't include a furlough scheme, so businesses are unlikely to have avoided a hit to their balance sheets entirely.

As it stands, our forecast is for GDP growth in December of -0.1% m/m. But we suspect that the fall could be larger than that. Indeed, the flash composite PMI for December was consistent with GDP growth of -1.5% m/m. Although we suspect that is a little pessimistic, a more conservative estimate of -0.5% m/m would pull down our forecast for Q4 as a whole to +0.7% q/q. That would delay the return of GDP to its pre-virus level, pushing it back from January 2022, (as we had expected), into Q2.

Trade flows have continued to recover amid the fading of Brexit trade frictions and some easing in supply chain disruptions. So far, the recovery in exports has lagged imports. But this divergence may be starting to lessen. Excluding oil and erratics, export values grew by 1.6% m/m in October, while import values grew by 0.7% m/m. By contrast, although total trade with the EU remains well below pre-crisis levels, the recovery in export values to the EU has been *faster* than that of imports. Indeed, export values were 5.3% below their Q4 2019 average in October 2021, while imports were 9.6% below. What's more, these data predate the full customs checks for imports that came into force on 1st January 2022. That's one of the reasons why we think that, while Brexit explains some of the shortfall in UK trade, pandemic effects have also played a big role. That implies the underperformance of UK exports may lessen as the pandemic fades.

At the same time, CPI inflation surged to a 10-year high of 5.1% in November. Some of the rise was due to one-off factors, such as the 5.1% m/m increase in fuel prices on the back of the surge in oil prices in October. But there was evidence of more persistent price pressures too. Food inflation added 0.1ppts to overall inflation, which reflected higher costs faced by suppliers. Higher second-hand car inflation and rising housing rents also contributed. Meanwhile, another rise in core producer output price inflation from 7.1% to 7.9% in November suggests that shortages are still boosting prices further up the inflation pipeline.

Our forecast is for inflation to hover near its current level until it peaks at 5.2% in April 2022, before falling back sharply in the second half of next year. But the risks to this forecast are firmly to the upside. The 15% rise in utility prices that we have pencilled in for next April now looks optimistic, with a much bigger rise a real possibility. If the Omicron variant prompts a worsening in global supply chain disruptions, that could mean inflation falls back more slowly than we anticipate.

The end of the furlough scheme on 30th September seems to have had a temporary, limited impact on the labour market. In October, the single-month data showed that LFS employment fell by 240,000 while unemployment rose by 75,000. That nudged up the ILO unemployment rate from 3.9% in September to 4.2%. But the weekly data showed that unemployment was falling again by the end of the month. And the fall in the claimant count and rise in PAYE employment in November suggest the labour market soon strengthened again. Meanwhile, growth in average weekly earnings has fallen in recent months. But we estimate that underlying earnings growth held steady at close to pre-pandemic rates. Admittedly, the hit to consumer-facing services in December may have slowed the labour market recovery as firms struggled with lost earnings in the run-up to Christmas. But we don't expect it to have derailed the recovery entirely.

The Bank of England surprised us and many others with a hike to Bank Rate at the December Monetary Policy Committee (MPC) meeting from 0.10% to 0.25%. We had expected the Bank would wait for more information on the impact of Omicron before raising rates. But a series of strong data releases on the labour market and inflation in the run-up to the meeting seem to have worried the Bank. And the minutes of the meeting indicated that, despite acknowledging the downward impact on GDP from Omicron, the MPC was more concerned about the upside risks to inflation. At the same time, the Bank dropped any reference to inflation being expected to be below the 2% target in two years' time, which it had used at its November meeting to imply that the market pricing of Bank Rate at that time was too high. That suggests to us that the Bank is now contemplating raising interest rates further than it was at its November meeting. But the Bank retained its guidance that only a "modest tightening" in monetary policy would be needed, so we doubt the shift in its thinking has been dramatic. Assuming that a typical policy tightening cycle involves rates rising by 25bps four times per year, we think that a "modest" tightening will be slower than that. That has prompted us to raise our Bank Rate forecast next year. We expect two more hikes to Bank Rate – the first 25bps in May and the second 25bps in August – taking Bank Rate to 0.75% by the end of the year. While that's a bit higher than our previous forecast of 0.50%, it is still less than the tightening to almost 1.25% that investors are discounting by end of 2022. That's because we expect GDP growth in the first half of 2022 to be weaker and inflation to fall back faster in the second half than the Bank expects.

The sharp rise in gilt yields at the start of Q4 on expectations of higher interest rates was quickly reversed following the November MPC meeting after investors' expectations of a hike to Bank Rate was disappointed. But the 10-year yield has risen again in recent weeks to reach 1.00%, up from roughly 0.70% in mid-December, following encouraging signs that the Omicron variant may not lead to as many hospitalisations as initially feared. We expect the 10-year yield to drift a little higher in the coming years, albeit not by much, to reach 1.25% by end-2023. That's underpinned by our more dovish Bank Rate forecast compared to investors and our view that **upward pressure on gilts from higher US Treasury yields will be more limited than we previously thought.**

In fact, we have recently revised down our end-2022 and end-2023 forecasts for the 10-year US Treasury yield by 25bp each, to 2.00% and 2.25%, respectively. That's still marginally more tightening than is discounted by investors, but we think the Fed's recent hawkish pivot in the face of higher inflation means that the policy rate will not need to rise as far further ahead as we had once assumed. Indeed, the rise in inflation in the US to 6.8% in November, up from 6.2% in October, probably marks the peak.

Meanwhile, sterling weakened throughout most of Q4 as investors discounted the murkier outlook for GDP growth. Admittedly, the pound has strengthened again in the past few weeks. But we suspect this will prove short-lived and forecast a further softening in the pound against both the dollar and the euro to $1.25 and €1.16 respectively by end-2022 (from $1.34 and €1.20 currently). That's mainly based on our view that the Bank will disappoint investors' rate expectations to a greater extent than the Fed or the ECB.

Finally, the FTSE 100 has risen by nearly 7% since the start of Q4, with much of the gain in the past few weeks prompted by investors' more optimistic assessment of the risks posed by Omicron. In fact, the extent of the recent rise in the FTSE 100 means that the index is now not far off our end-2022 forecast of 7,600 and could suggest the scope for further gains is limited. Nonetheless, UK equities still look favourably valued compared to gilt yields and the S&P 500, which may prove to be an upside for the FTSE 100

APPENDIX 3: Approved countries for investments as at 31st December 2021

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

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

APPENDIX 4

REVENUE CARRY FORWARDS – BASE BUDGETS ALREADY APPROVED

Budget underspends to be carried forward into 2022/2023, which have been approved during the year are provided below for information only.

The following carry forwards are base budgets which have been approved previously by Management Team or Committee.

• Please note the figures quoted are as forecast as at December 2021 out-turn monitoring. The final carry forward figures will reflect the actual outturn position at year-end.

BASE BUDGET C/FWDS APPROVED IN YEAR			Dec 21	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
Prosperous Communities	Our Council	Land Charges	8	Land Charges project - 2 year software £8.5k to be cfwd to 22/23 ICT Board 27.07.21 FIN/55/22. Horizon is a land charges specific system which is being used for the two years until the CRM system can be developed. The contract starts on 1st November. The costs per annum is £8,500. However there is a requirement for training in the first year which is £1,700.
Prosperous Communities	Our People	Community Action	8	Employment & Skills budget £10k 2019/2020 - from Business Planning budget. Balance to be carried forward approved by MT 25.11.19 FIN/126/20.
Prosperous Communities	Our People	General Grants etc	4	Approved to support commissioning work for Voluntary Community Sector review in 22/23.
		TOTAL	20	

APPENDIX 4

REVENUE CARRY FORWARDS – USE OF EARMARKED RESERVES

Budget underspends to be carried forward into 2022/2023, which have been approved during the year are provided below for information only.

The following carry forwards are approved use of Earmarked Reserves where the project spend has slipped into future years.

• Please note the figures quoted are as forecast as at December 2021 out-turn monitoring. The final carry forward figures will reflect the actual outturn position at year-end.

USE OF EARMARKED RESERVES			Dec 21	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
Prosperous Communities	Our People	General Grants etc	36	Members Local Grants - Balance to be cfwd (£144k over 4 years 19/20 - 22/23)
Prosperous Communities	Our People	General Grants etc	101	Community Grants - Balance to be cfwd (£500k over 5 years 18/19 to 22/23)
Prosperous Communities	Our People	General Grants etc	13	Community Payback Scheme - on hold due to Covid-19.
Corporate Policy & Resources	Our Place	Policy, Strategy & Environment	20	Draw down from Climate Change reserve, to spend on consultancy in 22/23.
Prosperous Communities	Our Place	Economic Development	6	Market Rasen Historic Building Scheme Project Officer Support
		TOTAL	176	

APPENDIX 4

REVENUE CARRY FORWARDS – PENDING APPROVAL BY MANAGEMENT TEAM AT YEAR-END

Bids for budget underspends to be carried forward into 2022/2023, which require Management Team approval are as follow.

• Please note the figures quoted are as forecast as at December 2021 out-turn monitoring. The final carry forward figures will reflect the actual outturn position at year-end.

BASE BUDGET C/FWDS PENDING APPROVAL BY MT			Dec 21	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
Corporate Policy & Resources	Our Council	Systems Development	21	Extension to temporary posts - Enabling Technology Project Officer & Data Migration Technical Officer.
Corporate Policy & Resources	Our Council	Democratic Representation	5	Carry forward request for planning and licensing member training to be carried out in 22/23.
Prosperous Communities	Our People	General Grants etc	36	Payments due to Voluntary Community Services in 22/23 (funded from PCC Safer Streets Fund in 21/22).
Corporate Policy & Resources	Our People	Housing Benefits Admin	2	May be required to cover backdated to 1.4.21 JE for L Forman & A Foster.
Prosperous Communities	Our Place	Cemeteries and Churchyards	25	Cemetery wall repairs £20k for cemetery walls, £5k for tree works.
Prosperous Communities	Our Place	Cemeteries and Churchyards	10	Memorial testing - £7k for works scheduled for Summer 2022, £3k towards tree works.
Prosperous Communities	Our Place	Waste Management	13	Relocation payments slipped into 22/23.
		TOTAL	112	