Corporate Policy and Resources Committee	
9th November 2017	

Subject: Budget and Treasury Management Monitoring – Period 2 2017/18 including Treasury Mid-Year Report.

Report by:	Director of Resources (S151) Ian Knowles
Contact Officer:	Tracey Bircumshaw Finance and Business Support Manager (Deputy S151) 01427 676560 tracey.bircumshaw@west-lindsey.gov.uk
Purpose / Summary:	This report sets out the revenue, capital and treasury management activity from 1 April 2017 to 30 September 2017

RECOMMENDATION(S):

a) That Members accept the forecast out-turn position of a £34k net contribution to reserves as at 30 September 2017. (1.1).

b) Members approve the use of Earmarked Reserves of £70k (1.5.1)

c) Members note the use of Earmarked Reserves during the quarter approved by the Director of Resources using Delegated powers (1.5.2).

d) That Members accept the recommendation of the Prosperous Communities Committee in participating in the Lincolnshire consortia bid for the Wellbeing Services contract (1.5.11).

e) Members approve the Capital budget carry forwards of £13,380k (2.2)

f) Members approve additional expenditure of £58k for land acquisition as part of the Gainsborough Growth Programme, funding will be from S106. (2.2.5)

g) Members approve a £40k capital budget for expending on grants to be issued above £10k for capital investment as part of the Access to Transport Project, previously approved. This is being funded from the Connectivity Reserve. (2.2.6)

h) Members approve the transfer of £30k from the yet to be developed Wider Heritage Scheme to the Shop Front Improvement Scheme thereby increasing the budget to £80k, in addition to agreeing expenditure. (2.2.7)

i) Members subject to approval of the above, therefore approve the Revised Capital Budget of £13,253k (2.1)

j) Members accept the Commercial Income position.

k) That Members accept the Treasury position to 30 September 2017.

IMPLICATIONS

Legal: None arising as a result of this report.

Financial FIN/78/18

The draft revenue forecast out-turn position for 2017/18 is currently reflecting a net contribution to reserves of £34k as at 30 September 2017, this is after approved carry forwards of £48k, and carry forward requests, approved by the Head of Paid Service, of £17k detailed at Appendix A. There is a risk that there may be a deficit at the year end which dependent on the source, would require funding from either volatility/contingency reserves or General Fund Balance.

The items with significant variances are contained within this report at 1.1.

The capital out-turn position for 2017/18 is £13,253k. £13,380k has been requested as capital budget carry forwards.

The Treasury Management activities during the reporting period are disclosed in the body of this report. Average investments were £22,771k which achieved an average rate of interest of 1.17%.

There has been no external borrowing undertaken.

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**	**x**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**		**No**	**x**

REVENUE BUDGET MONITORING PERIOD 2
(Forecast out turn for 2017/18)

1 The Revenue Budget forecast out-turn currently stands at a net contribution to reserves of £34k as detailed in the table below;

Forecast Outturn by Cluster

SERVICE CLUSTER	2017/18 Budget £	2017/18 Forecast Outturn £	September 2017 Forecast Outturn Variance £
Corporate Management	648,600	641,600	(7,000)
Commercial Development	2,406,100	2,323,300	(82,800)
Customer First	1,468,400	1,468,471	71
Democratic and Business Support	3,403,999	3,159,948	(244,051)
Economic Development and Neighbourhoods	1,499,200	1,473,900	(25,300)
Housing and Regeneration	810,700	1,607,676	796,976
Organisational Transformation	1,241,500	1,193,306	(48,194)
Controllable Total	**11,478,499**	**11,868,201**	**389,702**
Corporate Accounting:			
Interest and Investment Income	(220,200)	(220,200)	0
Interest Payable	398,000	96,042	(301,958)
Precepts and Levies	2,210,787	2,210,787	0
Movement in Reserves:			
To / (From) General Fund	(2,375,100)	(2,375,100)	0
Use of Specific Reserves	(2,072,300)	(2,083,300)	(11,000)
Contribution to Specific Reserves	3,721,300	4,033,580	312,280
Repayment of Borrowing	195,900	95,900	(100,000)
Net Revenue Expenditure	**13,336,886**	**13,625,910**	**289,024**
Funding Total	(13,336,886)	(13,659,966)	(323,080)
NET SUBSIDY/(CONTRIBUTION) TO RESERVES FOR THE YEAR	**0**	**(34,056)**	**(34,056)**

1.1 The significant movements being;

EXPENDITURE	£000	Direction of Travel
BUDGET UNDERSPENDS		
Salary savings.	-£151	↓
Health Insurance premium reduced due to reducing payroll.	-£14	**new**
Fuel - forecast saving based on current fuel prices and previous year usage. Approved by Management Team as a contribution towards Depot Health & Safety works.	-£50	↑
Leisure Procurement project drawing to a close-budget not required.	-£20	**new**
Base budget review after actual outturn savings.	-£49	**new**
Insurance renewal contract saving.	-£32	↑
PRESSURES		
Car park enforcement costs increased due to new contract.	£11	**new**
Market Rasen Depot construction work - Health, Safety & Welfare issues - to be funded from savings on fuel.	£50	**new**
Various forecast outturn variances <£10k.	£37	↓
	-£218	

INCOME	£000	Direction of Travel
BUDGETED INCOME EXCEEDED		
Business Improvements - provision of services to other Authorities.	-£21	↔
Building Control - additional fee earning income guaranteed for 6 months.	-£15	**new**
Housing Benefits - DWP grants for extra work carried out in year.	-£25	**new**
Elections - Grants from Cabinet Office to support elections work which has been carried out within existing budget provision.	-£36	**new**
Estimate share of Legal Services surplus - payable by LCC at year end.	-£22	**new**
Sale of new/replacement bins income exceeded.	-£13	**new**
Section 106 contributions to offset legal costs - income from LCC.	-£20	**new**
Trade Waste income - increased demand for service.	-£51	↑
BUDGETED INCOME NOT ACHIEVED		
Net impact of investment properties acquisitions not yet realised. (Borrowing cost savings, Lease Income pressure)	£215	↑
Market stallage income not expected to meet budgeted target based on current take up-review of market service in progress.	£12	**new**
Housing Benefits - forecast net outturn position.	£69	**new**
Car Park Income target not realised.	£21	**new**
Projected rental income and car park income from acquisition - est. to commence Dec-17.	£40	↑
Corporate Fraud - commercial income not achievable.	£30	↑
	£184	

TOTAL VARIANCE	-£34

1.2 Significant items of note;

2 Approval to spend up to £20m in investment property (with £13m budgeted this financial year) was estimated to provide a net contribution of £270k in 2017/18 raising to £600k by 2020/21. Our first acquisition of £2.4m was made early in October and this will achieve a £100k contribution to the savings target. Whilst we continue to identify suitable properties which meet our Policy criteria our bids have been unsuccessful. However, we are forecasting to make further acquisitions before the year end. A £215k net pressure is likely for the year (includes a saving on borrowing costs and pressure on rental income).

3 The exchange of contracts is imminent in our acquisition of a commercial property as part of our Gainsborough Growth Programme. Vacant possession is expected during December and therefore a forecast budget pressure of £40k which was based on an acquisition date of 1 November.

4 Current vacancy levels after costs of interims is forecast to achieve a £151k budget underspend.

5 The Director of Resources has approved the forecast saving on fuel of £50k be utilised as a contribution towards the building works required at Market Rasen Depot to improve health, safety and welfare of staff at the site.

1.3 Commercial Projects and Income Target

1.3.1 The Commercial Plan 2015/16 – 2019/20 was intended to be a proactive response in contributing to future financial sustainability. This was to be achieved through charging, trading and investment in order to reduce the net subsidy on services. A target of contribution of £1m was set.

1.3.2 Progress against this target has delivered £348k of ongoing savings thus far as detailed below;

- £100k Investment in Commercial Property £46k (2017/18) (Target £600k by 2020/21)
- £124k Trade Waste Income (2017/18 Forecast)
- £ 15k Building Control Complimentary Services
- £ 55k Pre-Application Planning Advice
- £ 25k Surestaff Lincs Ltd (Recruitment Agency)
- £ 29k Commercial Loan income

Proposals yet to be realised included Green Waste charging, currently under consultation and Leisure Management contract savings which is yet to be determined. In addition we can only estimate future levels Trade Waste Income against the Business Plan target sales, also as Members are aware the fluctuations in Planning Fee income can be significant year on year, all of which therefore pose a risk to the budget position.

1.3.3 Due to this level of budget risk it is proposed that a £200k Commercial Contingency Budget is established over the Medium Term Financial Plan 2018/19-2022/23, to mitigate any deficit in deliverability of commercial projects, with any unused balance being transferred at year end to the Finance Budget Risks Reserve. This proposal is recommended within the Mid- Year MTFP update report, elsewhere on this agenda.

1.4 Fees and Charges

£2.123m has been received in Fees and Charges up to the end of the period further detail and level of demand is attached in the graphs at Appendix B.

1.5 Use and Contribution to Reserves

1.5.1 2017/18 Use of Reserves – Delegated Decisions

The Director of Resources has used delegated powers to approve the use of earmarked reserves up to £50k, new delegated decisions totalled £211.7k;

- £41.5k from Neighbourhood Planning Grant reserve – to cover costs of Neighbourhood Planning Team project delivery spend.
- £8k from Elections reserve – to cover cost of Scotter and Blyton by-election 27th July 2017.
- £16.2k from Investment for Growth Fund – release of reserve for Hemswell Cliff Masterplan, Caistor sports ground CCTV equipment. CP&R approved £100k over 2 years 28.07.16 (FIN/43/17).
- £12.0k from Support for Vulnerable Communities reserve – to cover costs of a vulnerability assessment Hemswell Cliff.
- £16.4k from Community Grant Scheme reserve – to cover cost of Community Defibrillator equipment. Approved by PC 21/03/17 (FIN/143/17).
- £47.7k from Maintenance of Facilities reserve – to cover the cost of repairs and maintenance of buildings where the cost of work carried out is below the capital de-minimus level and therefore revenue expenditure.
- £11k – from Redundancy Contingency. To cover officer redundancy costs.

- £30.3k - from Unapplied Grants. Homes and Communities Agency grant for LDO Project work.

- £8k – from Elections reserve. To cover cost of Sudbrooke by-election 16.11.17.

- £20.6k – from Neighbourhood Planning Grant. To cover cost of NP Team project delivery spend.

1.6 Grants

As at 1st April 2017 we had an amount of £435k 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.

1.6.1 Successful Grant Bids and New Grant determinations

The following grants have been awarded during this period:

Grant Issued By	Name of Grant	Revenue/ Capital	£
DWP	Right Benefit initiative (FERIS 17/18)	Revenue	19,921
DCLG	Neighbourhood Planning Grant	Revenue	40,000
DCLG	New Burdens Brownfields Register Funding	Revenue	14,645
DCLG	Localised Council Tax Support Admin Grant	Revenue	115,439
Cabinet Office	Support Individual Electoral Registration	Revenue	14,493
Cabinet Office	Support Individual Electoral Registration	Revenue	21,146
		TOTAL:	225,644

In addition we have approval in principal, but subject to business cases, of £4m grant funding from the GLLEP to support the Gainsborough Growth Programme.

1.7 Other Items for information

1.8 Planning Appeals

In period 2 2017/18 there were 25 appeals determined, as follows;

June 2017 – 4 appeals – 1 allowed, 3 dismissed.
July 2017 – 6 appeals – 2 allowed, 4 dismissed.
August 2017 – 10 appeals – all dismissed.
September 2017 – 5 appeals – 1 part allowed part dismissed, 4 dismissed

1.9 Aged Debt Summary

Aged Debt Summary Period 2 Monitoring Report

At the end of September 2017 there was a total of £199k outstanding debt in the system over 90 days. The majority of this debt was over 150 days old and mainly comprised of:

Housing Benefits £71k
Housing £59k
Property and Assets £18k
Waste £9k

Month	90 – 119 days	120 – 149 days	150+ days	Total
April	23,859.59	1,932.55	217,685.29	243,477.43
May	8,164.08	918.05	312,971.82	322,053.95
June	19,898.83	18,498.05	238,042.94	276,439.82
July	3,756.68	12,416.39	185,453.44	201,626.51
August	7,844.02	3,745.97	195,945.69	207,535.68
September	9,307.37	7,664.02	181,812.39	198,783.78

1.10 CHANGES TO THE ORGANISATION STRUCTURE

There has been a number of structure reviews in the quarter including;

- Strategic Lead/Team Managers
- Property Team
- Trinity Arts Centre
- Corporate Support/Committee Admin

The net impact of the above is an ongoing £184k saving (£117.5k was included in the MTFP 2017/18.

- Housing including Enforcement – additional resources for housing and enforcement activity (particularly Planning Enforcement) and will cost an additional £89k per annum however, this will be funded in the first instance from any increase in statutory planning fees.

1.11 Wellbeing Service - Bid to supply services to a third party

In accordance with financial regulations this Committee is required to approve bids for the supply of services to third parties. Lincolnshire County Council (LCC) has been running a commissioning exercise for the provision of a countywide Lincolnshire Wellbeing Service. The overall aim of the service is to support vulnerable adults to maintain their independence and wellbeing, therefore preventing the escalation of need to require hospital or Adult Social care intervention. The contract will be in place from 1st April 2018. The contract value is £16.5m for the first 5 years. LCC aims to secure a contractor for up to 10 years.

Prosperous Communities Committee have supported the bid for WLDC to progress in a partnership bid to deliver the service from 1st April 2018. Led by East Lindsey District Council as lead bidder, WLDC has worked with the other Lincolnshire District/City/Borough Councils to develop and submit a bid to deliver the service. The bid includes WLDC as a delivery partner of a specific strand of the overall Wellbeing Service: 'Networks, Partnerships and Hospital In-Reach'. If successful, this will required WLDC to enter into a contractual agreement with ELDC. Development of the bid from a WLDC perspective has been led by the Councils Wellbeing and Health Manager, actively supported throughout by WLDC's Commercial Accountant. WLDC's Commercial Accountant has provided significant support and expertise to the overall development and improvement of the bid throughout the procurement process.

Following shortlisting success in the first round of bid submissions, an invitation was received to submit a further detailed bid to Lincolnshire County Council (submitted on 29 August 2017). This was one of two shortlisted parties under consideration to run the Lincolnshire Wellbeing Service from 1 April 2018 – as such we were invited to participate in a competitive dialogue process.

The competitive dialogue stage ran between 4 September and 9 October 2017. All issues raised during this period by both LCC and the District Council consortia were resolved satisfactorily and led to agreement for all bid submission documents to be banked in preparation for evaluation. The procurement process closed on 20th October 2017. Contract award notification is expected on 8th December 2017.

A report to Prosperous Communities Committee on 5th December 2017 will provide a further update ahead of contract award and (subject to a successful bid outcome) and will seek approval of a recommendation to enter into a partnership agreement (sub-contract) with ELDC. It is proposed that the recommendation will propose that delegation be granted to the Director of Resources to enter into this agreement, subject to robust due diligence and legal support and also approval from WLDC's Policy & Resources Committee.

A report to Policy & Resources Committee on 14th December 2017 will provide details and assurance in respect of the financial position, resource implications, risk management, and contract management implications. This will report will seek approval of a recommendation to enter into the partnership agreement with ELDC. It is proposed that the recommendation will propose that delegation be granted to the Director of Resources to enter into this agreement, subject to robust due diligence and legal support.

APPENDIX A

REVENUE CARRY FORWARDS – ALREADY APPROVED

Budget underspends to be carried forward into 2018/19 which have been approved during the year are provided below for information only.

BASE BUDGET C/FWDS APPROVED IN YEAR			Sept-17	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
PC	Housing and Regeneration	Housing Strategy	33	Selective Licensing - to fund post in 17/18 and 6mths in 18/19. Approved by GCLT 07.02.17
		TOTAL	33	

USE OF EARMARKED RESERVES			Sept-17	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
PC	Housing and Regeneration	Culture, Heritage & Leisure	15	Delay in start of MAYFLOWER 400 project .
PC	Economic Development & Neighbourhoods	Neighbourhood Planning & Local Plans	15	Neighbourhood Planning 'Top Up' funding (£25k allocated per annum) - not used in 17/18 so needs rolling in to 18/19
		TOTAL	30	

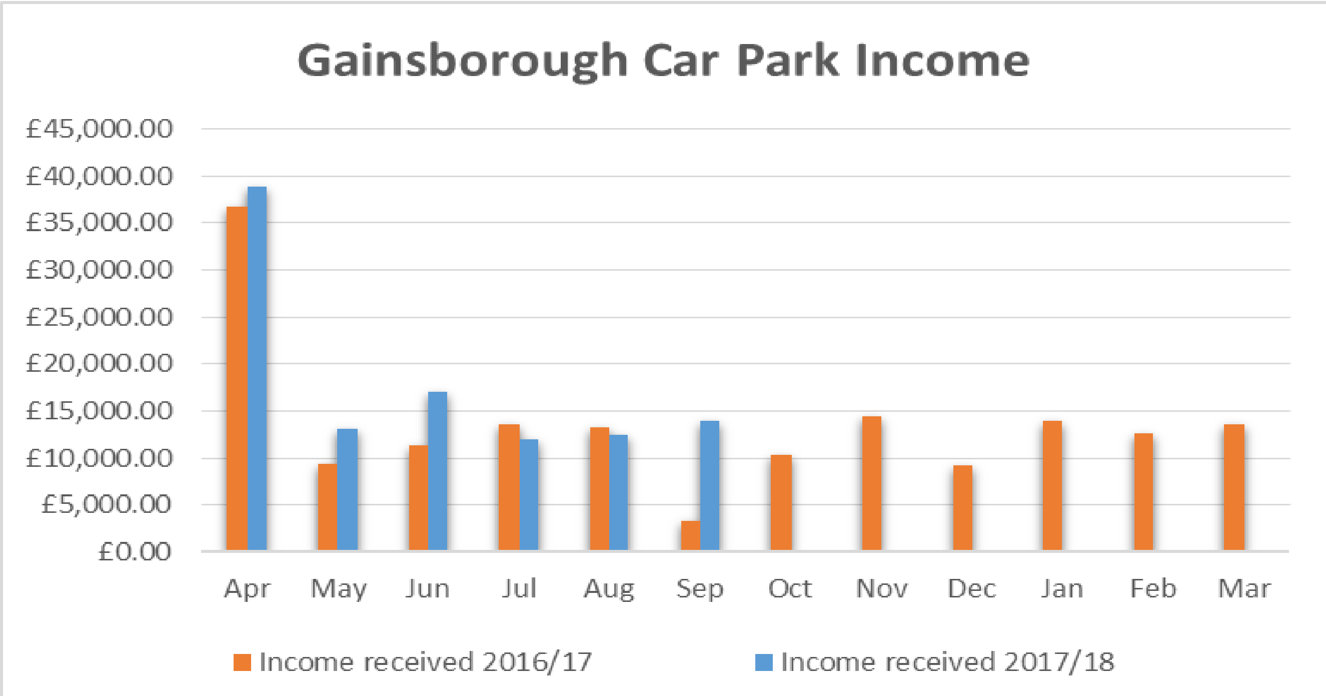
REVENUE CARRY FORWARDS – PENDING APPROVAL BY MANAGEMENT TEAM

Bids for budget underspends to be carried forward into 2018/19 which require Management Team approval are as follows;

BASE BUDGET C/FWDS PENDING APPROVAL BY CMT			Sept-17	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
PC	Customer First	Building Control	5	Awaiting Trading Company to be set up.
PC	Organisational Transformation	Cemeteries & Churchyards	10	Dry stone walling project. Project delayed until 2018/19.
PC	Housing and Regeneration	Private Sector Housing Renewal	2	Approved training budget - course now due to commence 2018/19.
		TOTAL	17	

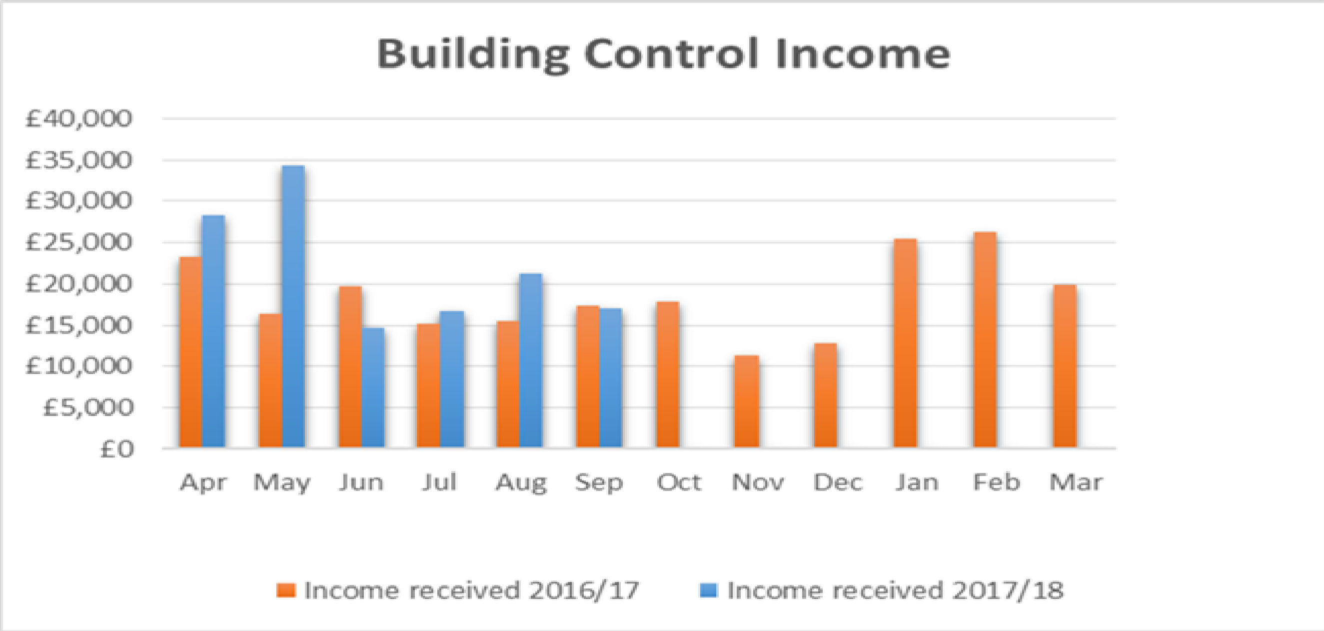
APPENDIX B

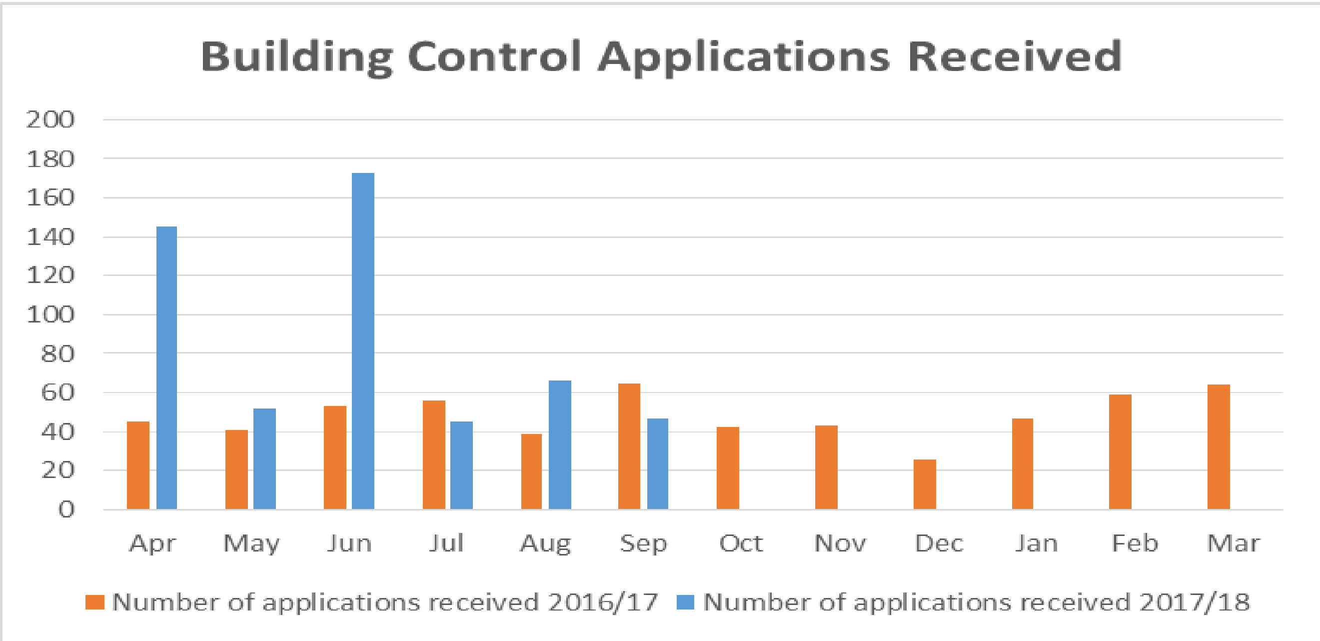
FEES AND CHARGES



APPENDIX B

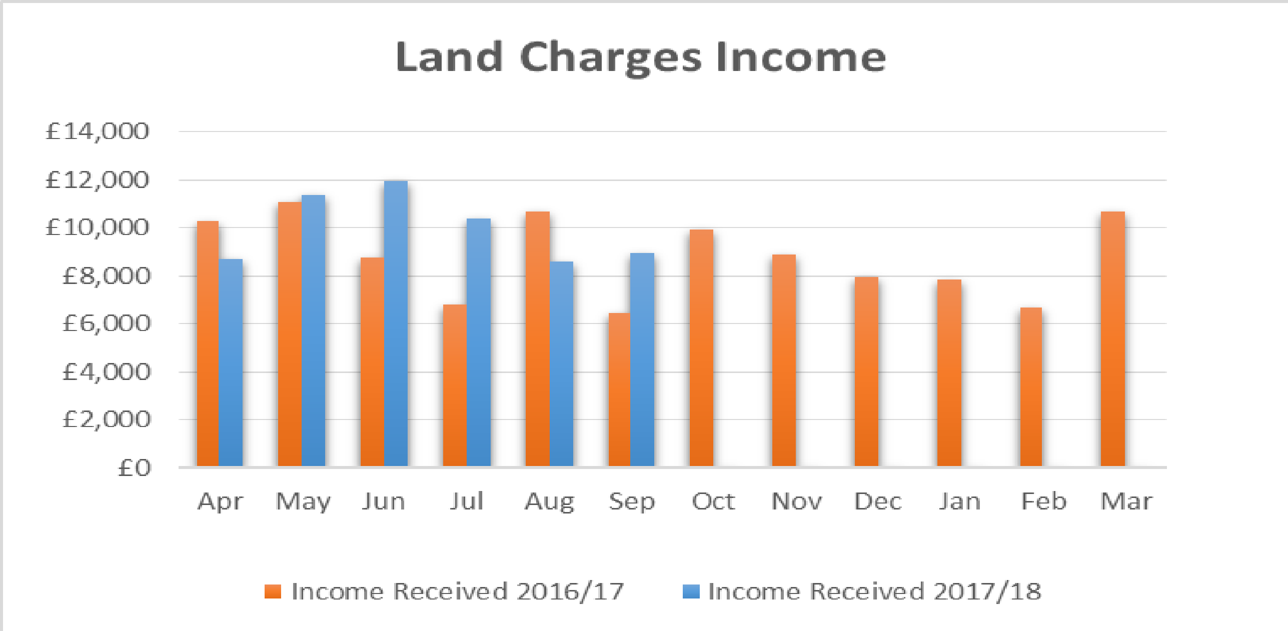
FEES AND CHARGES

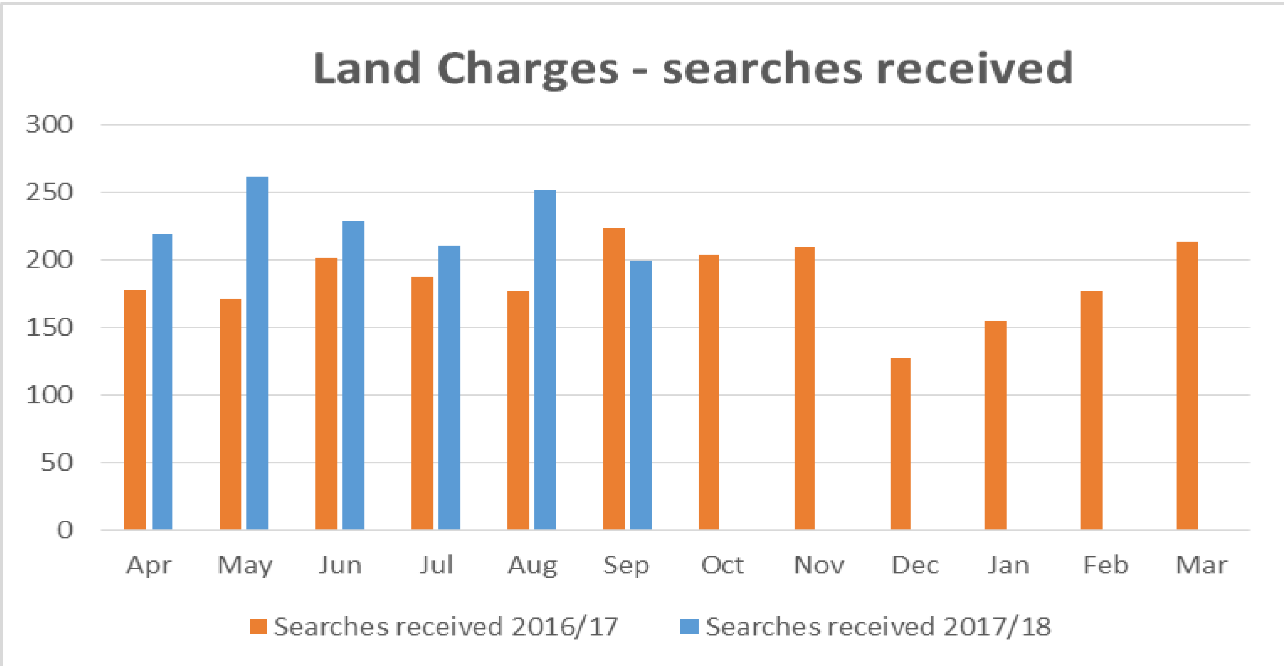


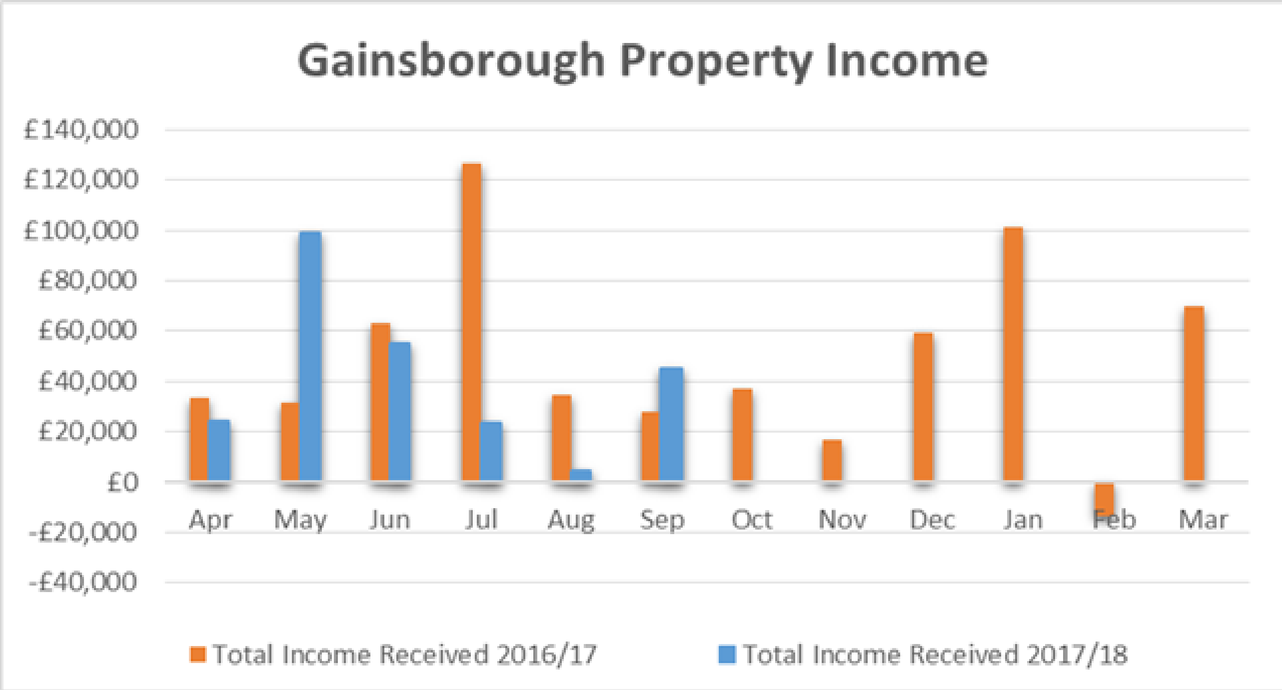


APPENDIX B

FEES AND CHARGES

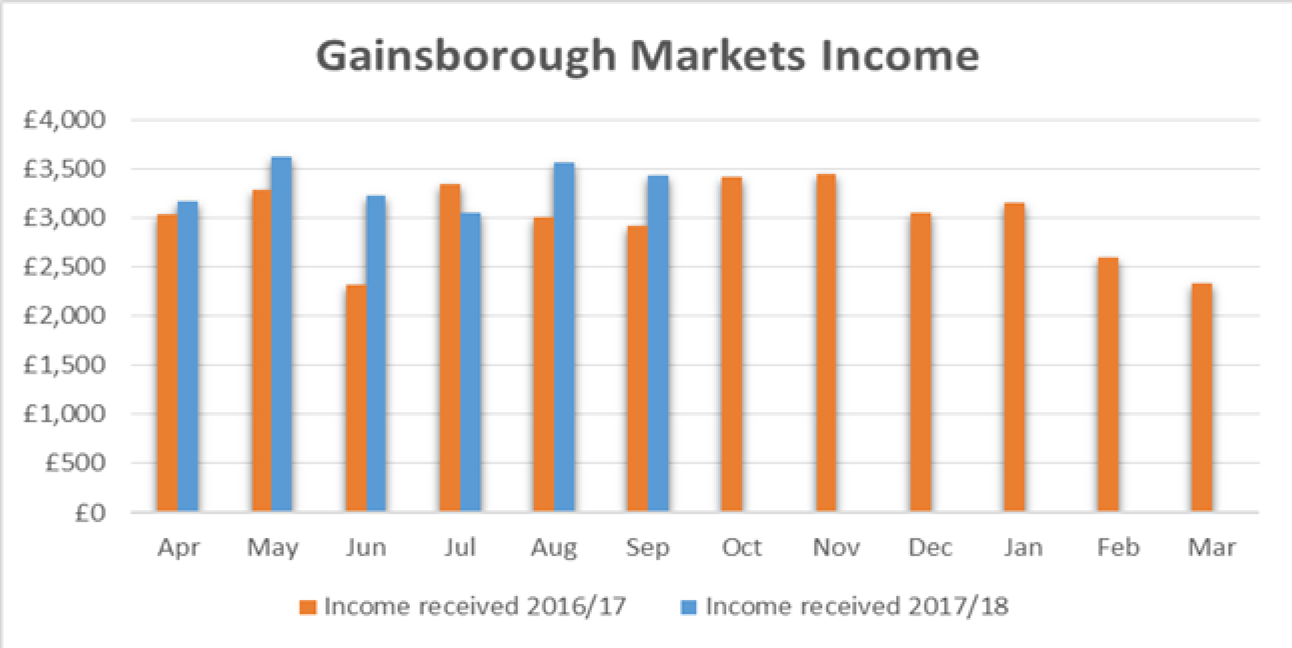


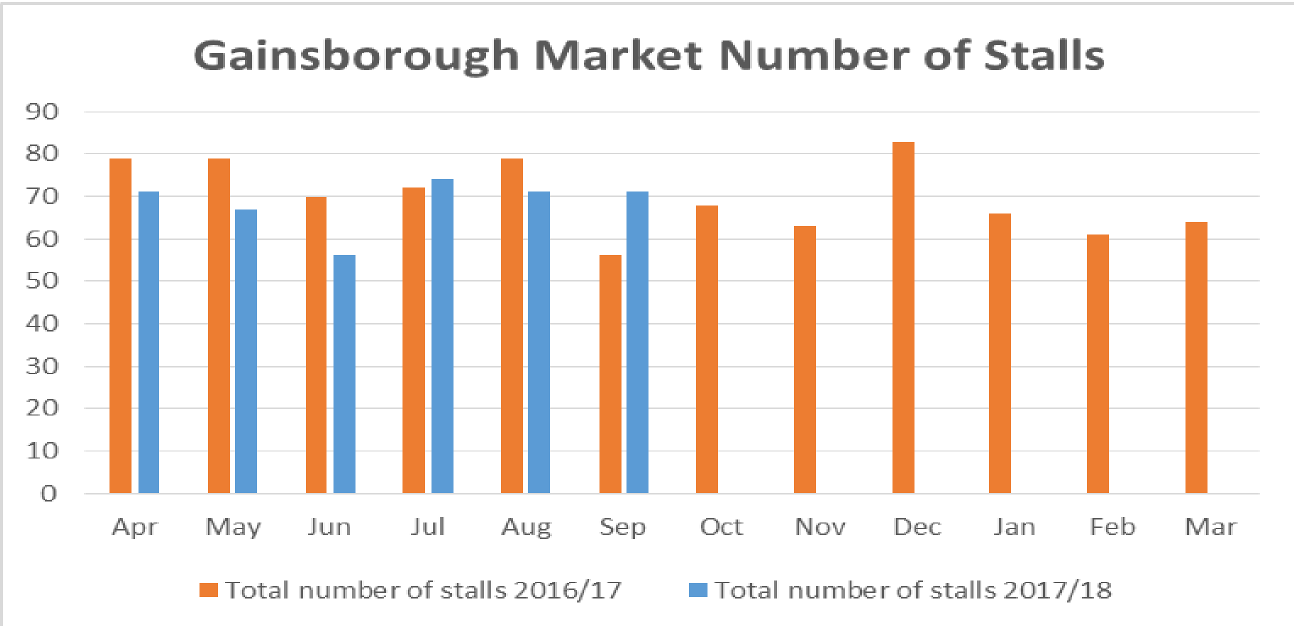



Gainsborough Property Income
£140,000
£120,000
£100,000
£80,000
£60,000
£40,000
£20,000
£0
-£20,000
-£40,000
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Total Income Received 2016/17
Total Income Received 2017/18

APPENDIX B

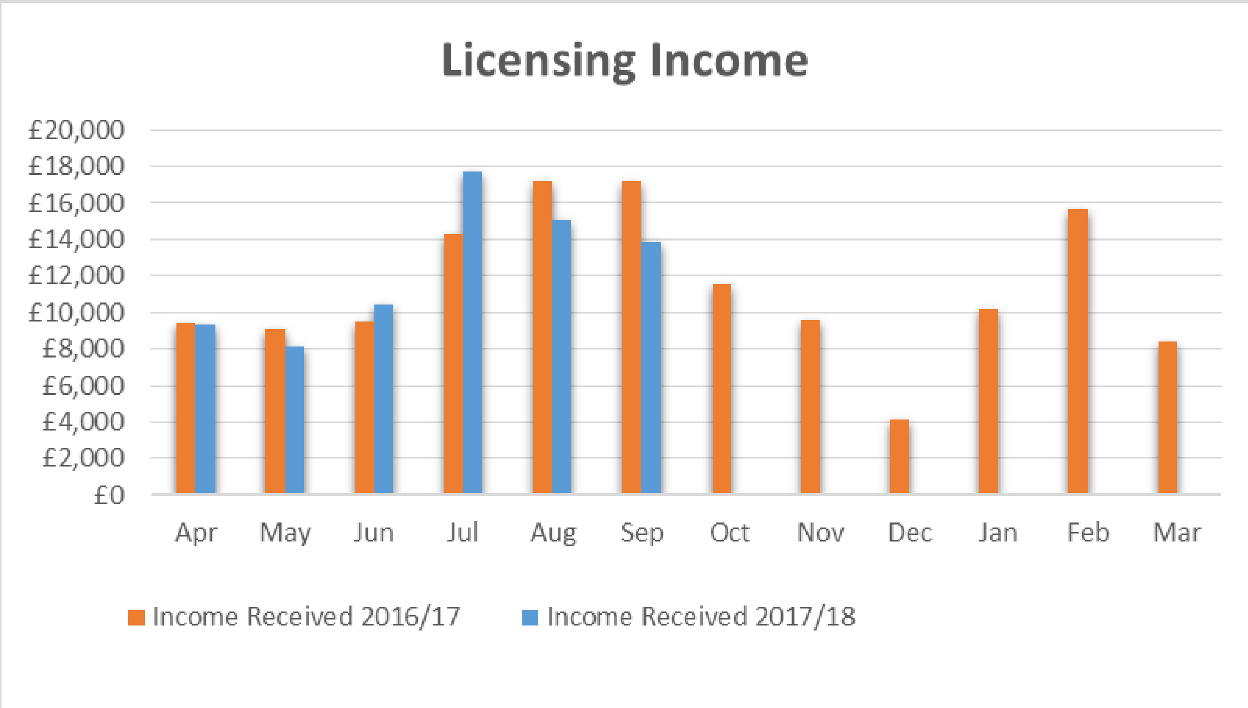
FEES AND CHARGES

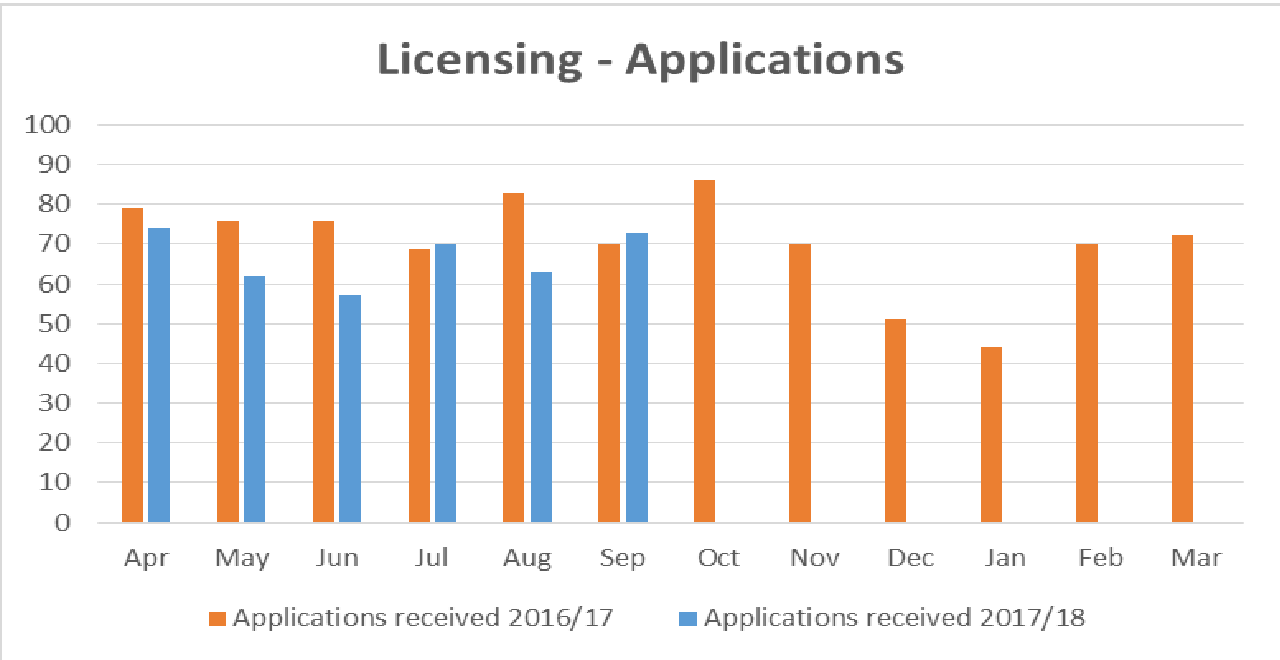




APPENDIX B

FEES AND CHARGES





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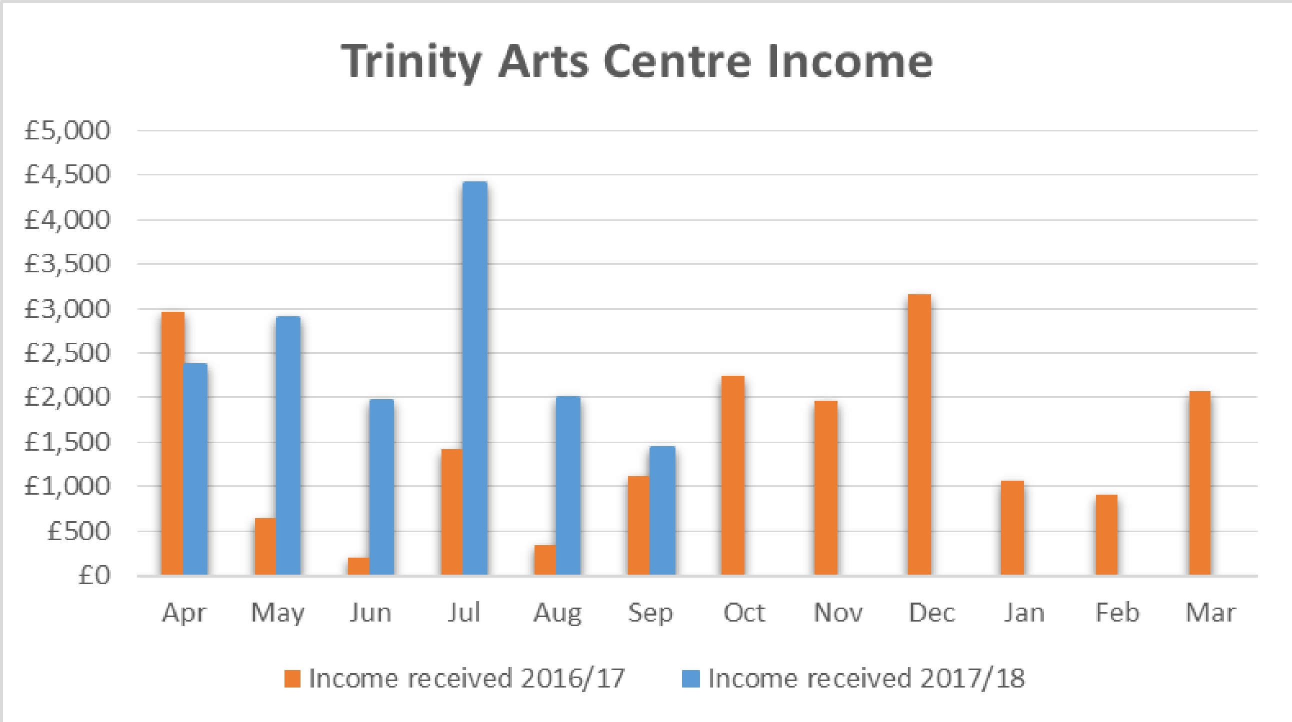
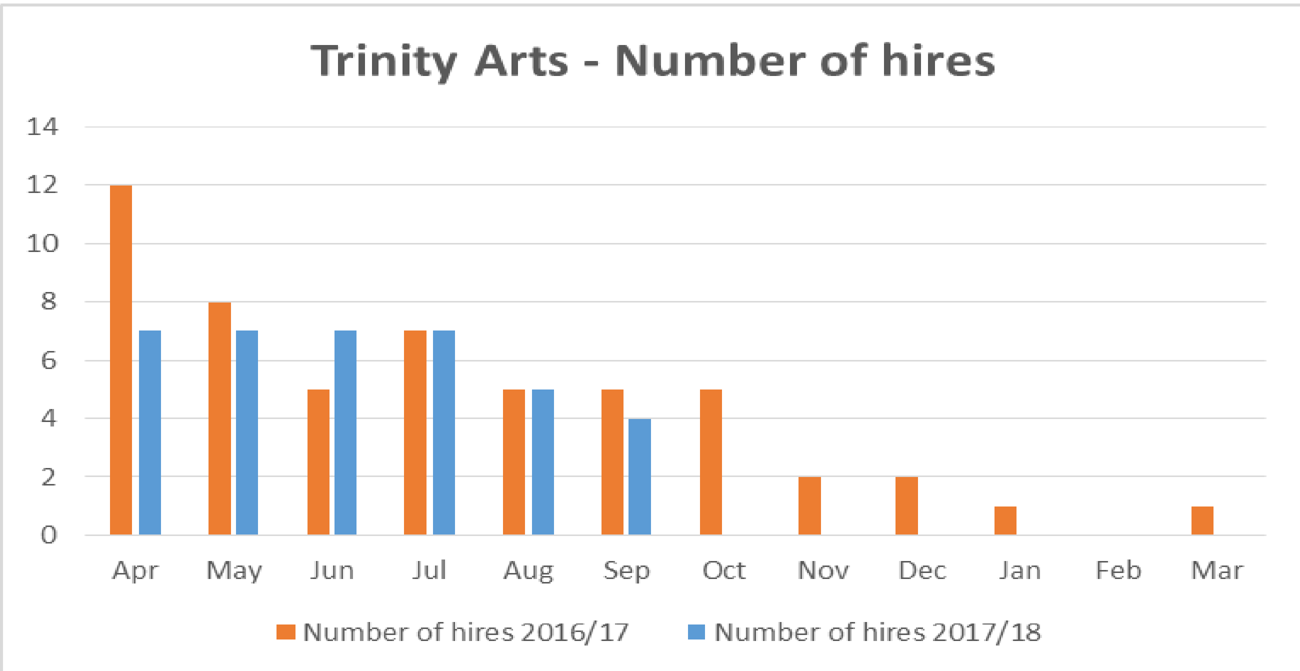
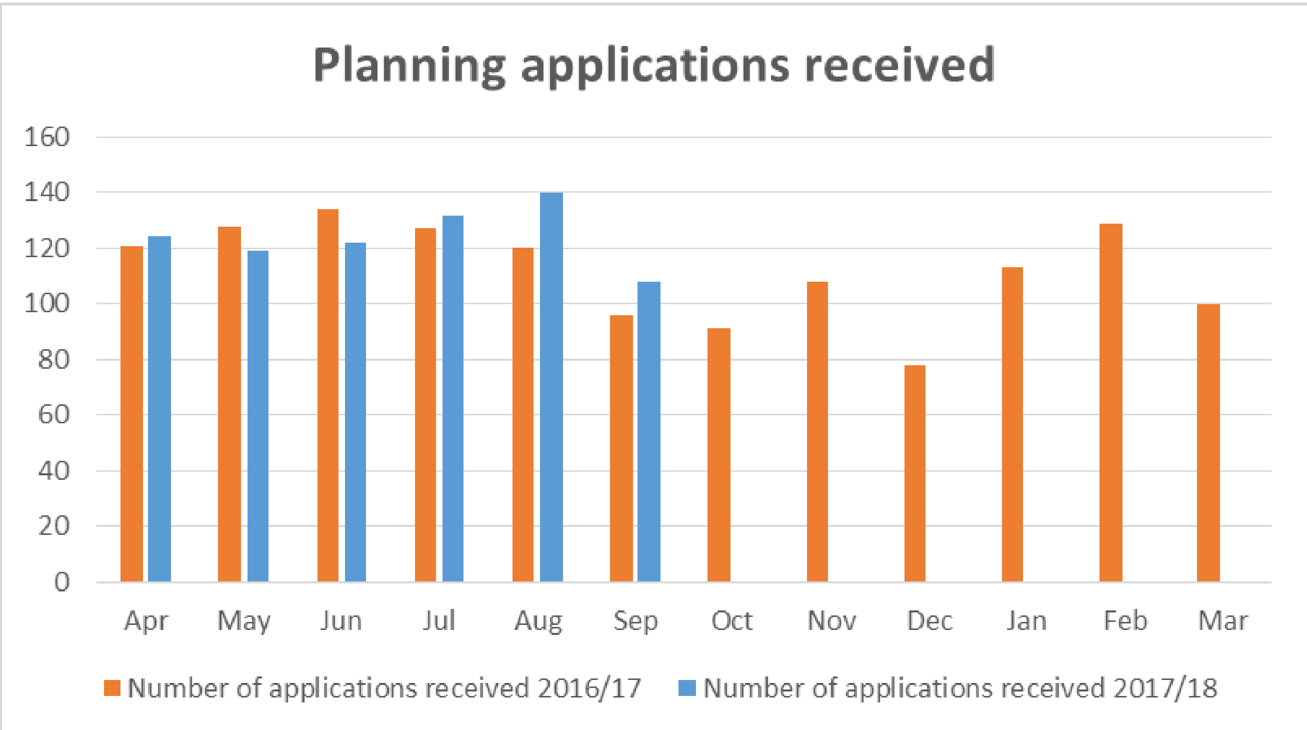




APPENDIX B

FEES AND CHARGES



2.1 CAPITAL BUDGET MONITORING – Quarter 2

2.1.1 The Capital Budget forecast out-turn for schemes approved for spend (includes Stage 3 and Business as Usual) totals £11.340m against an original budget of £13.879m with pipeline schemes (Pre Stage 1, Stage 1 and Stage 2) expected to spend £1.873m (subject to future formal approval) This gives an overall total of £13.253m as detailed in the table below;

Capital Investment Programme 2017/18

Corporate Priority / Scheme	Stage	Actuals to 30/09/2017	Original Budget	Forecast Outturn/ Revised Budget	Over/ (Underspend)	Carry Forward Requests
			£	£	£	£
Open for Business						
Broadband	BAU	0	0	555,000	0	0
People First						
Disabled Facilities Grants	BAU	257,724	601,400	548,500	0	0
Independent Living	BAU	13,457	0	100,000	0	0
Asset Management						
Capital Enhancements to Council Owned Assets	BAU	8,537	270,000	350,000	0	(226,700)
Carbon Management Plan	Stage 3	0	27,000	270,000	223,000	0
Development Loan	Stage 3	0	0	400,000	0	0
Commercial Investment	Stage 3	84,956	1,270,000	250,000	0	(1,020,000)
Bridge Street Extension	Stage 3	45,237	0	56,786	6,786	0
Car Park Strategy Investment	Stage 3	0	130,000	0	0	(429,000)
Commercial Investment - Property Portfolio	Stage 3	0	8,000,000	6,000,000	0	(7,000,000)
Central Lincolnshire Local Plan						
Gainsborough Growth Fund	Stage 3	11,639	175,000	78,200	0	0
Gainsborough Shop Front Improvement Scheme	Stage 3	0	0	80,000	0	0
Market Street - Joint Venture	Stage 3	250,000	0	250,000	0	0
Acquisitions	Stage 3	0	995,000	800,000	0	0
Viability Funding - Capital Grant	Stage 3	0	1,400,000	700,000	0	(700,000)
Rural Transport	Stage 3	0	0	62,500	0	0
Excellent, VFM Services						
Vehicle Replacement Programme	BAU	216,385	255,000	307,600	0	(28,000)
Replacement Planning/Building Control/Land Charges System	Stage 3	11,704	20,000	135,400	0	0
Desktop Refresh	BAU	0	185,000	185,000	0	0
Commercial Loans	Stage 3	26,000	500,000	200,000	(300,000)	0
Civic Enhancements	Stage 3	10,500	51,000	40,500	(21,000)	0
Website Replacement	BAU	10,750	0	10,750	(50)	0
Total Capital Programme Gross Expenditure - Stage 3 and BAU		**946,890**	**13,879,400**	**11,380,236**	**(91,264)**	**(9,403,700)**

Stage 2		**59,449**	**2,376,800**	**1,308,000**	**358,000**	**(1,506,000)**
Stage 1		**2,010**	**2,335,000**	**315,000**	**(57,000)**	**(1,930,000)**
Pre-Stage 1		**0**	**1,539,000**	**250,000**	**(300,000)**	**(539,900)**

Total Capital Programme Gross Expenditure		**1,008,348**	**20,130,200**	**13,253,236**	**(90,264)**	**(13,379,600)**

2.1.2 The capital programme spend to date is £1.008m against a revised budget of £13.253m.

2.1.3 £13.380m is requested to be carried forward due to slippage on current schemes as detailed below;

Scheme	£'000	Reason for Slippage
Capital Enhancements to Council Owned Assets	227	Backlog of maintenance that will now result in spend in 2018/19
Commercial Investments	1,020	Project Slippage due to pending planning permission
Car Park Strategy Investment	429	Project due to commence 01/04/2018
Commercial Investment – Property Portfolio	7,000	Slippage due to availability of suitable investment opportunities
Viability Funding – Capital Grant	700	Payments now split over 12mths in alignment with capital build programme
Vehicle Replacement	28	Vehicle purchase delayed to 2018/19
Total Stage 3 and BAU	**9,404**	
Stage 2	1,506	
Stage 1	1,930	
Pre-Stage 1	540	
Total Capital Budget Carry Forwards	**13,380**	

2.2 Capital Programme Update 2017/18

2.2.1 The Better Care Grant Funding of £602k has now been confirmed. This grant is used to support Disable Facilities Grants, however for 2017/18 upto 18.5% can be utilised to support strategy and policy development.

2.2.2 Proposals have been received in relation to the procurement of a Development Partnership for the delivery of the Gainsborough Regeneration Scheme. A process of competitive dialogue will now progress.

2.2.3 We have acquired 1 investment property at a value of £2.4m which was completed in October. Investment in commercial property is ongoing with a number of opportunities being evaluated and it is hoped further bids will be successful.

2.2.4 The commercial investment project surveys are currently being undertaken, concept designs have been provided with the next stage being the development of a planning application.

2.2.5 Members approved a budget of £100k identified in the period 1 report (27th July 2017 FIN/31/18/TJB) and spend on a land acquisition as part of the Gainsborough Regeneration Programme and this to be funded by S106 contributions. Members are requested to approve additional budget and spend of £58k in relation to this acquisition, to be funded by S106 contributions. The land has been valued at £500k.

2.2.6 Members are requested to approve budget and expenditure of £40k to grant fund capital projects identified through the Access to Transport fund. This will be funded from the Connectivity Earmarked Reserve.

2.2.7 Members are requested to approve the transfer of £30k from the Wider Heritage scheme budget and provide approval to spend this amount on the Shop Front Improvement Scheme, this is due to the level of interest shown in this scheme.

2.3 Acquisitions, Disposals and Capital Receipts

2.3.1 The following asset was acquired in October 2017.

- Travelodge Keighley: Purchase Price £2.350m + estimated costs £145k

2.3.2 There have been no asset disposals during quarter 2.

2.3.3 The total value of capital receipts at the end of quarter 2 was £433k this was mainly due to the settlement of the Quickline Loan (£271k) and income of £155k from the Housing Stock Transfer Agreement share of Right to Buy receipts.

3. TREASURY MID YEAR REPORT INCL MONITORING – QUARTER 2 (April-September)

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 2017/18 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 2017/18;
- A review of the Council's borrowing strategy for 2017/18;
- A review of any debt rescheduling undertaken during 2017/18;
- A review of compliance with Treasury and Prudential Limits for 2017/18.

3.1 Key Changes to the Treasury and Capital Strategies

There are no changes to report to this committee.

3.2 Economics update

UK. After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. . The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It therefore looks very likely that the MPC will increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter (2.3% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

USA. Growth in the American economy has been volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017 which would then lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. At its June meeting, the Fed strongly hinted that it would soon begin to unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan is struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

3.3 Interest Rate Forecasts

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

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

Capita Asset Services undertook its last review of interest rate forecasts on 9 August after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate "over the coming months". It is therefore possible that there will be an increase to 0.5% at the November MPC meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further increases in Bank Rate during 2018.

The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

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

- 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.
- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Monetary policy action failing to stimulate sustainable growth and to get inflation up consistently to around monetary policy target levels.

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 causing an increase in the inflation premium inherent to gilt yields.

3.4 Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2017/18, which includes the Annual Investment Strategy, was approved by the Council on 6 March 2017.

There are no policy changes to the TMSS; the details in this report update the position in light of the updated economic position and budgetary changes already approved.

3.5 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	2017/18 Original Estimate £'000	2017/18 Revised Estimate £'000
Total capital expenditure	20,130	13,253
Financed by:		
Capital receipts	1,089	905
Capital grants	1,507	1,747
Revenue	5,469	2,650
S106	0	158
Leases	0	0
Total financing	8,065	5,460
Borrowing need	12,065	7,793

3.6 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 2017/18 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.

3.7 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.

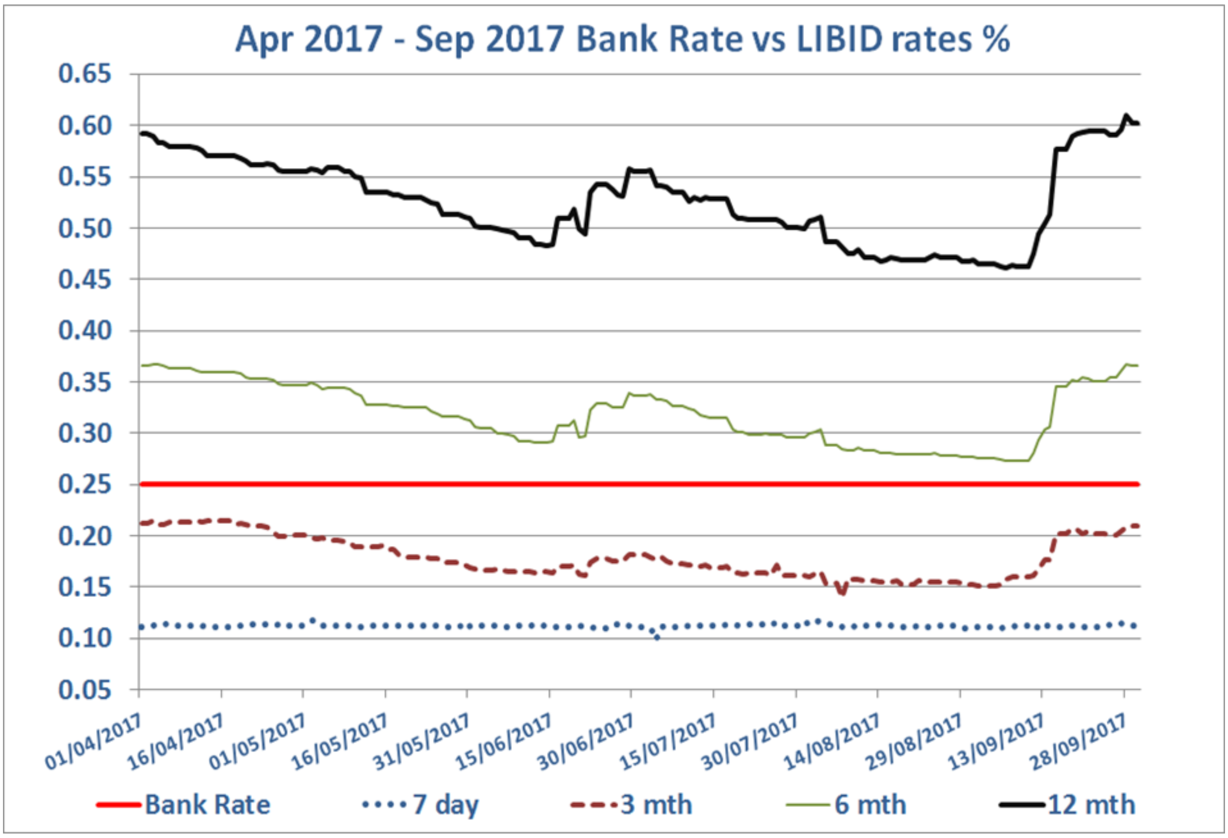
The Treasury and Prudential monitoring information is reported below;

	Original £'000	**P1 £'000**	**Q2 £'000**	**Q3 £'000**	**Q4 £'000**
Treasury Indicators					
Authorised limit for external debt	31,680	31,680	31,680		
Operational boundary for external debt	17,667	17,667	9,000		
External Debt	14,527	14,527	6,250		
Long term Leases	122	122	122		
Investments	(9,533)	(18,250)	(22,800)		
Net Borrowing/(Investments)	**5,116**	**(3,601)**	**(16,428)**	**0**	**0**
Prudential Indicators					
Capital Expenditure	20,130	26,017	13,253		
Capital Financing Requirement (CFR)*	18,632	18,632	8,978		
Annual change in CFR*	11,870	11,870	7,760		
In year borrowing requirement	17,540	17,735	7,793		
Under/(over)borrowing	4,105	4,105	2,729		
Ratio of financing costs to net revenue stream*	5.99%	2.93%	0.31%		
Incremental impact of capital investment decisions:					
Increase/Reduction (-) in Council Tax (band change per annum)	(£10.62)	(£1.80)	(£0.61)		

3.8 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 £22.8m (£20.3m 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 1.17% against a benchmark 7 day libid of 0.11%.



As illustrated, the Council continues to outperform the benchmark. The Council's budgeted investment return for 2017/18 is £0.220m, and performance for the year to date is in line with the budget.

The Council held £22.8m (£18.3m P1) of investments as at 30 September 2017 and the investment portfolio yield for the first 6 months of the year for investments is 1.17% (1.28% P1), the yield reflects the investment in the Local Authority Property Fund.

Investment in Local Authority Property Fund

The Council has £3m 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' and is currently achieving an average rate of 4.5%.

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 2017/18.

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

3.9 Borrowing

The Council's capital financing requirement (CFR) for 2017/18 is £8.793m. 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.

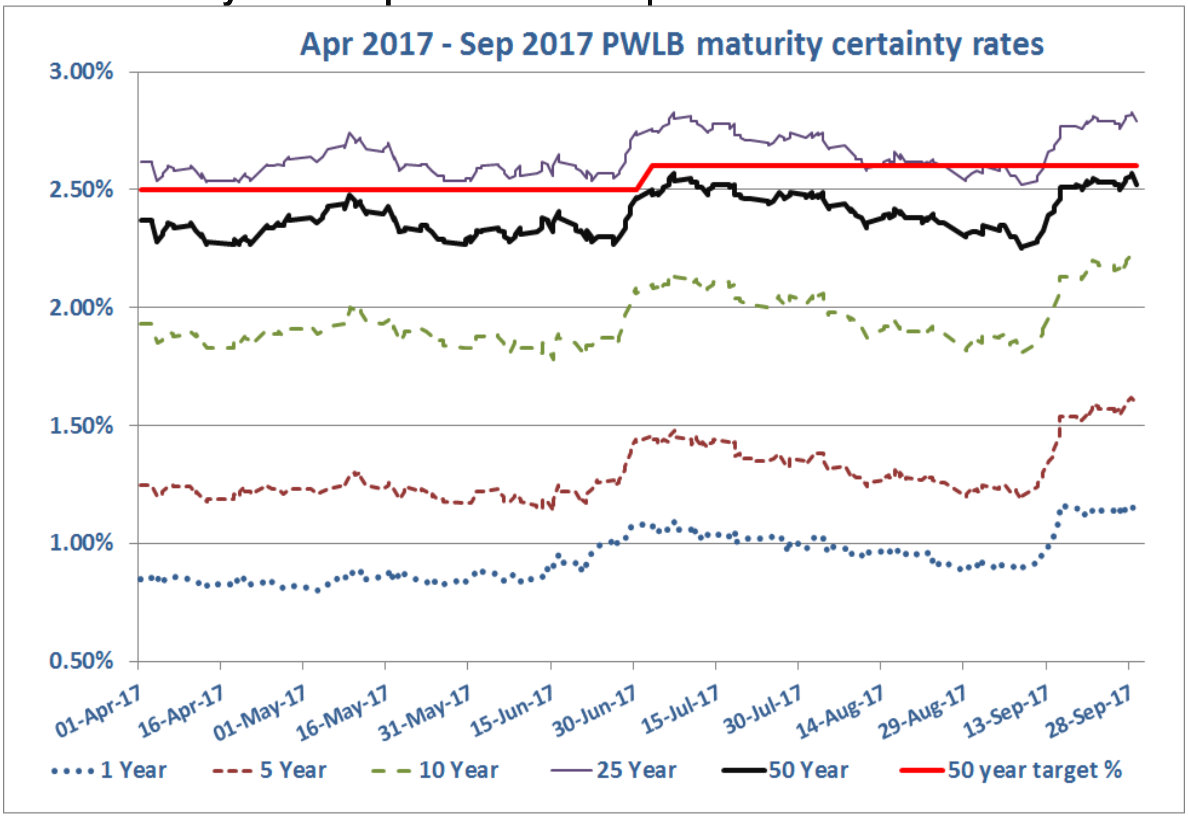
The Council has not borrowed in this period and therefore has not borrowed in advance of need.

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

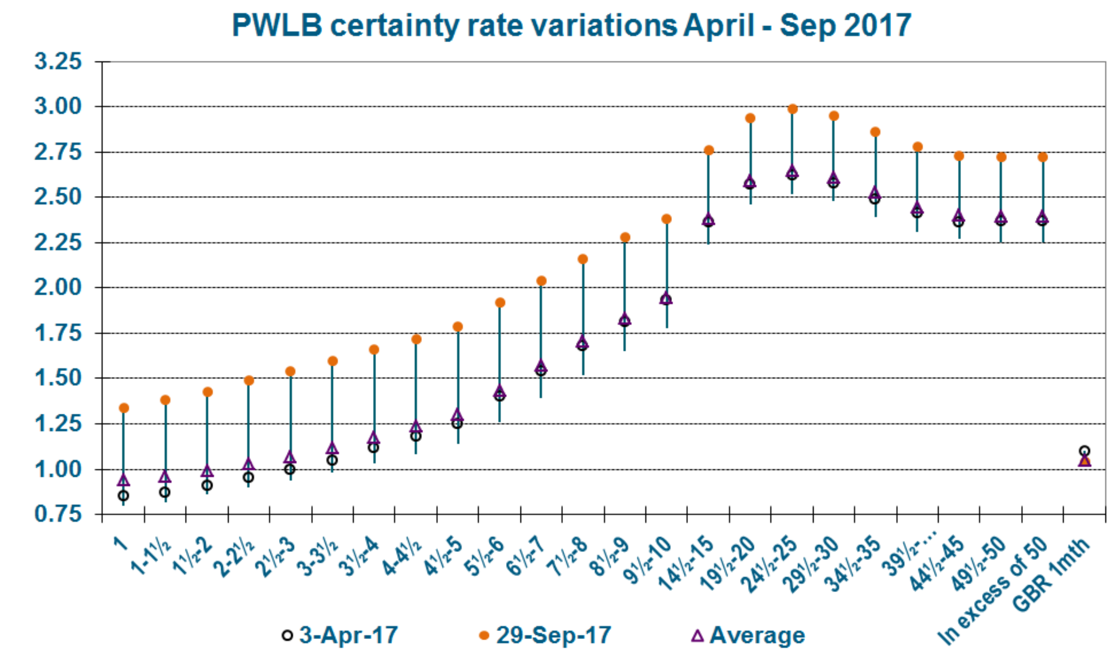
During the six month to 30 September, no borrowing – either long or short term was undertaken. However, credit arrangements such as finance leases are classified as borrowing under the capital control arrangements for local authorities. The Council procures replacement vehicles and certain other assets (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 2017/18 is £17.667m, it is proposed that this reduce to £7.850m as a consequence of the revised Capital Budget 2017/18, reduced for approved carry forwards.

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 2017 to 30 September 2017



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.8	1.14	1.78	2.52	2.25
Date	03/05/2017	15/06/2017	15/06/2017	08/09/2017	08/09/2017
High	1.16	1.62	2.22	2.83	2.57
Date	15/09/2017	28/09/2017	28/09/2017	07/07/2017	07/07/2017
Average	0.9408	1.2981	1.9470	2.6475	2.3917



3.10 Other

Revised CIPFA Codes

The Chartered Institute of Public Finance and Accountancy, (CIPFA), is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November.

A particular focus of this exercise is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments. One recommendation is that local authorities should produce a new report to members to give a high level summary of the overall capital strategy. This Council already incorporates a Capital Investment Strategy into the Medium Term Financial Strategy documentation, enabling members to see how the cash resources of the authority have been apportioned between treasury and non treasury investments. Officers will continue to monitoring developments and will report to members when the new codes have been agreed and issued and on any the likely impact on this authority.

MIFID II

The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on this authority apart from having to fill in forms sent by each institution dealing with this authority and for each type of investment instrument we use apart from cash deposits with banks and building societies.

3.11 The Monthly Investment Review report for May is attached below;

CAPITA
Treasury solutions

Asset Services

West Lindsey District Council

Monthly Investment Analysis Review

September 2017

West Lindsey District Council

Monthly Economic Summary

General Economy

Changing interest rate expectations were to the fore in September, with investors reining in their expectations following the Bank of England's Monetary Policy Committee (MPC) meeting. This suggested that a rate hike could be appropriate in the coming months, possibly as soon as November.

The month started with the release of the Markit/CIPS Manufacturing Purchasing Manager's Index (PMI), which defied expectations of a small fall to 55.0 and instead rose to 56.3 for August from the 55.3 figure reported for July. The headline reading was supported by increases in both the output and new orders balance, suggesting the recent strength of the survey will be maintained. This raised expectation that, after a disappointing start to the year, the sector could provide a decent boost to GDP in the second half of the year. A rise in the number of total new orders reflected stronger domestic demand as the export orders balance edged down – suggesting we might start to see import growth ease as UK firms and consumers substitute domestic goods for imports.

However, August's Services PMI suggests the economy is struggling to pick up much pace in the third quarter. The headline business activity index fell to 52.3 from 53.8 in July, a greater fall than expected. Adding to that, the UK Construction PMI continued last month's disappointment and fell further to a twelve month low of 51.1. While still indicating "expansion", it is drifting close to the 50 dividing line between growth and contraction. Retail sales, on the other hand, brought good news and suggested consumers are faring well and showing resilience in the face of the real pay squeeze. Volumes rose by a hefty 1.0% for August – beating the consensus expectation of a 0.2% rise – along with July's figure being upwardly revised to 0.6% from 0.3%. While retail sales are very volatile on a month-by-month basis, and high-street spending growth has eased this year, the latest data suggests households are continuing to provide some support to the overall economy.

Inflation day brought something of a surprise with the Consumer Price Index (CPI) hitting its joint highest (with May) figure in more than 5 years of 2.9% for August as households paid more for fuel and clothing, which jumped by 4.6% y/y. Wage growth, however, yielded a 2.1% y/y rise, giving little change from previous month's growth rates. The stagnant wage growth paired with both higher than expected inflation and low unemployment – which unexpectedly fell further this month to its lowest since 1975 during the three months to July at 4.3% – came just ahead of the Bank of England's MPC meeting.

Whilst the MPC voted 7-2 in favour of keeping policy unchanged in September, the minutes stated that *"some withdrawal of monetary stimulus is likely to be appropriate over the coming months"*. The day after the meeting, the 'arch dove' of the MPC, Gertjan Vlieghe, gave a surprise at the annual conference of the Society of Business Economists in London by adding his voice to the calls for an end to a decade of historically low interest rates. He paired the rise in inflation with the tightening labour market and remarked *"…we are approaching the moment when the Bank Rate may need to rise"*. These further comments caused the pound to leap above the $1.36 mark as traders and investors positioned themselves in anticipation of a potential interest rate rise at the MPC's next meeting in November. Markets currently price the probability of a rate rise in November at around 70%.

Moving on to the public finances, the UK posted its smallest budget deficit for any August since 2007 – boosted by record sales tax revenues for the month. The deficit was reported at £5.7bn, down 18% compared with August 2016. Forecasts had expected a much larger deficit of £7.1bn. August's surprisingly strong performance followed July's unexpected budget surplus – a benefit for Chancellor Philip Hammond who is under pressure to relax austerity measures when he announces budget plans in November.

The final reading of second quarter growth figures saw the annual rate revised down to 1.5% from the 1.7% previously recorded, resulting in the weakest y/y growth since 2013. However, some analysts were quick to point out that the revision was due to an uplift in 2016 growth, rather than a weakening in more recent times. The quarterly growth figure remained unchanged at 0.3%. There was also a bit of positive news in terms of the composition of growth in the second quarter, which showed bigger contributions from business investment and exports than previously thought.

On the other side of "the pond", the US non-farm payrolls increased by a softer 165,000 last month, marginally below the consensus forecast of 179,000. Additionally, the gains in the preceding two months were revised down modestly and the unemployment rate edged back up to 4.4% from 4.3%. Even though the hurricane season did cause some temporary disruption, third quarter GDP growth is still predicted to be between 2.5%-3.0% annualised, with the final estimate for Q2 GDP revised marginally upwards to 3.1% from 3.0%. August showed consumer prices accelerated amid a jump in the cost of gasoline and rents. The month-on-month figure rose to 0.4%, while the annual rate increased from 1.7% to 1.9%. This sign of firming inflation provided further evidence that the Federal Reserve may tighten policy rates again before the year is out. This view gained more credence on the back of the actual policy meeting, where the updated individual economic and interest rate projections saw 11 out of 16 members expecting one more rate hike before the year is out. In addition, the central bank announced its plans for trimming its balance sheet. The plan was that, come October, it would begin to reduce its $4.2 trillion in holdings of US treasury bonds and mortgage backed securities by cutting $10 billion each month from the amount of maturing securities it reinvests. This level would then increase by $10bn per quarter until it reached $50bn in October 2018.

A little closer to home, the European Central Bank said it expects key interest rates to remain at their present levels for an extended period of time, and they confirmed asset purchases of €60bn per month are set to run until the end of this year or beyond, if necessary. However, the Bank is widely expected to announce its own plans for tapering its purchase programme at its next meeting in late October. On the data front, Eurozone Q2 GDP growth was confirmed at 0.6%, with annual growth revised upward to 2.3% from 2.2%. Unemployment is currently at 9.1%, with the Czech Republic having the lowest rate at 2.9% followed by Germany with 3.6%.

Housing

Nationwide reported that house prices in London have fallen for the first time since 2009, whilst prices across Britain overall rose at their slowest pace in more than four years for the month of September. Annually, house prices in London fell by 0.6% whilst nationally house prices rose by 2.0%, only a slightly weaker figure than the 2.1% growth reported for August. This national figure is, however, still the weakest figure since June 2013. Conversely, Halifax reported monthly house prices hit an eight month high in August of 1.1%, adding to signs the housing market has regained some strength after its post-Brexit slow down. Annual house price growth picked up to 2.6% from 2.1% in July. The Bank of England also commented that mortgage approvals were much stronger than expected in July.

Forecast

Capita Asset Services (CAS) has not changed their forecasts this month. While market interest rate expectations have changed sharply through September, the Interest Rate Strategy Group are awaiting the outcome of the next MPC meeting on 2nd November before making any changes to its current view. Key here is whether the Bank signals that any move is a one off reversal of the emergency action in August 2016, or the start of a more sustained, albeit gradual shift higher. Capital Economics (CE), however, have changed their forecast. They now expect the Bank Rate to increase to 0.5% in Q4 2017, with further rises of 25 basis points in Q2 2018, Q3 2018, Q4 2018, Q2 2019 and Q4 2019.

Bank Rate	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%
Capital Economics	0.50%	0.50%	0.75%	1.00%	1.25%

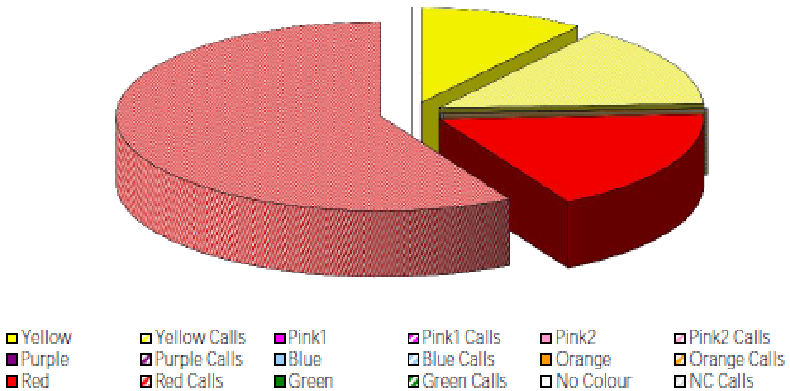
West Lindsey District Council

Current Investment List

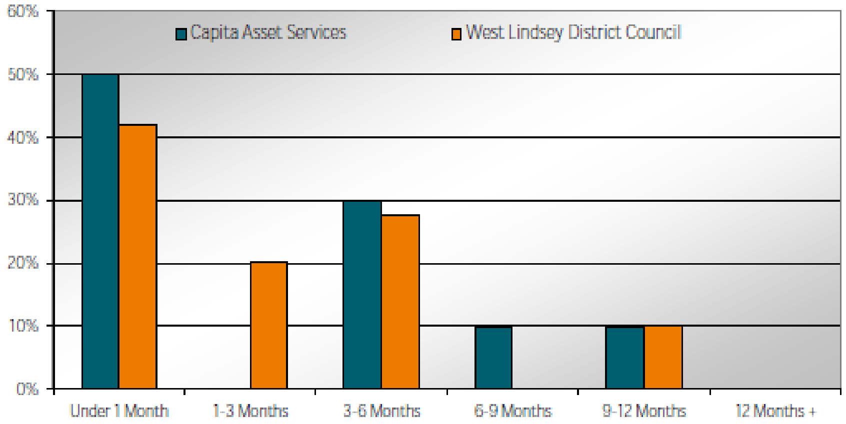
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF LGIM	2,800,000	0.19%		MMF	AAA	0.000%
Goldman Sachs International Bank	1,000,000	0.79%	05/04/2017	05/10/2017	A	0.001%
PCC for West Yorkshire	2,000,000	0.21%	21/09/2017	06/10/2017	AA	0.000%
Goldman Sachs International Bank	2,500,000	0.38%	14/07/2017	16/10/2017	A	0.002%
Lloyds Bank Plc	1,000,000	0.25%		Call32	A	0.005%
Lloyds Bank Plc	3,000,000	0.25%		Call32	A	0.005%
Goldman Sachs International Bank	1,500,000	0.58%		Call95	A	0.015%
Lloyds Bank Plc	1,000,000	0.25%		Call95	A	0.015%
Santander UK Plc	2,000,000	0.45%		Call120	A	0.019%
Santander UK Plc	1,000,000	0.55%		Call180	A	0.028%
Santander UK Plc	2,000,000	0.70%		Call365	A	0.056%
Borrower - Funds	**Principal (£)**	**Interest Rate**	**Start Date**	**Maturity Date**		
CCLA Property Fund	3,000,000					
Total Investments	**£22,800,000**					
Total Investments - excluding Funds	**£19,800,000**	0.39%				0.0122%
Total Investments - Funds Only	**£3,000,000**					

West Lindsey District Council

Portfolio Composition by Capita Asset Services' Suggested Lending Criteria



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



Portfolios weighted average risk number = 4.03

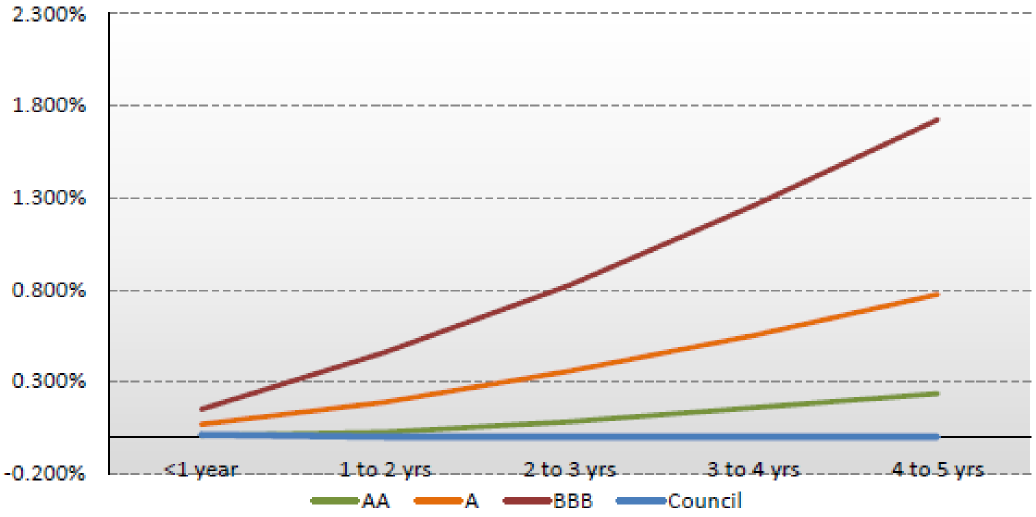
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs WAM	Excluding Calls/MMFs/USDBFs WAM at Execution
Yellow	24.24%	£4,800,000	58.33%	£2,800,000	14.14%	0.20%	3	6	6	15
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	75.76%	£15,000,000	76.67%	£11,500,000	58.08%	0.45%	104	129	13	119
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
	100.00%	**£19,800,000**	**72.22%**	**£14,300,000**	**72.22%**	**0.39%**	**79**	**99**	**10**	**81**

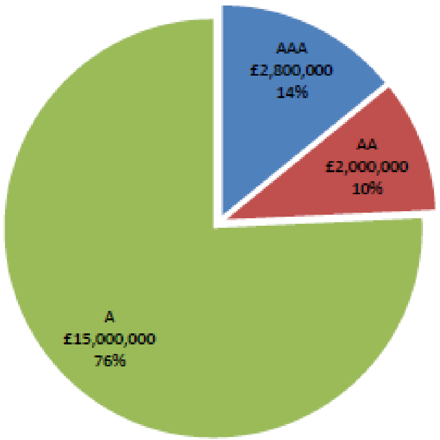
West Lindsey District Council

Investment Risk and Rating Exposure

Investment Risk Vs. Rating Categories



Rating Exposure



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.007%	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	0.012%	0.000%	0.000%	0.000%	0.000%

Historic Risk of Default

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

Chart Relative Risk

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

Rating Exposures

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

Monthly Credit Rating Changes

FITCH

Date	Update Number	Institution	Country	Rating Action
04/09/2017	1549	Co-operative Bank Plc	UK	Long Term Rating was affirmed at 'B-', Outlook changed to Stable and was removed from Evolving Watch. Short Term Rating was affirmed at 'B', removed from Negative Watch. Viability Rating downgraded to 'f' from 'c'.
07/09/2017	1551	Clydesdale Bank	UK	Long Term Rating affirmed at 'BBB+', removed from Negative Watch and placed on Stable Outlook. Short Term Rating was affirmed at 'F2'.
08/09/2017	1552	Co-operative Bank Plc	UK	Long Term Rating affirmed at 'B-', Stable Outlook. Short Term Rating affirmed at 'B'. Viability Rating upgraded to 'b-' from 'f'.
29/09/2017	1560	Barclays Bank Plc	UK	Long Term Rating 'A', removed from Stable Outlook and placed on Positive Watch. Short Term Rating was affirmed at 'F1'.
29/09/2017	1561	Deutsche Bank AG	Germany	Long Term Rating downgraded to 'BBB+' from 'A-', Outlook changed to Stable from Negative. Short Term Rating downgraded to 'F2' from 'F1'. Viability Rating downgraded to 'bbb+' from 'a-'.
29/09/2017	1562	National Westminster Bank Plc	UK	Long Term Rating 'BBB+', removed from Stable Outlook and placed on Positive Watch. Short Term Rating affirmed at 'F2' and Viability Rating affirmed at 'bbb+'.
29/09/2017	1562	The Royal Bank of Scotland	UK	Long Term Rating affirmed at 'BBB+', Stable Outlook. Support Rating was placed on Positive Watch and at the same time all other ratings were affirmed.

West Lindsey District Council

Monthly Credit Rating Changes

MOODY'S

Date	Update Number	Institution	Country	Rating Action
07/09/2017	1550	Co-operative Bank Plc	UK	Long Term Rating affirmed at 'Caa2', Short Term Rating affirmed at 'NP'. Outlook changed to Positive from Evolving Watch.
13/09/2017	1554	Bank of America, N.A.	USA	Long Term Rating 'A1', removed from Positive Outlook and placed on Positive Watch. Short Term Rating affirmed at 'P-1'.
18/09/2017	1556	Clydesdale Bank	UK	Long Term Rating 'Baa2', removed from Stable Outlook and placed on Positive Watch. Short Term Rating 'P-2', placed on Positive Watch.
25/09/2017	1557	United Kingdom Sovereign	UK	Sovereign Rating downgraded to 'Aa2' from 'Aa1', Outlook changed to Stable from Negative.
28/09/2017	1558	Bank of Scotland Plc	UK	Long Term Rating upgraded to 'Aa3' from 'A1', removed from Positive Watch and placed on Stable Outlook. Short Term Rating affirmed at 'P-1'.
28/09/2017	1558	HSBC Bank Plc	UK	Long Term Rating downgraded to 'Aa3' from 'Aa2', Negative Outlook. Short Term Rating was affirmed at 'P-1'.
28/09/2017	1558	Lloyds Bank Plc	UK	Long Term Rating upgraded to 'Aa3' from 'A1', removed from Positive Watch and placed on Stable Outlook. Short Term Rating affirmed at 'P-1'.
28/09/2017	1558	National Westminister Bank Plc	UK	Long Term Rating affirmed at 'A2', Outlook changed to Positive from Stable. Short Term Rating affirmed at 'P-1'.
28/09/2017	1558	The Royal Bank of Scotland	UK	Long Term Rating affirmed at 'A2', Outlook changed to Negative from Stable. Short Term Rating affirmed at 'P-1'.
28/09/2017	1559	BNP Paribas	France	Long Term Rating upgraded to 'Aa3' from 'A1', Stable Outlook. Short Term Rating affirmed at 'P-1'.
28/09/2017	1559	ING Bank NV	France	Long Term Rating upgraded to 'Aa3' from 'A1', Outlook changed to Stable from Positive. Short Term Rating affirmed at 'P-1'.

West Lindsey District Council

Monthly Credit Rating Changes

S&P

Date	Update Number	Institution	Country	Rating Action
12/09/20117	1553	Qatar National Bank	Qatar	Affirmed at 'A', removed from Negative Watch and placed on Negative Outlook. Short Term Rating affirmed at 'A-1', removed from Negative Watch.
18/09/2017	1555	ABN AMRO Bank N.V.	Netherlands	Long Term Rating affirmed at 'A', Outlook changed to Positive from Stable. Short Term Rating affirmed at 'A-1'.
18/09/2017	1555	Cooperative Rabobank U.A.	Netherlands	Long Term Rating affirmed at 'A+', Outlook changed to Positive from Stable. Short Term Rating affirmed at 'A-1'.