



County Offices
Newland
Lincoln
LN1 1YL

21 June 2017

Overview and Scrutiny Management Board

A meeting of the Overview and Scrutiny Management Board will be held on **Thursday, 29 June 2017 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink, appearing to be 'T McArdle', written over a horizontal line.

Tony McArdle
Chief Executive

Membership of the Overview and Scrutiny Management Board (11 Members of the Council and 4 Added Members)

Councillors R B Parker (Chairman), L A Cawrey (Vice-Chairman), T Bridges, Mrs J Brockway, M Brookes, R L Foulkes, C S Macey, C E H Marfleet, Mrs A M Newton, N H Pepper and E W Strenziel

Added Members

Church Representatives: Mr S Rudman, Mr P Thompson

Parent Governor Representatives: Mrs P J Barnett, D E van der Zee

**OVERVIEW AND SCRUTINY MANAGEMENT BOARD AGENDA
THURSDAY, 29 JUNE 2017**

Item	Title	Pages
1	Apologies for Absence/Replacement Councillors	
2	Declarations of Members' Interests	
3	Announcements by the Chairman, Executive Councillor for Resources and Communications and Chief Operating Officers	
4	Consideration of Call-Ins	
5	Consideration of Councillor Calls for Action	
6	Introduction to Service Areas <i>(For the Board to receive short presentations on each of the four service areas)</i>	Verbal Report
7	Review of Financial Performance Report 2016/17 <i>(To receive a report which provides the Board with an opportunity to scrutinise the review of financial performance for 2016/17 prior to it being considered by the Executive on 4 July 2017. The views of the Board will be reported to the Executive to inform its consideration of the item)</i>	5 - 46
8	Council Business Plan 2016 - 2017 Performance Report, Quarter Four <i>(To receive a report which provides the Board with an opportunity to scrutinise Quarter 4 of the Council's Business plan 2016/17 prior to it being considered at the meeting of the Executive on 4 July 2017)</i>	47 - 64
9	Treasury Management Annual Report 2016/17 <i>(To receive a report which compares the results of the Council's treasury management activities for the financial year 2016/17 to the Treasury Management Strategy for 2016/17, approved by the Executive Councillor for Finance on 21 March 2016. It also details any issues arising in treasury management during this period)</i>	65 - 94
10	Proposals for Scrutiny Reviews <i>(To receive a report which enables the Board to identify and agree potential topics for in-depth scrutiny reviews to be undertaken by the two Scrutiny Panels, taking into account the Prioritisation Toolkit)</i>	95 - 100
11	Reporting Arrangements for Scrutiny Committees' Work Programmes for 2017/18 <i>(To consider a report which enables the Board to agree the reporting arrangements for the scrutiny committees' work programmes in 2017/18.)</i>	101 - 104
12	Overview and Scrutiny Management Board Work Programme <i>(To receive a report which enables the Board to consider and comment on the content of its work programme for the coming year, to ensure that scrutiny activity is focused where it can be of greatest benefit)</i>	105 - 122

Democratic Services Officer Contact Details

Name: **Catherine Wilman**

Direct Dial **01522 553788**

E Mail Address catherine.wilman@lincolnshire.gov.uk

Please note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

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www.lincolnshire.gov.uk/committeerecords

Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

Report to:	Oveview and Scrutiny Management Board
Date:	29 June 2017
Subject:	Review of Financial Performance Report 2016/17

Summary:

This report invites the Overview and Scrutiny Management Board to consider a report on the Review of Financial Performance Report 2016/17 which is being presented to the Executive on 4 July 2017. The views of the Board will be reported to the Executive as part of its consideration of this item.

Actions Required:

The Overview and Scrutiny Management Board is invited to

- 1) consider the attached report and to determine whether the Board supports the recommendation(s) to the Executive as set out in the report.
- 2) agree any additional comments to be passed to the Executive in relation to this item.

1. Background

The Executive is due to consider a report on the Review of Financial Performance Report 2016/17 at its meeting on 4 July 2017.

The Executive report attached at Appendix 1 sets out the Council's financial performance in 2016/17. It identifies and explains variances from the revenue and capital budget, and makes proposals for use of the carry forward of under and over spendings into the current financial year.

Table 1 over page summarises how the Executive plan to use the Council's underspend from 2016/17. Full details explaining this are set out in the Executive report (para 1.81 to 1.85).

TABLE 1 – Proposed Use of 2016/17 Carry Forwards and Reserves

	<u>£'000</u>
Council Underspend for 2017/18:	45,944
Year end contribution to the General Fund to keep the balance at 3.5%	-500
<u>The following amounts are allocated from the underspend in line with the Council's Financial Strategy:</u>	
Up to 1% carry forward of Commissioning Strategy underspends:	-3,144
• Schools to carry forward the whole of their underspend (ring fenced funding).	-12,575
• Legal Shared Services and Procurement Lincolnshire to carry forward all of their underspend. Note the underspend for 2017/18 all relates to Legal Shared Services.	-952
<u>The following reserves are used to fund year end under/overspend in revenue budgets (in line with the Council's Financial Strategy):</u>	
• Adverse Weather Reserve <i>Adverse Weather - Winter Maintenance Budget £4.858m, Actuals £3.748m = £1.110m underspend. Underspends on the Winter Maintenance budget would normally be reviewed to add to the adverse weather reserve, to drawdown in years when weather conditions require this budget to overspend, however, the reserve is currently at a level considered to be adequate (£0.500m). There is a need for an element of this underspend to be utilised for the completion of a Salt Barn at Horncastle (£0.495m).</i>	0
• Insurance Reserve (deficit in revenue - drawdown from reserve) <i>Proposal to drawdown from the reserve to cover the overspend. Balance before transfer = £4.895m.</i>	408
• Schools Sickness Insurance Reserve (surplus in revenue - transfer to reserve)	-108
• Museum Exhibits Reserve (deficit in revenue - drawdown from reserve)	2
Amount available after Financial Strategy allocations:	<u>29,075</u>
<u>The following allocations are for consideration for the remaining underspend:</u>	
• Business As Usual Reserves Including: Business as Usual Transfers (including Health and Wellbeing Reserve Interest transfer, Civil Parking Enforcement and Fixed Penalty Notice underspends which under statute need to remain in this service area).	-53
• Other Service Bids Including: £1.000m for Contract Development, £2.000m for Highways Advanced Design, £5.000m for Environmental Improvement and Sustainability, £0.495m for a Salt Barn at Horncastle, £0.100m for Agresso Upgrade Staffing Costs and £0.100m for a Property Company Detailed Business Case).	-8,695
Balance remaining after all proposals:	<u><u>20,327</u></u>
<i>Current position in the Financial Volatility Reserve:</i>	
<i>- £17.870m to fund the 2017/18 Budget Shortfall.</i>	
<i>- £12.012m is currently available for 2018/19 and beyond.</i>	

2. Conclusion

Following consideration of the attached report, the Board is requested to consider whether it supports the recommendation(s) in the report and whether it wishes to make any additional comments to the Executive. Comments from the Board will be reported to the Executive.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

Not Applicable

4. Appendices

These are listed below and attached at the back of the report	
Appendix 1	Report on Review of Financial Performance Report 2016/17 to be presented to the Executive at its meeting on 4 July 2017

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by David Forbes, who can be contacted on 01522 553642 or david.forbes@lincolnshire.gov.uk

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Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	Executive
Date:	04 July 2017
Subject:	Review of Financial Performance 2016/17
Decision Reference:	I011792
Key decision?	Yes

Summary:

This report:

- describes the Council's financial performance in 2016/17;
- identifies and explains variances from the Council's revenue and capital budgets;
- reports the use made of flexible capital receipts to fund revenue expenditure on transformation during 2016/17;
- makes proposals on the carry forward of over and under spendings into the current financial year; and
- reports Prudential and Financial Performance Indicators for 2016/17.

Recommendation(s):

That the Executive:

- (1) Note the carry forwards set out in paragraph 1.83 of the report, which are made in line with the Council's Financial Regulations;
- (2) Recommends to full Council that the proposals in paragraph 1.84 of the report relating to the treatment of underspends in excess of 1.0% be approved;
- (3) Note the transfers to and from reserves carried out in 2016/17 as set out in Table D; and
- (4) Note financial performance in 2016/17 including Flexible Use of Capital Receipts and the Prudential Indicators.

Alternatives Considered:

1. This report describes the actual position for the 2016/17 financial year and is factual in content and follows current Council policy. No alternatives are being considered in relation to this aspect.

In relation to the treatment of overspends and underspends above 1.0% as set out in paragraph 1.84, there are a number of different ways these could be used. The proposed is a mix of funding service expenditure and transfers to reserves. This is considered to be the most prudent and appropriate approach for the Council in the current financial climate.

Reasons for Recommendation:

Financial governance requires that the Executive reviews the financial performance of each year. This report facilitates this.

The treatment of underspends and overspends are considered appropriate and prudent for managing the financial challenges facing the Council.

1. Background

1.1 The County Council set its spending plans for 2016/17 against a backdrop of continued significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay the National Living Wage. In developing its financial plan the Council considered all areas of current spending to identify cost pressures which must be funded and savings which could be made, through efficiencies and by reducing the level of service provided. The budget proposals also included an increase in Council Tax levels of 3.95% (1.95% general increase, plus 2.00% for Adult Social Care Services) and one off use of reserves.

Revenue spending

1.2 The Council spent £910.237m in 2016/17 on providing public services – £1,244.34 for every person in Lincolnshire.

1.3 The Council has had to deal with a number of unavoidable cost pressures, amounting to £31.158m in budgetary terms. These include: increasing population (in particular, the impact on the Council's adult care budgets of increasing numbers of older people) and general inflationary pressures. Some of these were accommodated within existing budgets but some external pressures have added to the Council's costs and required additional savings to be delivered. These cost pressures in 2016/17 were balanced against a savings target of £41.559m from service reductions across the whole Council including: improved contract arrangements in areas such as Home to School Transport and Health Improvement Activities. The Council also planned to use £4.500m of capital receipts to fund revenue transformation projects.

1.4 In addition to saving targets, when the Council set its budget for 2016/17 the financial strategy included the use of £20.965m from reserves to bridge the gap between funding and expenditure levels (£20.165m from the Council's Financial Volatility Reserve and £0.800m released from the General Fund balance). Use of reserves only offers a one off contribution towards the budget shortfall, but, it is expected that the reduction in funding levels will be permanent. The Council continues to explore further opportunities to bridge the gap between the funding values to the Council and levels of expenditure.

1.5 The general level of expenditure in 2016/17 indicates that during the year the Council has been able to secure the cash efficiency savings required in the budget and deliver an underspend against the budget.

Revenue Income

1.6 Revenue spending, excluding the use of reserves, was funded by:

• Local council tax payers	£253.8m	27.9%
• Business Rates	£104.7m	11.6%
• Revenue Support Grant	£70.3m	7.7%
• Dedicated Schools Grant	£247.7m	27.2%
• Other grants and contributions	£162.4m	17.8%
• Charges and other income	£71.3m	7.8%

1.7 In 2016/17 the Council increased Council Tax by 3.95% and also saw growth of 2.34% on the number of band D equivalent properties in Lincolnshire. This in total generated an additional income for the Council of £14.886m. The Council Tax collection funds in Lincolnshire also generated a surplus in 2016/17, of a further £5.609m to the County Council.

1.8 Business Rates generated £104.710m. This is made up of a number of elements, £18.693m collected from businesses in Lincolnshire, £82.427m received as a top up from central government, £2.458m as section 31 compensation grants for reliefs offered by central government to businesses and an estimated £1.132m from the County Council pooling with six of the Lincolnshire District Councils.

1.9 Funding from Revenue Support Grant (RSG) in 2016/17 has provided the County Council with £70.351m. The value of this grant continues to fall. On a like for like basis this has decreased by £27.578m or 28.2% from the grant received in 2015/16.

1.10 In addition to RSG the Council also receives specific government grants. The most significant of these was £247.695m of Dedicated Schools Grant which is used for funding education in Lincolnshire and £31.371m for Public Health Grant.

Capital spending and funding

1.11 The Council spent £102.337m on the county's assets, in particular on:

- Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals;
- Integrated Transport Schemes across the Council including: minor capital improvements, rights of way, road safety, public transport and town/village enhancements;
- Construction of three new road schemes, two in Lincoln and another in Grantham;
- A programme to integrate new technology into Street Lighting; and
- Programme of modernisation to meet the statutory responsibility for provision of educational places and a programme to improve the condition of school buildings.

1.12 This investment was funded through:

- | | | |
|--|--------|-------|
| • Government Grants and other external contributions | £83.6m | 81.8% |
| • Borrowing | £15.7m | 15.3% |
| • Revenue Funding and Use of Earmarked Reserves | £3.0m | 2.9% |

1.13 The Council used grants from central government to fund: maintenance work on roads; modernisation and improvement of condition of school buildings; and provision of education places.

1.14 The Council sets itself a limit on its total borrowing to ensure that it remains prudent and affordable. The Council's target is to ensure that annual minimum revenue provision (MRP) plus interest are no more than 10.0% of the Council's annual income. The figure for 2016/17 is 5.27%. MRP is the amount required to be set aside as a provision for debt repayment, and in accordance with Regulation, this amount should be prudent to ensure debt is repaid over a period reasonably commensurate with the period over which the capital expenditure funded by borrowing provides benefits.

1.15 The Council's current policy is to apply the asset life method for calculating MRP and use the MRP in full to repay debt annually.

The Council's financial standing

1.16 The Council's revenue budget remains under pressure from reduced funding and service cost pressures. For 2017/18 the Council has again only set a one year budget, rather than the normal three year plans. Further work is required for the Council to develop long term sustainable budget plans.

1.17 In developing the financial plan for 2017/18, the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding to set a balanced budget. The Council continues to plan to use a mixed approach, funding unavoidable cost pressures and reducing service spending where savings were identified. The Council has also set a Council Tax increase in 2017/18 of 3.95%, 1.95% general increase plus a further 2.00% for Adult Care responsibilities (including demographic pressure and the impact of the national living wage) and using £17.970m from reserves (£17.870m from the Financial Volatility Reserve and £0.100m which can be released from the general fund).

1.18 The Council also maintains a general reserve as a contingency against unexpected events or emergencies. The Council sets itself a target, based on a financial risk assessment, of maintaining these reserves within a range of 2.5% to 3.5% of its total budget. The Council's general reserves at 31 March 2017, as proposed in this report, would be £15.300m or 3.5% of the Council's total budget.

1.19 In addition to the general reserve and Financial Volatility Reserve the Council maintains a number of other reserves earmarked for specific purposes (details of these are set out in **TABLE D**).

1.20 The mixed approach to meeting the current financial challenges will ensure the Council can withstand the immediate pressures in local government funding, whilst implementing the arrangements for delivering services at the reduced level of government funding.

Key Financial Performance Measures: Financial Health and Performance

1.21 The County Council has identified a number of key indicators to monitor its Financial Health and Performance. **TABLE A** reports the actual position for 2016/17 on these key indicators.

TABLE A – Key Financial Performance Measures: Financial Health and Performance

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2016/17 Estimate	2016/17 Actual
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 27 county councils)	Yes	Yes 23rd
2	Government grants	Lobby for annual increases in general government grants to be above the county average	Yes	Yes
3	Capital receipts	At least £2.0m per annum from 2015/16	£7.615m	£3.601m
4	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	6.69%	5.27%
5	Accounting	Unqualified external audit opinion	Yes	Not yet Available
6	General Reserves	Maintained within the range of 2.5% to 3.5% of the annual budget requirement net of Dedicated Schools Grant	Within range 3.5%	Within range 3.5%
7	Internal control	None of the processes audited receive a low assurance" opinion from internal audit	Yes	One key financial system has a 'Low/No ' Assurance Opinion
8	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	90.00%	86.70%
9	Treasury management	Risk adjusted return comparison	Weighted Benchmark	Weighted Benchmark 0.65%

Revenue Budget Outturn

1.22 The revenue budget outturn for 2016/17 is summarised below:

- Total service revenue spending, excluding schools, was under spent by £7.006m or 1.7%.
- Schools were underspent by £12.683m or 5.1% of the schools budget.
- Other Budgets underspent by £24.681m or 35.9%.
- The Council received £1.574m or 0.4% more general funding income than originally budgeted for.
- This gives the Council an overall underspend of £45.944m.

1.23 The revenue outturn position for 2016/17 is shown in **TABLE B** (over page).

TABLE B – Revenue Budget Final Outturn 2016/17

	Revised Net Revenue Budget	Expenditure	Under or Over Spending	Percentage Under or Over
	£'000	£'000	£'000	%
COMMISSIONING STRATEGIES				
Readiness for School	5,308	5,090	(218)	-4.1%
Learn & Achieve	34,237	35,205	968	2.8%
Readiness for Adult Life	4,367	5,081	714	16.4%
Children are Safe and Healthy	65,635	63,866	(1,769)	-2.7%
Adult Safeguarding	2,295	2,571	276	12.0%
Adult Frailty & Long Term Conditions	95,249	94,097	(1,152)	-1.2%
Carers	2,247	2,225	(21)	-1.0%
Adult Specialities	51,099	51,478	379	0.7%
Wellbeing	30,744	30,764	20	0.1%
Community Resilience & Assets	11,907	11,567	(340)	-2.9%
Sustaining & Developing Prosperity Through Infrastructure	45,226	44,584	(642)	-1.4%
Protecting & Sustaining the Environment	23,103	22,869	(234)	-1.0%
Sustaining & Growing Business & the Economy	1,462	1,211	(251)	-17.2%
Protecting The Public	23,240	23,034	(205)	-0.9%
How We Do Our Business	8,409	7,803	(606)	-7.2%
Enablers & Support To Council's Outcomes	37,184	33,260	(3,924)	-10.6%
Public Health Grant Income	(34,371)	(34,371)	0	0.0%
Enablers & Support To Key Relationships (Devolution)	20	20	(0)	0.0%
TOTAL COMMISSIONING STRATEGIES	407,362	400,355	(7,006)	-1.7%
OTHER BUDGETS				
Capital Financing Charges	54,860	38,851	(16,009)	-29.2%
Contingency	1,840	0	(1,840)	-100.0%
Other Budgets	12,011	5,179	(6,832)	-56.9%
TOTAL OTHER BUDGETS	68,711	44,030	(24,681)	-35.9%
SCHOOL BUDGETS				
Schools (DSB)	235,612	225,043	(10,569)	-4.5%
Schools Related Expenditure (DSB)	26,021	24,014	(2,006)	-7.7%
Dedicated Schools Grant	(247,695)	(247,695)	0	0.0%
Schools Budgets (Other Funding)	(3,697)	(3,805)	(107)	2.9%
TOTAL SCHOOL BUDGETS	10,240	(2,443)	(12,683)	-123.9%
TOTAL EXPENDITURE	486,312	441,942	(44,370)	-9.1%
INCOME				
Revenue Support Grant	(70,351)	(70,351)	(0)	0.0%
Business Rates	(103,528)	(104,710)	(1,182)	1.1%
Council Tax	(253,801)	(253,801)	(0)	0.0%
Other Non Specific Grants	(20,760)	(21,152)	(392)	1.9%
TOTAL INCOME	(448,440)	(450,014)	(1,574)	0.4%
USE OF BALANCES				
Use of Balances - Earmarked Reserves	(37,072)	(37,072)	0	0.0%
Use of Balances - General Reserves	(800)	(800)	0	0.0%
TOTAL USE OF RESERVES	(37,872)	(37,872)	0	0.0%
TOTAL	(0)	(45,944)	(45,944)	

Children's Services – (£0.305m under budget)

1.24 Over the four commissioning strategies, Children's Services under spent by £0.305m (or 0.28%).

Readiness for School commissioning strategy under spent by £0.218m (or 4.1%).

1.25 This relates to general underspends taking place in the running of children centres across the county and their commissioned activities (£0.144m). Further underspends have arisen from supporting out of school childcare placements as part of a holistic family support plan and other early years support activities (£0.074m).

Learn and Achieve commissioning strategy over spent by £0.968m (or 2.8%).

1.26 The main area of variance relates to Home to School / College Transport delivery (£1.196m). Children's Services had five additional transport days in excess of the budget in 2016/17 due to the school holiday periods in the financial year (£0.659m), a reduction in post-16 transport income from pupils (£0.163m), an increase in pupil needs and numbers in special schools and the interim costs of moving to a new transport delivery model for special schools (£0.374m) contributed towards the overspend in this strategy. In addition the Lincolnshire Music Service has underspent by £0.234m. It has been agreed that the service will be set up as a separate trading unit within the County Council and it is proposed that under or overspends will be carried forward to provide flexibility to manage internally unexpected or planned events.

Readiness for Adult Life commissioning strategy over spent by £0.714m (or 16.4%).

1.27 The main area of variance relates to the Leaving Care service (£0.801m) where the Local Authority has a legal duty to provide supported accommodation for homeless 16-17 year olds and care leavers. The complexity of individual's needs and an increase in demand has contributed towards this pressure. The County Council supported an increase to this budget of £0.600m for 2017/18 at its meeting in February 2017. The Local Authority is also exploring options of meeting these growing demands more cost effectively in future.

Children are Safe and Healthy commissioning strategy under spent by £1.769m (or 2.7%).

1.28 An area of financial variance relates to the underspend of £0.609m parked ready for the Beacon development. The Beacon capital development which is increasing the number of children with disability beds from 7 to 11 is being phased in during 2017/18. The Directorate Management Team agreed to use this one-off underspend to offset the one-off cost pressure of additional transport days in the Learn and Achieve commissioning strategy to address the overall Children's Services financial position. Other areas of variance relate to the planned early delivery of the 2017/18 savings relating to the family support structure implemented (£0.218m); the release of one-off funding from the Legal Shared Service (£0.200m); a fall in insurance premiums that is based on historical activity (£0.166m), and the remainder from staffing vacancies particularly in the early help teams during the first part of the financial year.

1.29 The Local Authority has a statutory duty to protect children and take action when thresholds are met. Demand levels and complexity of children continue to rise within the service and this cost pressure was met in-year from Corporate Contingency Budget (£1.544m). This planned growth was incorporated into the budget for 2017/18 following Council approval in February 2017 (£1.882m). The previously reported overspend for the costs of young people on remand compared to the low government grant provided was funded from the Corporate Contingency Budget in-year (£0.406m) due to the unpredictable nature of such instances.

Adult Care – (£0.518m under budget)

1.30 The Adult Care outturn is £150.372m, an underspend of £0.518m (0.34%) against a budget of £150.890m. This is set against an environment of increasing placement costs in all service areas following the introduction of the National Living Wage and increasing numbers of older age and working age adults.

1.31 The service produced savings of £7.194m in 2016/17 from a number of successful projects including:

- The ongoing impact of staffing reviews across Adult Care; and
- Increases in service user contributions following the implementation of the new charging policy.

Adult Safeguarding commissioning strategy over spent by £0.276m (or 12.0%)

1.32 The service continues to see continuing significant pressures due to the Cheshire West ruling in Deprivation of Liberty Safeguards (DOLs). Assessment activity in this area continues to increase with substantial work ongoing to reduce the backlog of assessments and reviews to ensure the Council's statutory obligations around DOLs are met.

Adult Frailty, Long Term Conditions and Physical Disability commissioning strategy under spent by £1.152m (or 1.2%).

1.33 Changes to the provision of homecare service in the previous year continued to have an impact on the service in 2016/17 with the number of hours provided continuing to be below historical levels. However there continues to be a corresponding increase in the number of service users choosing to take their care in the form of a Direct Payment.

1.34 The number of new service users placed in long term residential and nursing care increased in 2016/17, partly due to a review of those that had been short term care for over 8 weeks to ensure they were in the correct care type, but also as a result of increasing service user growth.

1.35 Budgets relating to Infrastructure costs for senior management and back office staff were also underspent as a result of vacancies in Performance, Brokerage and Quality Assurance teams.

1.36 The service continues to see an increase in income received, primarily as a result of changes to the non-residential service user contributions policy, increases in direct payment refunds and increases in property debtors.

Carers commissioning strategy under spent by £0.021m (or 1.0%).

1.37 Carer's activity continues to be below historic levels due to changes in the eligibility criteria set out in the Care Act 2014, however following the implementation of the new carers contract the strategy saw an increased uptake of personal budgets in the last quarter for the first time since March 2014.

Adult Specialities commissioning strategy over spent by £0.379m (or 0.7%).

1.38 Services for Learning Disabilities are administered via a Section 75 agreement between the Council and NHS commissioners in Lincolnshire in addition to a small in-house element that sits outside the Section 75. The Mental Health service is run on behalf of the Council by the Lincolnshire Partnership Foundation Trust, also by way of a Section 75 agreement.

1.39 During the year there has been an increase in the number of complex cases entering the service for both Supported Living and Residential placements. Whilst growth within these areas was built into this year's budget, these additional costly packages have meant that there has been some additional pressure within 2016/17.

1.40 Income continues to increase especially in respect of direct payment refunds and increases in residential service contributions. There was also a number of one off receipts from other local authorities that related to old disputed debts that were settled this financial year.

1.41 The Mental Health service delivered a balanced budget.

Community Wellbeing and Public Health – (under budget by £0.320m)

Wellbeing was over spent by £0.020m (or 0.1%).

1.42 The service produced savings of £6.045m in 2016/17 from a number of successful projects including:

- Reduction in costs across the Wellbeing Commissioning strategy following the re-procurement of number of contracts; and
- The closure of a number of discretionary schemes within the Wellbeing Strategy.

1.43 A number of services are delivered as part of the Council's statutory obligation to improve the public health of local populations as per the conditions of the Public Health Grant. This part of the service ended 2016/17 with an underspend of £0.126m against a budget of £29.336m. The underspend was due to a

combination of staffing vacancies and contracting efficiencies brought forward and some reductions in demand led services.

1.44 Registration and Coroners over spent by (£0.146m), this is mainly due to an overspend on Coroners costs for mortuary facilities, conveyance of bodies and long inquests (£0.277m) being partly offset by additional Registrars income (£0.131m).

Community Resilience and Assets was under spent by £0.340m (or 2.9%).

1.45 The Customer Service Centre underspend (£0.246m) is reflective of one off support provided from the 2015/16 Public Health underspend and a reduction in the total cost of contacts (£0.140m) offset by an increase in the provision of potential costs for outbound calls (£0.175m) and Mosaic costs (£0.050m).

1.46 There are also small underspends for the library service (£0.078m) and Lincolnshire Archives (£0.031m).

Environment and Economy (under budget by £1.127m)

Sustaining and Developing Prosperity Through Infrastructure – commissioning strategy under spent by £0.642m (or 1.4%).

1.47 This commissioning strategy has underspent by £0.642m in 2016/17. The key variances to report include:

- Saving on the winter maintenance budget of £1.100m due to another mild winter;
- The remaining highways maintenance revenue budget was generally on target with a final outturn of a £0.150m overspend representing 0.67% of the gross budget;
- High staff utilisation on the design trading account provided a saving of £0.377m;
- Approval was granted to progress with a new Greater Lincoln Transport Model but there was a technical delay that needed some legal guidance. This led to a budget underspend of £0.250m;
- A further area of overspend of £0.158m was due to staffing costs being realigned during the year following a restructure; and
- The Heritage service is showing an overspend which predominantly relates to the operation of Lincoln Castle. This is due to a combination of higher than anticipated grounds maintenance costs and one off operational costs following the departure of a third party operator. Also, whilst the activities at the Castle during the year have been instrumental in visitor numbers exceeding those forecast, the level of income received during the year is, as

anticipated, lower than the previous year during the Castle Revealed events. This year of operation will help to inform the move to a more sustainable business model for the service in future years.

Protecting and Sustaining the Environment – commissioning strategy under spent by £0.234m (or 1.0%).

1.48 The underspend on this commissioning strategy in 2016/17 (£0.234m) mainly relates to waste management due to contractual savings which have led to an underspend of £0.385m.

Sustaining and Growing Business and the Economy – commissioning strategy under spent by £0.251m (or 17.20%).

1.49 This commissioning strategy has underspent by £0.251m in 2016/17 and is attributable to one off income from the closure of a loan fund (£0.170m) together with additional income to offset Lincolnshire Enterprise Partnership (LEP) accountable body costs.

Finance and Public Protection (under budget by £4.735m)

Protecting the Public – commissioning strategy under spent by £0.205m (or 0.9%).

1.50 The service ended 2016/17 with an underspend of £0.205m. This is due to the increase in commercial income for Fire and Rescue.

How We Do Our Business – commissioning strategy under spent by £0.606m (or 7.2%).

1.51 Finance and Audit have underspends on the finance element of the Serco contract (£0.321m). This is due to lower volumes of transactions than originally budgeted for (this relates to social care finance where the budgeted volumes assumed implementation of the Care Act). An underspend on costs associated with the schools finance service (£0.117m) are offset by additional staffing costs from agency workers and business support recharges (£0.132m).

1.52 There are also small underspends in Corporate Standards (£0.057m) and Decision making including democratic processes (£0.057m).

Enablers and Support to Council Outcomes – commissioning strategy under spent by £3.925m (or 10.6%).

1.53 County Farms have secured additional rental income resulting in an underspend of £0.218m.

1.54 Business Support have underspent by £0.422m as a result of holds being placed on filling vacant posts across the service in the final quarter of 2016/17 in

preparation for further savings targets and through additional funding being received against increased numbers of commissioned posts.

1.55 Legal has achieved a surplus over and above target by £0.781m. This reflects an underspend on staffing of £0.170m due to vacant posts with no associated locum expenditure and overachievement of income against budgeted forecasts. Legal Management Board will take a decision in June as to the treatment of the surplus but in recent years it has been redistributed in full to partner authorities in proportion to their use of the service.

1.56 Small underspends have been incurred in ICT (£0.108m) and Strategic Communications (£0.092m) as a result of vacancy management in advance of budgetary reductions in 2017/18.

1.57 People Management budgets underspent by £0.764m (19.09%). The main areas of underspend relate to the activity based contract for HR services (such as HR Administration; HR Professional Advice; Service Strategy) (£0.698m), and Occupational Health (£0.080m) where the budget for additional activity for physiotherapy has not been required this year. The activity based budgets will be reviewed during 2017/18 due to the underspends being realised.

1.58 Commissioning underspent by £1.900m, this is made up of £1.107m Serco abatement contract performance penalties, plus an underspend on staffing costs due to vacancies and a devolution costs contribution during the year (£0.623m).

1.59 The further £0.170m relates to Procurement which is required to be added to reserves as this fund is a shared resource alongside our partner bodies.

Schools – (£12.683m under budget)

1.60 Under government regulations, schools carry forward automatically their under and over spendings to the next financial year. Budgets held centrally within the ring-fenced 2016/17 Dedicated Schools Grant (DSG) were once again set prudently due to the demand led and volatile nature of the services demands. In line with the DfE regulations any under or overspends will automatically be carried forward to the next financial year and the Local Authority will consult the Schools Forum on its use.

Other Budgets – (£24.681m under budget)

Capital Financing Charges – under spent by £16.009m (or 29.2%)

1.61 The Council's capital financing charges were £16.009m under budget. This has resulted from savings in Minimum Revenue Provision (the repayment of debt at a prudent level) and borrowing interest payable in 2016/17. The Council revised its Minimum Revenue Policy in 2016/17 to bring it up to date with current funding circumstances and capital expenditure plans resulting in a reduction in MRP of £4.395m payable in 2016/17. There has also been slippage of the capital

programme during 2016/17 which reduced the need to borrow. This has had an effect on the interest payable on borrowing and the amount required to be set aside to finance borrowing costs in the future, both being lower than budgeted. Savings were also made due to the Council using a mix of external borrowing and utilising internal balances to finance the capital programme. Slippage in both capital and revenue budget underspends has also led to excess balances being available for investment over 2016/17 so interest generated from investments was also in excess of budget by £0.194m.

Contingency – under spent by £1.840m (or 100.0%).

1.62 The Council has a contingency budget set aside for emerging pressures which may arise during the financial year. At the year-end £1.840m remained, and was not required in 2016/17.

Other Budgets – under spent by £6.832m (or 56.9%)

1.63 Other Budgets were under budget by £6.832m. This comprises a number of under and over spends, the most significant being:

- The budget for the expected increase for National Living Wage at £4.681m is held centrally within Other Budgets. Additional costs associated with the increase in the National Living Wage have been accommodated within existing service budgets during 2017/18 without calling on this funding;
- Corporate and Service Redundancy is underspent by £2.805m. The Corporate Redundancy budget funds the costs associated with the staffing restructuring changes that had been approved through the 2016/17 Council's Budget. These planned changes support the Council to bring down expenditure in line with its current levels of planned income;
- Funding of £0.200m was set aside in case Lincolnshire District Councils required additional funding in administering the new Council Tax Schemes. There was no call on this funding during 2016/17, therefore it was proposed within the budget plans for 2017/18 for this budget to be removed in future years;
- A dividend of £0.483m was received from Eastern Shires Purchasing Organisation (ESPO). The council is a member of the ESPO joint committee and as such is entitled to receive a share of the dividend generated by the organisation;
- The Council had planned to use £4.598m of flexible capital receipts in 2016/17 to fund transformation projects which will generate ongoing revenue savings to the authority. However, the Council generated £0.997m less receipts than expected. This was mainly due to the challenges faced when seeking for consent to dispose former playing fields and school land under Section 77 of the School Standards and Framework Act 1998 from the Education Funding Authority which resulted in delay in marketing these

properties. Nevertheless, it is still anticipated that the Council will meet its plan of £20.000m flexible capital receipts covering the three year period, 2016/17 to 2018/19; and

- The Council's insurance budget shows a deficit of £0.408m. The insurance fund is designed to enable the Council to 'self-insure' its insurable risks over the long term. The operating deficit this year has arisen mainly due to the increase in claim payments during the year. The deficit will be covered by the Council's Insurance earmarked reserve. The balance in the reserve before meeting these costs was £4.895m.

Council's General Funding – £1.574m more than the income budget (or 0.4%)

1.64 The Council's general funding was £1.574m more than the revenue budget approved at full Council in February 2016. The most significant reasons for this increase in funding are as follows:

- Business Rates Pooling - £1.085m (more than was budgeted for). This income from business rates pooling was not budgeted for and is a significant increase from the £0.104m received in 2015/16;
- New Homes Bonus Returned Funding - £0.235m (more than was budgeted for). At the time of budget setting, the Council had not been notified that we would be receiving this funding in 2016/17. This is funding that was originally allocated from the Local Government Finance Settlement to fund New Homes Bonus with a commitment from the Government that any unused funding would be returned to local authorities; and
- Education Services Grant - £0.108m (more than was budgeted for). The grant is adjusted throughout the financial year as schools convert to Academies. The amount budgeted for was based on a reduced funding rate allocated per pupil with an estimated number of pupils. The council was able to retain more income than originally anticipated in the latter part of the year due to a drop in schools converting to Academies.

Capital Programme Outturn

1.65 The capital outturn for 2016/17 is summarised below:

- Net capital expenditure was £38.320m; and
- There was an under budget of £37.990m or 49.8%.

1.66 The capital budget outturn is shown in **TABLE C** over page. The reasons for significant capital budget over or underspendings are explained in the following paragraphs.

TABLE C – Net Capital Programme Outturn 2016/17

Capital Programme	Net Expenditure			
	Revised budget	Actuals	Variance	Variance
	£'000	£'000	£'000	%
Other Readiness for School	294	278	(16)	-5.4%
Readiness for School	294	278	(16)	-5.4%
Devolved Capital	1,152	1,152	0	0.0%
Provision of School Places (Basic Need)	11,159	11,159	0	0.0%
School Condition & Modernisation / Maintenance Capital	5,291	5,291	0	0.0%
Other Academies	447	307	(140)	-31.3%
Other Learn & Achieve	400	282	(118)	-29.5%
Learn & Achieve	18,449	18,191	(258)	-1.4%
Other Readiness for Adult Life	0	(3)	(3)	-100.0%
Readiness for Adult Life	0	(3)	(3)	-100.0%
Universal Infant Free School Meals Capital	652	652	0	0.0%
Other Children are Safe & Healthy	988	291	(697)	-70.5%
Children are Safe & Healthy	1,640	943	(697)	-42.5%
Childrens Services - Commissioning	20,383	19,409	(974)	-4.8%
Adult Care	411	411	0	0.0%
Better Care Fund - Disabled Facility Grants	0	0	0	0.0%
Adult Frailty & Long Term Conditions	411	411	0	0.0%
Adult Care - Commissioning	411	411	0	0.0%
Libraries	635	232	(403)	-63.5%
Other Wellbeing	269	269	0	0.0%
Community Wellbeing & Public Health - Commissioning	904	501	(403)	-44.6%
Highways Asset Protection	759	0	(759)	-100.0%
Integrated Transport	191	214	23	12.0%
Lincoln Eastern Bypass	0	416	416	100.0%
Lincoln East-West Link	6,241	3,360	(2,881)	-46.2%
Grantham Southern Relief Road	3,060	162	(2,898)	-94.7%
Lincolnshire Waterways	696	839	143	20.5%
Skegness Countryside Business Park	1,055	231	(824)	-78.1%
Historic Lincoln	(1,607)	(165)	1,442	-89.7%
Other Sustaining & Developing Prosperity	14,544	446	(14,098)	-96.9%
Sustaining & Developing Prosperity Through Infrastructure	24,939	5,503	(19,436)	-77.9%
Flood Defence	2,200	0	(2,200)	-100.0%
Energy from Waste	301	189	(112)	-37.2%
Other Protecting & Sustaining the Environment	1,552	1,117	(435)	-28.0%
Protecting & Sustaining the Environment	4,053	1,306	(2,747)	-67.8%
Other Sustaining and Growing Business & the Economy	262	(19)	(281)	-107.3%
Sustaining & Growing Business & the Economy	262	(19)	(281)	-107.3%
Environment & Economy - Commissioning	29,254	6,790	(22,464)	-76.8%
Youth Offending	3	0	(3)	-100.0%
Fire & Rescue and Emergency Planning	2,533	1,719	(814)	-32.1%
Fire Fleet Vehicles and Associated Equipment	649	206	(443)	-68.3%
Protecting The Public	3,185	1,925	(1,260)	-39.6%
Broadband	711	711	0	0.0%
Infrastructure and Refresh Programme	2,264	867	(1,397)	-61.7%
Replacement ERP Finance System	2,227	508	(1,719)	-77.2%
Care Management System (CMPP)	918	846	(72)	-7.8%
Property	4,401	3,393	(1,008)	-22.9%
Property Rationalisation Programme	3,937	2,959	(978)	-24.8%
Enablers & Support To Council's Outcomes	14,458	9,284	(5,174)	-35.8%
Finance & Public Protection - Commissioning	17,643	11,209	(6,434)	-36.5%
New Developments Capital Contingency Fund	7,715	0	(7,715)	-100.0%
Other Capital Programmes	7,715	0	(7,715)	-100.0%
Other Programmes	7,715	0	(7,715)	-100.0%
Total Capital Programme 2016/17	76,310	38,320	(37,990)	-49.8%

1.67 The capital programme comprises a series of schemes/projects which often span a number of years. Hence over/underspends cannot be related to time periods such as this financial year. Where a scheme/project is known to be exhibiting a material variance to its spending profile this will be described in the narrative associated with that commissioning area.

1.68 Schemes can receive funding from both the County Council and from external bodies (through grants and contributions). The timing of this external funding may also have an impact on the spending profile of schemes annually within the capital programme.

Children's Services (£0.972m under budget)

1.69 The net underspend of Children's capital is due to the slippage of some costs in particular a number of projects for foster carers. These projects will not now start construction until the new financial year and it is anticipated that the underspend will be carried forward to fund these delayed projects.

Adult Care (Balanced budget)

1.70 A total of £0.411m was utilised in 2016/17, expenditure includes ongoing pre-development costs for the Council's Extra Care Housing Scheme, additional investment in Lincolnshire Telecare services and costs associated with the modernisation of the Council's remaining in-house day care provision.

Community Wellbeing and Public Health (£0.403m under budget)

1.71 The Libraries budget includes allocations for community libraries hubs (£0.015m each) and the underspend reflects those amounts which remain unspent at year end. This will be carried forward into 2017/18 in order to honour these legal agreements held with each Hub.

Environment and Economy (£22.464m under budget)

1.72 The capital programme for the Sustaining and Developing Prosperity Through Infrastructure commissioning strategy was under budget by £19.436m at the end of 2016/17. This is due to the utilisation of external grants and other sources of funding in 2016/17, not originally planned when this budget was set. Spending of the Council's contribution to schemes in this Commissioning Strategy will now take place in 2017/18 and future years.

1.73 The slippage in Protecting and Sustaining the Environment of £2.747m mainly relates to delays in delivering projects for flood defence.

Finance and Public Protection (£6.434m under budget)

1.74 Fire and Rescue and Fire fleet programmes are £1.257m below budget due to delays in delivering the station improvement programme, ICT costs relating to the East Coast (Control) Consortium and the timing of purchase of emergency vehicles.

1.75 Enablers and Support to Council's Outcomes was under budget by £5.174m. This was made up of:

- Infrastructure Refresh is £1.396m under due to delays in delivering the refresh programme which will be spent in future years;
- Replacement ERP (Agresso) is £1.719m under as milestone payments have yet to be agreed and paid resulting in an under spend in the current year; and
- Property and Property rationalisation programmes are £1.996m below budget due to delays in projects including Louth Eastgate (£1.136m) where spend will now be incurred during 17/18.

New Developments Capital Contingency Fund (£7.715m under budget)

1.76 For 2016/17 the Council set aside £7.500m in a New Development Capital Contingency Fund, plus the carried forward underspend from 2015/16 of £1.650m. During the financial year £1.435m was allocated from this budget. This has been utilised to fund the following schemes:

- Foster Care Capital (£0.600m);
- Property – Replacement Air Conditioning Units (£0.030m);
- County Farms Road Improvement Schemes (£0.072m);
- County Farms – Minimum Energy Efficiency Standards (MEES) (£0.048m);
- A1073 – Part One Compensation Claims (£0.215m); and
- Blue Light Collaboration Contribution (£0.470m).

1.77 The £7.715m remaining at the end of 2016/17 will be transferred forward into 2017/18 to fund schemes in the new financial year. There are a number of commitments which already exist for use of this funding in 2017/18 and future years. These schemes include:

- A contribution to the Blue Light Collaboration with Lincolnshire Police and East Midlands Ambulance Service;
- A contribution to the road improvement scheme at Peppermint Junction;
- Replacement of part of the Winter Gritting Fleet; and
- Building works on Lancaster House in Lincoln.

Flexible Use of Capital Receipts

1.78 In September 2016 the County Council approved an Efficiency Plan and Flexible Use of Capital Receipts Strategy to fund transformation for the three year period from 2016/17 to 2018/19. For 2016/17 the Council planned to generate £4.500m from capital receipts which would be used to fund revenue transformation (during the year this target was increased by £0.098m to £4.598m). The actual capital receipts generated during 2016/17 were £3.601m (explanation for this variance is set out in paragraph 1.63 above). This income has been fully utilised in the financial year to fund revenue transformation projects.

1.79 The Strategy identified the following schemes which would be funded this way in 2016/17:

- Service changes and reductions (including redundancies);
- Property rationalisation;
- Efficiencies through contracting and procurement;
- Transforming technology; and
- Preventing and detecting fraud.

1.80 During the year the Council spent £4.432m on these transformation projects. Details of the Council's original plans and actual activity is set out at **APPENDIX A**.

Carry forward of over and under spendings

1.81 The Council's policy as set out in its Financial Strategy is that:

- All under and overspendings on service revenue budgets of up to 1.0% will be carried forward without exception.
- The use of all underspendings on service budgets in excess of 1.0% will be considered by the Executive and decided by the full Council.
- The means of funding all overspendings on service budgets in excess of 1.0% will be considered by the Executive and decided by the full Council.
- All under and overspendings on capital budgets, the dedicated schools budget and shared services will be carried forward.
- All under and overspendings on revenue budgets where the spend is of an uneven nature will be transferred to reserves.

Transfers to and from reserves

1.82 The Council has a number of reserves earmarked for specific purposes. Transfers are made to or from these earmarked reserves at each year end dependent on actual expenditure and income during the year. It is proposed that the transfers are made in the normal way.

1.83 The carry forward of over and underspendings relating to Executive Directors revenue spending is shown in the table below. This includes:

- Up to 1% carry forward on service budgets (£3.144m). Details of how the 1% carry forwards will be utilised is set out at **APPENDIX B**.

Directorate	Final Proposal £'000
Executive Director - Children's Services	1,028
Executive Director - Adult Care	644
Executive Director - Environment and Economy	956
Executive Director - Finance and Public Protection	486
Chief Executive	30
TOTAL	3,144

- The full carry forward of underspends relating to schools (£12.575m) and shared services (£0.952m).
- Transfers to earmarked reserves linked to revenue budgets where spend is of an uneven nature (£0.302m). Made up of:
 - A transfer to the Schools Sickness Fund for the underspend in revenue budgets (£0.108m);
 - A transfer of £0.408m from the Insurance Fund reserve to cover the overspend in year; and
 - A transfer of £0.002m from the reserve for an utilisation of the Museum Exhibits Reserve.

1.84 In addition to this other proposed allocations of amounts resulting from overspends and underspends above the 1.0% are:

- A year end transfer of £20.327m into the financial volatility reserves. £17.870m is required for the planned contribution to Council's revenue budgets in 2017/18. The balance of £32.339m will be available to fund future uncertainties in local government funding in 2018/19 and beyond;
- Additions to existing reserves for: Civil Parking Enforcement (£0.023m), Fixed Penalty Notices (£0.023m) and Health and Wellbeing (£0.007m).
- Creation of new reserves for:
 - Contract Development Reserve (£1.000m) to provide the Council with flexibility to develop and manage contract processes going forwards;
 - Environmental Improvement and Sustainability Reserve (£5.000m) to allow the Council to fund and contribute to a number of environmental

and highways schemes across the County for the life of the current Council;

- Highways Advanced Design Reserve (£2.000m) to invest in feasibility work which will keep the development of Lincolnshire's road network a priority and facilitate economic growth projects;
- Horncastle Salt Barn Reserve (£0.495m) for the construction of a permanent salt storage facility at Horncastle;
- Agresso Upgrade Staffing Costs Reserve (£0.100m) to cover additional resource requirements for the Agresso upgrade to Milestone 6; and
- Property Company Detailed Business Case Reserve (£0.100m) to assess the commercial potential of creating a separate entity.

1.85 A variety of other transfers to or from other earmarked reserves reflecting actual expenditure and income in 2016/17 are shown in **TABLE D** over the page.

TABLE D – Transfers to and from reserves

EARMARKED RESERVES	Balance at 31 March 2016 £'000	Used in Year £'000	Additional in Year £'000	Balance at 31 March 2017 £'000
Schools Carryforward	-27,388	15,075	-12,575	-24,888
Prime Account Loan Reserve Adjustment	786	0	-293	493
Balances held by Schools under a scheme of delegation	-26,602	15,075	-12,868	-24,395
Other Services	-4,295	4,295	-3,144	-3,144
Earmarked Reserves Holding Code	0	0	0	0
Adverse Weather	-1,000	500	0	-500
Insurances	-6,395	1,908	0	-4,487
Schools Sickness Insurance Scheme	-1,143	148	-108	-1,103
Museum Exhibits	-135	2	0	-133
Development - Economic Development Reserve	-423	155	0	-268
Health and Wellbeing	-1,154	247	-7	-914
Development - Lincs Coastal Country Park	-367	10	0	-357
Legal	-1,407	537	-781	-1,651
Procurement	-789	0	-170	-959
Salix Carbon Management	-247	227	-213	-233
Safer Communities Development Fund	-833	0	0	-833
Co-Responders Services	-150	0	0	-150
Financial Volatility Reserve - Budget Shortfall	-20,165	20,165	-17,870	-17,870
Financial Volatility Reserve	-23,665	17,870	-26,544	-32,339
Teal Park	-50	0	0	-50
Youth Service Positive Activities Development Fund	-20	0	0	-20
Corby Glen/South Lincolnshire Sports Fund	-171	0	0	-171
Youth Offending Service	-512	0	0	-512
Domestic Homicide Reviews	-100	0	0	-100
Civil Parking Enforcement	-863	0	-46	-909
Support Service Contract Reserve (FDSS)	-1,709	909	0	-800
Roads Maintenance Reserve	-88	86	0	-2
Adoption Reform Reserve	-192	157	0	-35
Community Advisors Reserve	-156	0	0	-156
Local Welfare Provision Reserve	-541	526	0	-15
Property Management	-250	120	0	-130
Energy from Waste Lifecycles	-2,572	0	-1,096	-3,668
Broadband Project	-135	0	0	-135
Broadband Clawback	-157	0	0	-157
Flood and Water Risk Management	-558	32	0	-526
Young People in Lincolnshire	-334	108	0	-226
Members Big Society	-8	8	0	0
Lincoln Eastern Bypass (LEB)	-500	0	0	-500
Unsuitable Transport Routes	-100	100	0	0
Families Working Together	-599	0	0	-599
Enterprise Schemes	-191	83	0	-108
Asbestos Pressure	-50	0	0	-50
DAAT Pooled Budget	-248	0	0	-248
Street Lighting Earmarked Reserve	-100	0	0	-100
Heritage Services Earmarked Reserve	-880	0	0	-880
Horncastle Salt Barn	0	0	-495	-495
Corporate Property Business Case	0	0	-100	-100
Agresso Milestone 6 Finance Staffing	0	0	-100	-100
Contract Development	0	0	-1,000	-1,000
Highways Advanced Design	0	0	-2,000	-2,000
Environmental Improvement and Sustainability	0	0	-5,000	-5,000
Waste Management Earmarked Reserve	-1,000	1,000	0	0
Earmarked Reserves	-74,252	49,193	-58,674	-83,733
Revenue Grants and Contributions	-49,295	15,572	-16,975	-50,698
TOTAL RESERVES	-150,149	79,840	-88,517	-158,826

General Reserve

1.86 The Council's policy on general reserves is that they will be maintained within a range of 2.5% to 3.5% of its annual budget requirement. When setting its budget for 2016/17 the Council had planned to reduce the balance in the General Fund by £0.800m. After considering the impact of actual expenditure and income in 2016/17 and the proposals on the carry forward of over and under spendings it is proposed to make a contribution of £0.500m to the general fund at the year end. The general reserves at 31 March 2017 are £15.300m or 3.5% of annual budget requirement (TABLE E).

TABLE E – General Reserves

GENERAL RESERVES	Balance at 31 March 2017 £'000
Balance at 1 April 2016	-15,600
Planned contribution to / use in year	800
Proposed contribution to / use of reserves	-500
Balance as at 31 March 2017	-15,300
Balance as a percentage of total budget	3.50%

Prudential indicators

1.87 The Local Government Act 2003 gave authorities freedoms to borrow what they need to fund their capital programmes. The Act requires Local Authorities to comply with CIPFA's Prudential Code for Capital Finance in Local Authorities. The Code provides a framework to ensure that Local Authorities' capital programmes are affordable, prudent and sustainable and that treasury management decisions are taken to support this.

1.88 In complying with the Code the indicators for 2016/17 were approved by County Council on 19 February 2016 along with the budget and council tax for that year. In accordance with the Code, the Executive Director has been monitoring the actual performance against the targets set and would have reported any issues of concern to members had there been a need to. The County Council should also be informed of the actual position compared with that estimated for any given year after the year end. **APPENDIX C** provides details of this comparison for 2016/17. It shows that Prudential Indicators have not been exceeded during the year and there have been no breach of limits set by the Authority.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

* Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act

* Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

* Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

* Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic

* Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it

* Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding

Compliance with the duties in section 149 may involve treating some persons more favourably than others

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process

These matters have been considered and there is not considered to be any direct impact of the decisions called for by this Report on the Equality Act duty or any of these strategies and obligations. The Council set its budget for 2016/17 in February 2016 having had regard to these matters. The treatment of underspends and overspends in this Report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to equality act obligations and the various strategies and obligations referred to as they are taken. This includes decisions on the use of carried forward underspends.

Joint Strategic Needs Analysis (JSNA and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision

The Joint Strategic Needs Analysis have been considered and there is not considered to be any direct impact of the decisions called for by this Report on the Equality Act duty or any of these strategies and obligations. The Council set its budget for 2016/17 in February 2016 having had regard to these matters. The treatment of underspends and overspends in this Report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to equality act obligations and the various strategies and obligations referred to as they are taken. This includes decisions on the use of carried forward underspends.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area

Section 17 of the Crime and Disorder Act 1998 have been considered and there is not considered to be any direct impact of the decisions called for by this Report on the Equality Act duty or any of these strategies and obligations. The Council set its budget for 2016/17 in February 2016 having had regard to these matters. The treatment of underspends and overspends in this Report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to equality act obligations and the various strategies and obligations referred to as they are taken. This includes decisions on the use of carried forward underspends.

3. Conclusion

3.1 The report provides details of the council's financial performance for 2016/17. Net revenue spending amounted to £444.385m, excluding Schools Budgets. Net capital spending totalled £38.320m.

3.2 Existing policies allow all over and underspendings on capital, schools budgets and shared services to be automatically carried forward. The carry forwards and transfers to and from earmarked reserves have been proposed in accordance with existing policy. General reserves stand at £15.300m with a further £108.128m in earmarked reserves.

4. Legal Comments:

With regard to recommendation 1, the Council's Financial Regulations state that underspends up to 1% will be carried forward without exception.

With regard to recommendation 2, Council's Financial Regulations provide that the use of all underspending on service budgets in excess of 1% will be considered by the Executive and decided by the full Council. The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

Under Section 3 of the Local Government Act 2003 the Authority must determine and keep under review how much money it can afford to borrow. Reporting on the Prudential Indicators assists the Council in discharging this function.

The recommendations are lawful in accordance with the Constitution and the Policy Framework and within the remit of the Executive.

5. Resource Comments:

The Council has a sound financial base from which to manage the challenges of a difficult medium to longer term outlook for public sector finances.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

The Overview and Scrutiny Management Board will consider a report on the Review of Financial Performance 2016/17 at its meeting on 29 June 2017. Comments from the Board will be passed onto the Executive at its meeting.

d) Have Risks and Impact Analysis been carried out?

No

e) Risks and Impact Analysis

N/A

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Flexible Use of Capital Receipts Outcomes 2016/17
Appendix B	Use of Service 1% Carry Forwards
Appendix C	Prudential Indicators 2016/17

8. Background Papers

Document title	Where the document can be viewed
Financial Strategy	Executive Director Finance and Public Protection

This report was written by David Forbes, who can be contacted on 01522 553642 or david.forbes@lincolnshire.gov.uk.

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Appendix A – Flexible Use of Capital Receipts Outcomes for 2016/17

	2016/17			
	Original Estimate £'m	Revised Estimate £'m	Actual £'m	
Service changes and reductions (including redundancies)	2.000	2.000	1.851	The Council tracks the payback period for redundancy costs. It is estimated that for every £1 spent on redundancy costs within a 9 month period the Council saves £1.25. This year the Council incurred £1.851m of costs.
Property rationalisation and collaboration	0.500	0.500	0.547	The Council has an ongoing programme analysing the property portfolio to identify and maximise use of Council assets. Savings here relate to reductions in rent and associated property costs. This programme of work also contributes to the generation of capital receipts. This work released £3.601m capital receipts to fund transformation work in 2016/17. Work was also undertaken during the year on new shared accommodation for Blue Light Services in Lincolnshire. This will transform the service delivery of the three emergency services and will provide more integrated service provision and create efficiency through accommodation sharing.
Efficiencies through contracting and procurement	1.200	1.298	1.538	Savings here are about reducing contract costs but also keeping future contract costs as low as possible (i.e. ensuring that grow in costs is kept to a minimum). Efficiencies through contracting have been seen in 2016/17 in a number of areas including, Home to School Transport, Multi-functional devices and Occupational Health.
Transforming information technology	0.600	0.600	0.297	Improvements and efficiencies here may not easily convert directly into a reduction in spending, however, they will increase capacity and allow other savings to be delivered across other areas of the Council. During 2016/17 work has been undertaken to replace the current Care Management system. This will ensure all data is kept in one place and will include a finance module. This will help improve the efficiency in dealing with cases and transform the service processes resulting in efficiency.
Preventing and detecting fraud	0.200	0.200	0.199	The Council is developing ways in order to benchmark against the six strategy themes to tackle fraud and corruption in local government for 2016-2018. This will provide strong, harder hitting deterrence factor and fraud awareness, reduce levels of fraud in key service areas will help mitigate the impact of reducing budgets, and maintain an anti-fraud culture and reduce fraud to an absolute minimum.
TOTAL	4.500	4.598	4.432	

Appendix B – Proposed Directorate Bids for Use of 1% Underspend

Directorate Children's Services

Up to 1% Carry Forward	1,028,466
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Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1	Health Services	To support the one-off start-up and transition costs of the insourcing of the 0-19 health services in October 2017. This will allow Children's Services to manage these costs internally.	One-Off	N/A	642,516
2	Music Service	Lincolnshire Music Service is a traded service and is operating through its traded and grant income. The service undertook a business case to consider externalising the service, however due to the liabilities it would inherit relating to staff transferring, the risks would be too great for such a small entity. It was agreed that the service would be able to set up as a separate trading unit within LCC where under and overspends would carry forward.	On-going	The service is a fully traded operation and the reserves brought forward from its 2016/17 trading will provide flexibility to manage internally unexpected or planned events. A 2016/17 retrospective overhead charge will be made in 2017/18.	233,541
3	People Management	To fund an increase in the Employee Support and Counselling Service from 1 fte to 2 fte counsellors. The service has faced increasing demands, therefore this additional resource is in response to this.	One Off	N/A	60,000
4	Commissioning	To fund an extension to the current contract with Barnardo's to provide an Independent Return Interview Service for children and young people who have returned to home or care after being reported missing. The current contract runs until 30th September 2017 and this extension will allow the service to continue until 31st March 2018, which will allow time for a review of the delivery approach to take place.	One-Off	N/A	50,000
5	People Management	To continue funding an Employment Officer post to support the apprenticeship work with the objective of ensuring that the Council maximises the use of the apprenticeship levy funds.	One Off	N/A	42,409
		TOTAL			1,028,466

Directorate

Adult Care and Community Wellbeing

Up to 1% Carry Forward	644,289
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Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1	Adult Frailty & Long Term Conditions	Telemedicine in Lincolnshire Care Homes - Implementation of a managed Telemedicine service within Care Homes across Lincolnshire to reduce the number of avoidable admissions to secondary care and unnecessary A&E attendances	One off	n/a	500,000
2	Adult Frailty & Long Term Conditions / Specialist Adult Services	Assessment Training - Training to support Community Care workers to undertake lower level equipment assessments.	One off	n/a	85,000
3	Adult Frailty & Long Term Conditions / Specialist Adult Services	Kingsbury Hill Fox - Undertaking a review of the Lincolnshire residential and nursing market and a review of the cost of delivering care in Lincolnshire as a part of the 3 year rate review work.	One off	n/a	59,289
		TOTAL			644,289

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1	Sustaining & Developing Prosperity via Infrastructure	Greater Lincoln Traffic Model carry forward bid was accepted for carry forward last year but some delays occurred due to securing a legal agreement acquiring mobile phone data. This had a knock on affect on carrying out some survey data due to road closures in Lincoln. Significant expenditure already incurred and this bid is for the outstanding amount required to complete the work.	One-off	N/A	200,000
2	Protecting & Sustaining the Environment	Site Allocation Examination & Local Plan Process statutory work that needs to be undertaken with a broad estimate of costs based on a two week examination period together with the cost of a programme officer	One-off	N/A	90,000
3	Sustaining & Developing Prosperity via Infrastructure	Alliance Contact Renewal 2020 - Funding is needed for the development of the next Alliance Contracts commencing April 2020.	One-off	N/A	80,000
4	Protecting & Sustaining the Environment	A Residual Waste Composition Analysis needs to be completed to enable a robust assessment of waste treatment and costs that will support the new Joint Municipal Waste Management Strategy (JMWMS) that is being developed.	One-off	N/A	50,000
5	Protecting & Sustaining the Environment	Linked to the above (item 4) a need to undertake a statutory Strategic Environmental Assessment to enable a robust and efficient environmental strategy that will support the JMWMS.	One-off	N/A	30,000
6	Sustaining & Developing Prosperity via Infrastructure	English National Concessionary Travel (ENCT) Cards need be renewed every five years as part of our statutory responsibilities	One-off	N/A	130,000
7	Protecting & Sustaining the Environment	New Household Waste Recycling Centre (Boston) requires a contribution to the land developer in his constructing of an adoptable road, which will enable the public to have access to the centre.	One-off	N/A	85,000
8	Protecting & Sustaining the Environment	Working with East Midlands Councils to contribute towards a co-ordinated regional approach on transport matters by jointly funding posts.	One-off	N/A	50,000
9	Protecting & Sustaining the Environment	Improving Holbeach Village Centre project which is a conservation area at risk scheme. This is expected to bring social and economic benefits as well as to heritage. This funding has the potential to attract sizeable external funding	One-off	N/A	8,000

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
10	Sustaining & Growing Business & the Economy	Resources required to deliver / support the LEP Water Management Plan in terms of developing schemes.	One off	N/A	25,000
11	Strategic Communications	To undertake a number of one off projects. Including: completion of branding guidelines (£0.010m), completion of social media branding guidelines (£0.005m), completion of LCC place marketing Lincolnshire a place to grow (£0.015m) and digital Engagement set up costs (£0.020m).	One off	N/A	50,000
12	Libraries	Funds to be used to cover the three month period wherein GLL are unlikely to achieve their recognised savings due to the delay in commencing the mobiles review	One off - on the assumption the new service can be implemented in July 2017	N/A	64,550
13	Libraries	Funds to be used to cover historic arrangement with Deepings Library to pay for staffing at the site - agreement made in 2015 (£0.006m) and £0.004m to pay for re-charging of staff in LCC to undertake work on Library catalogue that GLL are unable to complete due to LCC data protection issues.	One-off	N/A	10,000
14	Libraries	Increase in building rates at Grantham Library (£0.004m) and increase in pension costs for TUPE'd Library Staff (£0.004m).	Unknown		8,400
16	Community Engagement	To provide support to Community Engagement activities during 2017/18, including: providing IT/tablets to enable the CE team to offer more support in front line delivery (i.e. helping with survey data capture where face to face contact is more appropriate).	One-off	N/A	23,400
18	Sustaining & Developing Prosperity via Infrastructure	To provide pump priming resources to support third sector initiatives and to address emerging pressures during the financial year.	One off	N/A	51,436
		TOTAL			955,786

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1	Safer Communities	Regulatory Compliance Apprentice-due to launch in Spring 2017. Two year employment costs, training covered by employer levy.	2 year employment	This is a bid for 1 year of costs.	30,000
2	Safer Communities	Delivery of preventative education to reduce harm in LCSP priorities Domestic Abuse, Substance Misuse, Sexual Violence, ASB, Offending and SOC.	Supports Stay Safe Project 2017/18.		60,000
3	Fire and Rescue (Watch Manager Systems Control)	The East Coast and Hertfordshire Control Room Consortium programme (EHCRC) has been significantly delayed (18 months) with delivery now scheduled for September 2017. As a result of the previous delivery dates (November 2016) the service took the decision to disestablish the Watch Manager systems post (overseeing implementation) from January 2017 to address savings requirements. However, as a result of the change in delivery dates the service has continued to support the post but will not financially be in a position to do so from April 2017. The post is essential to ensure successful cutover.	One off pressure until cutover to new mobilising system in September 2017.	N/A	22,389
4	Fire and Rescue (IMT)	Since the introduction of Firewatch in 2008 the structure and approach of LCC IMT has changed significantly. What was thought appropriate in 2008 may not be the case now and the Service has identified that now would be an opportune time for an external review of the effectiveness of the Services' current IMT provision, how that could be put to best use, what processes and systems could be better facilitated through a corporate solution and what other provisions are required to ensure IMT remains an enabler for the organisation and those working within it.	Please note this is an estimated cost only. Further work required with Simon Oliver and his team.	N/A	10,000
5	Corporate Property	Provision of a G11 project management post - this back fills a current project manager who is working full time on the Blue Light programme. This additional resource is essential to enable the delivery of the LCC property capital programme	2 year employment	This is a bid for 1 year of costs.	54,352
6	Corporate Property	NEC contract training & specialist auditing, this provides update training to a wide range of LCC officers with delegated responsibility to manage the VINCIMouchel contract, this will provide both refresher training and awareness training of any changes to the contract. the budget will also enable independent auditing of elements of the contract	One off	N/A	20,000
7	Financial Strategy	Financial Strategy has 1fte Senior Finance Technician on maternity leave for approx. 12 months and 1fte Finance Team Manager on long term sick with no expected return to work in the short term. Following the recent reduction in posts of some 20fte in this area there is little scope to reallocate their work and therefore backfill arrangements will be required to be put in place to ensure an effective delivery of service is maintained.	One off	N/A	40,000

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
8	Financial Strategy	To provide additional training and development relating to new areas of work activity Financial Strategy is being asked to work and provide advice upon. Recently Financial Strategy has been asked to calculate commercial loans, offer tax/VAT advice to local authority companies and partnerships. Also in the wider team work on the LEP and transport company (and possible new arrangements for children's services) are demanding we develop new skills.	one off	N/A	10,000
9	Financial Strategy	Staff within Financial Strategy are operating on antiquated IT equipment. The speed of this equipment to deal with modern technologies and large volumes of data is severely hindering the teams ability to deliver its service and to required timescales. As long as current demands for Financial Strategy services remain the corporate IT upgrade programme does not address the issues in a timeframe that enable Financial Strategy to cope with those demands. Funding is therefore required to accelerate the corporate programme for Financial Strategy.	One off	N/A	20,000
10	Financial Strategy / Audit & Risk	Key to Finance and Audit workforce strategy is setting up an apprenticeship scheme. This aims to build capacity and encourage new talent in Finance and Audit professions plus working for Local Government.	Ongoing	Will seek to build in as part of establishment through vacancy management	35,000
11	Audit & Risk	To build Counter Fraud Capacity - reducing the current conflict between investigation demand and proactive work - co-ordinating the Lincolnshire Counter Fraud Partnership (LCFP)	Ongoing	Team has recovered over £1.1m for Council services over the last 4 yrs. Funding from the DCLG (£250k) in the last 2 years has also saved the Council a further £920k. This demonstrates clear payback for modest investment - we anticipate a 2 year investment by which time we expect quantifiable results and a self-funding situation. Lincolnshire Districts have contributed £21k to support the LCFP	26,000
12	Financial Strategy / Audit & Risk	Our business plan maps out the development of the service and the importance of income generation. One of our key objectives to financial sustainability is growth through delivering services to other public bodies. Key to this is the creation of a business development post to maximise and secure revenue income.	Ongoing	The post is to be fixed for 2 years - whereby it should be self funded.	45,000

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
13	Business Support	Support to Apprentice reform Project (as agreed) - Team Leader (G9) transferred to work on reform project for 12 months - to end of December 2017	One off pressure to project	N/A	29,273
14	Business Support	Support for implementation of the corporate contract for MFD roll out. This is a high level project we are working with IMT on and will replace all the MFD fleet to mew kit. This requires support to co-ordinate the current fleet, deal with replacement, manage budgets and implementation. We have moved a Team Leader at G9 to support this project. 0.6 x G9 for 12 months	One off pressure to project	N/A	24,258
15	Business Support	Budget pressure to cover Serco implementation costs for delivery of the MFD contract. These are annual costs for integration of MFDs to network	On going pressure	Recommendation to CMB on the centralising of all MFD budgets to enable the costs of this to be covered from within the proposed savings realised by the contract.	8,000
16	Business Support	Support for contract management in Business Support. A number of contracts have been moved to BS to manage corporately (Translation, Contract Car, Fuel Cards, MFD, Long Service etc.) and administration of contracts requires dedicated support provision. 1 x G5 for 9 months	Ongoing pressure	As we continue to downsize we will look to create capacity from existing resource to be able to support this work	19,000
17	Business Support	Support to Kinship (Children's). Agreed 6 months for additional work in this area with Pete/Debbie whilst we undertake a review of support and determine impact of Mosaic on future resource needs for F&A.	One off pressure	N/A	10,886
18	Budget & Policy Framework - Finance & Audit	Balance of 1%. It is proposed to set aside for emerging pressures during the financial year.	One off pressure	N/A	21,691
		TOTAL			485,849

Directorate

Information and Commissioning

Up to 1% Carry Forward	29,861
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Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1	Commercial Team	Both Procurement Teams (People Services and In-structure) during 2016/17 have experienced significant levels of workforce change. To recruit individuals with procurement experience, particularly with public sector knowledge, has proven difficult. To address this, a development framework has been designed for new and existing team members to build and enhance their commercial and procurement skills i.e. support the Commissioning Council. A detailed training package has been developed and requires one off funding in 17/18.	One Off scheme	N/A	29,861
		TOTAL			29,861

Appendix C – Prudential Indicators 2016/17

PRUDENTIAL INDICATORS ACTUAL COMPARED TO ESTIMATED 2016/2017			
Original Estimate	2016/17 £000	Actuals	2016/17 £000
Capital Expenditure Net	86,408	Actual Capital Expenditure (Excl Sch RCCO & Leasing)	18,779
Capital Financing Requirement 31/3/2017	662,910	Actual Capital Financing Requirement 31/3/2017	557,773
Capital Financing Requirement Estimate at 31/3/2019	647,090	Capital Financing Requirement Estimate 31/3/2019	541,953
Gross External Borrowing	568,011	Actual Gross External Borrowing	478,195
Borrowing in Advance of Need Limit	-3,955	Actual Borrowing in Advance of Need Taken	0
Incremental Impact of Borrowing Plans on Council Tax '-Band D	£30.63	Actual Incremental Impact of Borrowing Plans on 'Council Tax -Band D	-£17.59
MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Estimate	6.96%	MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Actual	5.27%
Ratio of Financing Costs To Net Revenue Stream	6.87%	Actual Ratio of Financing Costs To Net Revenue Stream	5.20%
External Debt:			
<u>Authorised limit for external debt -</u>		Actual external debt at 31/3/17	
borrowing	640,752	Borrowing	478,195
other long term liabilities	14,198	Other long term liabilities(Credit Arrangements)	11,613
TOTAL	654,950	TOTAL	489,808
<u>Operational boundary -</u>			
borrowing	616,752		
other long term liabilities	12,198		
TOTAL	628,950		
Treasury Management:			
<u>Upper limit for fixed interest rate exposure</u>		Actual exposure fixed interest	
Net principal re fixed rate borrowing less investments	647,090	Net Principal	277,404
<u>Upper limit for variable rate exposure</u>		Actual exposure variable interest	
Net principal re variable rate borrowing less investments	194,127	Net Principal	-45,122
<u>Upper limit for total principal sums invested for over 364 days</u> (per maturity date)	40,000	Actual sums invested > 364 Day	5,214
<u>Maturity structure of fixed rate borrowing during 2016/17</u>	upper limit	Actual maturity structure as at 31 March 2017	
under 12 months	25%	under 12 months	3.20%
12 months and within 24 months	25%	12 months and within 24 months	7.50%
24 months and within 5 years	50%	24 months and within 5 years	10.50%
5 years and within 10 years	75%	5 years and within 10 years	10.50%
10 years and above	100%	10 years and above	68.30%

Open Report on behalf of Tony McArdle, Chief Executive

Report to:	Overview and Scrutiny Management Board
Date:	29 June 2017
Subject:	Council Business Plan 2016 - 2017 Performance Report, Quarter Four

Summary:

This report invites the Overview and Scrutiny Management Board to consider a report on the Council Business Plan 2016 - 2017 Performance Report, Quarter Four which is being presented to the Executive on 4 July 2017. The views of the Board will be reported to the Executive as part of its consideration of this item.

Actions Required:

The Overview and Scrutiny Management Board is invited to

- 1) consider the attached report and to determine whether the Board supports the recommendation(s) to the Executive as set out in the report.
- 2) agree any additional comments to be passed to the Executive in relation to this item.

1. Background

The Executive is due to consider a report on the Council Business Plan 2016 - 2017 Performance Report, Quarter Four at its meeting on 4 July 2017. The full report to the Executive is attached at Appendix 1 to this report.

2. Conclusion

Following consideration of the attached report, the Board is requested to consider whether it supports the recommendation(s) in the report and whether it wishes to make any additional comments to the Executive. Comments from the Board will be reported to the Executive.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

Not Applicable

4. Appendices

These are listed below and attached at the back of the report	
Appendix 1	Report on Council Business Plan 2016 - 2017 Performance Report, Quarter Four to be presented to the Executive at its meeting on 4 July 2017

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jasmine Sodhi, who can be contacted on 01522 552124 or jasmine.sodhi@lincolnshire.gov.uk.

Open Report on behalf of Tony McArdle, Chief Executive

Report to:	Executive
Date:	4 July 2017
Subject:	Council Business Plan 2016 - 2017 Performance Report, Quarter Four
Decision Reference:	I013314
Key decision?	No

Summary:

This report presents an overview of performance for Q4 against the Council Business Plan.

Executive can view performance on the web in a secure area on the Lincolnshire Research Observatory. A [link](#) to the relevant area, username and password will be emailed to Executive members along with the papers for the meeting.

Recommendation(s):

That Executive:-

- (1) Note and consider 2016/2017 Quarter 4 performance.
- (2) Consider and comment on proposals for presenting measures displayed in Appendix B of this report.

Alternatives Considered:

- (1) No alternatives have been considered to recommendation 1 as it reflects factual information presented for noting and consideration.
- (2) The alternative to recommendation 2 is not to make any changes in reporting of measures as appropriate recommended in Appendix B and instead to continue to label actual results as 'performance'. However, using the term number where appropriate is considered to be more suitable.

Reasons for Recommendation:

To provide the Executive with information about Quarter 4 performance against the Council Business Plan 2016/2017 and propose changes to reporting to assist the Executive in monitoring that performance in future.

1. Background

The Council Business Plan 2016/2017 was approved by Council on 19th February 2016. This report provides the Executive with highlights of Q4 performance. The full range of infographics is available to view on this [link](#); a username and password will be emailed to all Councillors along with the papers for the meeting. If any Elected Members would like some assistance to navigate the website, please contact the report author. Once Q4 performance has been discussed by the Executive and feedback has been considered, the performance information will be publicly available on the website. In order to assist Elected Members to see areas of performance they may be interested in on the website, a table with a link to the relevant web page for services within the Council Business Plan is detailed in Appendix C.

Headlines Quarter 4 performance

Of the 17 commissioning strategies reported in Q4:-

7 have performed really well (all measures achieved the target);

5 have performed well (all but 1 measure achieved the target);

5 have mixed performance (some measures achieved and some measures did not achieve the target).

The good news

The following 7 commissioning strategies have performed really well (all measures reported in Q4 achieved the target):-

[Community resilience and assets](#)

[Readiness for school](#)

[Sustaining and growing business and the economy](#)

[Sustaining and developing prosperity through infrastructure](#)

[How we effectively target our resources](#) (Combination of 3 commissioning strategies)

The following 5 commissioning strategies performed well (all but 1 measure reported in Q4 achieved the target):-

[Learn and achieve](#)

[Protecting and sustaining the environment](#)

[Safeguarding adults](#)

[Specialist adult services](#)

[Wellbeing](#)

Mixed performance (some measures achieved and some measures did not achieve the target)

The following 5 commissioning strategies had mixed performance:-

[Adult Frailty, long term conditions and physical disability](#)

[Carers](#)

[Children are safe and healthy](#)

[Readiness for Adult Life](#)

[Protecting the public](#)

Appendix A provides a summary of the measures that did not achieve the target in Q4.

Proposed way of presenting measures

There are a number of measures where it would be more appropriate to use the term 'number' rather than 'performance' in the infographic due to the nature of the measure. Appendix B details an alternative way of presenting such measures for Executive to consider.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- * Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- * Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- * Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- * Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- * Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
- * Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is

identified consideration must be given to measures to avoid that impact as part of the decision making process.

The Report presents performance against the outcomes and measures that are the Council Business Plan many of which relate to people with a protected characteristic including young people, older people and people with a disability. It is the responsibility of each service when it is considering making a change, stopping, or starting a new service to make sure equality considerations are taken into account and an equality impact analysis completed.

Joint Strategic Needs Analysis (JSNA and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision

The Report presents performance against the outcomes and measures that are the Council Business Plan many of which relate directly to achievement of health and wellbeing objectives.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

The Report presents performance against the outcomes and measures that are the Council Business Plan some of which relate to crime and disorder issues.

3. Conclusion

This report presents an overview of performance for Quarter 4 against the Council Business Plan 2016/2017 and proposed changes to reporting to assist the Executive in monitoring that performance in future. Executive is invited to consider performance and consider and approve the proposed changes to reporting.

4. Legal Comments:

The Executive is responsible for ensuring that the Executive functions are discharged in accordance with the Budget and Policy Framework of which the Business Plan is a part. This report will assist the Executive in discharging this function.

The recommendation is lawful and within the remit of the Executive.

5. Resource Comments:

Acceptance of the recommendation in this report has no direct financial consequences for the Council.

6. Consultation

a) Has Local Member Been Consulted?

N/A

b) Has Executive Councillor Been Consulted?

N/A

c) Scrutiny Comments

The Overview and Scrutiny Management Board (OSMB) will consider Q4 performance against the Council Business Plan 2016/2017 at its meeting on 29 June 2017. As the deadline for papers for Executive is before the OSMB will have considered this report, any comments from the OSMB will be presented at the meeting of the Executive on 4 July 2017.

d) Have Risks and Impact Analysis been carried out?

No

e) Risks and Impact Analysis

Any changes to services, policies and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies.

7. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jasmine Sodhi, who can be contacted on 01522 552124 or jasmine.sodhi@lincolnshire.gov.uk.

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Appendix A Summary of those measures where the target was not achieved in Quarter 4

The following 5 commissioning strategies performed well (all but 1 measure reported in Q4 achieved the target).

[Learn and achieve](#) the target for percentage of permanent exclusions of total pupil population was not achieved for the academic year September 2014 to July 2015 (the latest data available), with an actual number of 180 permanent exclusions. The Inclusive Lincolnshire Strategy only became available to schools in September 2016 in its complete form, as before then there was no Behaviour Outreach Support Service (BOSS) and no pre-exclusion places available in the Pupil Referral Unit. Going forward, the exclusions in academic year September 2015 to July 2016, (reported in March 2018) will not be impacted by the work of BOSS, however it is reasonable to expect progress to be made in academic year September 2016 to July 2017 which will be reported in March 2019. Secondary schools represent the ongoing challenge going forward.

[Protecting and sustaining the environment](#) 'Household waste recycled' did not meet the challenging annual target (55%) set in the Joint Municipal Waste Management Strategy and fell short of the forecasted year-end total for 2016/17 of 47.4%, with 46.8% achieved. Whilst there was a small increase in composting tonnages compared to last year, these are notoriously variable depending on factors such as weather. There was an increase in the rejection rate of mixed dry recyclables which is reducing even further the quantity of actual recyclables being collected at kerbside. The aspirational target set in our Joint Municipal Waste Management Strategy needs to be addressed in the production of a revised strategy.

[Safeguarding adults](#) all 4 measures achieved the target, with the exception of 'People report they feel safe'. This is an annual Adult Social Care Outcomes Framework (ASCOF) measure from the statutory Adult Social Care Survey (ASCS) that is reported to the Department of Health on an annual basis. It should be noted that respondents have not necessarily been subject to an Adult Safeguarding intervention, so this measure is not specific to the Safeguarding service, but more of a general view of social care users. The feeling of safety is lower this year compared to last. As there are many factors that affect how safe people feel it is difficult to pinpoint specific reasons for the reduction. As part of the survey process we also have a duty to investigate where respondents indicate that they do not feel safe. A handful of cases were flagged and each was followed up and once spoken to, the respondents were safe and had been confused by the question. This was similar to our experience from the previous year and gives us a reasonable level of assurance that the vulnerable adults we support are safe.

[Specialist adult services](#) all 4 measures achieved the target with the exception of 'Adults who received a review of their needs' where performance has improved each quarter, although performance did not achieve the annual target. The annual target was expected to be achieved and further work will be carried to understand how the implementation of Mosaic may be under reporting the true level of review activity. A number of teams are confirming higher levels of performance in line with targets set for 2016/17.

[Wellbeing](#) all 4 measures achieved the target with the exception of 'Successful completion of alcohol treatment'. Performance is reported with a 3 month lag and so the latest performance available is for Q3. Performance dropped from Q2. The service expects performance to fluctuate over Q4 (which will be reported in Q1 2017/2018) while the new treatment model and ways of working embed themselves across the county.

The following 5 commissioning strategies had mixed performance:-

[Adult Frailty, long term conditions and physical disability](#) 2 of the measures for this commissioning strategy achieved the target: 'People using the service with control over their daily life' and 'Adults who receive a direct payment'.

A summary of the 3 measures that did not achieve the target in Q4 are:-

- 'Permanent admissions to residential and nursing care homes aged 65+'. The target has not been achieved in each quarter this year. The number of admissions has slowed in the last quarter of the year, however, increased demand for residential care has resulted in 85 placements more than planned for the year, which is just less than a 10% deviation from the target. The target (982) was set by the Better Care Fund (BCF) and kept the same for corporate reporting for consistency. Cumulative performance in Q4 was 1067. The service believes that 100% of the placements were appropriate and required in meeting citizens' needs and our statutory requirements. Alternatives are always explored and placements approved on a case-by-case basis and it appears that we are dealing with a higher level of acuity and therefore the placements are fully justified. We are experiencing a higher level of demand for services generally and a similar proportion of people are being admitted to care homes as in previous years. Over the last 2 years, the ratio of people in residential care to community has been static at 1:2, suggesting we are consistently placing people as appropriate.
- 'Requests for support for new clients, where the outcome was universal services/ signposting'. The figures for the full year show that 59.1% of requests from new clients received in the year have resulted in information and advice or signposting to other services; however the stretch target (67%) has not been achieved. Before the official figures were published on 24th May in the Short and Long Term (SALT) government return, an additional 3,000 new clients were added from our Reablement provider Allied Healthcare, all of which would have a reablement outcome. This has depressed the percentage but serves to illustrate an important point; that this measure should not be taken in isolation. A significant amount of equipment has also been provided this year, with increased levels of Reablement, which are both viable lower level support options to delay and reduce the long term needs of adults. Ultimately, the aim of prevention is to provide low level support to reduce the longer-term need for funded care in the community or in residential care.
- 'People in receipt of long term support who have been reviewed'. The performance figures have increased slightly in Q4 but are 7% below the tolerance level for the target. Further work will be carried to understand how the implementation of Mosaic may be under-reporting the true level of review activity. A number of teams are confirming higher levels of performance in line with targets set for 2016/17.

[Carers](#) 3 of the measures for this commissioning strategy achieved the target: 'Carers who receive a direct payment'; 'Carers supported to delay the care and support for the person they care for' and 'Carers supported in the last 12 months'.

Results for the 3 measures where the target was not achieved come from the national Survey of Adult Carers in England (SACE), which is submitted to the Department of Health on a biennial basis. These results are statistically significant at +/-5% so reductions against the previous survey results from 2 years ago are negligible:-

- 'Carer reported quality of life'. This measure does not include young carers, young adult carers or parent carers (which are reported through Children's Services). It is a composite measure that combines responses to 6 different questions about quality of life including work, control, personal care, safety, social participation and encouragement. The results this year (7.4) have dropped slightly from a previous

quality of life score of 7.9. It is worth noting that this appears to be in line with national trends, as cuts are made to Adult Care, and unpaid carers fill the gap; however local analysis has not yet been carried out.

- 'Carers included or consulted in discussions about the person they care for'. Slightly fewer carers this year (64.4%) reported that they were 'always' or 'usually' included or consulted in either health or social care decisions regarding the person they cared for. The Care Act and the Lincolnshire Carers Service champion 'Whole Family Approaches' and it therefore remains an aspiration for the Lincolnshire Health and Care community that these figures should improve with the next survey in 2018/19. Adult Care is increasingly developing 'whole family approaches' as a routine approach to meeting the needs of a vulnerable adult, ensuring that carers of all ages are identified and any needs assessed. Carers FIRST has a long term programme of engagement with the NHS sector, in both primary and acute care to build the cultural change required which will see carers of all ages routinely included or consulted in such discussions.
- 'Carers who find it easy to find information about services'. Whilst the results (58.9%) are lower than two years ago (65%), the reduction may not be as pronounced as the figures suggest. The same national survey also reported that 94% of respondents said the information they did find was useful. It should also be noted that the question in the survey asked respondents to consider information and advice from different sources, such as voluntary organisations and Health as well as the Council. The aspiration remains to improve this figure.

[Children are safe and healthy](#) 2 out of the 4 measures for this commissioning strategy achieved the target: - 'The average time taken to move a child from care to an adoptive family'; and 'The average time taken to match a child to an adoptive family' both achieved the target.

A summary of the 2 measures that did not achieve the target in Q4 for this commissioning strategy are: - 'Children looked after' and 'Children who are subject to a child protection plan'. There has been an increase in both measures in Q4. The service will undertake further work to understand the cause of the increase, however it should be noted that for both measures the rate per 10,000 is still lower than statistical neighbouring authorities and the England rate.

[Readiness for Adult Life](#)

3 of the measures for this commissioning strategy achieved the target: 'Young People not in education, employment or training'; '16-18 year old Looked After Children participating in learning' and 'Care Leavers in suitable accommodation'.

A summary of the 3 measures where performance improved although the target was not achieved are:


- 'The achievement gap between disadvantaged pupils and their peers at key stage 4'. This is reported annually in Q4 and performance improved compared with the previous year. Children's Services in partnership with the Lincolnshire Learning partnership have agreed a range of actions to support schools to reduce the achievement gap: Schools are encouraged to undertake pupil premium reviews to ensure they are targeting resources in the right area; schools share best practice; and the Teaching Schools offer a range of professional development opportunities to support schools to tackle the achievement gap.
- The target for 'Pupils aged 16 – 18 participating in learning' is ambitious as the Council has already made significant increases in performance, although below the East Midlands figures. For both this measure and 'Participation in learning age 16', difficulties are being experienced in obtaining the data from independent learning providers who, unlike schools and colleges, struggle to meet the demands of data provision. We know that approximately 9% of young people are in this type of

provision which is impacting on our performance. Previously, the careers service would have supported the independent learning providers in supplying information but as this service has been decommissioned there is no remedial action that can be taken.

[Protecting the public](#) 5 of the outcomes can be compared with a target in Q4. 3 performed really well (all measures achieved the target), 2 performed well (all but 1 measure reported in Q4 was achieved the target).

A summary of the 2 measures that did not achieve the target in Q4 for Protecting the Public Commissioning Strategy are:-

- 'Reported incidents of domestic abuse'. As forecasted, the total number of domestic abuse incidents reported to the Police did not achieve the target. Nationally, prevalence of domestic abuse is at its lowest since 2005 (Crime Survey for England and Wales). The decrease in reported incidents of domestic abuse can be seen across most districts in Lincolnshire with the exception of South Holland and West Lindsey where the number has increased since 2015-16.
- 'Juvenile first time reoffenders'. The most recent published figure for Lincolnshire is 266 actual young people for the period of October 2015-September 2016. Although this did not meet the target figure of 203, it is a reduction on previous numbers. The number of young people entering the criminal justice system for the first time is mostly controlled by external influences, e.g. Police policies, and therefore it is difficult to predict future performance. However, there are no expectations that this figure is likely to rise sharply in the near future. The service is currently preparing to launch a new diversionary project in Lincolnshire in conjunction with Lincolnshire Police. This, through joint co-operation between both Services, will divert young people that offend at a low level, through local panels that will try to prevent those young people from getting a criminal record. Effective restorative justice will be put in place instead of a criminal record that will unfairly affect their future life chances. This should therefore help reduce the numbers of first time entrants.



Communities are safe and protected

Reduce the number of people killed and seriously injured on Lincolnshire's roads

People killed and seriously injured in road traffic collisions

Data is reported by calendar year, with 3 month (1 quarter) lag. Revisions in previously reported data can sometimes occur when the reported severity of an injury can increase or decrease (For example an injury may worsen over time or an unreported injury is later found). Subsequent quarter cumulative totals may include revised figures from previous quarters.

➡
Measured
⬅

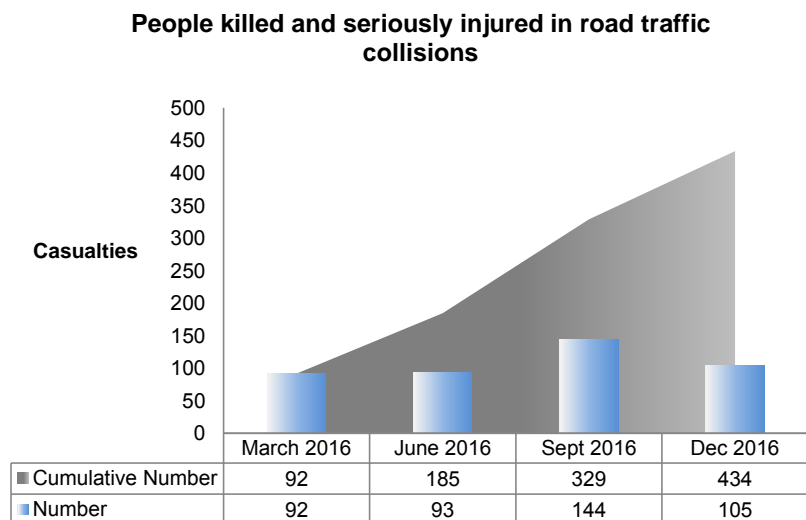
105

Casualties
September to December 2016



144

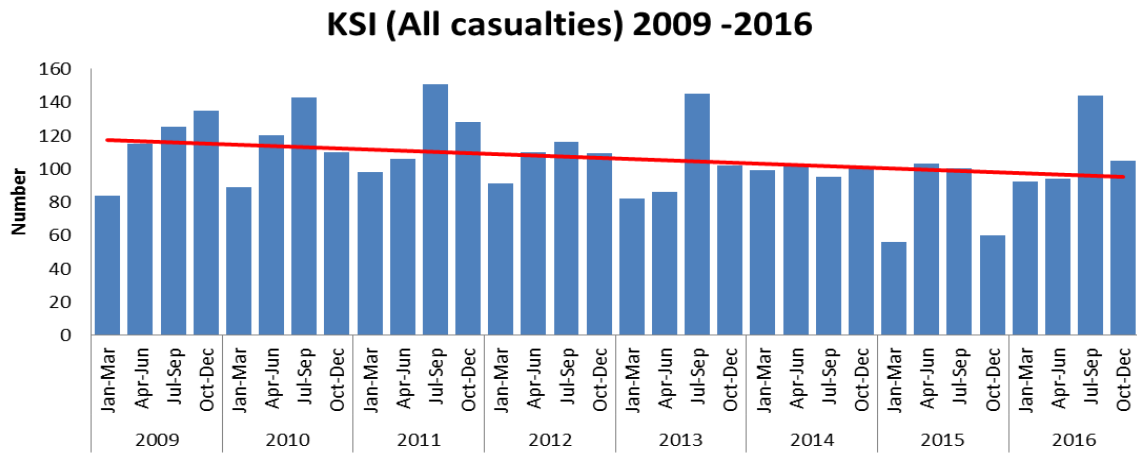
Casualties
June to September 2016



About the latest performance

Following the lowest number of killed or seriously injured (KSI) casualties on record in 2015, we have seen an increase in 2016. Analysis of collision and casualty data does not indicate any clear commonality or patterns and the overall increase in KSI's is mirrored across most user groups. However Lincolnshire Road Safety Partnership (LRSP) are prioritising under 125cc motorcycle riders and pedestrian collisions as emerging trends and over 125cc motorcycle riders as an established high risk group.

Further details



About the target

It is not appropriate to set a target for this measure however the Lincolnshire Road Safety Partnership want to see a 20% reduction over 10 years from the 2010/2012 annual average.

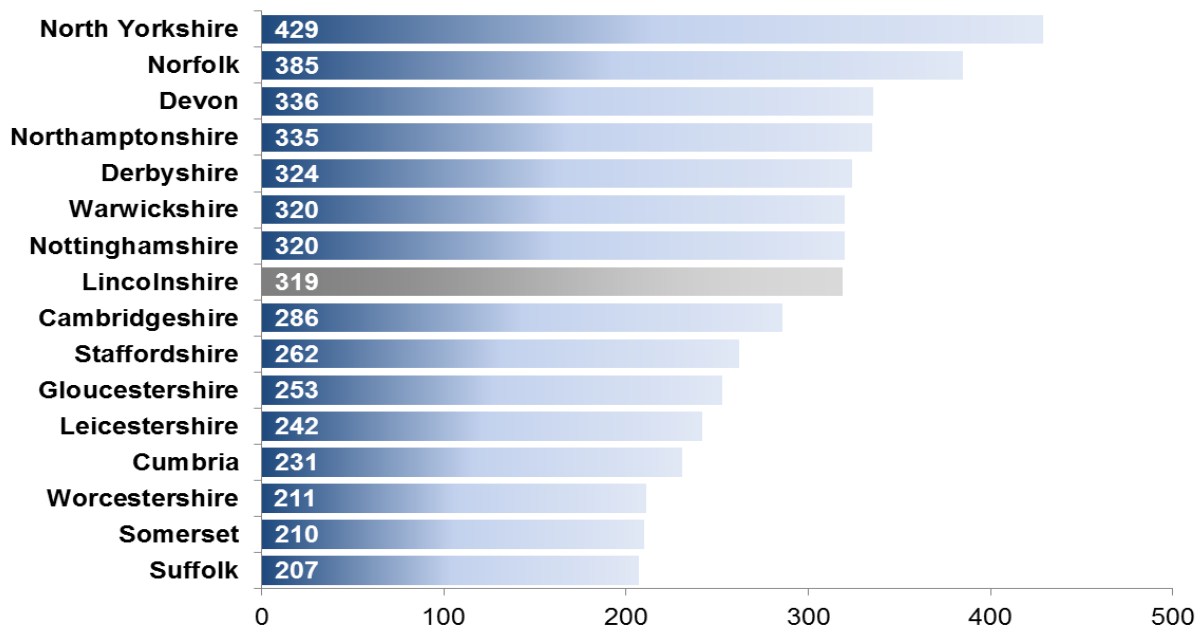
About the target range

A target range is not applicable as this is a contextual measure.

About benchmarking






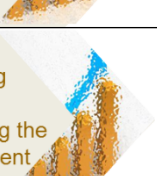
The Department for Transport publish data which allow comparisons to be made with other Councils. Comparison has been made against the CIPFA group of local authorities. The Chartered Institute of Public Finance and Accountancy (CIPFA) facilitates a benchmarking services to enable Local Authority performance to be monitored against other similar local authorities. We benchmark against other Local Authorities within our CIPFA Group of 16 authorities.

Killed or seriously injured Casualties 2015 CIPFA comparison









Appendix C Links to performance measures by service area

<p>Adult Care Frailty and long term conditions</p>	<p>http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx</p>	<p>Adult frailty, long term conditions and physical disability</p> 
<p>Adult Care Learning disability, autism, mental health</p>	<p>http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx</p>	<p>Specialist Adult Services</p> 
<p>Adult Care - Safeguarding</p>	<p>http://www.research-lincs.org.uk/CBP-Communities-page-final.aspx</p>	<p>Safeguarding Adults</p> 
<p>Alcohol Treatment</p>	<p>http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx</p>	<p>Wellbeing</p> 
<p>Carers</p>	<p>http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx</p>	<p>Carers</p> 
<p>Children – looked after children</p>	<p>http://www.research-lincs.org.uk/CBP-Communities-page-final.aspx</p>	<p>Children are safe and Healthy</p> 

Crime	http://www.research-lincs.org.uk/CBP-Communities-page-final.aspx	Protecting the Public 
Domestic Abuse	http://www.research-lincs.org.uk/CBP-Communities-page-final.aspx	Protecting the Public 
Early Years	http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx	Readiness for school 
Economy	http://www.research-lincs.org.uk/CBP-Businesses-page-final.aspx	Sustaining and growing business and the economy 
Educational attainment	http://www.research-lincs.org.uk/CBP-Businesses-page-final.aspx	Learn and Achieve 
Environment	http://www.research-lincs.org.uk/CBP-Businesses-page-final.aspx	Protecting and Sustaining the Environment 

<p>Fires</p>	<p>http://www.research-lincs.org.uk/CBP-Communities-page-final.aspx</p>	<p>Protecting the Public</p> 
<p>Heritage</p>	<p>http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx</p>	<p>Community Resilience and Assets</p> 
<p>Information Governance</p>	<p>http://www.research-lincs.org.uk/CBP-Resources-Final.aspx</p>	<p>How we do our business & enablers to the business</p> 
<p>Libraries</p>	<p>http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx</p>	<p>Community Resilience and Assets</p> 
<p>Looked After Children</p>	<p>http://www.research-lincs.org.uk/CBP-Communities-page-final.aspx</p>	<p>Children are safe and Healthy</p> 
<p>Property</p>	<p>http://www.research-lincs.org.uk/CBP-Resources-Final.aspx</p>	<p>How we do our business & enablers to the business</p> 

Public Health	http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx	 <p>Wellbeing</p>
Road condition	http://www.research-lincs.org.uk/CBP-Businesses-page-final.aspx	 <p>Sustaining and growing business and the economy</p>
Road Safety	http://www.research-lincs.org.uk/CBP-Communities-page-final.aspx	 <p>Protecting the Public</p>
Trading Standards	http://www.research-lincs.org.uk/CBP-Communities-page-final.aspx	 <p>Protecting the Public</p>
Voluntary and community groups	http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx	 <p>Community Resilience and Assets</p>
Young People - supported to reach their potential	http://www.research-lincs.org.uk/CBP-Wellbeing-page-final.aspx	 <p>Readiness for Adult life</p>

Open Report on behalf of Executive Director of Finance & Public Protection

Report to:	Overview and Scrutiny Management Board
Date:	29 June 2017
Subject:	Treasury Management Annual Report 2016/17

Summary:

This report has been prepared in accordance with the reporting recommendations of the CIPFA Code of Practice 2011 and details the results of the Council's treasury management activities for the financial year 2016/17. The report compares this activity to the Treasury Management Strategy for 2016/17, approved by the Executive Councillor responsible for Finance on 21 March 2016. It will also detail any issues arising in treasury management during this period. The Treasury Management Annual Report 2016/17 will be considered by the Executive Councillor for Resources and Communications in due course.

Actions Required:

The Overview and Scrutiny Management Board is invited to support the content of the Treasury Management Annual Report 2016/17 and agree any comments to be passed onto the Executive Councillor for Resources and Communications.

1. Background

1. Introduction and Background

1.1. Treasury Management relates to the policies, strategies and processes associated with managing the cash and debt of the Council through appropriate borrowing and lending activity. It includes the effective control of the risks associated with the lending and borrowing activity and the pursuit of optimum performance consistent with the risks.

1.2. This Annual Treasury Report will cover the following positions for the year 2016/17:

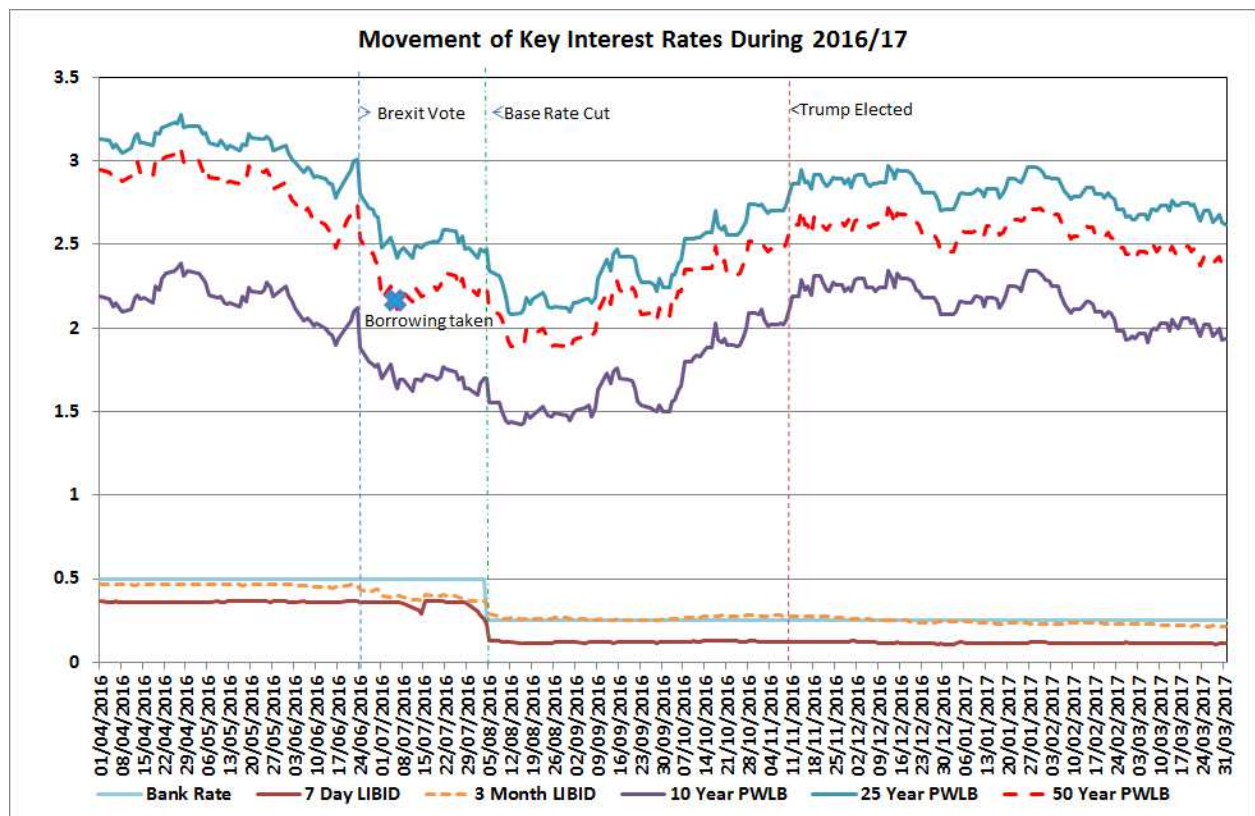
- An economic overview and interest rate review.
- Investment outturn and comparison with strategy.
- Annual investment strategy / authorised lending list changes during the year.
- Borrowing outturn and debt rescheduling activity and comparison with strategy.
- Other treasury issues during 2016/17.

2. Economic Overview and Interest Rate Forecast 2016/17

2.1. At the time of setting the Strategy in February 2016, the markets were forecasting short-term Bank Rate to increase to 0.75% from 0.50% by December 2016 for the first time since 2008, in response to the low inflation strong growth environment in the UK. This first increase was pushed further into the future following the Bank of England Inflation Report in May 2016, which pegged back its growth forecast and factored in concerns over a Brexit vote to leave.

2.2. Long term rates were forecast to rise moderately over 2016/17 by around 0.30%, but remain extremely volatile and difficult to predict due to upside and downside external market influences.

2.3. The graph below shows the actual movement of both UK long term and short term interest rates over 2016/17.



2.4. The graph shows that two major landmark events had significant influence on financial markets during the year. This was the UK EU referendum on 23 June 2016 and the election of President Trump in the USA on 9 November 2016.

2.5. The UK voted to leave the European Union in the 23 June 2016 referendum. Shocks to the markets subsequent to this result and fears for Economic Growth led the Bank of England (BOE) to cut Base Rate on 4 August 2016 to 0.25% from 0.50%, for the first time since 2009, and increase Quantitative Easing (QE) by £60bn to £435bn. The graph shows the impact on interest rates due to these events. Short term rates dropped to 0.25% levels following

the Base Cut and have remained flat since. Long term rates fell significantly after the Brexit vote but have rallied since September 2016 as growth and consumer confidence confounded the pessimistic forecasts of the BOE.

2.6. Annual growth for 2016 was 1.8%, better than most G7 countries. Retail sales was 2.3% in April 2017, 4% higher than a year ago. Inflation rose sharply due to the effects of the sharp devaluation of sterling after the referendum. CPI was 2.7% in March and sterling was 17% down against the dollar. As a result of these figures the BOE did not alter rates during the rest of the financial year, seeing no reason for a further cut or increase. Inflation is not being seen as a problem to address as unemployment fell to its lowest in 42 years (4.6%), subduing any wage inflation inherent in the economy.

2.7. Market expectations for the first increase in Bank Rate moved forward to December 2018 by the end of March, in response to the increases in inflation, with the next increase in Base Rate not expected until June 2019.

2.8. The US voted for President Trump in their election on 9 November 2016. He has promised expansion of infrastructure expenditure in the US at the same time as promising to cut taxes. Stock markets in the US reached record highs since the election. The Fed raised interest rates by 0.25% in December 2016 to 0.75% in response to rising growth and inflation. Annual growth for the US was 1.6% in 2016.

2.9. The European Central Bank (ECB) announced its commitment to extend QE by another 9 months to December 2017 and cut rates to negative territory in an attempt to boost the European economy and get inflation up from near zero levels. This resulted in an overall growth figure of 1.7% in 2016 for the EU, with Germany achieving a rate of 1.9%, the fastest growing G7 country.

3. Investment Outturn 2016/17 and Comparison with Strategy

3.1. The Council's investment activity, position and return as at 31 March 2017 are detailed in the table below:

Investment Activity 2016/17	£m		
Opening Balance at 01.4.2016	224.66		
Investments Made In 2016/17	1,064.26		
Investments Repaid In 2016/17	1,033.22		
Closing Balance at 31.3.2017	255.69		
Investment Return 2016/17	Return Annualised	Weighted Benchmark Annualised	Outperformance
Year to 31.03.2017	0.65%	0.31%	0.34%

- 3.2. The investment balance at 31 March 2017 comprised general and earmarked reserves, Pension Fund Cash (£9.9m), income received but not yet used/spent and general movement of working capital. The average value of investments during 2016/17 was £280.1m. The investment balance has risen from the previous year primarily due to both Revenue and Capital underspends in 2016/17.
- 3.3. In line with the strategy, investments were made in periods of 2 days to 2 years to lock into rates above base rate level, and extensive use of bank call accounts and money market funds were made that offered returns ranging from 0.40% to 0.70%. Several 364 day investments have been made during the year, and one two year investment, to take advantage of the enhanced yields available, including investments in Bonds and Certificates of Deposit. As a result, the weighted average maturity of the investment portfolio lengthened slightly over the year, starting at 125 days and ending at 153 days on 31 March 2017.
- 3.4. The benchmark target return for investments used is a weighted benchmark that uses both the 7 day London Interbank Bid Rate (LIBID) and 3 month LIBID market rates, weighted to better reflect the maturity of the investments made and therefore the risk parameters of the investment portfolio. Being a market rate, this benchmark moves relative to market movement; market rates have fallen over the year. The cumulative benchmark rate for 2016/17 was 0.31% compared to 0.45% in 2015/16. The Council outperformed this benchmark by 0.34% in 2016/17 with a return of 0.65%, compared to 0.73% in 2015/16, and produced an investment return of £1.390m, (£1.533m in 2015/16), compared to a forecast of £1.2m. This outperformance was achieved by investing in longer term investments at average rates of 0.60% for most of the year.
- 3.5. The investment return was also benchmarked against the Capita Benchmarking analysis, comprising a mixture of 9 other authorities in the East Midlands area and 13 English Counties. The results are detailed below as at 31 March 2017.

Capita Benchmarking – Position at 31/3/2017			
	LCC	Benchmark Group(8)	English Counties (13)
March Return %	0.55%	0.48%	0.52%
Risk Banding	0.53% -0.65%	0.42% - 0.54%	0.43% -0.56%
WAM (days)	153	80	86

- 3.6. The benchmarking results show that the Council is above par with the investment returns achieved by its Capita comparators in 2016/17. This is due to a longer Weighted Average Maturity (WAM) position taken by the Council. This is a good result given the conservative nature of the Counterparties allowed on the Authorities Lending List (restricted to a Long Term minimum rating of A+) for which these comparators were not restricted to. Capita calculates a risk banding return that should be achievable for the level of risk being taken on investments and the Council is in line with this banding.

3.7. Temporary borrowing totalling £22m was taken throughout the year to cover a shortfall in liquidity predicted at certain times. The average cost of this temporary borrowing was 0.25%, which was cost positive as surplus borrowing was invested in money market funds at an average of 0.32%. This was in line with strategy and as an alternative to drawing on higher yielding Notice Accounts when necessary. No temporary borrowing remained outstanding at 31 March 2017.

4. Annual Investment Strategy/ Authorised Lending List Changes During 2016/17

4.1. The Council's Annual Investment Strategy for 2016/17 was approved, along with the Treasury Strategy, by the Executive Councillor responsible for Finance on 21 March 2016, after being scrutinised by the Value for Money Scrutiny Committee on 22 February 2016. The Strategy outlines the Council's investment priorities as **the security of capital and the liquidity of investments**, with the aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity.

4.2. As such investments are only placed with highly credit rated financial institutions, using Capita's suggested creditworthiness approach, including Short and Long Term Ratings, Sovereign Credit Ratings and Credit Default Swap overlay information provided by Capita.

4.3. In addition to Capita's credit methodology, the Council also maintains a minimum limit of **A+ Long Term Rating (two out of three agencies)** for all its Counterparties, excluding part-nationalised UK banks and a **minimum limit AA- Sovereign Rating, (two out of three agencies)** for any Country in which a Counterparty is based. Appendix A shows the Council's Authorised Lending List at 31 March 2017, based on this creditworthiness approach, together with a key explaining the credit rating scores.

4.4. The table below shows the changes to the Authorised Lending List over 2016/17, which were additions at the start of the year as a result of the relaxation of Long Term Rating Limit of A+ to two out of three credit rating agencies only.

Counterparty	Action	Reason
Lloyds Group (UK) (Lloyds and BOS)	Addition: Limit £15m / 6 Months.	Revised Credit Methodology.
UBS Ltd (UK)	Addition: Limit £15m / 6 Months.	Revised Credit Methodology.
BNP Paribas (France)	Addition: Limit £15m / 6 Months.	Revised Credit Methodology.
BNP Paribas Fortis (Belgium)	Addition: Limit £15m / 6 Months.	Revised Credit Methodology.

National Bank of Canada(Canada)	Addition: Limit £15m / 6 Months.	Revised Credit Methodology.
Landesbank Hessen-Thueringen Girozentrale (Heleba) (Germany)	Addition: Limit £20m / 364 Day.	Revised Credit Methodology.
ING Bank (Netherlands)	Addition: Limit £15m / 6 Months.	Revised Credit Methodology.
Bank of America (USA)	Addition: Limit £15m / 6 Months.	Revised Credit Methodology.

4.5. At the 31 March 2017 no investments to Counterparties on the list were in breach of limit due to limit changes.

4.6. A full list of the investments held at 31 March 2017, compared to Capita's creditworthiness list, and changes to credit rating of counterparties during March 2017 are shown in Appendix B.

5. Borrowing Outturn & Debt Rescheduling Activity 2016/17 and Comparison with Strategy

5.1. The Capital Programme expenditure plans were revised during 2016/17 from that agreed by Full Council at its meeting on 19 February 2016 and actual spending was under budget. The result on the corresponding Borrowing Requirement for the year is shown in the table below:

	Original Budget at 1/4/2016 £m	Final Budget at 31/3/2017 £m	Actual at 31/3/2017 £m	Underspend £m
Net Capital Expenditure Programme 2016/17	86.408	76.307	38.322	37.985
Borrowing Requirement 2016/17	78.794	50.353	15.774	34.579

5.2. The Strategy for 2016/17 stated that new borrowing would be undertaken in all periods with the aim of achieving an even spread of maturity profile and keeping an increase in the average cost of the Council's debt to a minimum. Borrowing would be undertaken at a time appropriate to coincide with an identified dip in borrowing rates available.

5.3. The Council's actual borrowing and debt rescheduling position as at 31 March 2017 and activity during 2016/17, is detailed in the table below:

Borrowing Activity 2016/17	Maturing Debt £m	Debt To Fund Capital Expenditure £m	Total £m	% Cost
Opening Balance at 1.4.2016	0.0	480.099	480.099	4.077%
New Borrowing in 2016/17	0.0	12.000	12.000	2.393%
Borrowing Matured/Repaid in 2016/17	(14.000)	(1.354)	(15.354)	
Debt Rescheduling:-				
Borrowing Repaid in 2016/17	0.0	0.0	0.0	
Borrowing Replaced in 2016/17	0.0	0.0	0.0	
Closing Balance at 31.3.2017	(14.000)	490.745	476.745	4.068%
Authorised Limit For External Debt 2016/17			584.851	

5.4. The table above shows that a total of £12.0m of external borrowing was taken during the year. This borrowing was taken in line with the Strategy taken from the Public Works Loan Board (PWLb) in late June 2016 and early July 2016, when rates fell to record lows after the Brexit Vote. The borrowing was taken over 45 to 48 years to meet a gap in the maturity profile, at an average rate of 2.39%, hence lowering the existing level of Council debt to 4.068% from 4.077%. The graph at 2.3 shows that the low point of the year for this period of borrowing was late August 2016 when rates dropped to 1.87% after the Base Rate Cut, but started to rise slowly from this point forward to the end of the year.

5.5. Total Lenders Option Borrowers Option (LOBO) debt the Council has stands at £30m, well within the limit set in the strategy of 10% of total external debt (equating to £47.6m). A limit is set on this type of borrowing to limit the amount of variability within the debt portfolio for debt repayment.

5.6. Appendix C shows the maturity profile of the Council's long term debt as at 31 March 2017, including the variability effect of the £30m LOBO debt held. (LOBO debt allows the Lender the opportunity to change the rate on the Loan at specified intervals and the Borrower the option to accept this change or repay the loan.) The graph shows a fairly even maturity profile with no debt maturing in any one year exceeding 10.05% of the total debt portfolio.

5.7. Internal Borrowing is using internal balances to finance capital spend, instead of external borrowing. This strategy reduces interest rate risk (the risk of unexpected adverse changes in interest rate) and credit risk (the risk of default by counterparties to whom investments are held as investment exposure falls) and also provides a net saving in interest costs in the short term. The balance of internal borrowing at 31 March 2017 stood at £69.343m from £66.213m the previous year and is broken down as follows:

2011/12	£15.459m
2012/13	£56.486m
2013/14	£26.028m
2014/15	-£13.417m
2015/16	-£18.343m
2016/17	<u>£3.130m</u>
Total	£69.343m

A further £34.579m of internal borrowing will be carried forward to 2017/18 along with the Capital Programme and Borrowing Requirement underspends, which will bring total internal borrowing to £103.922m (17.8% of the 2017/18 borrowing requirement). Scope for further internal borrowing after this will be limited as cash balances are run down going forward.

5.8. It is worth pointing out that the internal borrowing balance detailed above can be taken externally at any time if investment interest rate yield curves reverse and move higher than long term borrowing rates in the future.

5.9. The table below shows how the final borrowing requirement for 2016/17 was utilised.

	£m
Final Borrowing Requirement 2016/17	15.774
Made Up Of:	
Voluntary Repayment Debt 2016/17	0.644
Actual Borrowing Undertaken in 2016/17	12.000
Internal Borrowing CF from 2015/16	50.092
Internal Borrowing 2016/17	-12.383
Internal Borrowing Underspend CF to 2017/18	-34.579
Total	15.774

5.10. No debt rescheduling activity took place during the year due to all existing borrowing loans being in premium position (meaning that the coupon rate of existing debt is higher than the current market rate for equivalent outstanding periods and so a premium would be incurred to repay this debt back early).

5.11. Due to the significant underspend of the capital programme borrowing requirement in 2016/17 as detailed in 5.1 above, which has been carried forward to 2017/18, interest paid on long term borrowing in 2016/17 was some £1.9m under budget at £19.533m.

5.12. Full Council, at its meeting on 19 February 2016, approved the Council's Prudential Indicators for 2016/17, set as a requirement of the Prudential Code to ensure the Council's capital financing, in particular its long term borrowing, is prudent, affordable and sustainable. It can be confirmed that no Prudential Indicator limits were breached during 2016/17. Appendix D compares actual key treasury Prudential Indicators with those estimated for 2016/17.

6. Other Treasury Management Issues

6.1. Revision to Minimum Revenue Provision Policy

Minimum Revenue Provision (MRP) is a charge to the Council's revenue account to make provision for the repayment of the Council's outstanding capital debt liabilities. The Council is required by law to set aside an amount for this provision which it considers to be prudent. Statutory Guidance which accompanies Regulations provides options for the calculation of MRP and gives Council's significant discretion in determining the level of MRP.

Some work was done during the year to look at the method at which the Council calculates its MRP provision in order to revise this to bring it up to date with current funding circumstances. Two main changes included:

- moving to a full repayment method for pre 2008 debt and base this on a standard asset life of 50 years, equating to a flat rate of 2% per year over 50 years. Prior to this repayment of this debt was based on a 4% reducing balance method. The effect of this change is to re-profile MRP to later years (15 years on), making savings in earlier years. This new approach better reflects the current Revenue Grant funding approach received from Government.
- introducing an annuity method calculation for those assets/projects financed by borrowing where the benefits of those assets are expected to increase in later years, such as Infrastructure Spending (Lincoln Eastern Bypass, East-West Link, Relief Road Projects etc). This again makes savings to MRP in earlier years by re-profiling the charge to later years.

These changes to MRP have resulted in a reduction of MRP in 2016/17 of £4.395m.

2. Conclusion

Interest Rates dipped in the middle of the year, reacting to the shocks from the vote to leave the EU in June. Base Rate was cut to 0.25% in early August for the first time since 2009 and has remained at this level since. Long Term rates fell to historic lows in August then rallied back to the end of the year as growth and consumer confidence have remained strong. Long term levels ended the year at around 0.50% lower than they started. In light of this backdrop the Council outperformed its investment benchmark during the year by 0.34%, achieving an annualised return of 0.65%. It also beat benchmarking comparators from Capita. It achieved this by lengthening the Weighted Average Maturity of its investments which stood at 153 days at 31 March 2017.

The cost of the Council's borrowing dropped to 4.07% after a sum of £12m PWLB borrowing was taken in June/July at an average rate of 2.39% in line with strategy. The Council's internal borrowing level stood at £69.343m at 31 March 2017. A total of £34.579m of internal borrowing will be carried forward in 2017/18 along with

capital expenditure and borrowing requirement underspends. Temporary borrowing of £22m was undertaken in 2016/17 to cover predicted liquidity issues. This sum was repaid before 31 March 2017.

Changes to the MRP calculation were made to bring it up to date with current circumstances regarding capital financing and make it better reflect the level of assets financed by borrowing. The result has been to re-profile the level of MRP over the next 50 years, leading to significantly lower repayment in the next few years, but higher repayment after 15 years out.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

Risk & Impact Analysis for Treasury Management forms TMP1 of the Treasury Management Practices, as required by the CIPFA Code of Practice 2011. A Risk Register which details the main risks for Treasury Management has been completed and is reviewed annually. Both the TMPs and the Risk Register are held in the Treasury Files held on IMP at County Offices.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Authorised Lending List at 31 March 2017 and Credit Rating Key
Appendix B	Investment Analysis Review at 31 March 2017 -Capita Asset Services Ltd
Appendix C	LCC Long Term Maturity Profile as at 31 March 2017
Appendix D	Prudential Indicators -Actuals Compared to Estimates 2016/17

5. Background Papers

Document title	Where the document can be viewed
Treasury Management Strategy Statement and Annual Investment Strategy 2016/17 -21/3/2016	Lincolnshire County Council, Finance and Public Protection
Council Budget 2016/17 - 19/2/2016	Lincolnshire County Council, Finance and Public Protection

This report was written by Karen Tonge, who can be contacted on 01522 553639 or karen.tonge@lincolnshire.gov.uk.

LINCOLNSHIRE COUNTY COUNCIL LENDING OF TEMPORARY SURPLUSES

Country		Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted	FITCH Long Term	IBCA Credit Rating Sovereign	For Tre: CDS Overlay
	1 Other Local Authorities	20 each	24 Months				
	2 Debt Management Account Deposit Facility	50	6 Month				
	3 UK Banks :						
UK	# HSBC Group	20	364 Day				
	HSBC Bank Plc	20	364 Day	364 Day	SB	AA-	AA+
	HSBC Evergreen Notice Account	20	364 Day				364 Day
UK	# RBS Group - Part Nationalised	40	364 Day				
	National Westminster Plc	40	364 Day		NO	A	AA+
	Natwest Instant Access Liquidity Account	40	364 Day				
UK	Natwest 90 Access - Liquidity Account	40	364 Day				
UK	Royal Bank of Scotland Plc	40	364 Day		NO	A	AA+
UK	# LloydsHBOS Group -Part Nationalised	15	364 Day				
	Lloyds TSB Bank Plc	15	6 Months		SB	A+	AA+
	Bank of Scotland - Guaranteed Fixed Deposits	15	6 Months				6 Months
UK	Standard Chartered Bank	15	6 Months	6 Months	SB	A+	AA+
UK	UBS Ltd	15	6 Months	6 Months	SB	A+	AA+
	4 Other Banks						
AUS	Australia & New Zealand Banking Group	20	364 Day	364 Day	SB	AA-	AAA
AUS	Commonwealth Bank of Australia	20	364 Day	364 Day	SB	AA-	AAA
AUS	National Australia Bank	20	364 Day	364 Day	SB	AA-	AAA
AUS	Westpac Banking Corporation	20	364 Day	364 Day	SB	AA-	AAA
	# BNP Paribas Group	15	6 Months				
BEL	BNP Paribas Fortis	15	6 Months	6 Months	SB	A+	AA
FRA	BNP Paribas	15	6 Months	6 Months	SB	A+	AA
CAN	Bank of Montreal	20	364 Day	364 Day	SB	AA-	AAA
CAN	Bank of Nova Scotia	20	364 Day	364 Day	SB	AA-	AAA
CAN	Canadian Imperial Bank Commerce	20	364 Day	364 Day	SB	AA-	AAA
CAN	National Bank of Canada	15	6 Months	6 Months	SB	A+	AAA
CAN	Royal Bank of Canada	20	364 Day	364 Day	SB	AA-	AAA
CAN	Toronto Dominion Bank	20	364 Day	364 Day	SB	AA-	AAA
	# Nordea Group	20	364 Day				
FIN	Nordea Bank Finland	20	364 Day	364 Day	SB	AA-	AAA
SWE	Nordea Bank AB	20	364 Day	364 Day	SB	AA-	AAA
FRA	Credit Industriel et Commercial	15	6 Months	6 Months	SB	A+	AA
FIN	OP Corporate Bank	20	364 Day	364 Day	SB	A+	AAA
GER	DZ Bank AG	20	364 Day	364 Day	SB	AA-	AAA
GER	Landesbank Hessen-Thueringen Girozentrale (Heleba)	20	364 Day	364 Day	SB	A+	AAA
NETH	Bank Nederlande Gemeenten	25	24 Months	24 Months	SB	AA+	AAA
NETH	Cooperative Centrale Raiffeisen Boerenleenbank BA (Rabobank)	20	364 Day	364 Day	SB	AA-	AAA
NETH	ING Bank NV	15	6 Months	6 Months	SB	A+	AAA
SING	DBS Bank Ltd	20	364 Day	364 Day	SB	AA-	AAA
SING	Oversea Chinese Banking Corporation Ltd	20	364 Day	364 Day	SB	AA-	AAA
SING	United Overseas Bank	20	364 Day	364 Day	SB	AA-	AAA
SWE	Skandinaviska Enskilda Banken AB	20	364 Day	364 Day	SB	AA-	AAA
SWE	Swedbank AB	20	364 Day	364 Day	SB	AA-	AAA
	# Svenska Group	20	364 Day				
SWE	Svenska Handelsbanken	20	364 Day	364 Day	SB	AA-	AAA
	Svenska Handelsbanken - 35 Day Notice Account	20	364 Day	364 Day			364 Day
	Svenska Handelsbanken- 10 Day Notice Account	20	364 Day	364 Day			364 Day
	Svenska Handelsbanken- Call Account	20	364 Day	364 Day			364 Day
USA	Bank of New York Mellon	25	24 Months	24 Months	SB	AA	AAA
USA	Bank of America	15	6 Months	6 Months		A+	AAA
USA	JP Morgan Chase Bank	20	364 Day	364 Day	SB	AA-	AAA
	5 AAA Money Market Funds						
	# MMF Group	100	24 Months				
	HSBC Global Liquidity Fund	20	24 Months			AAA	
	Aberdeen Global Liquidity Fund	20	24 Months			AAA	
	Morgan Stanley Sterling Liquidity Fund	20	24 Months			AAA	
	Deutsche Managed Sterling Fund	20	24 Months			AAA	
	Insight GBP Liquidity Fund	20	24 Months			AAA	
	Standard Life Liquidity Fund	20	24 Months			AAA	
	# Group Limit of applies where indicated.						
	** A maximum of 20% of total funds to be held in the Building Society Sector.						
	** No more than 20% of total funds to be held in any one institution or group,excluding Govt/MMFs.						
	Any adverse press comments concerning borrowers/potential borrowers should be referred to D Forbes / C Machej / K Tonge / N Kay.						
	Revised: 31st March 2017						

Definition of Credit Ratings and Credit Default Swap Spreads

Credit Ratings:

Long Term Rating (Fitch)

The Long Term rating assesses the borrowing characteristics of banks and the capacity for the timely repayment of debt obligations which apply to instruments of up to 5 years duration.

Long Term Ratings range from AAA, AA, A to DDD, DD, D. Only Institutions with Ratings of A+ and above are acceptable on the Councils Lending List as follows:

AAA - Highest Credit Quality - lowest expectation of credit risk. Exceptionally strong capacity for timely payment of financial commitments. Highly unlikely to be adversely affected by foreseeable events.

AA - Very High Credit Quality - Very low expectation of credit risk. Very strong capacity for timely payment of financial commitments. Not significantly vulnerable to foreseeable events.

A - High Credit Quality - Low expectation of credit risk. Strong capacity for timely payment of financial commitments. More vulnerable to adverse foreseeable events than the case for higher ratings.

“+” Or “-” may be appended to a rating to denote relative status within major rating categories.

Sovereign Ratings (Fitch)

The Sovereign (Governments of Countries) Rating measures a sovereign’s capacity and willingness to honour its existing and future obligations in full or on time. It looks at factors such as:

- Macroeconomic performance and prospects;
- Structural features of the economy that render it more or less vulnerable to shocks as well as political risk and governance factors;
- Public finances, including the structure and sustainability of public debt as well as fiscal financing;
- The soundness of the financial sector and banking system, in particular with respect to macroeconomic stability and contingent liability for the sovereign; and
- External finances, with a particular focus on the sustainability of international trade balances, current account funding and capital flows, as well as the level and structure of external debt (public and private).

Sovereign Ratings range from AAA, AA, A to DDD, DD, D. Only countries with a Sovereign Rating AA- are acceptable on the Councils Lending List.

Credit Rating Watches and Outlooks issued by Credit Rating Agencies

Rating Watches -indicate that there is a heightened probability of a rating change in the short term either in a positive or negative direction. A Rating Watch is typically event-driven and, as such, it is generally resolved over a relatively short period.

Rating Outlooks -indicate the direction a rating is likely to move over a one- to two-year period reflecting a position not yet reached but if trends continue will do so hence triggering a rating move.

Money Market Fund Rating (Moody's)

Aaa/MR1+ - this rating denotes the lowest expectation of default risk. It is assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events. Funds rated MR1+ are considered to have the lowest market risk.

Credit Default Swap (CDS) Spreads

A CDS is effectively a contract between two counterparties to 'insure' against default. The higher the CDS price of a counterparty, the higher the supposed risk of default. The CDS level therefore provides a perceived current market sentiment regarding the credit quality of a counterparty and generally the movement in the CDS market gives an early warning of the likely changes in credit ratings of a counterparty.

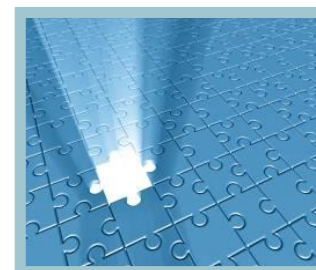
Sector has employed a benchmark system which compares the CDS spread of a counterparty against a pre-determined benchmark rate (iTraxx Senior Financial Index) to produce a CDS status overlay of 'In Range', 'Monitoring' or 'Out of Range' and this status is used to further determine the creditworthiness of the counterparty.

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Lincolnshire County Council

Monthly Investment Analysis Review

March 2017



Monthly Economic Summary

General

The UK's exit from the European Union hogged the headlines in March. Theresa May triggered Article 50 on Wednesday 29th March 2017, meaning Britain should officially leave the EU no later than April 2019. This is the start of a long negotiation process which will impact the economic environment of the United Kingdom and, potentially, further afield. The final deal must be approved by a qualified majority of the EU member states and can be vetoed by the European Parliament.

The month began with the release of Purchasing Managers Indices. The first to be released was for the manufacturing sector, which slipped to 54.6 in February from 55.7. This fall was helped by easing inflation pressures, which had been rising at a record pace. A day later the construction sector survey was released, showing that an improvement in activity across civil engineering firms helped edge the index up to 52.5 from 52.2 in January. Services PMI was the last release and, disappointingly, fell to its lowest level since September having dropped to 53.3 in February from 54.5 previously. Despite the improvement in construction, the falls in manufacturing and services PMI's pushed the composite figure down to 53.7 in February, a five month low. Despite the fall, the level was still above 50, which separates expansion from contraction. Overall, the figures provided further evidence that UK economic growth will ease back from the pace seen in previous quarters.

The Bank of England's Monetary Policy Committee (MPC) met in March and continued with the current monetary policy programme. The MPC voted 8-1 in favour of keeping the Bank Rate at 0.25%. While there was one dissenting vote in favour of a rate rise, overall the result showed that the Bank of England are in no immediate hurry to emulate the Federal Reserve, who raised interest rates again this month. The Quantitative Easing programme was also left unchanged at £435bn, as was the corporate bond buying programme.

UK inflation was the surprise of the month as it soared past all forecasts to an annual rate of 2.3% from 1.8% in January. This is the first time inflation has surpassed the Bank of England's 2% inflation target since late 2013. The month-on-month increase was 0.7% an increase from the -0.5% change in January. The fall in the value of the Sterling, due to the Brexit vote has dramatically pushed up import prices, whilst global oil prices have picked up adding to the squeeze on British households. The final estimate for UK Q4 GDP was one of the concluding releases of the month. The quarterly rate remained unchanged at a growth rate of 0.7%, however the annual rate was revised down slightly to 1.9% from 2.0%.

On a more positive note British unemployment rate was at its lowest level in over 40 years, when it dropped to 4.7% in January. There were 1.584 million people out of work in the three months to January as the total amount of people in employment rose to 31.854 million. Unfortunately however, wage growth could not continue the positive trend. The growth in total pay, including bonuses, fell to 2.2% in January from 2.6% in December, adding further pressure onto British households with inflation on the rise. Elsewhere in the UK consumer credit rose by £1.441bn in February, a fall from the £1.609bn increase in January.

Weaker Sterling had a positive effect on exports, helping narrow the trade balance deficit in January. The deficit in the goods balance fell to £10.833bn in January

from £10.915bn in December. There was also an improvement in the trade in goods and services balance as this narrowed to £1.966bn, from a downwardly revised £2.026bn in December.

UK Public Finances could not continue the positive trend seen in January as public sector net borrowing recorded a £1.8bn deficit in February, compared with the £9.4bn surplus in January. This was 60.5% lower than the figure recorded in February 2016. Total Public Sector Net Debt stood at £1.669.7 trillion in February.

Retail sales received a positive boost in February as household spending increased. The annual rate rose to 3.7% from 1.0% previously, whilst the monthly rate was recorded at +1.4%, up from -0.5% in January. However, inflation is starting to take its toll on spending. The positive figures this month were not enough to drag up the poor demand seen in the previous few months. Retail sales suffered the largest three monthly drops since 2010 as the growth rate in this period fell to -1.4%, from -0.5% previously. GFK also released their consumer confidence studies, which showed that morale was unchanged at -6 in March. However, this was below the average seen through the second half of 2016.

The European Central Bank also met this month and like the Bank of England maintained the policy status quo. The main refinancing rate and deposit rate remained at 0% and -0.40% respectively. The central bank will also continue to make purchases under its asset programme at the monthly pace of €80bn until the end of March before decreasing the level to €60bn a month until the end of December 2017. Final Q4 GDP growth figures were also released for the Eurozone this month. The quarterly rate remained unchanged from the previous period at 0.4% whilst the annual rate fell slightly to 1.7% in Q4 from 1.8% in Q3. Lithuania recorded the highest quarterly growth rate at 1.4%, whilst at 4.8% Romania had the highest annual growth rate. Elsewhere, unemployment in the Euro Area remained at the lowest level since May 2009, at 9.6% in January. The EU28 had an unemployment rate of 8.1% in January down from 8.2% in the previous month. The Czech Republic had the lowest unemployment rate at 3.4%, whilst Spain had one of the highest at 18.2%.

America under Trump showed positive signs in terms of employment as non-farm payrolls increased by 235,000 with the construction sector recording its largest gain in nearly 10 years. In tandem with this rise the unemployment rate fell to 4.7% from 4.8%. Average hourly earnings increased by 6 cents, but remained at the 0.2% growth rate seen in January. The Federal Reserve met in March, where they decided that the time was right to increase official interest rates again, due to improving labour market conditions and economic activity continuing to expand at a moderate pace. The target rate was increased to 0.75%-1.0%, from the previous range of 0.50%-0.75%. There were positive revisions for US Q4 GDP as the final estimates recorded an annual growth rate of 2.1%, up from previous estimates of 1.9%. However this is still a fall from the

Housing

On the domestic housing front Halifax annual house price growth cooled to 5.1% in February, its weakest rate since 2013. British Bankers' Association data followed suit as mortgage approvals hit a three month low in February. The number of new mortgage approvals fell to 42,613, from a downwardly revised 44,142 in January. The number of re-mortgages fell to 25,414 in February, from 28,088 previously. Nationwide house prices echoed the previous two releases as they fell for the first time in almost two years.

Forecast

Neither Capita Asset Services (CAS) nor Capital Economics (CE) altered their forecasts this month. It is forecasted by CAS that a rate hike to 0.50% will occur in Q2 2019 followed by a further hike to 0.75% in Q4 2019. CE expects a rate hike to 0.50% to occur in Q4 2018 with further hikes forecasted in Q2 2019 to 0.75%, Q4 2019 to 1.00% and in Q2 2020 to 1.25%.

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

Lincolnshire County Council

Current Investment List

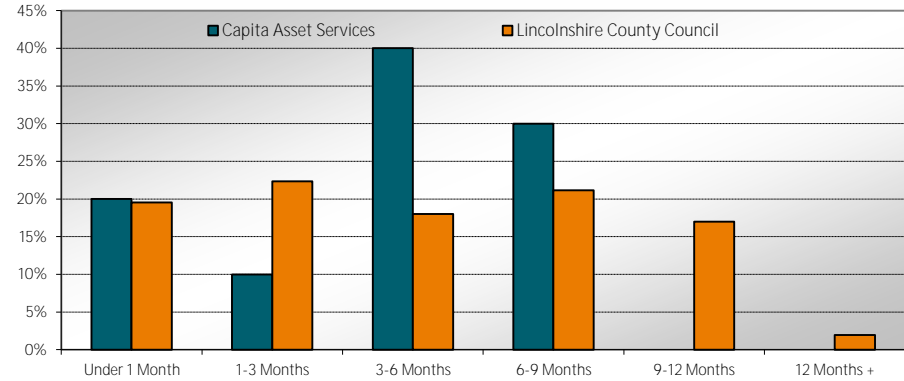
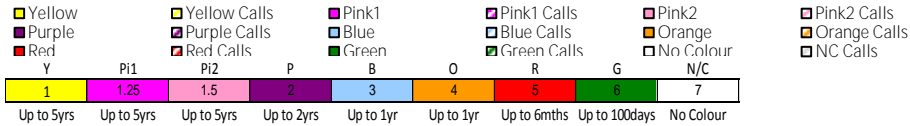
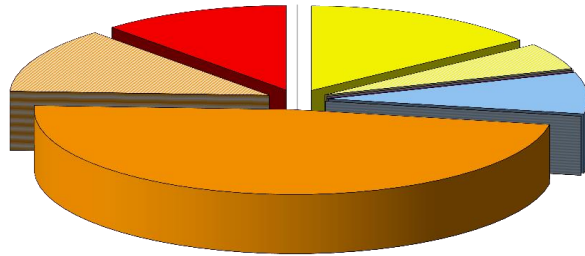
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Standard Life	13,040,000	0.28%		MMF	AAA	0.000%
Cooperatieve Rabobank U.A.	3,925,000	0.55%	05/07/2016	05/04/2017	A+	0.001%
Bank of Scotland Plc	10,000,000	0.65%	05/10/2016	05/04/2017	A	0.001%
West Berkshire Council	2,000,000	0.50%	29/03/2017	05/04/2017	AA	0.000%
PCC for Staffordshire	6,000,000	0.50%	31/03/2017	07/04/2017	AA	0.000%
Bank of Scotland Plc	5,000,000	0.65%	14/10/2016	13/04/2017	A	0.002%
HSBC Bank Plc	10,000,000	0.36%		Call30	AA-	0.001%
Svenska Handelsbanken AB	12,000,000	0.35%		Call35	AA-	0.001%
The Royal Bank of Scotland Plc	3,446,000	0.97%	19/05/2016	17/05/2017	BBB+	0.019%
The Royal Bank of Scotland Plc	1,000,000	0.84%	08/07/2016	17/05/2017	BBB+	0.019%
The Royal Bank of Scotland Plc	499,000	1.12%	08/07/2016	17/05/2017	BBB+	0.019%
The Royal Bank of Scotland Plc	2,037,000	0.78%	22/07/2016	17/05/2017	BBB+	0.019%
The Royal Bank of Scotland Plc	3,150,000	0.82%	27/07/2016	17/05/2017	BBB+	0.019%
Bank of Montreal	5,000,000	0.80%	27/05/2016	26/05/2017	A+	0.010%
DBS Bank Ltd	5,000,000	0.77%	27/05/2016	26/05/2017	AA-	0.001%
Credit Industriel et Commercial	10,000,000	0.51%	05/12/2016	05/06/2017	A	0.012%
DBS Bank Ltd	5,000,000	0.80%	23/06/2016	22/06/2017	AA-	0.002%
HSBC Bank Plc	10,000,000	0.46%		Call90	AA-	0.002%
Skandinaviska Enskilda Banken AB	5,000,000	0.58%	21/07/2016	20/07/2017	A+	0.020%
Skandinaviska Enskilda Banken AB	10,000,000	0.50%	05/08/2016	04/08/2017	A+	0.023%
Cooperatieve Rabobank U.A.	6,075,000	0.50%	08/08/2016	07/08/2017	A+	0.024%
Credit Industriel et Commercial	5,000,000	0.48%	21/02/2017	21/08/2017	A	0.026%
DBS Bank Ltd	5,000,000	0.50%	26/08/2016	25/08/2017	AA-	0.003%
Cooperatieve Rabobank U.A.	10,000,000	0.57%	16/09/2016	15/09/2017	A+	0.031%
Highland Council	5,000,000	0.45%	20/02/2017	20/09/2017	AA	0.003%
Landesbank Hessen-Thueringen Girozentrale (Helaba)	6,800,000	0.68%	13/10/2016	12/10/2017	A	0.036%
Toronto Dominion Bank	10,000,000	0.59%	14/10/2016	13/10/2017	AA-	0.004%
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	7,050,000	0.59%	19/10/2016	18/10/2017	AA-	0.004%
Canadian Imperial Bank of Commerce	3,500,000	0.52%	02/03/2017	18/10/2017	A+	0.037%
Canadian Imperial Bank of Commerce	10,000,000	0.65%	20/10/2016	19/10/2017	A+	0.037%
United Overseas Bank Ltd	6,775,000	0.58%	02/11/2016	01/11/2017	AA-	0.004%
DBS Bank Ltd	5,000,000	0.50%	30/11/2016	29/11/2017	AA-	0.004%
North Tyneside Metropolitan Borough Council	5,000,000	0.50%	21/12/2016	20/12/2017	AA	0.005%

Lincolnshire County Council

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
United Overseas Bank Ltd	4,675,000	0.51%	16/01/2017	15/01/2018	AA-	0.005%
The Royal Bank of Scotland Plc	10,000,000	0.62%	17/01/2017	17/01/2018	BBB+	0.120%
Commonwealth Bank of Australia	5,000,000	0.50%	27/01/2017	26/01/2018	AA-	0.005%
Landesbank Hessen-Thüringen Girozentrale (Helaba)	5,445,000	0.52%	20/02/2017	19/02/2018	A	0.060%
United Overseas Bank Ltd	3,275,000	0.53%	13/03/2017	12/03/2018	AA-	0.006%
North Ayrshire Council	5,000,000	0.55%	15/03/2017	14/03/2018	AA	0.006%
Birmingham City Council	5,000,000	0.55%	24/03/2017	23/03/2018	AA	0.007%
Isle of Wight Council	5,000,000	0.55%	27/03/2017	26/03/2018	AA	0.007%
Liverpool City Council	5,000,000	0.70%	13/01/2017	11/01/2019	AA	0.021%
Total Investments	£255,692,000	0.55%				0.016%

Portfolio Composition by Capita Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number =

3.44

WARoR = Weighted Average Rate of Return

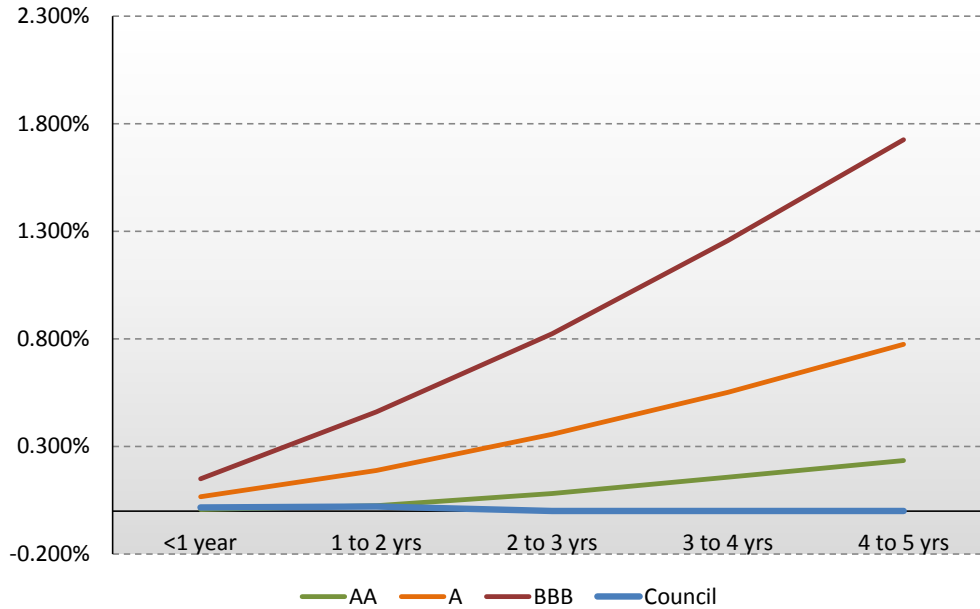
WAM = Weighted Average Time to Maturity

Excluding Calls/MMFs/USDBFs

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	NAM at Execution	WAM	WAM at Execution
Yellow	19.96%	£51,040,000	25.55%	£13,040,000	5.10%	0.47%	212	236	285	317
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	7.87%	£20,132,000	0.00%	£0	0.00%	0.75%	169	343	169	343
Orange	60.43%	£154,520,000	20.71%	£32,000,000	12.52%	0.55%	152	294	179	357
Red	11.73%	£30,000,000	0.00%	£0	0.00%	0.58%	50	182	50	182
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
Total	100.00%	£255,692,000	17.61%	£45,040,000	17.61%	0.55%	153	273	178	324

Investment Risk and Rating Exposure

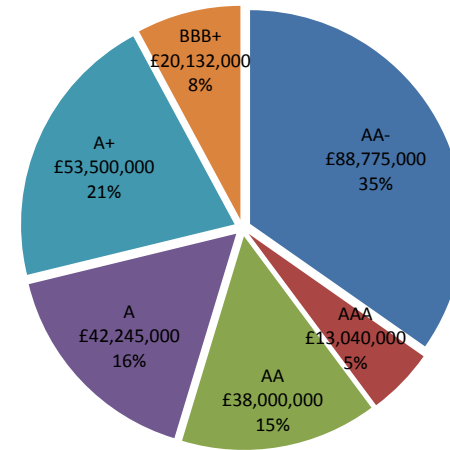
Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.007%	0.024%	0.081%	0.158%	0.234%
A	0.067%	0.189%	0.356%	0.551%	0.775%
BBB	0.150%	0.460%	0.824%	1.257%	1.726%
Council	0.016%	0.021%	0.000%	0.000%	0.000%

Rating Exposure



Historic Risk of Default

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

Chart Relative Risk

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

Rating Exposures

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

Lincolnshire County Council

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
06/03/2017	1506	Nordea Bank AB	Sweden	Fitch Ratings downgraded the support rating to '5' from '2'.
06/03/2017	1506	Skandinaviska Enskilda Banken AB	Sweden	Fitch Ratings downgraded the support rating to '5' from '2'.
06/03/2017	1506	Swedbank AB	Sweden	Fitch Ratings downgraded the support rating to '5' from '2'.
06/03/2017	1506	Svenska Handelsbanken AB	Sweden	Fitch Ratings downgraded the support rating to '5' from '2'.
13/03/2017	1509	Deutsche Bank AG	Germany	Affirmed Long Term Rating 'A-' and removed from 'Negative Watch' and placed on 'Negative Outlook'. Short Term Rating affirmed at 'F1' and removed from 'Negative Watch'. Viability Rating affirmed at 'a-' and removed from 'Negative Watch'.
21/03/2017	1511	KBC Bank NV	Belgium	Long Term Rating upgraded to 'A' from 'A-'. Outlook changed to 'Stable' from 'Positive'. Viability Rating upgraded to 'a' from 'a-'. Short Term Rating affirmed at 'F1'.
28/03/2017	1512	Norddeutsche Landesbank Girozentrale	Germany	Outlook changed to 'Negative' from 'Stable'. Viability Rating downgraded to 'bb' from 'bb+'. All other ratings were affirmed.

Lincolnshire County Council

Monthly Credit Rating Changes
MOODY'S

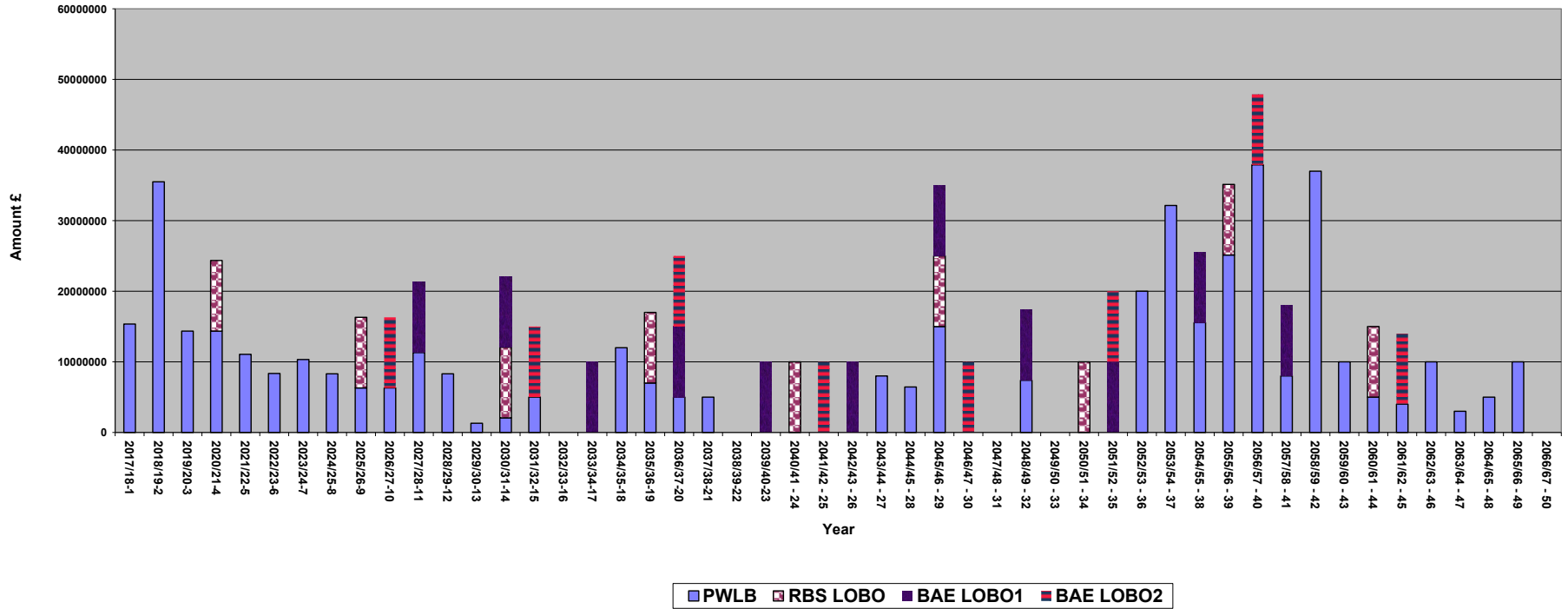
Date	Update Number	Institution	Country	Rating Action
20/03/2017	1510	ING Bank NV	Netherlands	Outlook changed to 'Positive' from 'Stable'. All other ratings were affirmed.

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
06/03/2017	1507	Qatar Sovereign Rating	Qatar	Affirmed the Sovereign Rating at 'AA'. Outlook changed to 'Negative' from 'Stable'
06/03/2017	1508	Qatar National Bank	Qatar	Affirmed the Long Term Rating at 'A+'. Affirmed the Short Term Rating at 'A-1'. Outlook changed to 'Negative' from 'Stable'.
29/03/2017	1513	Commerzbank AG	Germany	Long Term Rating upgraded to 'A-' from 'BBB+', removed from 'Positive Watch' and placed on 'Negative Outlook'. Short Term Rating affirmed at 'A-2' and removed from 'Positive Watch'.
29/03/2017	1513	Deutsche Bank AG	Germany	Long Term Rating upgraded to 'A-' from 'BBB+', removed from 'Positive Watch' and placed on 'Negative Outlook'. Short Term Rating affirmed at 'A-2'.
30/03/2017	1514	Svenska Handelsbanken AB	Sweden	Outlook changed to 'Stable' from 'Negative'. All other ratings were affirmed.

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Long Term Borrowing Maturity Profile at 31-3-2017 Showing Impact of LOBO Variability



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PRUDENTIAL INDICATORS ACTUAL COMPARED TO ESTIMATED 2016/2017			
Original Estimate	2016/17 £000	Actuals	2016/17 £000
Capital Expenditure Net	86,408	Actual Capital Expenditure (Excl Sch RCCO & Leasing)	18,779
Capital Financing Requirement 31/3/2017	662,910	Actual Capital Financing Requirement 31/3/2017	557,773
Capital Financing Requirement Estimate at 31/3/2019	647,090	Capital Financing Requirement Estimate 31/3/2019	541,953
Gross External Borrowing	568,011	Actual Gross External Borrowing	478,195
Borrowing in Advance of Need Limit	-3,955	Actual Borrowing in Advance of Need Taken	0
Incremental Impact of Borrowing Plans on Council Tax '-Band D	£30.63	Actual Incremental Impact of Borrowing Plans on 'Council Tax -Band D	-£17.59
MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Estimate	6.96%	MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Actual	5.27%
Ratio of Financing Costs To Net Revenue Stream	6.87%	Actual Ratio of Financing Costs To Net Revenue Stream	5.20%
External Debt:			
<u>Authorised limit for external debt -</u>		Actual external debt at 31/3/17	
borrowing	640,752	Borrowing	478,195
other long term liabilities	14,198	Other long term liabilities(Credit Arrangements)	11,613
TOTAL	654,950	TOTAL	489,808
<u>Operational boundary -</u>			
borrowing	616,752		
other long term liabilities	12,198		
TOTAL	628,950		
Treasury Management:			
<u>Upper limit for fixed interest rate exposure</u>		Actual exposure fixed interest	
Net principal re fixed rate borrowing less investments	647,090	Net Principal	277,404
<u>Upper limit for variable rate exposure</u>		Actual exposure variable interest	
Net principal re variable rate borrowing less investments	194,127	Net Principal	-45,122
<u>Upper limit for total principal sums invested for over 364 days</u> (per maturity date)	40,000	Actual sums invested > 364 Day	5,214
Maturity structure of fixed rate borrowing during 2016/17	upper limit	Actual maturity structure as at 31 March 2017	
under 12 months	25%	under 12 months	3.20%
12 months and within 24 months	25%	12 months and within 24 months	7.50%
24 months and within 5 years	50%	24 months and within 5 years	10.50%
5 years and within 10 years	75%	5 years and within 10 years	10.50%
10 years and above	100%	10 years and above	68.30%

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**Open Report on behalf of Richard Wills,
Director responsible for Democratic Services**

Report to:	Overview and Scrutiny Management Board
Date:	29 June 2017
Subject:	Proposals for Scrutiny Reviews

Summary:

This item enables the Board to identify and agree potential topics for in-depth scrutiny reviews to be undertaken by the two Scrutiny Panels, taking into account the Prioritisation Toolkit.

Actions Required:

The Overview and Scrutiny Management Board is invited

1. to identify and agree two topics for the first scrutiny reviews to be undertaken by Scrutiny Panel A and Scrutiny Panel B.
2. to delegate to the Chairman and Vice Chairman of the Board approval of the terms of reference for each scrutiny review, which will be completed by the Scrutiny Panels.

1. Background

One of the essential roles of overview and scrutiny is to carry out in-depth reviews where the outcomes can clearly influence and improve policy and service delivery for the people of Lincolnshire. This is carried out by the two Scrutiny Panels, Scrutiny Panel A and Scrutiny Panel B.

Scrutiny Panels represent an opportunity for scrutiny councillors to delve deeper into a particular subject or issue to find out more, speak to the individuals responsible and recommend any ways in which things might be improved at a level of scrutiny not always possible within the time limits and formal setting associated with Committee meetings.

Scrutiny Panel A and Scrutiny Panel B will conduct each review in accordance with the following principles:

- Meetings of Scrutiny Panels should generally be held in public, with decisions on whether meetings should be public or private being considered as part of the review process.

- Scrutiny Panels should aim to collect a broad range of evidence on the particular review, interviewing interested parties, and engaging local communities, where this is feasible.
- Scrutiny Panels should focus on developing realistic recommendations for improvement in relation to the topic under review.
- Scrutiny Panels will submit their draft reports to the relevant Overview and Scrutiny Committee for consideration, approval and onward referral as appropriate.

Scrutiny Panel A and Scrutiny Panel B will undertake in-depth scrutiny reviews in accordance with the terms of reference and timetable determined for each review by the Overview and Scrutiny Management Board.

Establishment of a Scrutiny Panel

The Overview and Scrutiny Management Board will decide when a Scrutiny Panel is needed by determining whether a scrutiny review will proceed using the Prioritisation Toolkit attached at Appendix A.

Each Scrutiny Panel will have up to eight members including the Chairman and Vice Chairman. The membership should be politically inclusive and all non-executive councillors (and added members for education reviews) are eligible. Nominations for membership of the Scrutiny Panels will be sought from the leader of each political group.

The membership will be agreed by the Chairman and Vice Chairman of the Overview and Scrutiny Management Board with the Chairman and Vice Chairman of the relevant Scrutiny Committee.

Identifying Potential Scrutiny Review Topics

A Scrutiny Panel should only be set up when a suitable topic for a scrutiny review is identified by the Overview and Scrutiny Management Board using the Prioritisation Toolkit.

Suggestions for scrutiny reviews may come from a variety of sources such as the scrutiny committees, other non-Executive Councillors, Executive Councillors, and senior officers.

When considering a potential topic for a scrutiny review, it is important that the Board ensures that the potential scrutiny review will not be duplicating any review work that is being undertaken by officers or external partners.

The remit for the potential scrutiny review should be focussed and not too broad, so that an in-depth review can be completed within a set timescale and will lead to achievable outcomes.

Once a potential topic for a scrutiny review has been identified by the Overview and Scrutiny Management Board and assigned to a Scrutiny Panel, the terms of

reference will be completed by the Scrutiny Panel, in consultation with the Chairman and Vice Chairman of the Overview and Scrutiny Management Board.

2. Conclusion

The Overview and Scrutiny Management Board is asked to identify and agree potential topics for in-depth scrutiny reviews to be undertaken by the Scrutiny Panels, using the Prioritisation Toolkit attached at Appendix A.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Not Applicable

b) Risks and Impact Analysis

Not Applicable

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Prioritisation Toolkit

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Nigel West, Head of Democratic Services and Statutory Scrutiny Officer, who can be contacted on 01522 552840 or by e-mail at nigel.west@lincolnshire.gov.uk

Scrutiny prioritisation

Prioritisation is a key tool for successful scrutiny. Selecting the right topics where scrutiny can add value is essential for scrutiny to be a positive influence on the work of the Council. Scrutiny committees must be selective about what they look at and need to work effectively with limited resources. Scrutiny activity should be targeted, focused and timely and include issues of corporate and local importance, where scrutiny activity can influence and add value.

The questions below are a guide to help members and officers consider and identify key areas of scrutiny activity for consideration.

Will Scrutiny input add value?

- Is there a clear objective for scrutinising the topic?
- What are the identifiable benefits to residents and the council?
- Is there evidence to support the need for scrutiny?
- What is the likelihood of achieving a desired outcome?
- Is the topic strategic and significant rather than relating to an individual complaint?
- Are there adequate resources to ensure scrutiny activity is done well?

Is the topic a concern to local residents?

- Does the topic have a potential impact for one or more section(s) of the local population?
- Has the issue been identified by Members through surgeries and other contact with constituents?
- Is there user dissatisfaction with service (e.g. increased level of complaints)?
- Has the topic been covered in the local media or social media?

Is it a Council or partner priority area?

- Does the topic relate to council corporate priority areas?
- Is there a high level of budgetary commitment to the service/policy area?
- Is it a poor performing service (evidence from performance indicators /benchmarking)?

Are there relevant external factors relating to the issue?

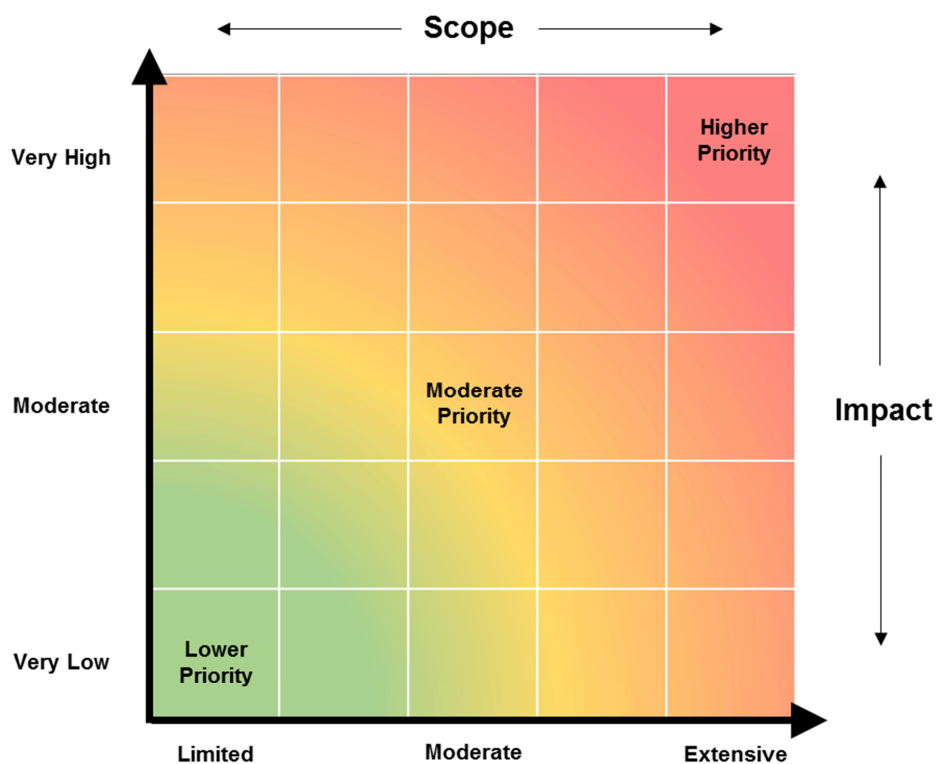
- Central government priority area
- New government guidance or legislation
- Issues raised by an internal or external audit or from formal inspections, etc.
- Key reports or new evidence provided by external organisations

Criteria for not considering topics

- There is no scope for scrutiny to add value/make a difference or have a clear impact.
- New legislation or guidance is expected within the next year.
- The issue is being examined elsewhere - e.g. by the Executive, working group, officer group or other body.
- The objective of scrutiny involvement cannot be achieved in the specified timescale required.

Prioritisation Matrix

The prioritisation matrix shown below is a framework to aid in prioritising a number of scrutiny options or topics. Each topic should be assessed in terms of the impact it would have and the overall scope of the activity.

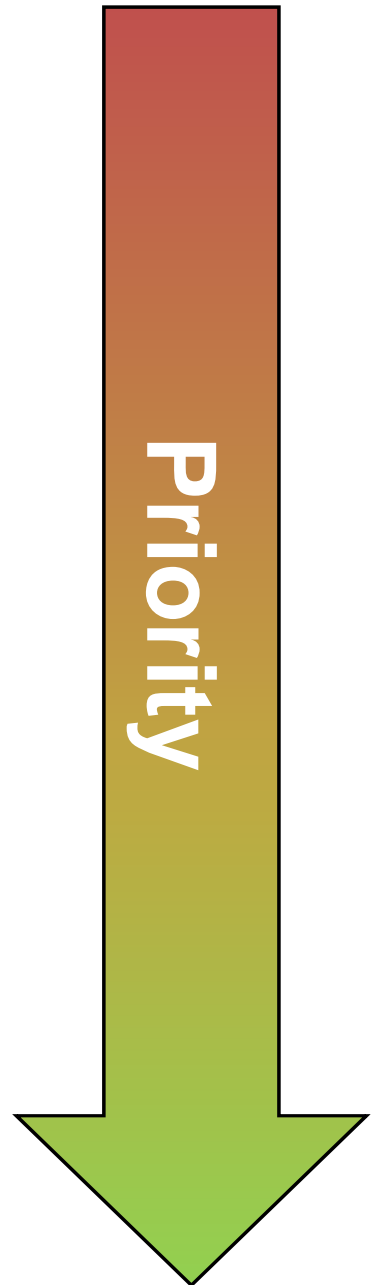
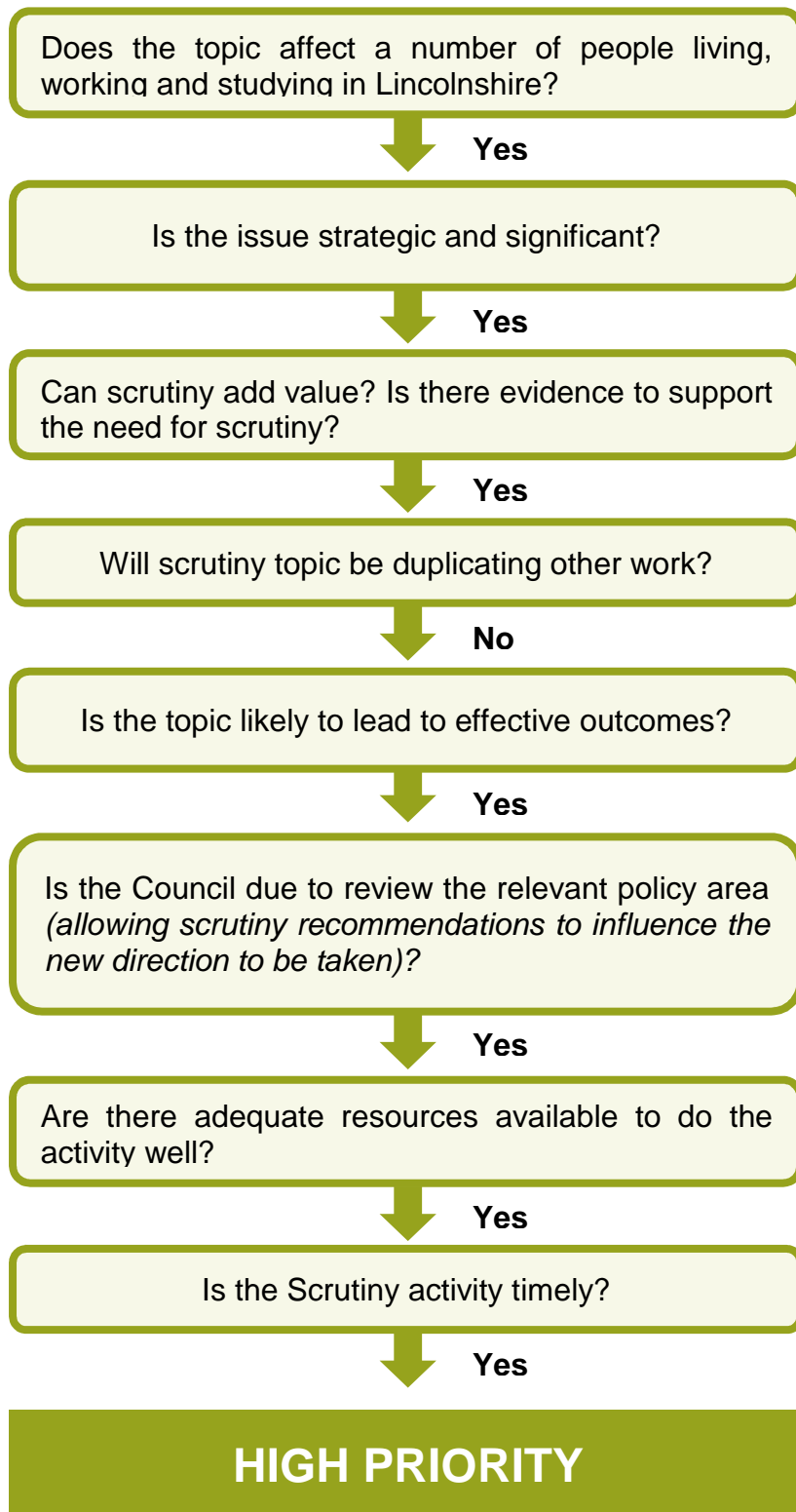


When considering the scope and impact of a Scrutiny item it is important to consider the following areas:

- People / Communities
- Assets / Property
- Financial
- Environmental
- Reputation
- Likelihood of Impact
- Resource Required
- Cost Effectiveness

Prioritisation tool

The prioritisation tool below can be used in deciding on whether an issue would warrant being considered by Scrutiny or the subject of a Scrutiny Review.



**Open Report on behalf of Richard Wills,
Director responsible for Democratic Services**

Report to:	Overview and Scrutiny Management Board
Date:	29 June 2017
Subject:	Reporting Arrangements for Scrutiny Committees' Work Programmes for 2017/18

Summary:

This item enables the Board to agree the reporting arrangements for the scrutiny committees' work programmes in 2017/18.

Actions Required:

The Overview and Scrutiny Management Board is invited to approve the reporting arrangements for the scrutiny committees' work programmes for 2017/18.

1. Background

One of the roles of the Overview and Scrutiny Management Board is to challenge and review the scrutiny committees' work programmes, and hold the work of the scrutiny committees to account.

Under the former Overview and Scrutiny Management Committee, each of the scrutiny committees' work programmes was presented to every meeting of the Management Committee. The working group set up to review the County Council's scrutiny arrangements has called into question the effectiveness of managing the committees' work programmes in this manner and suggested ways in which the process could be improved

In order to ensure more effective challenge and review of the scrutiny committees' work programmes in future, it was proposed that the Overview and Scrutiny Management Board considers each scrutiny committees' work programmes on a quarterly basis to allow for more in-depth consideration of each work programme at the meetings. To enable the Overview and Scrutiny Management Board to hold the work of the committees to account, the chairman of each scrutiny committee will be invited to provide an update on the work of their committee and any working groups, and highlight future items that their committee will be focussing on.

Most of the chairmen of the scrutiny committees are on the Overview and Scrutiny Management Board, the exception being the Chairman of the Flood and Water

Management Scrutiny Committee, who will be invited to attend the relevant meetings.

The following reporting arrangements are proposed for each scrutiny committees' work programme in 2017/18, which will continue on the same reporting cycle into 2018/19.

Adults and Community Wellbeing Scrutiny Committee / Health Scrutiny Committee for Lincolnshire

27 July 2017
30 November 2017
29 March 2018

Children and Young People Scrutiny Committee / Public Protection and Communities Scrutiny Committee

28 September 2017
25 January 2018
26 April 2018

Environment and Economy Scrutiny Committee / Highways and Transport Scrutiny Committee / Flood and Water Management Scrutiny Committee

26 October 2017
22 February 2018
24 May 2018

2. Conclusion

The Overview and Scrutiny Management Board is asked to approve the new reporting arrangements for the scrutiny committees' work programmes to enable the Board to have an overview and manage the work of the scrutiny committees more effectively.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Not Applicable

b) Risks and Impact Analysis

Not Applicable

4. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Nigel West, Head of Democratic Services and Statutory Scrutiny Officer, who can be contacted on 01522 552840 or by e-mail at nigel.west@lincolnshire.gov.uk

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**Open Report on behalf of Richard Wills,
Director responsible for Democratic Services**

Report to:	Overview and Scrutiny Management Board
Date:	29 June 2017
Subject:	Overview and Scrutiny Management Board Work Programme

Summary:

This item enables the Board to consider and comment on the content of its work programme for the coming year to ensure that scrutiny activity is focused where it can be of greatest benefit. Members are encouraged to highlight items that could be included for consideration in the work programme.

The work programme will be reviewed at each meeting of the Board to ensure that its contents are still relevant and will add value to the work of the Council and partners.

Actions Required:

Members of the Board are invited to:

- 1) Review, consider and comment on the work programme as set out in Appendix A to this report.
- 2) Highlight for discussion any additional scrutiny activity which could be included for consideration in the work programme.

1. Background

Overview and Scrutiny should be positive, constructive, independent, fair and open. The scrutiny process should be challenging, as its aim is to identify areas for improvement. Scrutiny activity should be targeted, focused and timely and include issues of corporate and local importance, where scrutiny activity can influence and add value.

Overview and scrutiny committees should not, as a general rule, involve themselves in relatively minor matters or individual cases, particularly where there are other processes, which can handle these issues more effectively.

All members of overview and scrutiny committees are encouraged to bring forward important items of community interest to the Board whilst recognising that not all items will be taken up depending on available resource and assessment against the prioritisation toolkit.

Purpose of Scrutiny Activity

Set out below are the definitions used to describe the types of scrutiny, relating to the items on the Board's Work Programme:

Policy Development - The Board is involved in the development of policy, usually at an early stage, where a range of options are being considered.

Pre-Decision Scrutiny - The Board is scrutinising a proposal, prior to a decision on the proposal by the Executive, the Executive Councillor or a senior officer.

Policy Review - The Board is reviewing the implementation of policy, to consider the success, impact, outcomes and performance.

Performance Scrutiny - The Board is scrutinising periodic performance, issue specific performance or external inspection reports.

Consultation - The Board is responding to (or making arrangements to) respond to a consultation, either formally or informally. This includes pre-consultation engagement.

Budget Scrutiny - The Board is scrutinising the previous year's budget, or the current year's budget or proposals for the future year's budget.

Requests for specific items for information should be dealt with by other means, for instance briefing papers to members.

Identifying Topics

Selecting the right topics where scrutiny can add value is essential in order for scrutiny to be a positive influence on the work of the Council. Members may wish to consider the following questions when highlighting potential topics for discussion to the Board:-

- Will Scrutiny input add value?
Is there a clear objective for scrutinising the topic, what are the identifiable benefits and what is the likelihood of achieving a desired outcome?
- Is the topic a concern to local residents?
Does the topic have a potential impact for one or more section(s) of the local population?
- Is the topic a Council or partner priority area?
Does the topic relate to council corporate priority areas and is there a high level of budgetary commitment to the service/policy area?
- Are there relevant external factors relating to the issue?
Is the topic a central government priority area or is it a result of new government guidance or legislation?

Scrutiny Review Activity

Where a topic requires more in-depth consideration, the Board may commission a Scrutiny Panel to undertake a Scrutiny Review, subject to the availability of resources and approval of the Board. The Board may also establish a maximum of two working groups at any one time, comprising a group of members from the Committee.

Work Programme items on scrutiny review activity can include discussion on possible scrutiny review items; finalising the scoping for the review; consideration and approval of the final report; the response to the report; and monitoring outcomes of previous reviews.

Scrutiny and Executive Protocol

The County Council's Scrutiny and Executive Protocol is attached at Appendix B to the report. The Scrutiny and Executive Protocol sets out practical working arrangements which develops a unity of purpose between the Executive, overview and scrutiny committees as well as the Council's senior managers.

The Protocol provides a framework for positive relationships between the Executive and overview and scrutiny committees, but its effectiveness is dependent on all councillors and officers accepting the principles underlying the Protocol.

The Protocol includes the following expectations:

- The Chairman or Vice Chairman of the Overview and Scrutiny Management Board will as far as possible attend each meeting of the Executive.
- The Chairmen or Vice Chairmen of overview and scrutiny committees should attend meetings of the Executive, where an item relevant to their committee's remit is being considered.
- Regular briefing meetings are recommended between the Chairmen and Vice Chairmen of overview and scrutiny committees and the relevant Executive Councillor(s) and Executive Support Councillor(s). These meetings should include the scrutiny officers, and any relevant officers if required.
- It is accepted that Executive Councillors may not be able to attend all meetings of their relevant overview and scrutiny committees. An overview and scrutiny committee may request the attendance of an Executive Councillor for a particular item on the agenda. In such cases if the Executive Councillor is not available he or she should be represented by the Executive Support Councillor.

2. Conclusion

The Board's work programme for the coming year is attached at Appendix A to this report. A list of all upcoming Forward Plan decisions is also attached at Appendix C.

Members of the Board are invited to review, consider and comment on the work programme as set out in Appendix A and highlight for discussion any additional scrutiny activity which could be included for consideration in the work programme.

Consideration should be given to the items included in the work programme as well as any 'items to be programmed' listed.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Not Applicable

b) Risks and Impact Analysis

Not Applicable

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Overview and Scrutiny Management Board – Work Programme
Appendix B	Scrutiny and Executive Protocol
Appendix C	Forward Plan of Decisions

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Tracy Johnson, Senior Scrutiny Officer, who can be contacted on 01522 552164 or by e-mail at tracy.johnson@lincolnshire.gov.uk

OVERVIEW AND SCRUTINY MANAGEMENT BOARD

Chairman: Councillor Robert Parker

Vice Chairman: Councillor Lindsey Cawrey

29 June 2017		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA
Introduction to Service Areas	Richard Wills, Executive Director for Environment and Economy Pete Moore, Executive Director for Finance and Public Protection Debbie Barnes, Executive Director for Children's Services Glen Garrod, Executive Director for Adult Care and Community Wellbeing	Presentations
Review of Financial Performance Report 2016/17	David Forbes, County Finance Officer	Budget Scrutiny / Pre-Decision Scrutiny (Executive decision on 4 July 2017)
2016/17 Council Business Plan Quarter 4	Jasmine Sodhi, Performance and Equalities Manager	Performance Scrutiny / Pre-Decision Scrutiny (Executive decision on 4 July 2017)
Treasury Management Annual Report 2016/17	Karen Tonge, Treasury Manager	Performance Scrutiny / Pre-Decision Scrutiny (Executive Councillor decision TBC)
Proposals for Scrutiny Reviews	Nigel West, Head of Democratic Services and Statutory Scrutiny Officer	Scrutiny Review Activity
Reporting Arrangements for Scrutiny Committees' Work Programmes for 2017/18	Nigel West, Head of Democratic Services and Statutory Scrutiny Officer	Performance Scrutiny

27 July 2017		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA
Performance of the Corporate Support Services Contract	Sophie Reeve Chief Commercial Officer	Performance Scrutiny
Housing Company Business Case	Kevin Kendall, County Property Officer	Policy Development
Overview and Scrutiny Work Programme <ul style="list-style-type: none"> Adults and Community Wellbeing Scrutiny Committee Health Scrutiny Committee 	Cllr Hugo Marfleet Chairman of Adults and Community Wellbeing Scrutiny Committee Cllr Carl Macey Chairman of Health Scrutiny Committee	Performance Scrutiny

28 September 2017		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA
Budget Monitoring Report 2017/18	David Forbes, County Finance Officer	Pre-Decision Scrutiny (Executive Decision on 3 October 2017)
2017/18 Council Business Plan Quarter 1	Jasmine Sodhi Performance and Equalities Manager	Performance Scrutiny / Pre-Decision Scrutiny (Executive decision on 3 October 2017)
Treasury Management Performance Quarter 1 (1 April to 30 June 2017)	Karen Tonge, Treasury Manager	Performance Scrutiny
Overview and Scrutiny Work Programme <ul style="list-style-type: none"> Children and Young People Scrutiny Committee Public Protection and Communities Scrutiny Committee 	Cllr Robert Foulkes Chairman of Children and Young People Scrutiny Committee Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

26 October 2017		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA
Performance of the Corporate Support Services Contract	Sophie Reeve Chief Commercial Officer	Performance Scrutiny
Corporate Health and Safety Annual Report 2016/17	Fraser Shooter, Corporate Health & Safety Advisor	Performance Scrutiny
Council Workforce Plan 2017/18 – Progress Report	Fiona Thompson, Service Manager - People	Performance Scrutiny
Overview and Scrutiny Work Programme <ul style="list-style-type: none"> Environment and Economy Scrutiny Committee Flood and Water Management Scrutiny Committee Highways and Transport Scrutiny Committee 	Cllr Tony Bridges Chairman of Environment and Economy Scrutiny Committee Cllr Daniel McNally Chairman of Flood and Water Management Scrutiny Committee Cllr Mike Brookes Chairman of Highways and Transport Scrutiny Committee	Performance Scrutiny

30 November 2017		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA
Review of Financial Risk Assessment	David Forbes, County Finance Officer	Budget Scrutiny
2017/18 Council Business Plan Quarter 2	Jasmine Sodhi Performance and Equalities Manager	Performance Scrutiny / Pre-Decision Scrutiny (Executive decision on 5 December 2017)
Treasury Management Performance Quarter 2 (1 July to 30 September 2017)	Karen Tonge, Treasury Manager	Performance Scrutiny

30 November 2017		
Item	Contributor	Purpose
Overview and Scrutiny Work Programme <ul style="list-style-type: none"> • Adults and Community Wellbeing Scrutiny Committee • Health Scrutiny Committee 	Cllr Hugo Marfleet Chairman of Adults and Community Wellbeing Scrutiny Committee Cllr Carl Macey Chairman of Health Scrutiny Committee	Performance Scrutiny

21 December 2017		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA

25 January 2018		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA
Revenue and Capital Budget Monitoring Report 2017/18	David Forbes, County Finance Officer	Pre-Decision Scrutiny (Executive Decision on 6 February 2018)
Corporate Budget 2018/19	David Forbes, County Finance Officer	Budget Scrutiny (Council Decision on 23 February 2018)
Service Budget Proposals 2018/19	David Forbes, County Finance Officer	Budget Scrutiny (Council Decision on 23 February 2018)
Final Draft Council Business Plan 2018/19	Jasmine Sodhi Performance and Equalities Manager	Pre-Decision Scrutiny (Executive Decision on 6 February 2018)
Performance of the Corporate Support Services Contract	Sophie Reeve Chief Commercial Officer	Performance Scrutiny
Overview and Scrutiny Work Programme <ul style="list-style-type: none"> • Children and Young People Scrutiny Committee • Public Protection and Communities Scrutiny Committee 	Cllr Robert Foulkes Chairman of Children and Young People Scrutiny Committee Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

22 February 2018		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA
2017/18 Council Business Plan Quarter 3	Jasmine Sodhi Performance and Equalities Manager	Performance Scrutiny / Pre-Decision Scrutiny (Executive decision on 6 March 2018)
Treasury Management Performance Quarter 3 (1 September 2017 to 31 December 2017)	Karen Tonge, Treasury Manager	Performance Scrutiny
Treasury Management Strategy Statement and Annual Investment Strategy 2018/19	Karen Tonge, Treasury Manager	Pre-Decision Scrutiny
Overview and Scrutiny Work Programme <ul style="list-style-type: none"> Environment and Economy Scrutiny Committee Flood and Water Management Scrutiny Committee Highways and Transport Scrutiny Committee 	<p>Cllr Tony Bridges Chairman of Environment and Economy Scrutiny Committee</p> <p>Cllr Daniel McNally Chairman of Flood and Water Management Scrutiny Committee</p> <p>Cllr Mike Brookes Chairman of Highways and Transport Scrutiny Committee</p>	Performance Scrutiny

29 March 2018		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA
Performance of the Corporate Support Services Contract	Sophie Reeve Chief Commercial Officer	Performance Scrutiny
Overview and Scrutiny Work Programme <ul style="list-style-type: none"> Adults and Community Wellbeing Scrutiny Committee 	Cllr Hugo Marfleet Chairman of Adults and Community Wellbeing Scrutiny Committee	Performance Scrutiny

29 March 2018		
Item	Contributor	Purpose
<ul style="list-style-type: none"> Health Scrutiny Committee 	Cllr Carl Macey Chairman of Health Scrutiny Committee	

26 April 2018		
Item	Contributor	Purpose
Call-in (if required)		Call-in
Councillor Call for Action (if required)		CCfA
Overview and Scrutiny Work Programme <ul style="list-style-type: none"> Children and Young People Scrutiny Committee Public Protection and Communities Scrutiny Committee 	Cllr Robert Foulkes Chairman of Children and Young People Scrutiny Committee Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

For more information about the work of the Overview and Scrutiny Management Board please contact Tracy Johnson, Senior Scrutiny Officer, on 01522 552164 or by e-mail at tracy.johnson@lincolnshire.gov.uk



DEVELOPING RELATIONSHIPS BETWEEN THE EXECUTIVE AND OVERVIEW AND SCRUTINY

This protocol sets out practical working arrangements, which will help develop a unity of purpose between the Executive, overview and scrutiny committees as well as the Council's senior managers. This protocol provides a framework for positive relationships between the Executive and overview and scrutiny committees, but its effectiveness is dependent on all councillors and officers accepting the principles underlying this protocol.

The Executive accepts that discharging the Overview and Scrutiny function should be a core responsibility of the Council, with appropriate and meaningful support from the Chief Executive, other members of the Corporate Management Board, and all the Council's officers.

The Overview and Scrutiny Management Board accepts that to be effective the scrutiny process must be positive, constructive, independent, fair and open. It should complement the decision-making powers of the Executive and enable the voice and concerns of the public to be heard.

Overview and Scrutiny should be challenging, as its aim is to identify areas for improvement, but the process should not be confrontational or simply a means through which to apportion blame if things go wrong. Overview and Scrutiny will act as a 'critical friend' to the Executive and other decision makers in order to promote better services, policies and decisions. Trust and tolerance are key to the success of this protocol.

Councillor Martin Hill
Leader of Lincolnshire County Council

Councillor Robert Parker
Chairman of the Overview and Scrutiny Management Board

A. EARLY INVOLVEMENT IN POLICY DEVELOPMENT

The Executive would like to involve overview and scrutiny committees at an early stage in the development of new policies or changes to existing policies, or in the development of proposals for any significant changes in service provision. This early involvement extends beyond the provisions in the Constitution on the development of the policy and budget framework¹. Examples of the need for early involvement are when there are issues of a contentious nature, sizeable budgetary implications, an impact on the whole community, or an impact on outside bodies or organisations. Early involvement could be carried out in a number of different ways:-

- An overview and scrutiny committee may adopt an informal meeting arrangement or workshop, to which all members of the committee would be invited, or establish a working group, comprising a group of members from the committee. These approaches enable options to be explored in detail and the outcomes or statement from the informal meeting, workshop, or working group could be reported directly to the Executive or Executive Councillor, or to a subsequent meeting of the overview and scrutiny committee.
- Where a topic requires in-depth consideration, a Scrutiny Panel may be established, subject to the availability of resources, which would lead to the submission of an evidence-based report with recommendations for the new policy or a change to an existing policy or on changes to service provision.
- A cross party briefing could be held with senior officers to inform councillors of a particular issue and collaboratively explore options in detail, with the outcomes shared with the relevant overview and scrutiny committee.

In each of the early involvement scenarios listed above the Executive would expect information shared to be used to explore the options available rather than for political point-scoring. Statements from the overview and scrutiny committee will be acknowledged by the decision maker, and a response made to the committee. This could either take the form of a written or an oral report at the next relevant meeting of the committee, which can be recorded in the committee's minutes.

In the case of in depth scrutiny reviews, which contain evidence-based recommendations, there is a requirement that a formal response to the recommendations from the Executive or Executive Councillor be prepared within two months², which will indicate whether recommendations have been accepted or

¹ Rule 3 of the Policy and Budget Framework Procedure Rules (Lincolnshire County Council Constitution) and Regulation 4 of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000.

² Section 9FE of the Local Government Act 2000.

rejected, with appropriate reasons. Ideally, the response will contain an action plan, indicating how the accepted recommendations will be implemented.

B. EXECUTIVE DECISION MAKING

Each relevant overview and scrutiny committee is encouraged to consider any proposed decisions, which are due to be made by the Executive or by an individual Executive Councillor, or any proposed key decision due to be made by a chief officer. This consideration would usually involve the relevant committee reviewing the report containing the proposed decision and preparing a statement on the proposals, including an indication of whether the committee supports the proposals, either wholly or in part. The committee's statement should be included in the report containing the proposed decision and submitted to the decision maker(s). If the statement is not available at the time the report is finalised due to exceptional circumstances, it will be circulated to the decision maker(s) for their consideration.

Consensus and Minority Views

When overview and scrutiny committees reach a consensus, this will be reflected in the committee's statement. However, there will be circumstances where the committee's statement will reflect a range of views, including majority and minority opinions, and these should be so indicated in the committee's statement.

Whenever possible statements from the overview and scrutiny committee will be acknowledged by the decision maker, and a response made to the committee, which could either take the form of a written or an oral report. Any responses will be recorded in the committee's minutes.

C. ATTENDANCE AT MEETINGS OF THE EXECUTIVE

The Chairman or Vice Chairman of the Overview and Scrutiny Management Board will as far as possible attend each meeting of the Executive. Following these meetings the Chairman or Vice Chairman of the Overview and Scrutiny Management Board will highlight any pertinent issues to the next meeting of the Overview and Scrutiny Management Board. The Chairman may also raise any issues with any other overview and scrutiny committee of the Council.

The Chairmen or Vice Chairmen of overview and scrutiny committees should attend meetings of the Executive, where an item relevant to their committee's remit is being considered. Where chairmen or vice chairmen can attend, they will be invited to present any statements to the Executive. This will help to facilitate a good working relationship between the Executive and Overview and Scrutiny, and ensure that the

Executive directly hears the reasons for the overview and scrutiny committee's recommendations and comments and to clarify the outcome from the overview and scrutiny committee.

Where an overview and scrutiny committee has requested an in-depth review, the Chairman or Vice Chairman of the overview and scrutiny committee will present the report and recommendations in conjunction with the Chairman of the Scrutiny Panel which undertook the in-depth review.

D. ATTENDANCE AT MEETINGS OF THE OVERVIEW AND SCRUTINY COMMITTEES

It is accepted that Executive Councillors may not be able to attend all meetings of their relevant overview and scrutiny committees. An overview and scrutiny committee may request the attendance of an Executive Councillor for a particular item on the agenda. In such cases if the Executive Councillor is not available he or she should be represented by the Executive Support Councillor.

Each overview and scrutiny committee should consider whether to include Statements from Executive Councillor(s) as a standard agenda item, where the Executive Councillor(s) or Executive Support Councillor(s) could advise the committee of any relevant matters, including any responses to statements or recommendations, in accordance with sections A and B above.

E. SETTING THE AGENDA

Briefing Meetings Between Executive Councillors and Overview and Scrutiny Committee Chairmen

Regular briefing meetings are recommended between the Chairmen and Vice Chairmen of overview and scrutiny committees and the relevant Executive Councillor(s) and Executive Support Councillor(s). These meetings should include the scrutiny officers, and any relevant officers if required. Ideally, such meetings should take place every quarter if possible. These meetings will support the development of a dialogue, leading to a unity of purpose, between overview and scrutiny and the Executive. The meetings could inform the content of the committee's work programme, with suggestions for future scrutiny reviews and agenda topics, including items which would involve the committee in developing new policies or reviewing existing policies.

Setting the Agenda

Overview and scrutiny committees should not, as a general rule, involve themselves in relatively minor matters or individual cases, particularly where there are other processes, which can handle these issues more effectively. Overview and scrutiny committees should not be used as an opportunity to argue over issues which are of an overtly party political nature, which can be dealt with more appropriately through meetings of the County Council.

The management of the work programme of each scrutiny committee is a role for the Overview and Scrutiny Management Board (OSMB). Each year the OSMB will draw up in advance the annual scrutiny programme, based on the results of meetings between the scrutiny chairmen, vice-chairmen and officers in the various service areas. Adequate resource should be identified for delivering the programme, with some unallocated time for unplanned scrutiny items.

At each meeting of an overview and scrutiny committee, there will be an opportunity to review the committee's future work programme. This provides an opportunity for individual members of each committee to ask for a particular item to be included but, depending on resource, this may be at the expense of something else in the programme. All members on an overview and scrutiny committee should be encouraged to bring forward important items of community interest to the committee whilst recognising that not all items will be taken up.

Requests by the Executive to Overview and Scrutiny Committees

The Leader of the Council, the Executive, or an individual Executive Councillor, may request an overview and scrutiny committee to consider a particular matter within its remit which could be related to issues of a contentious nature, sizeable budgetary implications, an impact on the whole community, or an impact on outside bodies or organisations. This could range from consideration of a matter at a single committee meeting to a full scrutiny review, taking place over several months.

Depending on the timing of the request, a report may be submitted to the next meeting of the committee. Alternatively, a request for a more extensive piece of work may be considered by the committee as part of its work programme item on its next agenda.

F. COUNTY COUNCIL OFFICERS

General

All officers are employees of the County Council as a whole. Corporate Management Board and other senior officers are responsible for day-to-day managerial and operational decisions. Whilst most of their work is directed to supporting the activities of the Executive, they have a role in supporting all councillors, including councillors involved in the overview and scrutiny function. The Chief Executive, as head of the paid service, will ensure that sufficient and independent support is given to the overview and scrutiny function.

The Role of Statutory Scrutiny Officer

The role of the statutory scrutiny officer is defined by statute³ as:

- (a) promoting the role of the Council's overview and scrutiny committees;
- (b) providing support to the Council's overview and scrutiny committees and their members; and
- (c) providing support and guidance to all members of the Council and its officers on the functions of the Council's overview and scrutiny committees.

The Council's Scrutiny Officers will support the Statutory Scrutiny Officer in their role and provide support to the overview and scrutiny function. The Council's Scrutiny Officers should play a proactive role in ensuring effective scrutiny of decision making. Accordingly there should be a close working relationship between Scrutiny Officers and councillors involved in scrutinising decisions. Both Scrutiny Officers and Scrutiny councillors should be involved in testing the merits of proposals under consideration with Scrutiny Officers acting in an advisory role with councillors.

³ Section 9FB of the Local Government Act 2000

FORWARD PLAN OF KEY DECISIONS FROM 01 JUNE 2017

DEC REF	MATTERS FOR DECISION	REPORT STATUS	DECISION MAKER AND DATE OF DECISION	PEOPLE/GROUPS CONSULTED PRIOR TO DECISION	DOCUMENTS TO BE CONSIDERED	OFFICER(S) FROM WHOM FURTHER INFORMATION CAN BE OBTAINED AND REPRESENTATIONS MADE (All officers are based at County Offices, Newland, Lincoln LN1 1YL unless otherwise stated)	DIVISIONS AFFECTED
I013554 New!	Proposal to consider the potential expansion of Market Deeping Community Primary School (Final Decision)	Open	Executive Councillor: Adult Care, Health and Children's Services 21 Jun 2017	Interested parties as DfE guidance including parents, school staff, neighbouring schools, County, Parish and District Councils, MPs, Trade Unions and Diocese, Children and Young People Scrutiny Committee	Report	Admissions and Education Provision Manager Tel: 01522 553535 Email: matthew.clayton@lincolnshire.gov.uk	Deeping St James; Market and West Deeping
I011792	Review of Financial Performance Report 2016/17	Open	Executive 4 Jul 2017	Overview and Scrutiny Management Board	Report	County Finance Officer Tel: 01522 553642 Email: david.forbes@lincolnshire.gov.uk	All Divisions

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