



County Offices  
Newland  
Lincoln  
LN1 1YL

19 June 2019

**Overview and Scrutiny Management Board**

A meeting of the Overview and Scrutiny Management Board will be held on **Thursday, 27 June 2019 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 that reads 'DBarnes'.

Debbie Barnes OBE  
Head of Paid Service

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

Councillors R B Parker (Chairman), R Wootten (Vice-Chairman), B Adams, Mrs W Bowkett, Mrs J Brockway, Mrs K Cook, C S Macey, C E H Marfleet, N H Pepper, E W Strengiel and 1 Vacancy

**Added Members**

Church Representatives: Reverend P A Johnson and Mr S C Rudman

Parent Governor Representatives: Mrs P J Barnett and Miss A E I Sayer



**OVERVIEW AND SCRUTINY MANAGEMENT BOARD AGENDA**  
**THURSDAY, 27 JUNE 2019**

<b>Item</b>	<b>Title</b>	<b>Pages</b>
<b>1</b>	<b>Apologies for Absence/Replacement Members</b>	
<b>2</b>	<b>Declarations of Interest</b>	
<b>3</b>	<b>Minutes of the meeting held on 30 May 2019</b>	5 - 14
<b>4</b>	<b>Announcements by the Chairman, Executive Councillor for Resources and Communications and Chief Officers</b>	
<b>5</b>	<b>Consideration of Call-Ins</b>	
<b>6</b>	<b>Consideration of Councillor Calls for Action</b>	
<b>7</b>	<b>Council People Management and Workforce Plan 2019 - 20 Progress Report Update</b> <i>(To receive a report from Lucy Shevill (Strategic People Management Advisor), which provides an update on the HR Management Information and the actions which have been taken forward following the 2017 employee survey)</i>	15 - 30
<b>8</b>	<b>Performance Reporting against the Council Business Plan - Quarter 4</b> <i>(To receive a report from Jasmine Sodhi (Performance and Equalities Manager), which considers a report on the 2018/19 Council Business Plan Quarter 4 performance, which will be presented to the Executive on 9 July 2019. The views of the Board will be reported to the Executive as part of its consideration of this item)</i>	31 - 68
<b>9</b>	<b>Review of Financial Performance 2018/19</b> <i>(To receive a report from Michelle Grady (Assistant Director – Strategic Finance), which invites the Board to consider a report on the Review of Financial Performance 2018/19, which is being presented to the Executive on 9 July 2019. The views of the Board will be reported to the Executive as part of its consideration of this item)</i>	69 - 132
<b>10</b>	<b>Treasury Management Annual Report 2018/19</b> <i>(To receive a report from Karen Tonge (Treasury Manager), which details the results of the Council's treasury management activities for the financial year 2018/19)</i>	133 - 172
<b>11</b>	<b>Scrutiny Committee Work Programmes</b> <i>(To receive a report which sets out the work programmes of the Environment and Economy and Highways and Transport Scrutiny Committees, in accordance with the Board's agreed programme)</i>	173 - 184

- 12 Overview and Scrutiny Management Board Work Programme** 185 - 198  
*(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 focussed where it can be of greatest benefit)*

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**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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## OVERVIEW AND SCRUTINY MANAGEMENT BOARD 30 MAY 2019

### **PRESENT: COUNCILLOR R B PARKER (CHAIRMAN)**

Councillors R Wootten (Vice-Chairman), B Adams, Mrs J Brockway, Mrs K Cook, R L Foulkes, C S Macey, C E H Marfleet, N H Pepper and E W Strengiel

### **Added Members**

Church Representatives: Mr S C Rudman

Parent Governor Representatives:

Councillors: attended the meeting as observers

Officers in attendance:-

Debbie Barnes OBE (Head of Paid Service), George Spiteri (Strategic Commercial and Performance Manager), Daniel Steel (Scrutiny Officer), Nigel West (Head of Democratic Services and Statutory Scrutiny Officer) and Emily Wilcox (Democratic Services Officer)

### 1 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

The Chairman welcomed Councillor B Adams to his first meeting of the Board.

Apologies for absence were received from Councillor Mrs W Bowkett and Patricia Barnett (Parent Governor Representative).

### 2 DECLARATIONS OF INTEREST

All declarations of interest will be declared under the relevant items.

### 3 MINUTES OF THE MEETING HELD ON 25 APRIL 2019

### **RESOLVED:**

That minutes of the meeting held on 25 April 2019 be approved as a correct record and signed by the Chairman.

## **OVERVIEW AND SCRUTINY MANAGEMENT BOARD 30 MAY 2019**

### **4 ANNOUNCEMENTS BY THE CHAIRMAN, EXECUTIVE COUNCILLOR FOR RESOURCES AND COMMUNICATIONS AND CHIEF OFFICERS**

The Chairman announced that he had attended a meeting of the Executive on the 8 May 2019, where he had presented the Board's comments on the Formation of a Company for Legal Services, and the Procurement Strategy reports.

It was noted that the Board's comments on the IMT Strategy Document; Office Supplies and Energy Procurement reports had also been passed on to the relevant Executive Councillors for consideration.

Members were informed that at the Environment and Economy Scrutiny Committee on the 21 May 2019, the committee had considered the Energy Procurement report, and recommended that the Council procured green energy. A decision had since been made by the Leader of the Council for the Council to buy green energy for the period 1 October 2019 – 30 September.

Members were reminded that the Joint Workshop with the Audit Committee on Culture and Accountability, taking into account lessons learnt from Northamptonshire County Council, would take place at 2pm, following the meeting.

The Executive Councillor for Community Safety and People Management announced that the Police and Crime Commissioner's office had obtained a grant of £1.8million from central government, which could contribute to providing more Police Officers, PCSO's and a number of staff to support with assisting rehabilitation through collaboration.

### **5 CONSIDERATION OF CALL-INS**

None were received.

### **6 CONSIDERATION OF COUNCILLOR CALLS FOR ACTION**

None were received.

### **7 COMMISSIONING STRATEGIES**

Consideration was given to a report by the Strategic, Commercial and Performance Manager, which invited the Board to consider a report on the Commissioning Strategies which would be considered by the Executive on 4 June 2019.

Members were referred to the Appendix A of the Executive report, which set out the following commissioning strategies for consideration:

- Specialist Adult Services
- Safeguarding Adults

- Carers
- Adult Frailty and Long Term Conditions
- Community Wellbeing
- Public Protection

Members were invited to ask questions, and it was agreed that the following points be passed onto the Executive for consideration:

- The Board considered the issue of timing and was advised that a decision had been made to submit the commissioning strategies to the Executive as a single item, after all six had been considered by the relevant scrutiny committee. This had led to a delay, for example two of the commissioning strategies had been considered in September 2018. With the benefit of hindsight it might have been better to have presented each strategy immediately after they had been considered by the relevant scrutiny committee.
- Although certain services and contracts were under the remit of a particular scrutiny committee, some items inevitably impacted on other scrutiny committees. For example the public health services commissioned by the County Council (*Wellbeing Commissioning Strategy*) were under the remit of the Adults and Community Wellbeing Scrutiny Committee, but were also of interest to the Health Scrutiny Committee. Issues covering two or more scrutiny committees were managed by the Board.
- The Board was advised that the performance information at the end of each highlight report for quarter 3 (2018-19) had already been considered in detail by the Board on 28 February 2019; and by the two relevant overview and scrutiny committees (Adults and Community Wellbeing Scrutiny Committee on 27 February; and Public Protection and Communities Scrutiny Committee on 12 March 2019).
- It was noted that the report was not a 'performance' item and the performance information (on pages 21, 25, 30, 34, 39 and 43 of the Executive report) was included for background information only. Members were informed that the Quarter 4 performance would be considered by the Board on 27 June 2019. In addition, detailed quarter 4 performance for these commissioning strategies would also be considered by the Adults and Community Wellbeing Scrutiny Committee on 3 July; and the Public Protection and Communities Scrutiny Committee on 23 July 2019.

The Board highlighted the following points in relation to the strategies listed below:

Specialist Adult Services Commissioning Strategy

- An example of a scheme using capital investment to reduce revenue costs was extra care housing, which could be developed jointly with district councils;

## OVERVIEW AND SCRUTINY MANAGEMENT BOARD 30 MAY 2019

with one scheme in particular planned in Lincoln, which would support adults in one facility, rather than in residential care.

- The importance of NHS health checks for adults and children with learning disabilities was highlighted.
- That the NHS should be encouraged to improve access to mental health services.

### Carers Commissioning Strategy

- The importance of the development of the carers portal for all carers was highlighted.
- identifying and providing support to young carers (*Carers Commissioning Strategy*);

### Adults and Long Term Conditions Commissioning Strategy

- The Board questioned the reasoning for the categorisation of 'adult services' (ages 18-64) and 'older adult services' (age 65+), particularly in the light of the increase in state pension age.

### RESOLVED:

1. That the Board supports the recommendation to the Executive, as set out in the report;
2. That the comments made, as listed above, be passed on to the Executive in relation to this item.

## 8 DRAFT FINAL REPORT FROM THE TRANSITIONS SCRUTINY REVIEW

*Councillor Mrs J Brockway declared a personal interest as her family were service users.*

*Councillor M Whittington declared a personal interest as a member of his family was a service user.*

Consideration was given to a report by Councillor Mrs A Newton, Chairman of the Transitions Scrutiny Panel, which invited the Board to consider the draft final report arising from the Transitions Scrutiny Review.

The scrutiny panel had been established with the purpose of reviewing the individual experiences of young people transitioning into adulthood for young people with more complex educational needs, who received support through an Education, Health and Care Plan, as well as Looked After Children.

The Scrutiny Panel had engaged with professionals from Children's Services, Adult Care, and had undertaken visits to New College Stamford, Bourne Willoughby School



and Lincolnshire Wolds Federation St Bernard's School in Louth. Panel Members had also engaged with two service users who had relevant experience with the transitions process.

The Chairman of the Panel was pleased to report that the vast majority of transitions were supported successfully, and the overall transitions arrangements at Lincolnshire County Council were good.

The report set out three recommendations to be forwarded to the Executive Councillor for Adult Care, Health and Children's Services for consideration. Members were provided with the opportunity to discuss the recommendations, in which the following points were noted:

- Members raised concerns about the difficulty in identifying the needs of home educated children.
- The Head of Paid Service explained that it was a requirement that the Council made reasonable attempts to check that a home educated child was receiving satisfactory educational provision. However, as there was no compulsory requirement for guardians to notify the local government authority that a child was being home educated, it could be difficult to ensure that every child's needs were being met.
- It was felt that more support needed to be provided for adults who had previously been in foster care but did not remain in contact with their foster families.
- Members emphasised the need to support young people with the transition to adulthood and independence, and to help identify skills that could help them succeed in adulthood.
- It was clarified that the SEND action plan was progressing positively and the County Council were working with the Clinical Commissioning Group's (CCG's) to improve the diagnosis of autism and other neurological conditions.
- It was noted that there was generally a low level of feedback received from parent carers regarding the scrutiny review on their Educational Health and Care (EHC) needs planning process, but the feedback provided was generally positive. It was thought that the lack of feedback suggested that parents were generally satisfied with the service, and therefore did not feel the need to routinely provide feedback.

The Board supported the recommendations set out in the draft Final Report on Transitions, and were satisfied that the report be submitted to the Executive on 9 July 2019, without amendment.

On behalf of the Board, the Chairman thanked all members of the Transitions Scrutiny Panel for their work on the review.

**RESOLVED:**

1. That the Board approve the draft Final Report on Transitions, without amendment;

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2. That the report be submitted to the Executive on 9 July 2019, for its consideration and response.

### 9 STATUTORY GUIDANCE ON OVERVIEW AND SCRUTINY IN LOCAL AND COMBINED AUTHORITIES

Consideration was given to a report from the Head of Democratic Services and Statutory Scrutiny Officer, which advised the Board of the recent publication of the latest Statutory Guidance on Overview and Scrutiny.

Members were informed that on 7 May 2019, the Ministry of Housing, Communities and Local Government had published statutory guidance on Overview and Scrutiny in Local and Combined Authorities, which provided an opportunity for the Council to review its scrutiny practices.

The report sought approval to set up a cross party working group to consider the document in relation to the Council's current Overview and Scrutiny arrangements.

The Chairman welcomed the opportunity to establish a cross party working group, and proposed that the group be made up of five Conservative Group Councillors, one Labour Group Councillor and one Independent Councillor.

Members were informed that the Chairman would be attending a Government Scrutiny Guidance Symposium scheduled for the 20 June 2019, and would provide feedback to the Board on the content of the symposium.

#### RESOLVED:

That the committee approve the formation of a cross party working group to consider the latest statutory guidance on Overview and Scrutiny.

### 10 SCRUTINY COMMITTEE WORK PROGRAMMES

The Board reviewed the Work Programme of four of the Scrutiny Committee Work Programmes:

#### **Adults and Community Wellbeing Scrutiny Committee:**

The Chairman of the Adults and Community Wellbeing Scrutiny Committee highlighted the recent work of the committee, and outlined the committee's prospective work programme.

Members were invited to ask questions, in which the following points were noted:

- The Leader of the Council explained that the Government had given assurance that they would continue the work on the fair funding review. It was noted that there had not been any progress made on the Green Paper for Adult Care.

**Children's and Young People Scrutiny Committee:**

The Chairman of the Children's and Young People Scrutiny Committee highlighted the recent work of the committee, and outlined the committee's prospective work programme.

Members were invited to ask questions, in which the following points were noted:

- It was clarified that the Policy under Section 117 of the Mental Health Act 1983 was due to be reported to Children and Young People Scrutiny Committee as it concerned inpatients around mental health and disability. It was noted that that the policy would only apply to a small number of children compared to adults.
- It was noted that 83% of Lincolnshire pupils were placed in a school rated by Ofsted as outstanding or good, which was above the national average.

**Health Scrutiny Committee for Lincolnshire**

The Chairman of the Health Scrutiny Committee for Lincolnshire highlighted the recent work of the committee, and outlined the committee's prospective work programme.

Members were invited to ask questions, in which the following points were noted:

- Concerns were raised over the performance of the Thames Ambulance Service and whether it would be beneficial to switch to an alternative provider. The Chairman of the Health Scrutiny Committee for Lincolnshire explained that the Committee had made clear to the CCG that they should procure an alternative provider, however the CCG had to date indicated that there needed to be contingency arrangements in place before they could issue a notice of contract termination.
- The Head of Paid Service confirmed that there had been discussions between officers which had considered alternative strategies and alternative procurement approaches for the ambulance service.
- It was suggested that the Healthy Conversation engagement sessions could have been better advertised to members of the public. The Health Scrutiny Committee had been pushing for better advertising of these sessions. It was felt that there was a role for Councillors to advertise these events.
- The Chairman of the Health Scrutiny Committee for Lincolnshire highlighted the importance of engaging with the Public on Healthy Conversation, to ensure that the services in Lincolnshire could be improved.
- It was suggested that providing an excellent health service within Lincolnshire would mean that Lincolnshire residents would be more likely to use the services offered within the county, rather than travel outside of the county to receive health care.

**Public Protection and Communities Scrutiny Committee:**

The Chairman of the Public Protection and Communities Scrutiny Committee highlighted the recent work of the scrutiny committee and set out the committee's prospective work programme.

It was noted that all Members had received an invitation to visit their local fire stations.

Members were invited to ask questions, in which the following points were noted:

- It was suggested that tackling Domestic Abuse should be a high priority for the council, as it was a complicated issue in which many agencies were involved in dealing with.
- It was requested that Members be provided with some guidance on how to spot the signs of domestic abuse, modern day slavery and other safeguarding issues. It was agreed that this be looked into further.
- It was agreed the contact details for all council services be circulated to all Members of the Council.
- It was highlighted that the recruitment and retention of on-call firefighters was a national issue.
- Members were informed that the council's customer service centre provided a 24 hour service and could provide all necessary information for a first point of call for somebody suffering from domestic abuse.

**RESOLVED:**

1. That the Board were satisfied with the previous activity and future work programmes of the Adults and Community Wellbeing Scrutiny Committee; Children and Young People Scrutiny Committee; Health Scrutiny Committee for Lincolnshire and the Public Protection and Communities Scrutiny Committee;
2. That the contact details for all council services be circulated to all Members of the Council.

**11     OVERVIEW AND SCRUTINY MANAGEMENT BOARD WORK PROGRAMME**

The Head of Democratic Services and Statutory Scrutiny Officer presented the Board's prospective work programme.

Members were informed that a report on the Formation of a company for Legal Services would be brought back to the committee in June 2019.

**RESOLVED:**

That the work programme be agreed.

The meeting closed at 12.25 pm

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**Open Report on behalf of Debbie Barnes OBE, Executive Director for Children's Services**

Report to:	<b>Overview Scrutiny and Management Board</b>
Date:	<b>27 June 2019</b>
Subject:	<b>Council People Management and Workforce Plan 2019 - 20 Progress Report Update</b>

**Summary:**

The purpose of this report is to provide an update on the HR Management Information and the actions which have been taken forward following the 2017 employee survey.

**Actions Required:**

The Overview and Scrutiny Management Board is asked to seek assurance on HR Management Information and the actions taken following the 2017 employee survey.

## **1. Background**

The HR Service provides quarterly updates of HR management information to Director Management Teams (DMT). Annual reports are also reported to Corporate Leadership Team (CLT) which provide workforce information from both within and external to the Council to aid planning to address future HR and workforce priorities. The HR Service is also required to publish information on the internet about the workforce in an annual gender pay gap report and in the annual Workforce Report, summarising equality and diversity performance both in line with statutory requirements. This report provides a summary of the most recent data available from the 2018/2019 Quarter 3 report (September to December 2018).

In 2017, the HR Service conducted an employee survey, the outcomes of which although positive also provided qualitative data on areas for improvement across the Council. This report provides an update on the actions that have and will be taken to address concerns raised through this survey. The plans for the next employee survey are currently under consideration.

## **2. Corporate Workforce Management Information**

Together with other organisational information, the data about the workforce informs the priorities for the Council's HR and Workforce Plan projects and the

solutions required to address current and future workforce challenges, in particular to attract, recruit and retain skills in high risk areas.

The following summary highlights the key information gathered during Quarter 3 of 2018/2019 (01/10/2018 – 31/12/2018). Illustrations of the data can be seen in Appendix A.

## **2.1. Number of employments**

At the end of Quarter 3 2018/2019 the Council had 4,412 employment contracts covering 3,895 full time equivalent (FTE) roles. The number of FTEs reached the lowest figure in March 2017 (3,429) but has now increased past April 2015 figures (3,694) and the trend suggests that this will continue to increase by 1% per quarter. The following provides example reasons for the FTE variations over the previous years:

- Insourcing of Health Visitor teams and Children and Young People nurses totalling 211 full time equivalent roles from the NHS to Children's Services on 1<sup>st</sup> October 2017.
- Reduction in agency workers (91 fewer contract agency workers since March 2015).
- Additional funding to address specific workforce challenges (for example Better Care Funding for Adult Care).

Since the last report to this board in October 2018, which covered data from Quarter 1 2018, the employment figure has risen by 66 FTE corporately. This increase accounts for successful recruitment campaigns to fill vacancies across the organisation but a third of the increase has been in Children's Services who have been able to recruit 23 vital workers which included social workers, health visitors and student health visitors.

## **2.2. Equality data**

The gender balance across LCC remains at approximately 1/3 male (32.76%) and 2/3 female (67.24%). The highest proportion of male employees is in both the Finance and Public Protection Director area and Environment and Economy (Place) (47.14%). However the proportion of female employees in both these areas has increased from 46% to 53% in the last 2 years. Adult Care and Community Wellbeing and Children's Services share the highest proportion of female employees which is currently 82% in both areas.

The proportion of female employees across LCC has gradually increased in the last 2 years and the current trend suggests that this will continue to rise next quarter. This increase can be seen across all Director areas but particularly in Children's Services. The NHS transfer in October 2017 included a high proportion of female employees and further recruitment to fill vacancies in these teams continues to attract female applicants.

Up to G13, all grades are heavily female dominant. Grades 14, 15 and 16 remain the only grades where there are more men than women.



### **2.2.1. Gender Pay reporting**

In March 2019, the Council published our 2<sup>nd</sup> Gender Pay Gap report. The median gender pay gap shows the difference between the median hourly rate of pay for males and females within the Council.

The median gender pay gap for 2018 was 2.1%. This means that in the Council, men earned 2.1% more per hour than women; this was substantial improvement of 11.2% from 2017. The UK median pay gap is currently 9.6% showing that LCC has a significantly greater balance of pay than other UK employers.

There has been the most significant increase in the percentage of females within the upper quartile pay bands from 2017 to 2018, with a slight increase in all other quartiles. This improvement has been influenced by a number of factors including:

- Leadership and career development programmes
- Unconscious bias training for managers on interview panels
- Notable increase in females in Senior Management Teams, particularly within Children's Services and in Adult Care and Community Wellbeing
- The transfer in of the Children's Health Services from the NHS, which was mainly female employees in the higher pay quartiles.

### **2.3. Age profile**

Our last annual workforce data set confirmed that the highest number of Council employees in any 10 year age group is between 45 and 54 years old. 49% of senior leaders within the organisation are over 50 years old compared to 36% of the whole organisation. However since this data set was analysed, the Council has appointed two new Executive Directors. There have also been promotions to other senior leadership posts from within the organisation. We therefore predict a reduction in age range of senior leaders in the 2019 data.

Succession planning approaches have been implemented in a number of services across the Council, particularly in those areas where there are ongoing and long term difficulties in recruiting people with the required skills, putting a responsibility on senior managers to identify and develop individuals with potential.

The profile of the older workforce will continue to provide challenges for services that will need to plan for the retention of their knowledge and skills which would otherwise be lost. This confirms the need to continue focusing efforts on succession planning but creating entry level roles including apprenticeships and career progression routes so the Council is able to develop talent from within the organisation for the future.

### **2.4. Voluntary turnover**

Voluntary turnover has remained at a steady rate over the last 2 years, between 8% and 10% - this is considered a 'healthy' turnover rate. As part of the recruitment and retention focus, total turnover of new employees within their first 24 months of employment is also monitored to identify and address any areas of concern and as at Quarter 3 stood at 4.36%. The 2018 public sector average for turnover is 12.9%

and within the first 12 months is 10.9%. Therefore the Council is performing better than other public sector organisations for both turnover figures.

There has been a slight increase in the LCC early leaver turnover figure which suggests a need to ensure that new recruits fully understand the role they are taking on, that the recruitment process accurately represents the reality and that local induction arrangements provide the appropriate development and support for new starters.

## **2.5. Agency spend**

Services within the Council use agency workers to provide additional resources. Agency workers provide flexibility on a short-term basis, which may be to cover a role pending permanent recruitment, to cover a secondment, for peaks in demand, specialist skills or to cover absences such as paternity leave, holiday or sickness.

There are therefore circumstances where using agency workers is beneficial to the organisation as a quick way to fill short term absences or vacancies. Longer term and repeated use of agency workers can have a significant financial impact which we seek to avoid where possible.

There has been a reduction in the usage and cost of agency staffing through our agency contracts over the last 3 years when the figure reached £6 million in 2015/2016. The amount spent on agency workers in 2018-2019 under our current provider contracts was £4.48 million per annum. This reduction is partly due to the implementation of a number of effective recruitment and retention initiatives, reducing the need to cover vacancies with agency workers.

The new contracts introduced in September 2017 have also enabled the reduction of off contract agency spend so that we are better able to monitor the agency usage. The total off contract agency spend, where the corporate contracts cannot deliver the skills required, was £1.6m in 2017/18. The off contract spend for 2018-2019 is £1.25 million which is also showing a downward trend. Whilst Adult Care and Community Wellbeing have been able to reduce this spend significantly, other areas are seeing an increase due to difficulties sourcing workers for specialist roles.

In Children's Services, government funding has been used to support the SEND (Special Educational Needs and Disabilities) reforms which has required agency resources which can only be fulfilled outside of the current contracts, for example Educational Psychologists. Following the SEND reforms implementation, the ongoing permanent staffing will be reviewed and it is planned that agency usage will reduce.

Legal Services has also had a high agency spend due, in particular, to the difficulties in appointing Childcare Lawyers. There is a national shortage of experienced professionals in the field which increases the competition between employers. Legal Services is investing time in developing intern, apprenticeship and internal development opportunities and is exploring the use of attraction payments which, compared with the agency spend, provides a more cost effective

solution. A recent recruitment has led to the appointment of three new lawyers but difficulties remain at more senior grades. Further work is underway to identify new opportunities to source candidates to apply for vacancies in the future.

When services have vacancies and where they need to employ agency staff, these situations can have a negative effect on service provision and the wellbeing of employees as in many cases agency staff are not able to take on the full responsibilities of the role which puts additional pressure on other employees in the team.

Currently, the corporate reporting of vacancy figures is under review as part of the rebuild of the HR structure on Business World. Once available, this data will enable better understanding of the impact on employees when comparing vacancy and agency usage with sickness and turnover figures for example.

## **2.6. Days lost due to sickness absence**

The current days lost due to sickness absence is 7.04 days lost per FTE. This figure is based on the previous 12 months, therefore is not affected by seasonal variations seen particularly in the winter months. The data shows that reported sickness absence over the last 2 years has remained at a similar level, however has had a slight increase over the last 3 quarters. It remains lower than the 7.5 sickness days per FTE target. This target was set in 2014-15 and continues to be used.

When comparing the Quarter 3 2018 sickness days per FTE with the same quarter in 2017, the majority of Director areas have seen a slight increase in the level of absence.

Sickness absence in Adult Care and Community Wellbeing has been consistently higher than other Director areas and remains above the days lost target at 8.13. However this has been reduced significantly over the last 7 years when figures were as high as 20.05 days lost per FTE compared to the corporate figure of 12.04. The data therefore provides clear evidence of the improvements that have been made through the efforts of the managers, employees and the HR team.

Data collected by the Office for National Statistics states that in 2018, the average number of days lost per worker is 6.1 days. If we translate the LCC days lost per FTE figure to an equivalent measure to days lost per employment, our corporate figure is also 6.1 days. The Council is therefore in line with the public sector average.

The management of sickness absence continues to be a key priority for all Executive Directors and line managers and is reviewed on a quarterly basis at Director Management Team level. Any concerns are investigated and actions are put in place. Audits of the sickness absence management have also been able to provide additional support and guidance to managers particularly in areas that have experienced a peak in absence.

In 2018/2019 there have been 781 referrals to Occupational Health from Director areas including Fire and Rescue. This includes referral of employees who are not at work, to help facilitate their return, but also people who are still working to help manage their condition and to gain advice on appropriate reasonable adjustments to their role and working environment. Our rate of referrals has been stable over the last 2 years in most areas but there has been a slight increase in referrals for Mental Health reasons.

From these 781 referrals, 12% have identified work related issues. The Occupational Health provider sees an average of 18% of cases identifying work related issues across all its clients which includes both public and private sector organisations. Following advice from Occupational Health and HR advisers, managers are supported to look into the causes, undertaking a risk assessment and taking actions to reduce the impact of work to these individuals where possible.

## **2.7. Reasons for sickness absence**

Since the last report we have been tracking 4 groupings of sickness reasons:

- Cold/flu/virus (including respiratory, infections, headaches and migraines)
- Mental health (including stress, depression and mental illness)
- Musculoskeletal (including back and neck problems and other muscular issues)
- All other reasons (including surgery related, cancer and accidents)

It is clear to see the seasonal impact of short term absences in the cold, flu and virus category, however the long term absences (over 20 working days in length) which have a greater impact on the organisation are more likely to be because of mental health related issues. The number of days attributed to mental health related absences has increased from 18% of all ongoing absences in Quarter 3 2017 to 35% of all ongoing absences in Quarter 3 2018.

It is possible that recent Mental Health Awareness training and recent national media campaigns have increased understanding and reduced the stigma of mental health where employees may not have shared the true reason for similar absences in the past. It is important that further work is done to understand whether there are any organisational factors which are attributing to these absences within LCC so that appropriate actions can be taken to improve the mental health of our workforce. There are a number of initiatives planned as part of the Health and Wellbeing strategy which focus on the mental health of the workforce.

The number of days of absence counted within the 'all other reasons' category has fluctuated considerably throughout the year. As this grouping includes both surgery related and cancer related absences, these can affect people for long periods of time and therefore have a significant impact on the organisation; however in most cases these are not absences which can be attributed to organisational factors. Efforts will be taken to reduce the number of absences through general health and wellbeing initiatives.

## **2.8. The Employee Health and Wellbeing Strategy (EHWBS)**

The Strategy launched on 1 May 2019 along with the Delivery Plan.

After extensive engagement with different teams, groups, and services the Strategy has been developed between Public Health and the HR Service and is based on the Joint Health and Wellbeing Strategy for Lincolnshire, incorporating best practice from the World Health Organisation and NICE (National Institute of Clinical Excellence) and the Chartered Institute of Personnel and Development.

It focusses on 8 priorities which support a healthy workplace and employee wellbeing and promotes the principles of "self care".

1. Personal Wellbeing and Resilience – promoting good employee health
2. Work Demands
3. Change Management
4. Employee Voice
5. Positive Relationships
6. Effective Leadership
7. Career Development
8. Creativity

A 6 month report will be presented to CLT on progress of the Delivery Plan. Derek Ward as Director of Public Health is the EHWBS champion on behalf of CLT. The key governance for the delivery of the strategy will be through the Organisational Development Steering Group which includes representatives from each Director area.

## **2.9. Management of Employee Relations cases**

The number of formal disciplinary and grievance cases open during Quarter 3 is 18 and 8 respectively. There have been minor rather than significant fluctuations in the number of cases over the last 3 years.

The high risk cases are monitored by the Head of Paid Service on a monthly basis and where appropriate, challenge is made on how cases are being managed. Formal lessons learned are conducted for the majority of high risk cases to make sure that the relevant services can make any changes to practice where appropriate and that HR policies, guidance and training are updated accordingly.

N.B. High risk cases are those defined where an employee has been suspended from work for 8 weeks or more and/or there was the likelihood of dismissal, appeal or claim to an employment tribunal. Alternatively or in addition, a case may be particularly sensitive as regards reputational risk to the Council.

All settlement agreements are governed through an established sign off process involving the Strategic PM Adviser, Directors and Legal Services. We are seeing an increase in the number of tribunal claims as a result of the recent changes to

legislation, where fees are no longer payable by the complainant when cases are lodged.

Managers are required to be trained on the Council's employee relations policies and processes but are supported with complex cases by the HR Advisory team.

### **3. Employee Survey Update**

Key areas of corporate focus identified from the survey were:

- IMT
- Property
- Insights into the cause of lower participation rates in some areas and actions to improve this.
- The drivers for 23% of participants not feeling they have opportunities to develop both personally and professionally and actions to improve this.
- Actions to improve levels of awareness of:
  - Performance & Appraisal System
  - Employee Benefits
  - Work of other Director areas

#### **3.1. IMT**

- New computers

Since the previous report there has been a corporate rollout of approximately 1400 replacement Notebooks and PCs across the field based social care functions and many of those devices have been “SIM” enabled, meaning they have a mobile data connection in the same way a phone can.

The smaller size and weight, improved display and performance and the ease of connectivity have all been cited as game changing for those staff with a high percentage of satisfaction being expressed. The Council has also now approved the continuation of this roll out of new devices to the rest of Council staff during 2019, though data connections will only be available to genuine field workers to constrain cost.

These new devices when combined with the adoption of the Office 365 software being deployed during 2019 present a significant improvement to the user experience and bring us into line with a modern corporate solution.

- Support service

The support service being provided by our Service Partner has improved markedly with fewer abandoned calls since the support function has been moved to the local Lincoln account for the majority of calls.

- Upgrade of network infrastructure

The main Lincoln “Campus” is undergoing a significant upgrade of its wired and wireless network infrastructure and the associated onward connections to the internet which is due to be completed by Autumn 2019 and will deliver significant performance benefits across the Council.

- Mobile phone improvements

The remaining Blackberry and Windows Mobile phones are being replaced this year and the migration to a totally new device management platform is in pilot and that combination is delivering a very improved user experience and greater convenience.

The measures above being delivered during 2019 are expected to alleviate the staff dissatisfaction with the basic IMT solution.

### **3.2. Property**

- Toilet and refreshment areas

There has been a review of all toilets and refreshment areas on site and any off-site specifically named in the survey and a top 10 hit list has been identified based on quality of facility and traffic to prioritise work done and to ensure improvements provide the maximum impact to staff. Property aim to add the remaining facilities which still require improvements, to the work plan, in the coming months.

- Cycle storage

Property has received a feasibility report to convert the ground floor of 51 Newland into space to support cycle provision – the initial drawings include showers, lockers and drying cabinets. They have requested this is progressed through to the design stage and will be consulting with the cycle community (through travel plan colleagues) to gain their feedback.

Extra cycle storage is also being investigated on site, not only to replace those lost with the demolition of the garages but also to create extra space in a variety of locations.

- Communication

Property is looking at their intranet pages to make them informative from a property perspective so people know who they should contact in different circumstances. They will also set clear expectations in terms of office moves and development work to ensure transparency.

- Work spaces

From a slightly more experimental point of view property has engaged with space experts and furniture specialists to understand how they can make working

environments more efficient and flexible. They will be trying out some new ideas with colleagues in the next few months.

### **3.3 Performance appraisal and development system**

The new performance appraisal and development system is now out of its pilot year and fully launched across the whole organisation raising awareness levels to ensure all employees have a development plan in place.

The summary report of the 2018/19 appraisal reviews showed an 82% completion rate which suggests a significant improvement to the awareness of the process and recording across the organisation.

There will be a further evaluation of the process with managers and the learning from the first year will be incorporated into further guidance for managers. There will then be the opportunity to do more evaluation of the quality of appraisals later in the year.

### **3.4 Employee Benefits**

The online Perkbox Employee Benefits project has now completed its pilot year having achieved 3,500 employees signing up and £44.5K of savings having been achieved for employees. The savings per employee range from £30 for a free coffee per month through to over £500 where a variety of savings have been accessed. This is the best participation we have ever had for any initiative.

In April 2018 we began the procurement for longer term provision which will see all our other Employee Benefit information, held in one place on the online system which will raise awareness of our complete benefits offer.

Free Flu vaccinations were offered to all employees in autumn 2018 as part of a new initiative with the Co Op, and Boots pharmacies.

## **4. Conclusion**

The regular review and monitoring of HR Management data at both DMT level and by CLT is enabling effective oversight of workforce and HR performance at both a local level and for the organisation. This is enabling CLT and Directors to identify priorities and solutions required to address current and future workforce challenges, at both local and corporate levels, in particular to attract, recruit and retain skills in high risk areas. It is planned that the next report to the Board will be provided in the Autumn 2019.

## **5. Consultation**

### **a) Have Risks and Impact Analysis been carried out?**

No

### **b) Risks and Impact Analysis**

Not applicable



## 6. Appendices

These are listed below and attached at the back of the report	
Appendix A	Corporate Workforce Management Information illustrations Corporate Workforce Dashboard – Quarter 3 2018

## 7. Background Papers

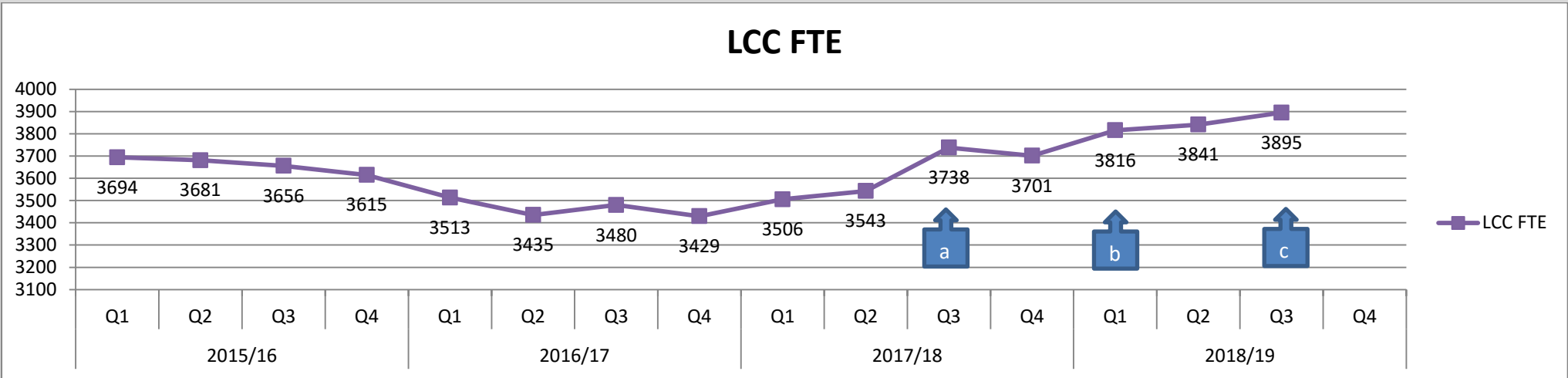
No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Shevill, who can be contacted on 01522 550422 or [lucyk.shevill@lincolnshire.gov.uk](mailto:lucyk.shevill@lincolnshire.gov.uk).

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LCC Corporate HRMI Data summary  
Q3 2018/2019  
LCC Corporate Establishment and Turnover

Establishment Data																
	2015/16				2016/17				2017/18				2018/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Employments (all posts)	4342	4315	4261	4205	4054	3965	3995	3940	4000	4042	4272	4225	4346	4361	4412	
Permanent	3900	3913	3923	3964	3794	3719	3725	3731	3793	3815	4014	3968	4096	4112	4156	
Temp / Fixed Term	442	402	338	302	260	246	270	209	207	227	258	257	250	249	256	
LCC FTE	3694	3681	3656	3615	3513	3435	3480	3429	3506	3543	3738	3701	3816	3841	3895	
Agency Workers (On-contract)	195	167	144	137	119	115	133	136	122	107	121	104	107	125	104	
Agency (On-contract) usage rate	4%	4%	3%	3%	3%	3%	3%	3%	3.0%	2.6%	2.8%	2.4%	2.4%	2.8%	2.3%	



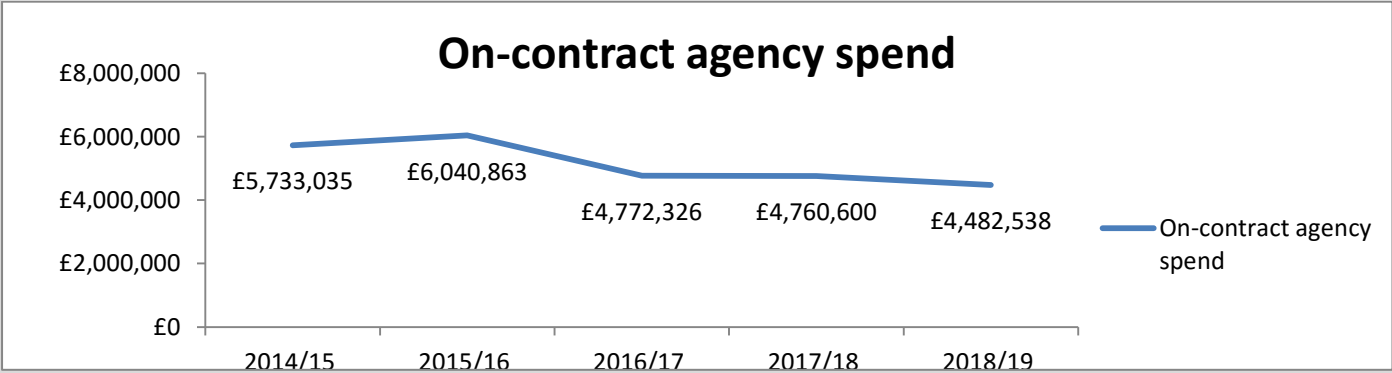
Narrative

Gradual increase of FTE since 2016 including insourcing, recruitment to hard to fill vacancies with more permanent positions and fewer agency workers, fixed term and temporary positions.

Permanent positions are more attractive to new recruits and help to provide a more stable workforce to support services.

a. Insourcing of 211 Health visitors and Children& Young People nurses to Children's services  
b. Data reporting improvements  
c. Recruitment to vacancies particularly for Children's social workers, health visitors and student health visitors

On-contract Agency spend

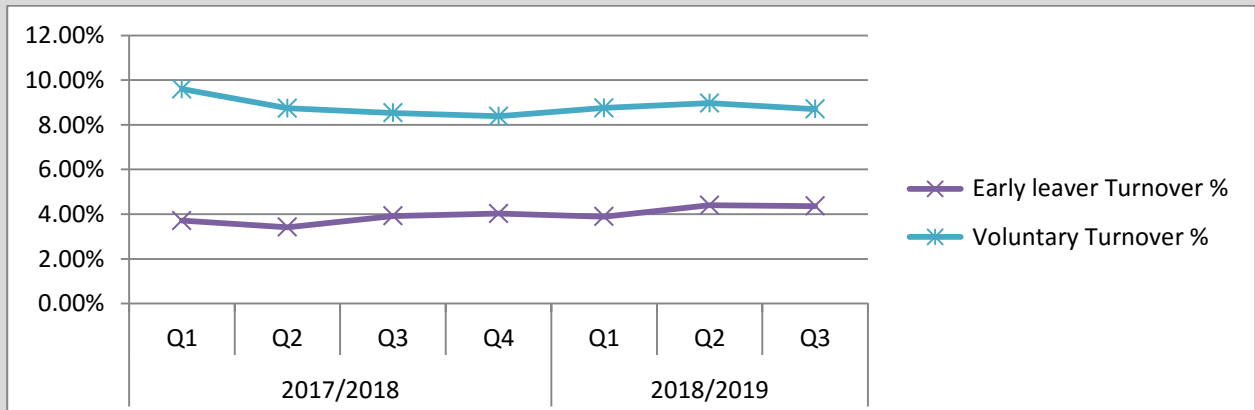


This reflects decreasing agency spend to reduce cost to the organisation, to improve stability for services and employed workers.

This has been enabled by investment in recruitment campaigns for hard to recruit posts particularly in Children's Services and ensuring that ongoing agency use is replaced by contracts of employment where possible.

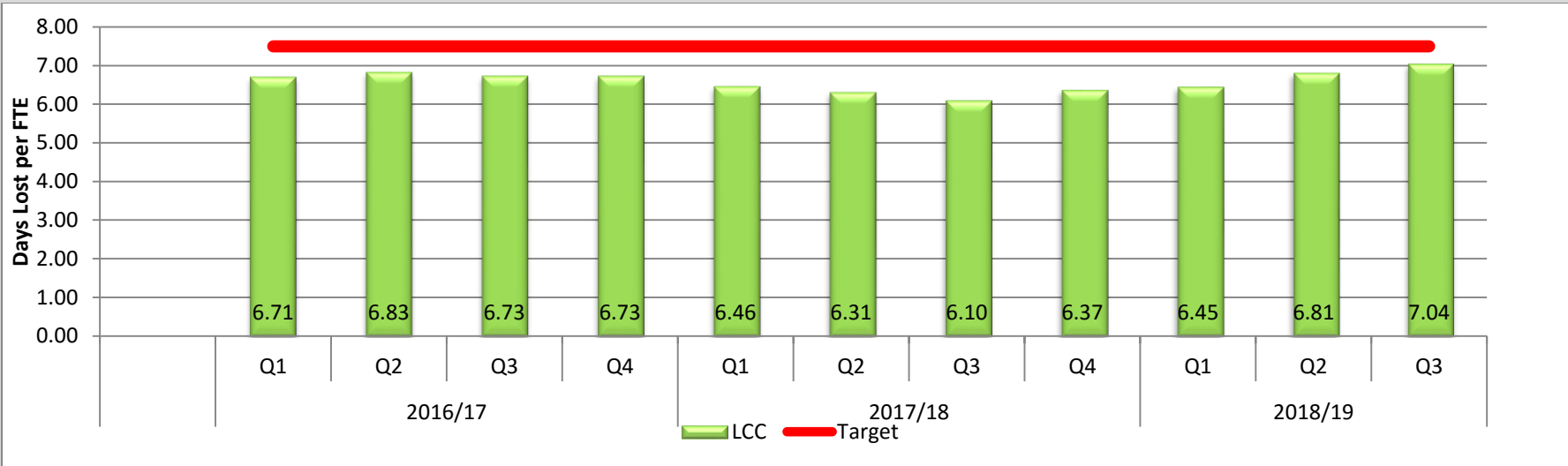
Turnover has remained stable and compares well nationally at a 'healthy' rate. Early leaver turnover has increased slightly suggesting additional efforts required to ensure positive local induction and support of new recruits.

Period	2017/2018				2018/2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Involuntary leavers	26	30	15	24	12	38	22	
Voluntary leavers	86	100	88	92	97	111	73	
Total leavers	112	130	103	116	109	149	95	
Early leaver Turnover %	3.71%	3.42%	3.92%	4.03%	3.89%	4.40%	4.36%	
Voluntary Turnover %	9.60%	8.74%	8.53%	8.38%	8.75%	8.97%	8.70%	



LCC Corporate Sickness Absence

Trend against days lost per FTE target per quarter							
Org Unit	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Adult Care and Community Wellbeing	9.36	9.07	8.29	7.52	7.54	7.85	8.13
Children's Services	7.38	7.12	6.64	7.06	7.23	7.69	8.11
Environment & Economy	3.93	3.70	4.16	4.79	5.14	5.56	5.56
Finance & Public Protection (Excl. LFR)	5.87	5.78	5.83	6.09	6.05	6.14	6.31
Commercial	2.38	2.35	1.94	2.49	2.69	2.46	2.46
LFR (Uniformed)	5.95	6.17	5.72	6.53	5.58	6.35	6.33
Totals:	6.46	6.31	6.10	6.37	6.45	6.81	7.04
Finance & Public Protection (Inc. LFR)	5.89	5.86	5.81	6.18	5.96	6.19	6.31



Narrative:

**Days lost to sickness absence**  
Days lost to Sickness absence is below the 7.5 days target corporately. This compares well with the average public sector figures.

Increases can be seen across most director areas over the last 3 quarters (the data is a rolling year figure so is not affected by seasonal variations).

Adult care and Community Wellbeing absence is however lower than their figure a year ago and has shown significant reductions in absence over the last 5 years. Front line services particularly those providing adult care, typically show a higher level of absence than other areas.

**Sickness reasons**  
The reasons for sickness absence are recorded against 29 separate reasons which are grouped into:

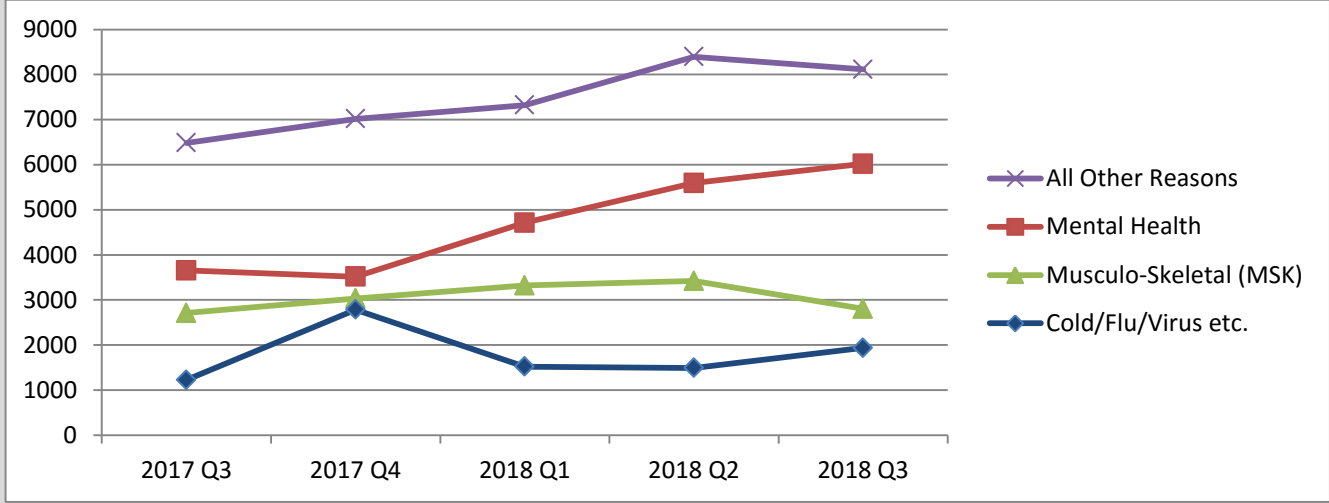
- Mental Health
- Musculo-skeletal
- Cold/flu/Virus
- All other reasons (incl surgery related and accidents)

The number of days lost shows the impact that the absences have on the organisation and although absences for cold and flu are common, peaking in Q4, the absences having a greater impact are increasingly due to mental health related reasons. Awareness of and openness about mental health issues is increasing nationally and within the organisation through training and communication.

The 'all other reasons' group is also high with a third of these days lost being due to surgery related absence. The new health and wellbeing strategy will seek to improve both the physical and mental health of the workforce.

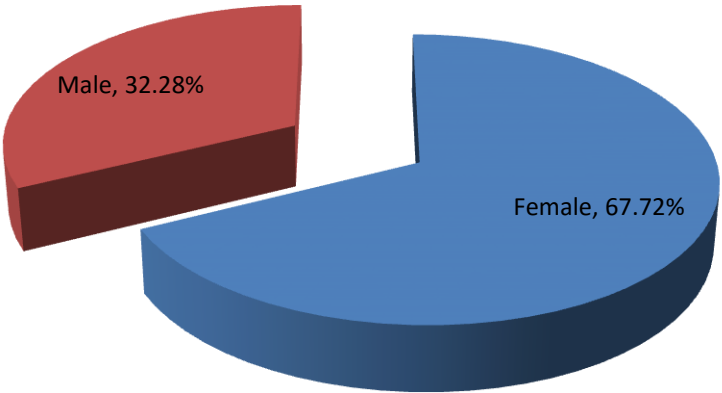
Sickness reasons - counted in days lost due to current absences within the quarter.

reason group	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2017 Q3 days - 2018 Q3 days	% increase	2017 Q3 % of total	2018 Q3 % of total
All Other Reasons	6486	7018	7322	8394	8115	1629	25%	46%	43%
Cold/Flu/Virus etc.	1225	2786	1523	1492	1938	713	58%	9%	10%
Mental Health	3656	3515	4712	5593	6019	2363	65%	26%	32%
Musculo-Skeletal (MSK)	2712	3035	3321	3421	2803	91	3%	19%	15%
	14079	16354	16878	18900	18875	4796	34%		



Workforce data

Gender profile



Gender profile and pay

The gender profile of the organisation is typical for public sector organisations.

The median gender pay gap is 2.1% considerably below the public sector level of 14.2%.

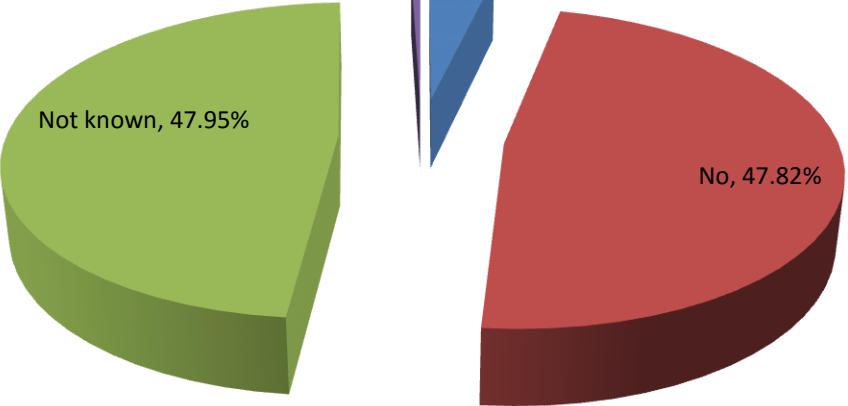
Disability status

The proportion of staff declaring that they have a disability has increased from 2.31% in 2017 to 3.28% in 2018 to the current figure of 3.71%. This remains below the local labour market figure.

781 health cases have been referred to the Occupational health provider in the last year to gain information to support the employment of individuals suffering with medical conditions.

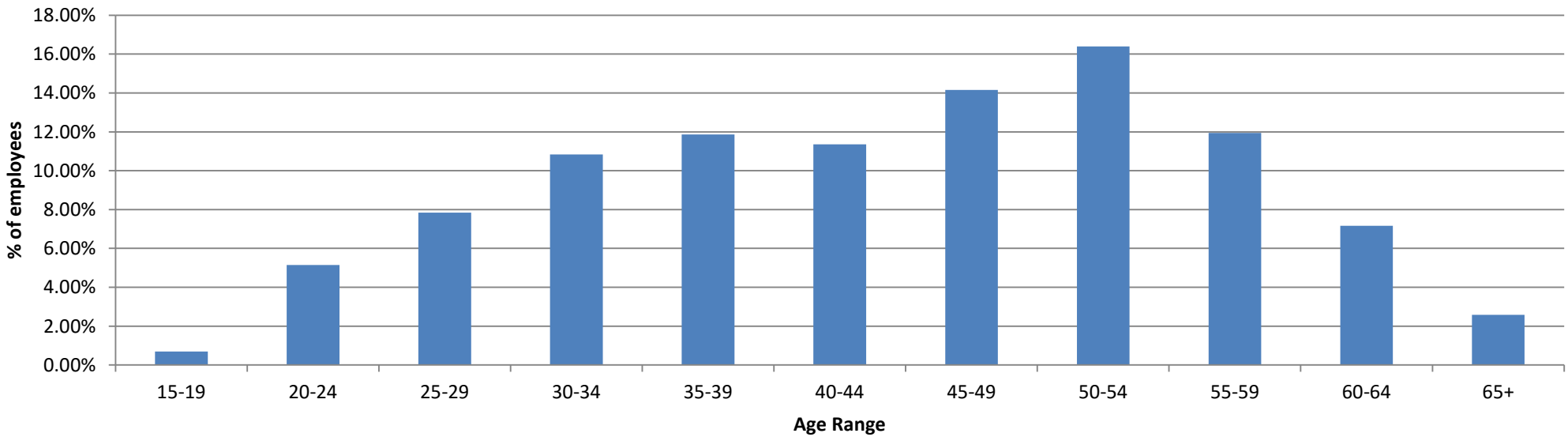
Prefer not to Disclose, 0.52%

yes, 3.71%



Disability status

Age Range Profile



Age Profile

The age profile of the organisation shows a large number of experienced employees heading to an age where there is an increased risk of losing their skills and expertise through retirement.

The attraction and retention of younger employees will provide the organisation with greater resilience for the future.

Continued development of apprenticeships and career progression routes will not only support the hard to recruit areas but assist the organisation in developing and retaining skills internally so we avoid a skills shortage in the future.

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**Open Report on behalf of Debbie Barnes OBE, Head of Paid Service**

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>27 June 2019</b>
Subject:	<b>Performance Reporting against the Council Business Plan - Quarter 4</b>

**Summary:**

This report invites the Overview and Scrutiny Management Board (OSMB) to consider a report on the 2018/2019 Council Business Plan Quarter 4 performance, which will be presented to the Executive on 9 July 2019. The views of the Board will be reported to the Executive as part of its consideration of this item.

This report also presents the Council Business Plan performance indicators that fall within the remit of the Board.

**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.
- 3) Comment on the Council Business Plan performance indicators that fall within the remit of the Board.

## **1. Background**

The Executive is due to consider a report on the 2018/2019 Council Business Plan Quarter 4 (Q4) at its meeting on 9 July 2019. The full report to the Executive is attached at Appendix 1 to this report.

There are a number of measures that fall within the remit of this Board that can be reported in Q4 within the [How we effectively target our resources](#) (Combination of 3 commissioning strategies). These are set out at Appendix 2 to this report. All of those measures where it is appropriate to compare with a target achieved the target in Q4 with the exception of the [Public Services Network \(PSN\) Connection compliance](#) (M99). [Growth in apprenticeships and the knock on effect of the employment of young people](#) is reported for the first time this year (M106).

When considering this report, OSMB may wish to pay particular attention to updates from the Chairman of each scrutiny committee on any points they wish to bring to the attention of OSMB including the following:-

- Plans to amend targets in light of the 2018/2019 out turns;
- The partnership working taking place to improve the outcome for measures which are outside of the responsibility of the County Council e.g. Community Safety.

## **2. Conclusion**

Following consideration of the attached report to the Executive, 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**

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.

## **4. Appendices**

These are listed below and attached at the back of the report	
Appendix 1	Report on 2018/19 Council Business Plan Quarter 4 to be presented to the Executive at its meeting on 9 July 2019
Appendix 2	OSMB Council Business Plan Measures

## **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](mailto:jasmine.sodhi@lincolnshire.gov.uk).



**Open Report on behalf of Debbie Barnes OBE, Head of Paid Service**

Report to:	<b>Executive</b>
Date:	<b>09 July 2019</b>
Subject:	<b>Performance Reporting against the Council Business Plan - Quarter 4</b>
Decision Reference:	<b>I016869</b>
Key decision?	<b>No</b>

**Summary:**

This report presents an overview of performance for Q4 against the Council Business Plan. The Executive can view performance on the web using this [link](#).

**Recommendation(s):**

That Executive:-

1. Notes and considers the 2018/2019 Quarter 4 performance.
2. Approves the proposed change to reporting as set out in 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 as recommended in this report and instead to continue to report against the measures as published in the Council Business Plan 2018/2019. However, without the recommended change, these measures are not considered to assist the Executive in obtaining an accurate picture of the organisation's performance.

**Reasons for Recommendation:**

To provide the Executive with information about Quarter 4 performance against the Council Business Plan 2018/2019 and propose changes to reporting to assist the Executive in monitoring that performance in future.

## 1. Background

The Council Business Plan 2018/2019 was approved by Council on 23 February 2018. This report provides the Executive with highlights of Quarter 4 (Q4) performance. The full range of performance is hosted on the Lincolnshire Research Observatory (LRO) available to view on this [link](#).

### Headlines Quarter 4 performance

All of the commissioning strategies are reported in Q4 and there has been some movement in headline performance since Q3.

Of the 16 commissioning strategies: 4 performed really well (all measures reported in Q4 achieved the target), compared with 8 in Q3; 7 performed well (all but 1 measure reported in Q4 achieved the target), compared with 2 in Q3; 5 had mixed performance (some measures achieved and some measures did not achieve the target in Q4), compared with 4 in Q3.

### The good news

The following 4 commissioning strategies have performed really well (all measures reported in Q4 achieved the target).

- [Carers](#)
- [Children are safe and healthy](#)
- [Learn and achieve](#) reported for the first time in Q4 this year
- [Specialist adult services](#)

There are several areas where performance exceeded the target throughout 2018/2019:-

- [236 high risk premises inspected by Trading Standards](#) (M3) in 2018/2019 (Target 221)
- [10,153 reported incidents of domestic abuse](#) (M7) in 2018/2019 (Target 9,716)
- [42.7 looked after children per 10,000](#) (M23) as at Q4 (Target 48)
- [303 children who are subject to a child protection plan](#) (M24) as at Q4 (Target 340)
- [362 days is the average time taken to move a child from care to an adoptive family](#) (M25) in Q4 (Target 400 days)
- [138 days is the average time taken to match a child to an adoptive family](#) (M26) in Q4 (Target 175)
- [62.7% of people aged 40 to 74 offered and received an NHS health check](#) (M33) in Q3 (Target 55%)
- [857 new voluntary and community groups actively supported in Lincolnshire](#) (M39) in 2018/2019 (Target 800)
- [1,005 permanent admissions to residential and nursing care homes aged 65+](#) (M60) in 2018/2019 (Target 1,150)
- [97.4% achievement of KPIs - VINCI Facilities Partnership Limited contract](#) (M 101) (Target 75%)

- [2,509 people supported who have accessed volunteer opportunities](#) (M105) (Target 1,400)

The following 7 commissioning strategies performed well (all but 1 measure reported in Q4 achieved the target).

- [How we effectively target our resources](#) (Combination of 3 commissioning strategies) performed very well in Q3. [Public Service Network](#) (M99) is non-compliant and is reported for the first time in Q4 this year.
- [Readiness for Adult Life](#) (performed very well in Q3). [Achievement gap between pupils eligible for Free School Meals \(FSM\) and their non-FSM eligible peers nationally at KS4](#) (M42) did not achieve the target and is reported for the first time in Q4 this year.
- [Safeguarding adults](#)
- [Sustaining and developing prosperity through infrastructure](#) reported for the first time in Q4 this year.
- [Sustaining and growing business and the economy](#) (performed very well in Q3). [Qualifications achieved by adults](#) (M70) did not meet the target in Q4 this year.

### **Mixed performance**

The following 5 commissioning strategies had mixed performance (some measures achieved and some measures did not achieve the target).

- [Adult Frailty, long term conditions](#) (performed well in Q3). [Completed episodes of reablement](#) (M124) has not achieved the target in Q4 (target was achieved in Q3).
- [Community resilience and assets](#)
- [Protecting and sustaining the environment](#)
- [Protecting the public](#) 3 measures did not achieve the target: [Unsafe and counterfeit goods removed from the market](#) (M2), [Adults Reoffending](#) (M14) (neither achieved the target throughout the year) and [Deliberate secondary fires](#) (M22) (achieved the target in Q3).
- [Wellbeing](#)

### **The following commissioning strategy did not achieve the targets**

The [Readiness for school](#) commissioning strategy is reported for the first time in 2018/2019 and neither measure achieved the target:

- [Achievement at a good level of development in the Early Years Foundation Stage](#) (M47), performance has dipped slightly from 70% (academic year September 2016 – July 2017) reported in 2017/2018 to 69% (academic year September 2017 – July 2018) reported in 2018/2019. The lowest outcomes were in Literacy. Two key projects will support academies and maintained schools who have dips in Literacy goals to undertake specific work to focus on literacy as a priority. Early Years Child Care (EYCC) will work on early communication and language to support the development of speech and language into Literacy readiness.

- [Achievement gap between pupils eligible for Free School Meals \(FSM\) and their non-FSM Eligible peers nationally achieving Good Level of Development](#) (M48) Early Years Child Care (EYCC) have been proactively collaborating with schools, localities and Early Years providers to share good practice and identify themes and interventions that could contribute to narrowing the gap. Lincolnshire has been invited to participate in the professional development fund, which has an emphasis on communication, language and narrowing the word gap for our EYPP children. This project will be focused on working with providers in areas of highest deprivation, contributing to the social mobility agenda beginning in September 2019. EYCC is piloting a programme with Family Learning focussing on developing language through play with a focus on children and families eligible for Early Years Pupil Premium (EYPP).

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

### **Proposed changes to reporting performance against the Council Business Plan 2018/19**

The relevant Executive Councillor has been consulted and recommends that the Safeguarding enquiries where the 'source of risk' is a service provider (M114) is removed from the Council Business Plan and is replaced with [Adult safeguarding concerns that lead a safeguarding enquiry](#) (M130). The rationale for this is that the Safeguarding Service want to encourage providers, partners and professionals to submit concerns to the Council only where appropriate, and to ensure these concerns have already been managed and considered within the remit of their organisations and only escalated to the Council as necessary. The Safeguarding Service would therefore expect a higher proportion of concerns progressing to an enquiry, with a corresponding reduction in concerns that do not warrant a full enquiry.

The title of the measure 'Achievement gap between disadvantaged pupils and their peers at Key Stage 4' (M42) has been amended to ['Achievement gap between pupils eligible for Free School Meals and their non-Free School Meals eligible peers nationally at KS4'](#) as this better describes what is being reported against this measure - Disadvantaged pupils that achieve at least 5+ grade 5-9 GCSEs including English and Maths compared to all the other pupils. Disadvantaged pupils are defined as Looked After Children and children eligible for free school meals.

The title of the measure 'Achievement gap between disadvantaged pupils and their peers at Foundation Stage' (M48) has been amended to ['Achievement gap between pupils eligible for Free School Meals and their non-Free School Meals eligible peers nationally achieving Good Level of Development'](#) as this better describes what is being reported against this measure which is the percentage gap in good level of development at foundation stage.

## 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 in 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 in 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 in 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 2018/2019 and proposed changes to reporting to assist the Executive in monitoring that performance in future. The 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) considered this report at its meeting on 27 June 2019 and the comments of OSMB will be reported to the Executive.

### 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. Appendices

These are listed below and attached at the back of the report	
Appendix A	Summary of those measures where the target was not achieved in Quarter 4

## 8. Background Papers

Q1, Q2 and Q3 Executive Reports can be accessed via Democratic Services.

Document Title	Where document can be accessed
Executive Report 4 September 2018 Council Business Plan 2018 - 2019 Performance Report, Quarter One	via Democratic Services.  <a href="http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=4971&amp;Ver=4">http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=4971&amp;Ver=4</a>
Executive Report 18 December 2018 Council Business Plan 2018 - 2019 Performance Report, Quarter Two	via Democratic Services.  <a href="http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=4975&amp;Ver=4">http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=4975&amp;Ver=4</a>
Executive Report 5 March	via Democratic Services.

2019 Council Business Plan 2018/2019 Performance Report, Quarter Three	<a href="http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=5280&amp;Ver=4">http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=5280&amp;Ver=4</a>
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### Summary of those measures where the target was not achieved in Quarter 4

**The following 5 commissioning strategies had mixed performance** (some measures achieved and some measures did not achieve the target).

1. [Adult Frailty, long term conditions](#)

[Adults who receive a direct payment](#) (M63)

Performance for this measure has remained quite static during the year which has meant that the ambitious target of 40% has not been achieved; the Q4 outturn is 32.7%. For clients aged 65 in particular, Lincolnshire still remains well above the national average, which was 18% last year, indeed current performance suggests Lincolnshire would be in the upper quartile. Direct payments are promoted by fieldworkers for people taking a community package and this can be via a prepayment card, paid straight into their bank account or managed by our Direct Payment Support Service provider, Penderel's Trust. The target in the Council Business Plan 2019/2020 is 40%.

[Completed episodes of reablement](#) (M124)

Q4 performance is 88.3% compared with the target of 95% but encouragingly shows a slight increase from 87% in 2017/18. Q3 performance of 91% was within the target range of 90% - 100%. Allied Healthcare went into administration during the year, which caused an unanticipated disruption, whilst a replacement provider was urgently found. Consequently, there was reduced capacity in the service and recording was disrupted. Whilst the volume of people accessing reablement dipped, the quality of service appears to have been unaffected with a similar proportion of people being diverted away from long term support compared to last year. Also, in Quarter 4 this measure was exclusively reported from Mosaic, whereas in the past there has been a reliance on the provider for data extracts which were difficult to match to LCC records. The reporting is therefore much more efficient from a single source, and is likely to be more robust. The annual target for this measure in the Council Business Plan 2019/2020 remains at 95%.

2. [Community resilience and assets commissioning strategy](#) the following 2 measures have not achieved the target in Q4. Both did not achieve the target in Q1, Q2 and Q3.

[Contact with the heritage service](#) (M35)

An actual of 4,012,720 contacts were achieved for 2018/2019 overall, compared with a target of 4,800,000. Whilst the annual cumulative target was not achieved, the service performed well in Q4 (1,176,311 contacts), decreasing the performance gap from the previous quarter (728,235 contacts). This was due to an increase in web activity and site visits to The Collection for Museum of the Moon. As reported in Q1, Q2 and Q3 technical difficulties with Lincs to the Past website have resulted in a decrease in activity through the website. The annual target for this measure in the Council Business Plan 2019/2020 is 3,600,000 contacts and reflects a picture of nationally declining numbers and IT difficulties.

#### Visits to core libraries and mobile library services (M36)

An actual of 1,438,699 visits were achieved for 2018/2019 overall, compared with a target of 1,665,479. In Q4 there were 348,277 visits, 70,045 visits below the Q4 target of 418,322 (Jan -14,736; Feb -34,839; March -20,470). As reported in Q1, Q2, and Q3, the low number of visits is attributed to not being able to keep pace with the changing IT requirements and expectations of our customers. It also needs to be recognised that this is against a national picture of declining library visits as well as there being more options for our customers within their local communities from the independent Community Hub provision (these visits are not counted in this figure).

3. Protecting the public commissioning strategy – the following 2 measures have not achieved the target in Q4. Neither met the target in Q1, Q2, and Q3.

#### Unsafe and counterfeit goods removed from the market (M2)

An actual of 8,015 counterfeit and unsafe goods were removed from the market for 2018/2019 overall, compared with a target of 31,000. 5,043 of these were counterfeit, 2,972 were unsafe. The annual target has not been achieved, largely due to far fewer counterfeit goods seized as we are working with premises to bring them into compliance to ensure goods are not made available for sale in the first instance. Historically we have seized large numbers of counterfeit items from markets, particularly those operating around the coast. We have worked with the operators, the national markets group and brand holders over the past few years and this has resulted in a significant drop in the level of counterfeit items being sold at these locations. Similarly we have worked with stallholders to make them aware of basic safety checks which have resulted in a drop in the number of unsafe items on sale. The measure has been amended in the Council Business Plan 2019/2020, to 'Unsafe goods removed from the market' with an annual target of 3,000 products to reflect this change.

#### Adults Reoffending (M14)

This measure is reported with a one quarter lag, Q3 is the latest performance. Between April 2017 and December 2017 there were 4,467 adult offenders (the cohort). In the 12 months following identification (between April 2017 to December 2018), of those 4,467 adult offenders, 1,356 re-offended resulting in the 30.4% adult re-offending rate, against a target of 27.6%. On average, each reoffender committed 3.9 additional crimes within twelve months of their index offence. The most prolific offenders continue to be adopted by the ARC (Assisting Rehabilitation through Collaboration) scheme. This measure has not achieved the target throughout 2018/2019. The annual target for this measure in the Council Business Plan 2019/2020 is 29.8%.

#### Deliberate secondary fires (M22)

Although the annual target has not been achieved, numbers were either within the tolerance range or better than target for the first three quarters of 2018/2019. When compared to 2017/2018 there is an increase of only 1 incident. It is also worth noting that the 2018/2019 target is only 1 incident outside of our tolerance range. Deliberate fires involving refuse/refuse containers continue to account for the majority of these incidents (148 of the 256 – 58%) so it is pleasing to see that, as previously reported earlier in the year, there has been a reduction in these compared to last year (down from 175 – 15% reduction). There has been a small increase in deliberate fires involving grassland (up from 45 last year to 58) and in derelict buildings, which

although remain relatively small in number have almost doubled (up from 18 to 30 – 67% increase).

#### 4. [Wellbeing commissioning strategy](#)

##### [Percentage of alcohol users left specialist treatment successfully](#) (M31)

This measure is reported with a one quarter lag and so the latest performance is for Q3. Performance for this report period is 32.4%, slightly below the previous quarter and 7.6 percentage points below the 40% target. Work is currently being undertaken to compare Lincolnshire's performance against our main comparator areas with regard to contract size, number of clients and key outcomes. Current re-presentation rates to the service are very low at 4.2% compared with our main comparator areas average of 7.6%. Re-presentations are a good way to judge if people are leaving services and staying problem free in the long term, but to ensure these outcomes remain high it is paramount clients leave treatment when ready to do so and not before. The provider continues to seek new and innovative ways to provide the service to maintain the good re-presentation rates and improve the successful completions, but with high caseloads and limited resources this is difficult. The annual target for this measure in the Council Business Plan 2019/2020 remains at 40%.

##### [People successfully supported to quit smoking](#) (M111)

This measure is reported with a one quarter lag, therefore Q3 performance is the latest available data for this measure. Although the provider only reached 65% of the Q3 target (521 of 800 people) there has been some improvement in the types of smokers supported. The number of pregnant women supported by the service has increased due to changes in staffing and improved partnership working, with more sessions facilitated within antenatal clinics and in children's centres. There is more work to be done but the new Integrated Lifestyles Service will build on this when it takes over in July 2019. The service continues to target the most hardened smokers that need more support to help them to quit and to stay smoke free. The average Lincolnshire quit rate (at 4 weeks) for April to December 2018 was 48.5% (Source: NHS Digital), compared to a national (England) figure of 51.5%. The annual target for this measure in the Council Business Plan 2019/2020 remains at 3,200.

##### [Chlamydia Diagnosis](#) (M34)

The data is published nationally 6 months in arrears so reflects performance in the second quarter of 2018. The performance in this quarter did not meet the target of 2,045. As reported in the last performance report this was expected due to changes in the provider's delivery model. The Sexual Health Services (LISH) have an action plan in place to improve their performance which includes partnership work and collaboration, including midwifery services, Addaction and school immunisation services and the situation is being continually monitored. Online self-testing remains very popular and has the highest positivity rate, indicating this service is well targeted. Lincolnshire is ranked 5<sup>th</sup> out of 9 Local Authorities in the East Midlands Region. There is only one Local Authority in our Cipfa comparator group (Lancashire) that is meeting the national target of 2,300. Positive test results remain high at 10.4% (target 8%) suggesting the services remain well targeted. The Public Health England (PHE) Regional Advisor for Sexual Health has advised that the positivity rate should be the main quality indicator. Relationships with sub-contracted General Practitioners and Pharmacies have developed to improve and promote the

chlamydia testing programme and are on-going. The annual target for this measure in the Council Business Plan 2019/2020 remains at 2,045.

5. [Protecting and sustaining the environment commissioning strategy](#)

[Recycling at County Council owned Household Waste Recycling Centres \(HWRC\)](#) (M76) The overall total for 2018/2019 is 74%, against a target of 75%. Although this is an improvement on the Q3 forecast of 72.4% it is slightly below the Q3 outturn of 74.1%. This is due to more recyclable materials and garden waste being presented at sites. Due to international market factors and operational requirements the processing of some materials have moved down the waste hierarchy from recycling to recovery. The target in the Council Business Plan 2019/2020 is 74% and through the new Joint Municipal Waste Management Strategy we will be seeking to review our HWRC service in order to overcome the challenges facing us and gradually return to our previous level of performance (75%).

[Household waste recycled](#) (M78)

An actual of 43.9% was achieved in Q4 against a target of 55%. The tonnage is down by approximately 14,000 tonnes compared to 2016/2017; much of that difference (approximately 7,000 tonnes) came in Q4, which is why the service had not previously forecast such a low overall tonnage. This is largely due to an increase in reported levels of contamination of the mixed dry recycling compared to 2016/2017, and that the green waste composted has reduced due to adverse weather conditions in February and March. All Waste Collection Authorities (WCA's) now charge for green waste collections and this may also reduce the total green waste collected. The target in the Council Business Plan 2019/2020 is 48.5% in line with our draft Joint Municipal Waste Management Strategy objective "*To contribute to the UK recycling target of 50% by 2020*", the target reflects steady progress towards 50%.

**The following 7 commissioning strategies performed well** (all but 1 measure reported in Q3 achieved the target):-

1. [How we effectively target our resources](#) (Combination of 3 commissioning strategies) performed very well in Q3

[Public Service Network \(PSN\) connection compliance](#) (M99) is reported for the first time in 2018/2019 in Q4 and is non-compliant. Achieving PSN compliance remains a key objective. Progress continues to be made on the required remedial work with some very positive changes implemented that not only benefit the PSN submission but also the wider ICT environment. However, despite this there remains significant work to get the Council to a position whereby a submission would be deemed appropriate. This work remains complex in nature and therefore an accurate target date for resubmission is not currently available. This priority work will continue initially focussing on planned technical solutions and upgrades, however there will also be a number of systems and applications within service areas that, due to their age, will be impossible to make compliant. Therefore discussions with service areas will take place to identify these systems and applications and evaluate the impact of switching them off or, if business critical, upgrading them or using alternatives. The technical elements of this work should be completed during Q3 of 2019/2020 and the

service applications should be completed during Q4 2019/2020, which will enable us to complete the PSN submission by the end of Q4 2019/2020.

2. [Readiness for Adult Life](#) (performed very well in Q3)

[Achievement gap between pupils eligible for Free School Meals \(FSM\) and their non-FSM eligible peers nationally at KS4](#) (M42) is reported for the first time in 2018/2019 in Q4.

The Actual is 29.6% against a target of 26%. Schools have fed back that the transition to new assessment measures and exam specifications introduced by the Department for Education complicates year-on-year comparison of the achievement gap due to the non-comparable nature of 'grade A\*-G' and 'grade 9 to 1' introduced in July 2016. When analysing the Free School Meals (FSM) data set, it is clear that the gap in the percentage of pupils achieving a grade 5 or more in English and Maths between pupils eligible for Free School Meals in Lincolnshire and their non-Free School Meal peers nationally has widened slightly (by 0.6%) between 2017 and 2018, as other pupils nationally improve marginally but Lincolnshire FSM pupils' outcomes remain steady. The Lincolnshire/national gap is wider than the East Midlands/national gap. We are roughly in line with our statistical neighbours for the Free School Meals cohort. This measure is the final data for the academic year September 2017 - August 2018. The target in the Council Business Plan 2019/2020 is 27%.

3. [Safeguarding adults commissioning strategy](#)

[Adult safeguarding concerns that lead to a safeguarding enquiry](#) (M130) is a new measure for the Council Business Plan replacing Percentage of completed safeguarding referrals where source of risk was a service provider (M114).

The target of 50% was based on the limited data available for the first 9 months of 2018/2019 and it was therefore agreed that this would need to be kept under review. The inclusion of the most recently available data has provided an outturn figure of 43% at year end. As this is the first year of reporting, 43% will be the baseline. The aim is to achieve a 2% increase per quarter in order to reach the target of 50% by March 2020. Work is currently being undertaken with Providers and the Lincolnshire Safeguarding Adults Board (LSAB) which should positively impact on the referrals received.

4. [Sustaining and developing prosperity through infrastructure](#) commissioning strategy reported for the first time in Q4.

[Public satisfaction with Highways and Transport Services](#) (M108) Performance is 48% compared with the target of 52%, which was based on scores achieved in previous years (with a desire for continuing improvement). The likely factors for the dip in overall satisfaction are the increase in potholes caused by the severe winter of 2017/2018, compounding the drop in satisfaction with street lighting which occurred after the street lighting transformation project. A number of measures have been put in place to compensate for this which is why the target will remain at the same level.



5. [Sustaining and growing business and the economy](#) commissioning strategy (performed very well in Q3)

[Qualifications achieved by adults](#) (M70) did not meet the target in Q4. The 2018/2019 actual was 810 compared with the target of 1,000. The 2018/2019 performance programme was developed to focus on longer courses and qualification-based programmes and the outcome reflects this. However, performance of this indicator is expected to increase for 2019/2020. The Adult Skills & Family Learning Service is providing higher level qualifications of longer duration compared to previous years. Learners have chosen to sit their qualifications between May and July (instead of between January and April), thereby giving them the best possible opportunity to achieve the qualifications undertaken. There continues to be high demand for the qualifications that the service delivers, ranging from GCSE English and Maths to Food Safety, helping learners to progress into work. The annual target in the Council Business Plan 2019/2020 remains at 1,000.

**The following commissioning strategy did not achieve the targets.**

The [Readiness for school](#) commissioning strategy is reported for the first time in 2018/2019 and included two measures; neither measure achieved the target.

[Achievement at a good level of development in the Early Years Foundation Stage](#) (M47) performance has dipped slightly from 70% (academic year September 2016 – July 2017) reported in 2017/2018 to 69% (academic year September 2017 – July 2018) reported in 2018/2019. The lowest outcomes were in Literacy and two key projects will support targeted academies and maintained schools who have dips in Literacy goals to undertake specific work in this area as a priority. Early Years Child Care (EYCC) is working with Early Years Providers on delivering early communication and language to support the development of speech and language into Literacy readiness. EYCC has delivered a session on Closing the Word Gap to the countywide Summer Head Teacher Briefings and a one day free event for PVI (Private, Voluntary and Independent) sector took place in March to strengthen practitioners understanding of the importance of language in the early years. In addition EYCC has delivered a targeted assessment support programme to schools achieving significantly below the National measure so that they can identify gaps in learning early and focus interventions to improve outcomes for all children.

[Achievement gap between pupils eligible for Free School Meals and their non-FSM Eligible peers nationally achieving Good Level of Development](#) (M48)

Early Years Child Care (EYCC) have been proactively collaborating with schools, localities and Early Years providers to share good practice and identify themes and interventions that could contribute to narrowing the gap. A focus on Early Years Pupil Premium (EYPP) and EAL children (children with English as an additional language) has been an integral part of the work in the past year in order to target our most vulnerable cohorts within the county, with specific focus on the areas in Lincoln and Boston. Lincolnshire has been invited to participate in the professional development fund, which has an emphasis on communication, language and narrowing the word

gap for our EYPP children. This project will be focused on working with providers in areas of highest deprivation, contributing to the social mobility agenda, beginning in September 2019. EYCC is piloting a programme with Family Learning focussing on developing language through play with a focus on children and families eligible for Early Years Pupil Premium.

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We effectively target our resources

Maximise the organisational strength, capacity, resilience and wellbeing to deliver the Council's strategic objectives through people

## Employee turnover

The number of voluntary leavers in a 12 month period as a percentage of the average headcount in the period.

Measured

8.70

%

Jan 2018-Dec 2018

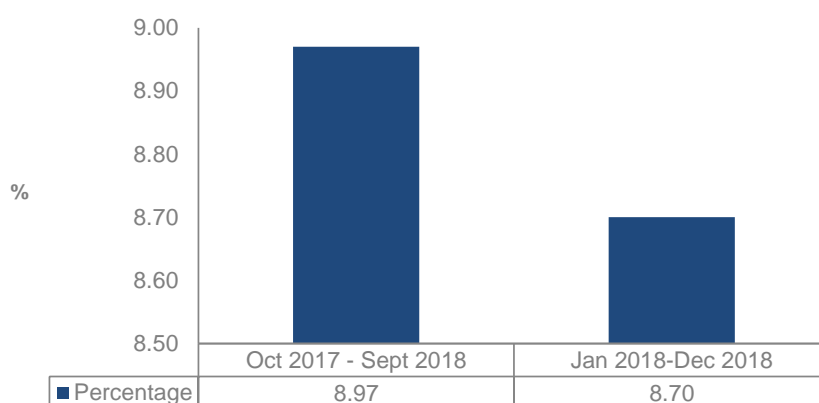


8.97

%

Oct 2017-Sept 2018

### Employee turnover



### About the latest performance

This indicator measures the total number of voluntary leavers as a percentage of the average headcount over the 12 months between January to December 2018. This relates to 413 leavers of an average headcount of 4747 for the period. Voluntary is classed as those that choose to leave their employment with the Council i.e. resignations or retirements as opposed to those who have been dismissed or made redundant. Overall turnover (inclusive of dismissals and redundancy) is 10.95% (520) for the period.

#### Further details

This measure is reported for the first time in Q3 2018/2019 which relates to performance in October 2017 - September 2018 and so historical data is not available

#### About the target

This measure is included for context and so a target is not applicable.

#### About the target range

A target range is not applicable to this measure.

#### About benchmarking

This measure is included for context and so no benchmarking is available.



We effectively target our resources

Maximise the organisational strength, capacity, resilience and wellbeing to deliver the Council's strategic objectives through people

## Sickness absence

The number of working days lost to the authority due to sickness absence per Full Time Equivalent (FTE). One FTE is equivalent to a 37 hour week. Two employees that work 18.5 hours per week (0.5FTE each) are the equivalent of 1 FTE.

Numerator = total number of working days lost due to sickness absence.

Denominator = average number of FTE employed for the financial year.

The total number of days lost are calculated by totalling an employee's total number of hours of sickness and dividing this by 7.4 (a standard working day). The report includes all permanent and Temporary (those on Fixed Term Contracts (FTC)) employees. This includes Fire and rescue Whole-time Firefighters. The report includes all days lost through sickness due to disability or long term sickness even if staff are not paid. The report excludes agency staff, contractors, Retained Firefighters and school employees.

Working days means days scheduled for work excluding holidays and leave. In the instance of an employee reporting sick part way through a working day, authorities should record the information to the nearest half-day shift.



Achieved

7.04

per FTE

Jan 2018-Dec 2018

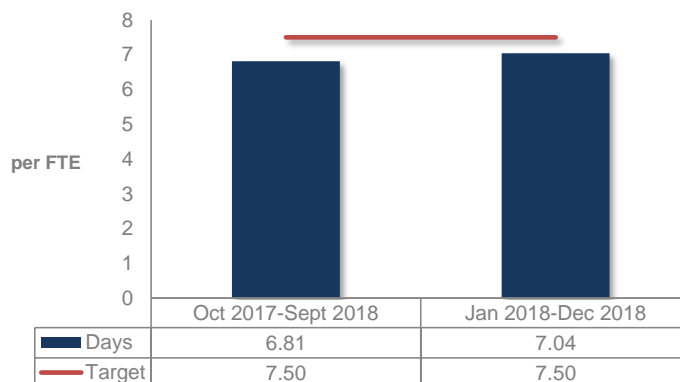


7.50

per FTE

Target for Jan 2018-Dec 2018

### Sickness Absence



#### About the latest performance

This indicator shows the days lost per FTE for the 12 months between January to December 2018. We are currently under target and achieving this measure; ongoing application of our sickness absence policy helps to manage employee sickness rates.

#### Further details

This is a new measure being reported in the Council Business Plan therefore historical information is not available.

#### About the target

The target has been set to 7.5 days to encourage continuing downwards trend in sickness.

#### About the target range

A target range is not applicable to this measure.

#### About benchmarking

We anticipate benchmarking for this measure to be available from Quarter 1 2019/20.



We effectively target our resources

Get better value from our use of land and buildings by assessing performance

## Revenue savings

Savings made by rationalising the property portfolio. Progression is made towards the proposed plan of identified savings.

A higher amount of revenue savings indicates a better performance.



Achieved

2,941,026

£

Actual as at March 2019

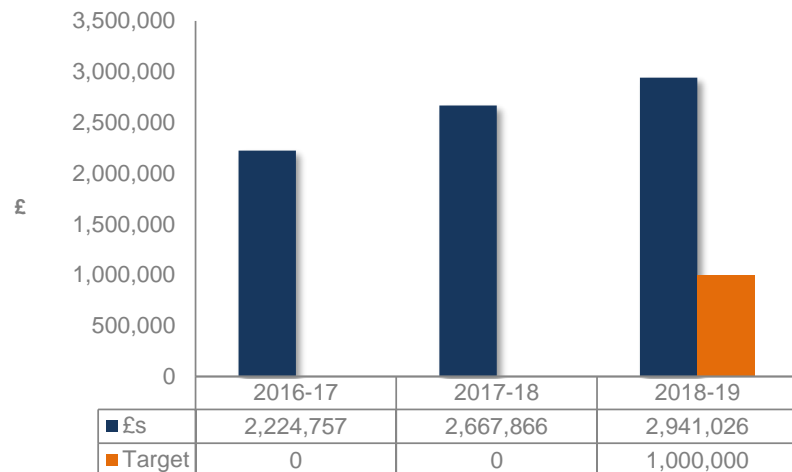


1,000,000

£

Target for March 2019

### Revenue savings



### About the latest performance

Savings achieved through property rationalisation including the disposal of a number of vacant sites and surrendering of expensive leases where appropriate in order to relocate into buildings that offer better value for money while still delivering service requirements.

#### Further details

Historical information is provided in the graph above, as this is an annual measure.

#### About the target

Opportunities for property rationalisation have been identified and the target represents what will be achieved if the programme of rationalisation is completed to schedule

#### About the target range

A target range is not applicable for this measure.

#### About benchmarking

This measure is local to Lincolnshire and is not benchmarked against other authorities or areas.



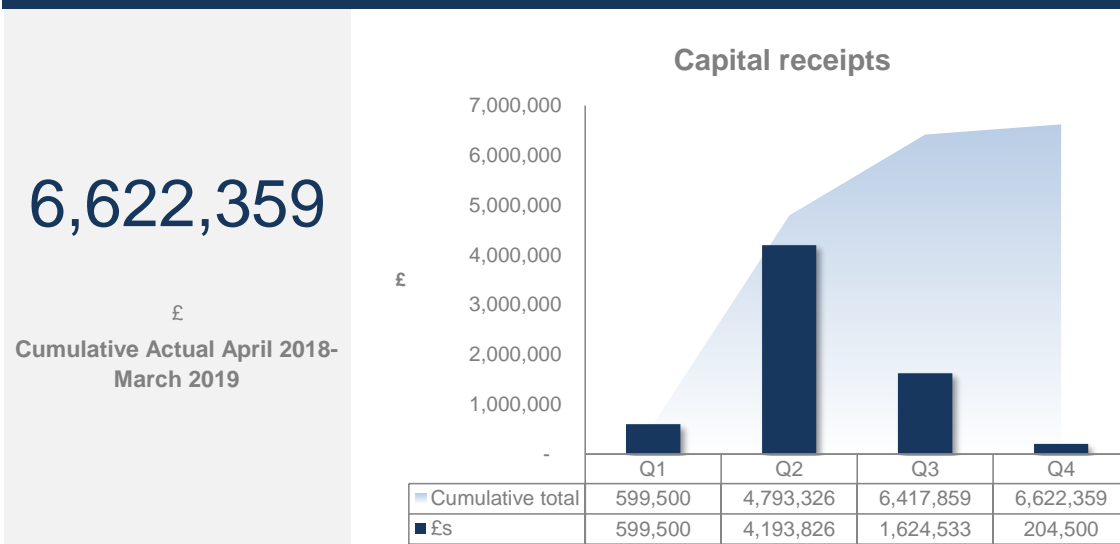
We effectively target our resources

Get better value from our use of land and buildings by assessing performance

## Capital receipts

This measure shows the capital receipts generated from the sale of Lincolnshire County Council's surplus assets. Progression through property disposal towards a triennial set capital receipts target. A higher amount of capital receipts indicates a better performance.

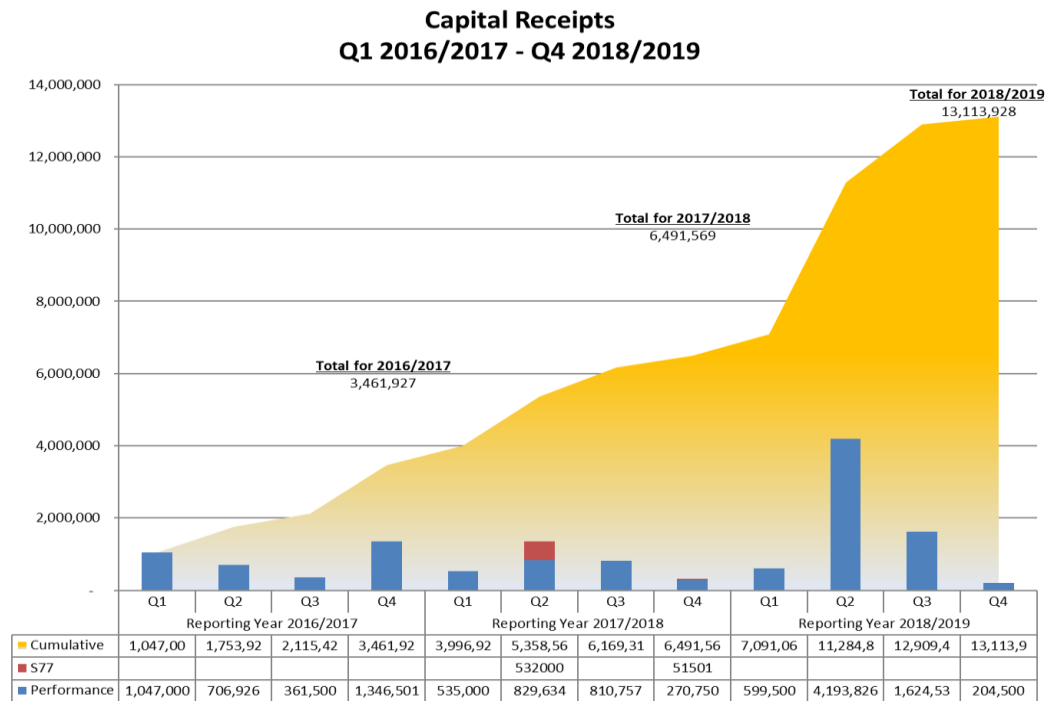
MEASURED



### About the latest performance

Reported receipt is net of S77 (S77 is a statutory restriction on the sale of school playing fields; capital receipts from the sale of such are ring-fenced for defined school uses), gross receipt for April 2018-March 2019 £6,622,359. Over the three year period 2016-2019 receipts have been £12,186,427 net, £13,113,928 gross( including S77) . The £20m target set in 2016 was not reached for a number of reasons, namely: retaining potential disposal properties to meet service need, (£2.8m of assets currently on hold for service related projects, along with re-use by a different service of £0.5m of properties with an annual revenue saving of £1.17m).

## Further details



### About the target

The capital receipts target is a triennial target of £20m by 2019, as we cannot predict when properties will sell on the open market or specifically how much we will receive in capital receipts.

### About the target range

A target range is not applicable to this measure.

### About benchmarking

This measure is local to Lincolnshire and is not benchmarked against other authorities or areas.





We effectively target our resources

Staff are made aware of their information governance responsibilities

## Information governance training

This measure relates to the percentage of employees that undertake Information Governance training over a 12 month period. The subjects covered in the training include data protection, information security, freedom of information and records management.

A higher percentage of employees that have undertaken information governance training in the last 12 months indicates a better performance.



Achieved

90

%

March 2019

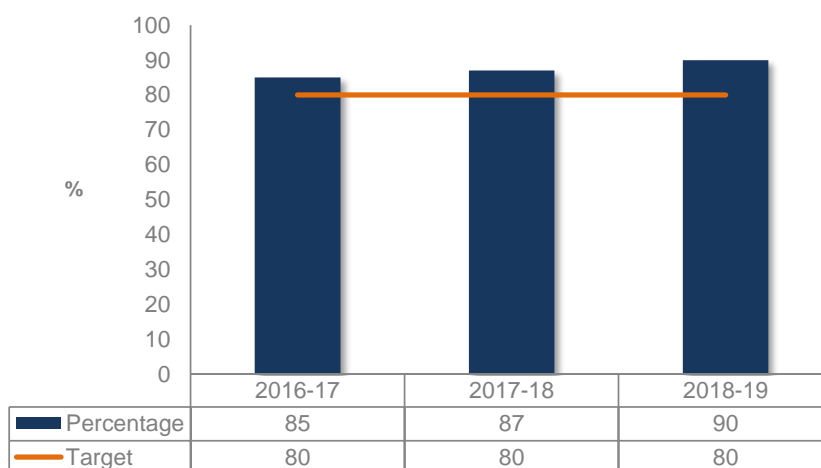


80

%

Target for March 2019

### Information governance training

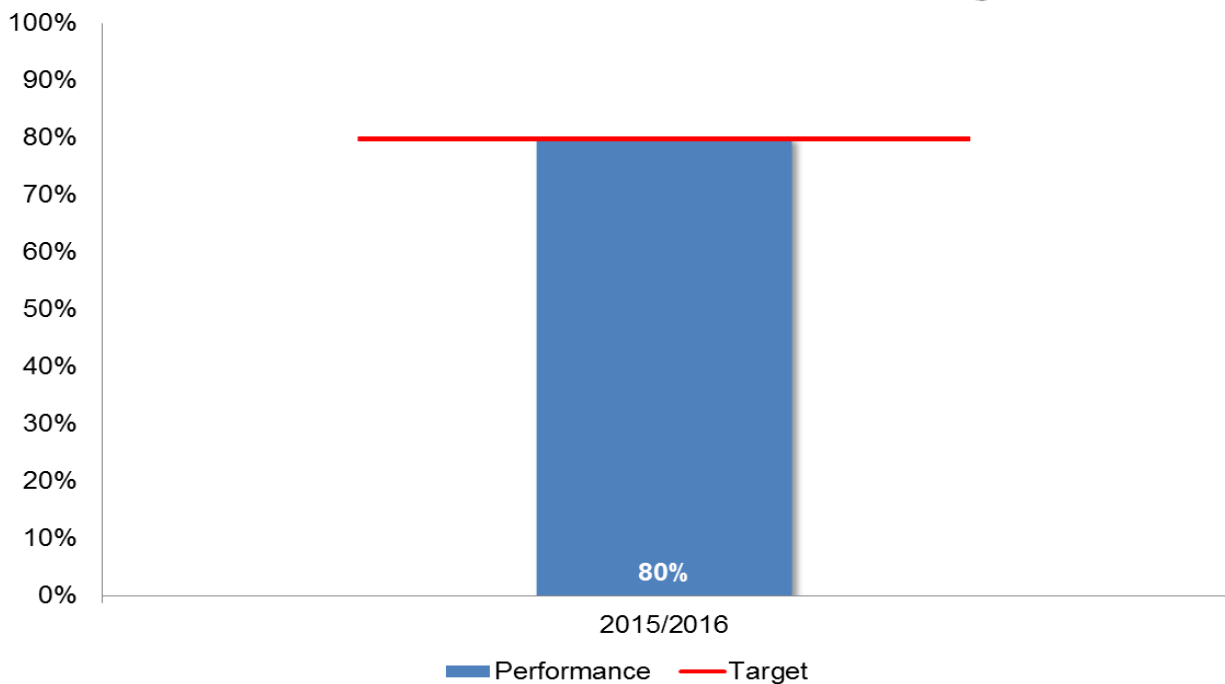


### About the latest performance

The number of permanent staff completing Information Governance Training has hit an all time high following ongoing efforts by the Information Assurance team to encourage staff to undertake the training. This in turn has had a positive impact on the information culture of the organisation and helps to ensure staff remain aware of their personal responsibilities when processing council information. This in turn reduces information risk and forms part of wider council controls designed to support and inform staff.

## Further details

### Information Governance training



#### About the target

Anything below 80% is below target.

#### About the target range

The range for the target is 80% or above. This allows for staff on long term absence and staff new to post who may not have had sufficient time to complete the training.

#### About benchmarking

This measure is local to Lincolnshire and is not benchmarked against other authorities or areas.



We effectively target our resources

Staff are made aware of their information governance responsibilities

## Information Assurance Policies

This measure relates to the number of information assurance policies that have been subject to review and updated within the last 12 months. The process of review and update ensures that policies remain relevant, accurate, and reflect any changes as dictated by changes in legislation, best practice or other external compliance requirements.

A higher percentage of information assurance policies that have been subject to review and updated in the last 12 months indicates a better performance.



Achieved

100

%

March 2019

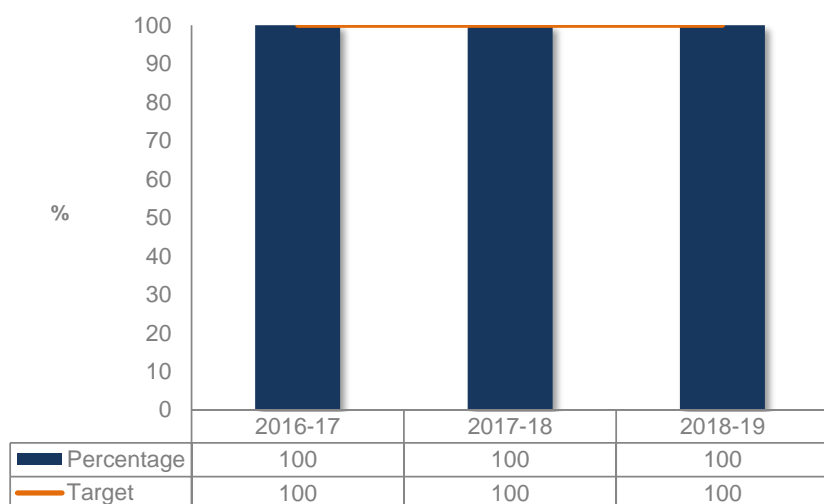


100

%

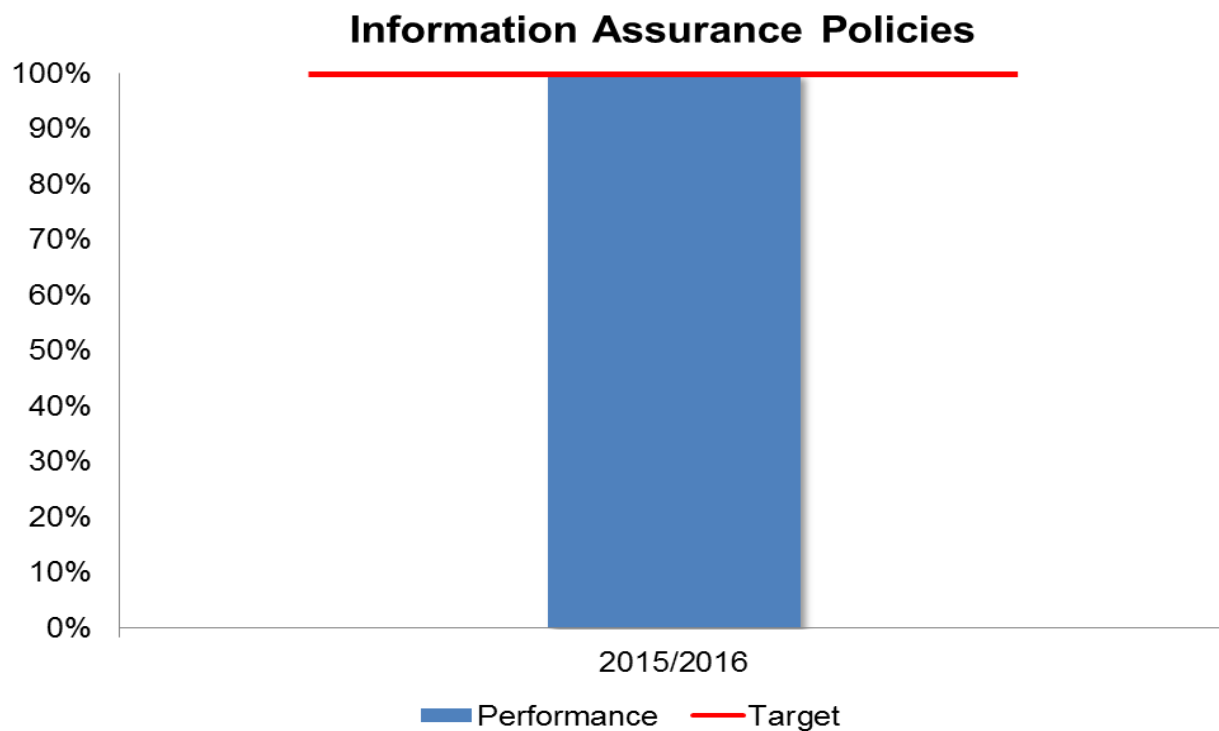
Target for March 2019

### Information Assurance Policies



### About the latest performance

All Information Assurance policies have been subject to an annual review and update. Such policies are a fundamental part of organisational controls designed to support the council in meeting its legal obligations and support the secure, safe and lawful processing of sensitive information.



#### About the target

An aspirational target of 100%.

#### About the target range

The target range is 90%-100% which allows for some slippage should there be capacity issues.

#### About benchmarking

This measure is local to Lincolnshire and is not benchmarked against other authorities or areas.



## We effectively target our resources

Record and investigate all reported security incidents in a timely manner to ensure impact is minimised and effective remedial action is undertaken to reduce the likelihood of reoccurrence

### Reported security incidents

The measure relates to the number of security incidents relating to Council assets reported to the Information Assurance Team over the previous 12 months. A security incident is any fact or event which results in the compromise, misuse, or loss of Lincolnshire County Council information. These can occur due to a range of causes including human error, malicious activity, or process failure. Where the cause of a security incident is identified corrective actions are recommended in order to reduce the risk of an incident reoccurring. This in turn leads to an increase in the maturity of Lincolnshire County Council as an organisation that manages information securely.

A lower number of security incidents reported indicates a better performance.

Measured

242

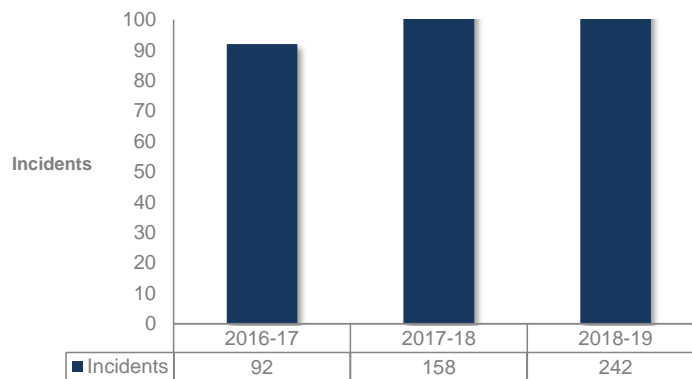
Incidents  
March 2019



158

Incidents  
March 2018

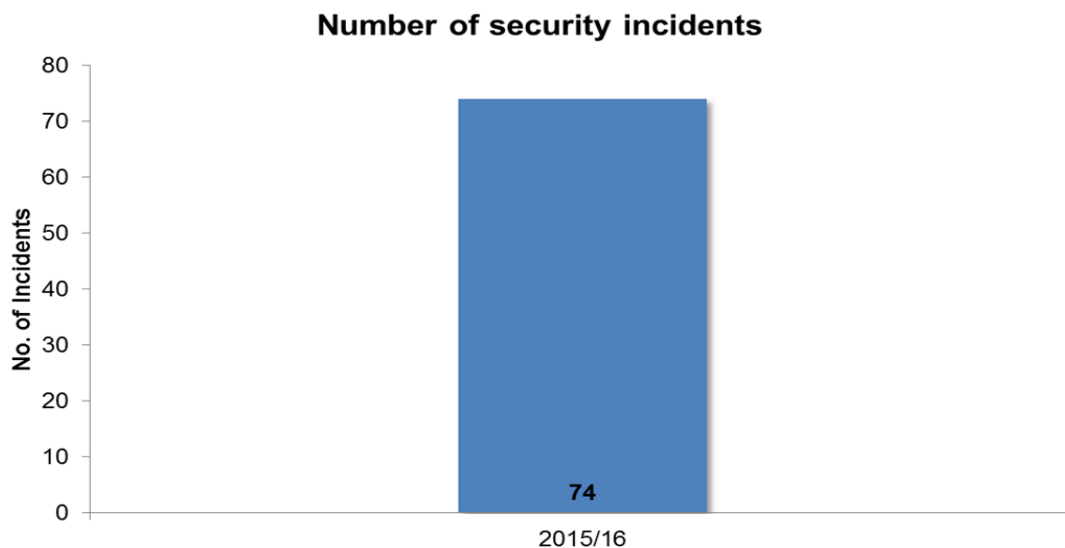
#### Reported security incidents



#### About the latest performance

There were 277 alleged security incidents recorded and investigated by the Information Assurance Team of which 242 were deemed to be actual incidents. Almost all of these incidents, 228, were deemed to have negligible impact on the council and/or individuals. The main cause of security incidents remains consistent across reporting periods with human error being the primary cause, 193. The council has a very open, positive and transparent security incident reporting culture. This supports a robust and effective response to reported incidents which in turn helps to reduce the impact an incident may have. We continue to encourage staff to report incidents as quickly and openly as possible. This remains a key factor in the increase of reported incidents which includes the ongoing GDPR awareness campaigns (comms, presentations, guidance) which highlights the importance (and sometimes mandatory) reporting of security incidents.

#### Further details



#### About the target

It is not appropriate to set a target as this is a contextual measure.

#### About the target range

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

#### About benchmarking

This measure is local to Lincolnshire and is not benchmarked against other authorities or areas.



We effectively target our resources

Meet external information assurance compliance requirements

## Public Services Network compliance

PSN (Public Services Network) is a network operated by a number of suppliers for government that provides a trusted, reliable, solution to departments, agencies, local authorities and other bodies that work in the public sector. Maintaining compliance demonstrates that our organisation's security arrangements, policies and controls are sufficiently rigorous for us to interact with the PSN and those connected to it.



Not achieved

**Non-Compliant**

Compliant/non-compliant  
2018/19

### About the latest performance

Achieving PSN compliance remains a key objective. Progress continues to be made on the required remedial work with some very positive changes implemented that not only benefit the PSN submission but also the wider ICT environment. However, despite this there remains significant work to get the council to a position whereby a submission would be deemed appropriate. This priority work will continue initially focussing on planned technical solutions and upgrades, however there will also be a number of systems and applications within service areas that, due to their age, will be impossible to make compliant. Therefore discussions with service areas will take place to identify these systems and applications and evaluate the impact of switching them off or, if business critical, upgrading them or using alternatives. The technical elements of this work should be completed during Q3 of 2019/20 and the service applications should be completed during Q4 2019/20, which will enable us to complete the PSN submission by the end of Q4 2019/20.

#### Further details

	2015/2016	2016/2017	2017/2018
Outturn	Compliant	Compliant	Non-compliant

#### About the target

The target is to comply with the successful submission of the Cabinet Office Public Services Network code of connection.

#### About the target range

A target range does not apply as the outcome is compliance or non-compliance.

#### About benchmarking

This measure is local to Lincolnshire and is not benchmarked against other authorities or areas.





We effectively target our resources

New support services partnership contracts perform effectively and efficiently to allow the Council to achieve its commissioning outcomes

### Achievement of KPIs - VINCI Facilities Partnership Limited contract

An overall score of over 75% is required for the contractor to benefit from financial incentives gained by performing lower than their target costs.

At the start of the next year the Employer reviews the targets and weightings for Key Performance Indicators. The Council reserves the right to suspend the application of any gain share which the Contractor may be entitled to in the event of any occurrence of an investigation of Regulatory Body e.g. Health and Safety Executive, Environment Agency, and in the event of a successful prosecution and/or claim disallow the application of the gain share.

Key performance indicators provide percentage scores against baseline performance for the overall service and for each individual service area of the VINCI Facilities Partnership Limited contract.

The contractor's performance is incentivised to stimulate continuous improvement in providing the service.

The contractors score determines their access to any financial gain accrued through performing below their target costs submitted at tender.

Services measured and their percentage weighting are:-

Project services – 22.5%;

Managed services – 15%;

Hard FM Services – 22.5%;

Soft FM services – 22.5%;

Other property services – 12.5%; and

General service – 5%.

A higher percentage of KPIs achieved indicates a better performance.



Achieved

97.4

%

Quarter 4 March 2019

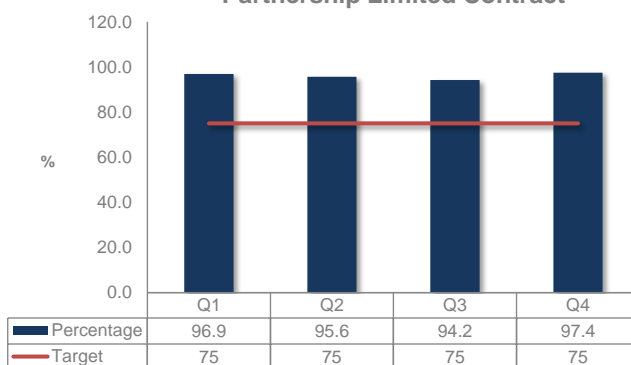


75

%

Target for March 2019

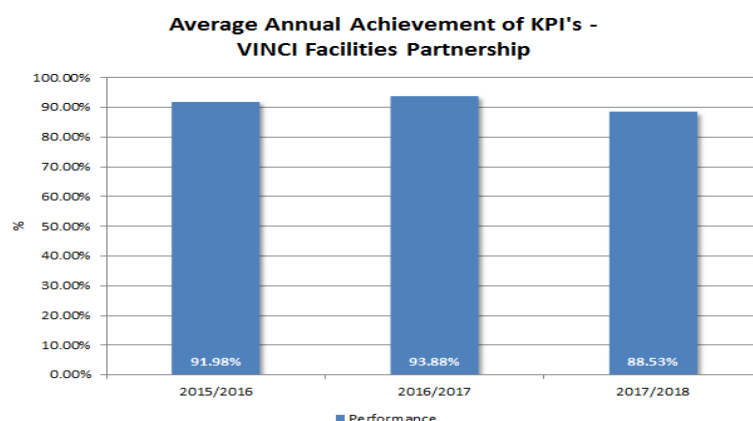
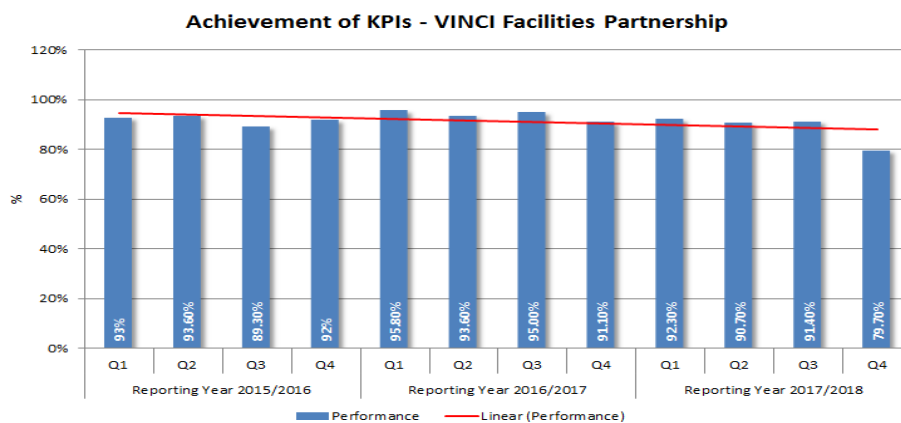
#### Achievement of KPIs - VINCI Facilities Partnership Limited Contract



#### About the latest performance

The level of performance remains high. In Quarter 3 there were nine failures as the contractor failed to hit the time targets for reactive property works; this led to a drop in performance for this indicator whereas in Quarter 4 there were none. This improvement for the quarter and an increase in positive scoring from customers (satisfaction) has meant that the overall KPI score has increased by 3.2 percentage points.

## Further details



## About the target

A score of 75% was set at tender stage. It is deemed to be commercially appealing whilst still ensuring high standards. In order for the Contractor to be eligible to any gain share they must achieve an overall performance of 75% and 75% for each Service Category. Lincolnshire County Council has set a aspirational internal target of 90% to influence target outcomes based on continuous improvement.

## About the target range

The lower range is 75%.

## About benchmarking

There is an aspiration to benchmark performance in the future.



## We effectively target our resources

Impact and increase employment and apprenticeship opportunities currently offered to young people aged 16 - 24 within Lincolnshire County Council

### Growth in apprenticeships and the knock on effect of the employment of young people

Through the introduction of the new Apprenticeship Reforms, plans are being put in place to implement a long term goal to increase the number of apprentices employed in substantive roles year on year. This will be monitored and measured by workforce data.

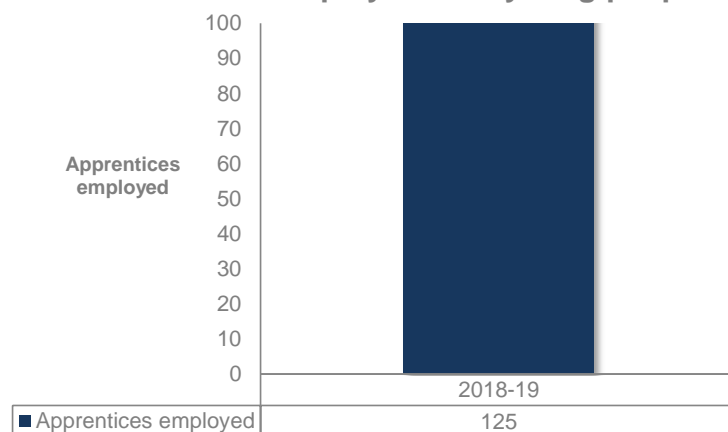
Measured

**125**

Apprentices employed in  
substantive roles

April 2018-March 2019

### Growth in apprenticeships and the knock on effect of the employment of young people



#### About the latest performance

The number of employees undertaking apprenticeship training has increased since the introduction of the levy. During 2018/2019 financial year 129 employees have been undertaking a variety of apprenticeships which range from entry level business administration, teaching assistants type apprenticeships to degree level social worker and masters in leadership and management. A total of 45% fell in the 16 – 24 age group of which 21% fell in the 16 – 18 year old group. During this period 56 apprentices have successfully completed their apprenticeship training. Prior to the introduction of the levy there was a maximum of 35 employees at any one time in the Council undertaking Business Administration Apprenticeship training via the Adult Education Budget.

#### Further details

This is a new measure to the 2018/19 Council Business Plan and therefore no historical data is available.

#### About the target

This measure is included for context and so a set target is not appropriate. The aim is to increase the number of apprentices employed in substantive roles year on year.

#### About the target range

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

#### About benchmarking

This measure is local to Lincolnshire and is not benchmarked against other authorities or areas.

**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>27 June 2019</b>
Subject:	<b>Review of Financial Performance 2018/19</b>

**Summary:**

This report invites the Overview and Scrutiny Management Board to consider a report on the Review of Financial Performance 2018/19 which is being presented to the Executive on 9 July 2019. The views of the Board will be reported to the Executive as part of its consideration of this item.

It describes the Council's financial performance for 2018/19 and makes proposals for the carry forward of over and under spends into the current financial year.

**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 2018/19 at its meeting on 9 July 2019.

The Executive report attached at Appendix 1 sets out the Council's financial performance in 2018/19. It identifies and explains variances from the revenue and capital budgets, and makes proposals for use of the carry forward of under and over spends into the current financial year.

**TABLE 1** below summarises how the Executive plan to use the Council's underspend from 2018/19 – full details explaining this are set out in the Executive report (paragraphs 1.135 to 1.139).

**TABLE 1 – Proposed Use of 2018/19 Carry Forwards and Reserves**

	£000's	£000's
<b>Total Council Underspend for 2018/19 (excluding Schools)</b>		<b>15,833</b>
<b>Allocations from the Underspend in line with the Council's Financial Strategy</b>		
Up to 1% carry forward of Commissioning Strategy underspends (see Appendix B)		-3,473
Legal Shared Services & Procurement Lincolnshire carry forward of whole surpluses		-790
		<b>11,570</b>
<b>The following reserves are used to fund year end under / overspends in revenue budgets in line with the Council's Financial Strategy</b>		
Business as Usual Reserves (Civil Parking enforcement, adverse weather road maintenance, flood & water risk management)		-552
<b>Amount available after Financial Strategy allocations</b>		<b>11,018</b>
<b>Proposals to create one new reserve from existing reserve</b>		
Highways & Transport Grants and Contributions (existing)	-261	
Traffic Commissioner Threshold (new)	<u>261</u>	0
<b>Bids for Funding in Excess of 1% carry forward</b>		
Other Service Bids (Insurance Fund, earmark capital receipt from school playing fields sale)		-844
<b>Balance remaining after all proposals</b>		<b>10,174</b>
<b>Financial Volatility Reserve Position</b>		
Current balance	45,595	
Add 2018/19 remaining underspend	<u>10,174</u>	
	<b>55,769</b>	
NB: includes amount to be used to fund 2019/20 budget shortfall	3,087	

## 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 at its meeting on 9 July 2019.

### **3. Consultation**

**a) Have Risks and Impact Analysis been carried out?**

No

**b) Risks and Impact Analysis**

N/A

### **4. Appendices**

These are listed below and attached at the back of the report	
Appendix 1	Report on Review of Financial Performance 2018/19 to be presented to the Executive at its meeting on 9 July 2019.

### **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 Michelle Grady, who can be contacted on 01522 553235 or [michelle.grady@lincolnshire.gov.uk](mailto:michelle.grady@lincolnshire.gov.uk).

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**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>Executive</b>
Date:	<b>09 July 2019</b>
Subject:	<b>Review of Financial Performance 2018/19</b>
Decision Reference:	<b>I017768</b>
Key decision?	<b>Yes</b>

**Summary:**

This report:

- describes the Council's financial performance in 2018/19;
- 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 the years up to and including 2018/19;
- makes proposals on the carry forward of over and under spends into the current financial year 2019/20;
- reports Prudential and Financial Performance Indicators for 2018/19; and
- proposes an updated Flexible Use of Capital Receipts Strategy for 2019/20.

**Recommendation(s):**

That the Executive:

(1) Notes the carry forwards set out in paragraphs 1.135 to 1.137 of this report, which are made in line with the Council's Financial Regulations and Financial Strategy;

(2) Recommends to full Council that the proposals in paragraph 1.138, 1.139 and 1.141 relating to the treatment of underspends in excess of 1%, be approved;

(3) Notes the transfers to and from reserves carried out in 2018/19 as set out in Table E;

(4) Notes financial performance in 2018/19 as set out in Table A (Key Financial Performance Measures), Table B (Revenue Budget Final Outturn), Table C (Net Capital Programme Summary Outturn), Appendix D (Prudential Indicators) and Appendix A(1) (Flexible Use of Capital Receipts); and

(5) Recommends to full Council the updated Flexible Use of Capital Receipts Strategy for 2019/20 as set out in Appendix A(2).

**Alternatives Considered:**

1. This report describes the actual position for the 2018/19 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 1.32, there are a number of different ways these could be used. The proposed usages will help to alleviate service pressures by funding, in the main, one-off items. When coupled with the transfer of £10.174m of the overall underspend to the Financial Volatility Reserve, these support the Council's overall financial position as it prepares to make budget savings over the medium term future period.

**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 2018/19 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 for the year the Council considered all areas of current spending to identify cost pressures which must be funded and savings which could be made through efficiencies. This followed on from the significant savings made in previous years, some of which had impacted on levels of service provision. The budget proposals also included an increase in Council Tax levels of 4.95% (2.95% general increase, plus 2.00% for Adult Social Care) and a £5.876m one off use of reserves to support the budget.

## **Annual Revenue Spending**

1.2 The Council spent £974.636m in 2018/19 on providing public services. This equated to £1,297 for every person in Lincolnshire.

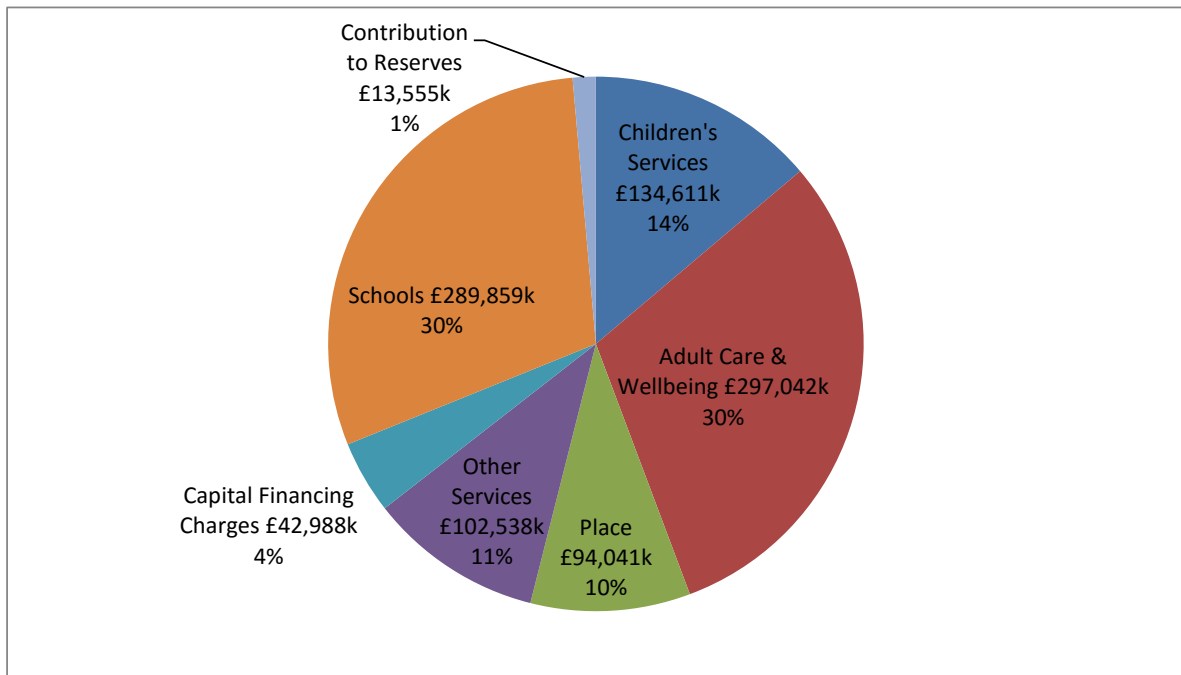
1.3 The Council has had to deal with a number of cost pressures, amounting to £26.900m in budgetary terms. These include: the impact on the Council's adult care budgets of increasing numbers of older people as well as the increase in the National Living Wage; growing demand for children's social care in addition to increasingly complex cases; increased funding for essential roads maintenance and investment in information technology to improve Council services. To help counteract these cost pressures a number of one-off costs from the previous year's budget were removed from the 2018/19 budget and a range of savings were implemented across the Council including: savings from property rationalisation; restructures of some services and some growth in contributions from Adult Care service users. These reductions in the budget totalled £23.200m. The Council also planned to use £8.000m of capital receipts to fund revenue transformation projects.

1.4 When the Council set its budget for 2018/19 the financial strategy included the use of £5.876m from reserves to bridge the gap between funding and expenditure levels (£5.076m from the Council's Financial Volatility Reserve and £0.800m released from the General Fund balance). This financial year was the third year of the government's four year finance settlement which has seen the Council's Revenue Support Grant fall from £70m in 2016/17 to £34m in 2018/19. The 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 and the Council has now embarked on a significant budget exercise designed to bridge the gap between the Council's funding and levels of net expenditure.

1.5 The general level of expenditure in 2018/19 indicates that during the year the Council has been able to secure savings and deliver an underspend against the budget.

1.6 The Council's annual spending on providing public services is set out in the charts below and analyses expenditure both by type of service provided and by type of expenditure.

## Gross Expenditure Service Analysis 2018/19 £974,636 (£000's)



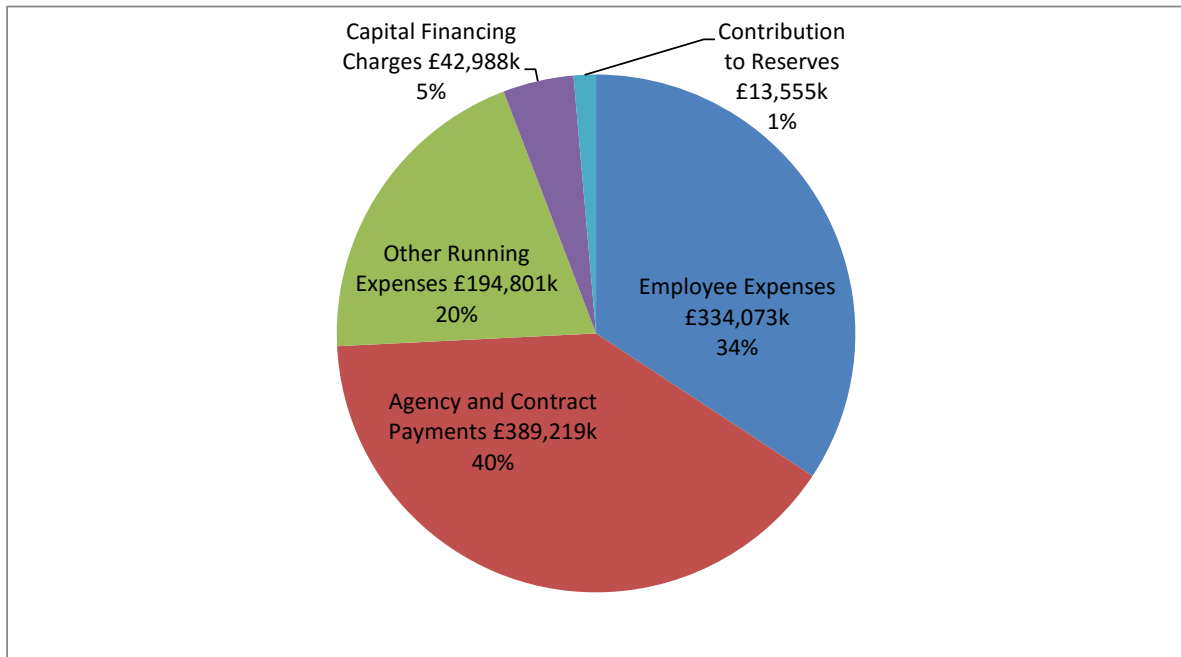
Children's Services Includes: Readiness for School, Learn and Achieve, Children are Safe & Healthy and Readiness for Adult Life.

Adult Care and Wellbeing Includes: Adult Safeguarding, Adult Frailty, Long Term Conditions and Physical Disability, Carers and Adult Specialities, Wellbeing.

Place Includes: Sustaining & Developing Prosperity Through Infrastructure, Protecting & Sustaining the Environment and Sustaining, Growing Business & the Economy and Community Resilience and Assets.

Other Services Includes: Protecting the Public, How We Do Our Business and Enablers & Support to Council Outcomes, Contingency Budgets.

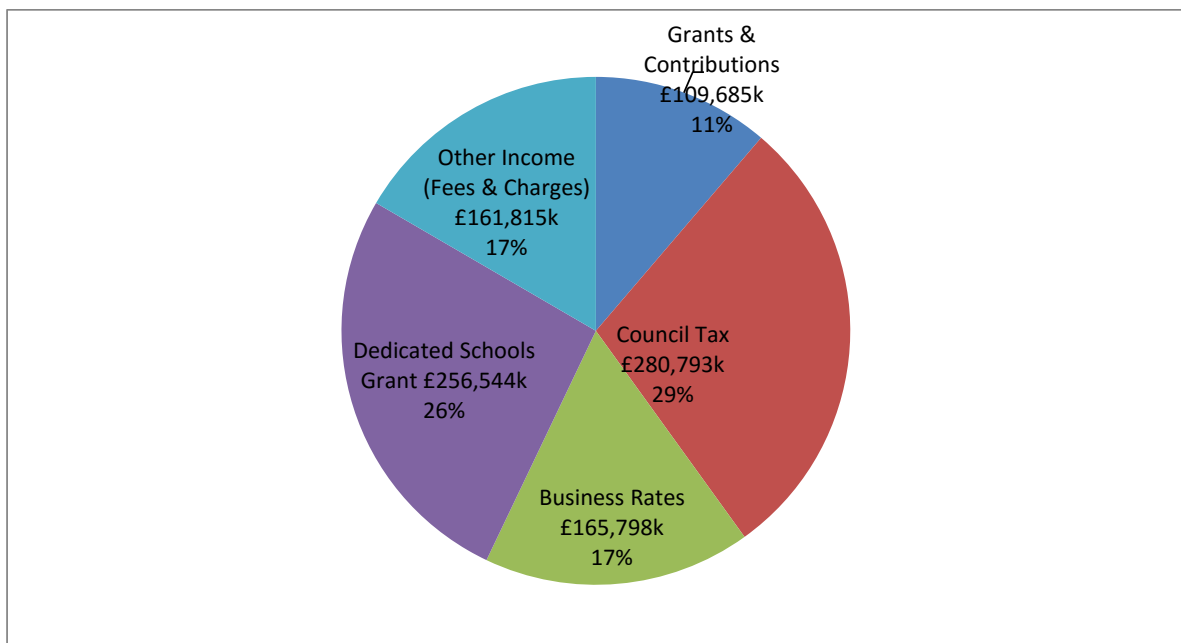
### Gross Expenditure Subjective Analysis 2018/19 £974,636 (£000's)



The distribution of expenditure type differs significantly between different services. For example employee expenses comprises 56% of gross expenditure in schools, but only 26% of gross expenditure in all other (non-school) services, where agency and contracted services represents 51% of the total.

The Council's revenue spending was funded by:

### Sources of Income Analysis 2018/19 £974,636 (£000's)



1.7 In 2018/19 the Council increased Council Tax by 4.95% and also saw growth of 1.27% on the number of band D equivalent properties in Lincolnshire. This in total generated an additional income for the Council of £16.440m. The Council Tax collection funds in Lincolnshire also generated a surplus in 2018/19, of a further £2.641m to the County Council.

1.8 The Council, along with its District Council partners and North Lincolnshire Council, was in a Business Rates Pilot in 2018/19. This pilot status allowed for 100% of any Business Rates growth in the year to be retained within Lincolnshire as opposed to the usual 50% retention of gains from growth. It was anticipated that the financial benefit to the Council from the pilot status would be £7.480m and this was built into the budget. The outturn position for the pilot is a gain to the Council of £10.010m which is an additional £2.530m above the amount budgeted. The pilot gain will be incorporated into the Business Rates Collection Fund and paid over to the Council in 2019/20.

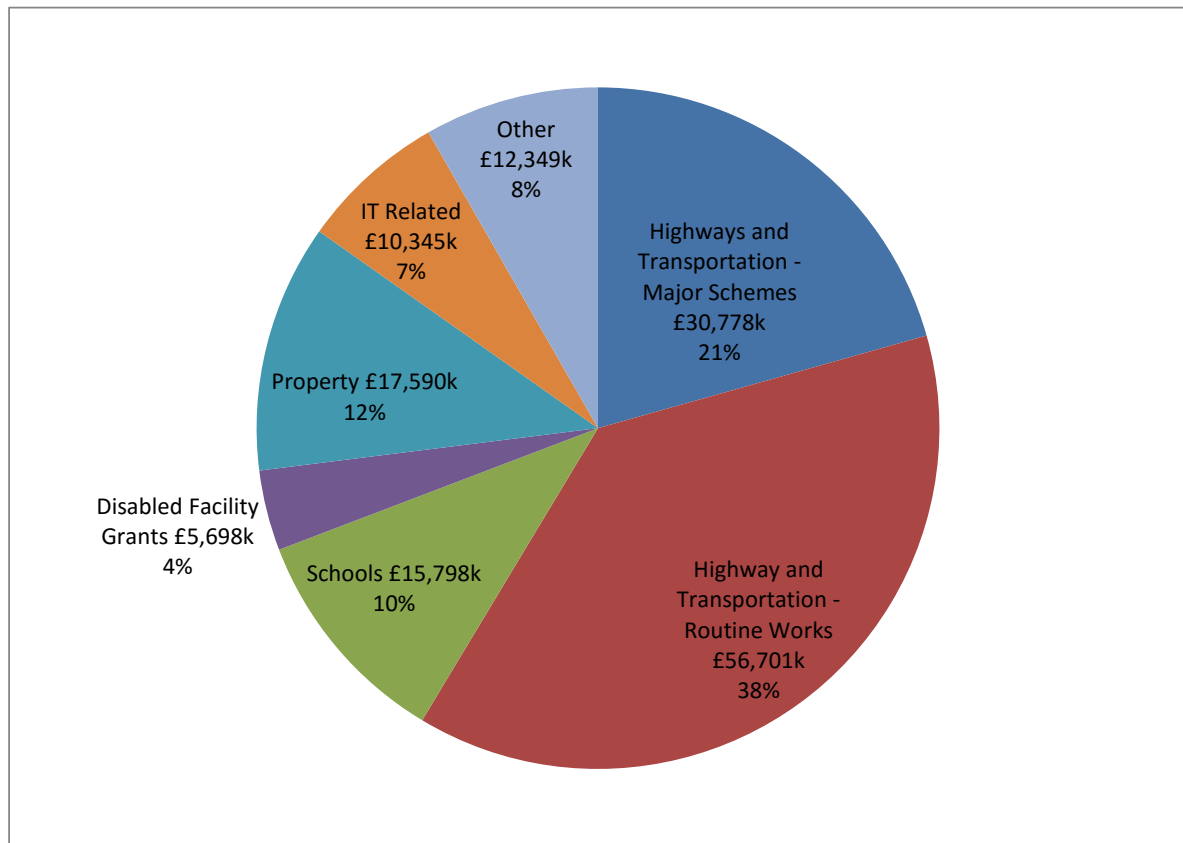
1.9 Business Rates generated £165.798m. This was made up of a number of elements: £84.245m collected from businesses in Lincolnshire; £70.543m received as a top up from central government and £11.010m Section 31 grants from central government.

1.10 The Council received no Revenue Support Grant (RSG) in 2018/19 because this grant was incorporated into the total grant paid to the Council as a result of having Business Rates pilot status during the year. A number of specific government grants were received in the year, the most significant of these being £256.544m Dedicated Schools Grant, which is used for funding education, and £32.662m Public Health Grant.

#### Capital spending and funding

1.11 The Council spent £149.260m on the County's major assets, in particular on roads, property and schools. The net capital spend was £43.574m, which was £50.108m less than planned. The following pie chart sets out the spending on major investment projects by service area:

## Gross Expenditure on Major Investment Projects 2018/19 £149,260 (£000's)



1.12 Other includes: Economic Development, Waste, Fire and Rescue Vehicles and Equipment.

1.13 In 2018/19 expenditure was incurred on the following schemes:

- Maintenance of roads, bridges, street lighting and other highways infrastructure;
- Construction of the Lincoln Eastern Bypass road scheme;
- Construction of the Grantham Southern Relief Road scheme;
- Improvements to broadband in the County;
- Building of a new tri-service station to accommodate Police, Fire and Ambulance services;
- Expansion works to a number of schools to provide additional places for pupils, as well as a programme of general improvements to the condition of school buildings.

1.14 The Council has received grants from central government and other bodies (£105.686m) to fund: road maintenance work, the modernisation of and improvements to the condition of school buildings, and the provision of additional school places. The table below summarises how the capital programme has been financed this year:

### Capital Financing Table 2018/19 £000'S

	£000's
Revenue contributions	4,976
Capital receipts	3,368
Use of reserves	1,634
Grants and contributions	119,310
Internal borrowing	19,972
<b>TOTAL</b>	<b>149,260</b>

1.15 The Council sets a voluntary limit on its total borrowing to ensure that it remains prudent and affordable over the longer term. This target is to ensure that the annual minimum revenue provision (MRP) charge plus interest on loans amount to no more than 10% of the Council's annual income. The MRP charge is the amount set aside by the Council each year as a provision to repay debt over the period when the assets purchased and built provide a benefit to the communities of Lincolnshire. The total cost of these capital financing charges for 2018/19 amounted to 5.12%.

### The Council's financial standing

#### Key Financial Performance Measures: Financial Health and Performance

1.16 The County Council has identified a number of key indicators to monitor its Financial Health and Performance. The Council's actual performance against these key indicators for 2018/19 is shown in **TABLE A**.



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

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2018/19 Estimate	2018/19 Actual
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 27 county councils)	Yes	Yes 26th out of 27
2	Government grants	Lobby for annual increases in general government grants to be above the county average	Yes	Yes
3	Capital receipts	At least £8.0m per annum from 2017/18	£8.000m	£7.157m
4	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	5.62%	5.12%
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 "no assurance" opinion from internal audit	Yes	Yes
8	Expenditure - prompt payment	At least 90% of undisputed invoices paid within terms (30 days or less)	90.00%	92.67%
9	Treasury management	Risk adjusted return comparison	Weighted Benchmark 0.66%	0.84%

### The Council's Balance Sheet

1.17 The Council's Balance Sheet, as reported in the Statement of Accounts 2018/19, shows the Council's financial position as at 31 March 2019. Overall, the Council's net assets position has reduced by £100.440m from £247.800m to £147.360m. There are two key movements which have contributed to this overall change:

- The Council's long term assets (property, infrastructure, equipment etc.) have increased in value by £31.375m following the annual revaluation of part of the portfolio. This has increased the net asset value.
- The Council's long term pension liability has increased by £133.081m to £1,015.789m. This is the estimated value of the commitment to pay future retirement benefits to the Council's employees, although it does not

represent an immediate call on reserves as it is a long term commitment. The main reason for this increase is a change in bond yields which has reduced the discount rate used by the Council's actuary to value these long term liabilities. This position changes from year to year, and the increase in the liability has no impact on the Council's annual budget.

<b>Balance Sheet Extract 2018/19 £000's</b>	
<b>31 March 2018</b>	<b>31 March 2019</b>
<b>£000's</b>	<b>£000's</b>
1,412,418 Long Term Assets	1,443,793
323,393 Current Assets	338,887
(156,255) Current Liabilities	(144,737)
-1,331,756 Long Term Liabilities	(1,490,583)
<b>247,800 Net Assets</b>	<b>147,360</b>
289,602 Usable Reserves	288,855
Unusable Reserves:	
843,443 Re Long Term Assets	872,331
124 Re Financial Instruments	(1,366)
(882,708) Re Pensions	(1,015,789)
(2,661) Re Other	3,329
(41,802) Total Unusable Reserves	(141,495)
<b>247,800 Total Reserves</b>	<b>147,360</b>

## Revenue Budget Outturn

1.18 The revenue budget outturn for 2018/19 is summarised below:

- Total service revenue spending, excluding schools, was underspent by £8.658m or 2.1%.
- There was an underspend of £5.813m on other budgets or 9.8%.
- The Council received £2.212m or 0.5% more general funding income than originally budgeted for.

**1.19 This gives the Council (excluding schools) an overall underspend of £16.683m.**

1.20 In addition, there was a £21.000m underspend relating to Schools. This amount will be carried forward for schools to use in 2019/20.

1.21 The revenue outturn position for 2018/19 is shown in **TABLE B** (over the page).

**TABLE B – Revenue Budget Final Outturn 2018/19**

	Revised Net Revenue Budget	Expenditure	Under or Over Spending	Percentage Under or Over Spending
	£'000	£'000	£'000	%
<b>COMMISSIONING STRATEGIES</b>				
Readiness for School	5,186	4,601	(585)	-11.3%
Learn & Achieve	34,926	36,226	1,299	3.7%
Readiness for Adult Life	6,719	5,786	(932)	-13.9%
Children are Safe and Healthy	64,640	64,088	(552)	-0.9%
Adult Safeguarding	4,502	4,972	470	10.4%
Adult Frailty, Long Term Conditions and Physical Disabilities	113,764	110,623	(3,141)	-2.8%
Carers	2,519	2,483	(37)	-1.5%
Adult Specialities	66,728	67,417	689	1.0%
Wellbeing	26,922	26,920	(1)	0.0%
Sustaining & Developing Prosperity Through Infrastructure	40,334	40,745	410	1.0%
Protecting & Sustaining the Environment	23,086	21,960	(1,126)	-4.9%
Sustaining & Growing Business & the Economy	1,248	1,290	42	3.4%
Community Resilience & Assets	10,171	10,023	(148)	-1.5%
Protecting The Public	24,768	24,679	(89)	-0.4%
How We Do Our Business	7,755	7,159	(597)	-7.7%
Enablers & Support To Council's Outcomes	42,655	38,340	(4,316)	-10.1%
Public Health Grant Income	(32,662)	(32,662)	0	0.0%
Better Care Funding Income	(40,044)	(40,060)	(16)	0.0%
Enablers & Support To Key Relationships (Devolution)	15	(15)	(30)	-200.0%
<b>TOTAL COMMISSIONING STRATEGIES</b>	<b>403,233</b>	<b>394,574</b>	<b>(8,658)</b>	<b>-2.1%</b>
<b>OTHER BUDGETS</b>				
Capital Financing Charges	50,004	40,416	(9,588)	-19.2%
Contingency	1,692	0	(1,692)	-100.0%
Other Budgets	7,906	13,373	5,467	69.2%
<b>TOTAL OTHER BUDGETS</b>	<b>59,602</b>	<b>53,789</b>	<b>(5,813)</b>	<b>-9.8%</b>
<b>SCHOOL BUDGETS</b>				
Central School Services Block (DSB Funded)	3,929	3,116	(813)	-20.7%
Early Years Block (DSB Funded)	40,858	39,091	(1,766)	-4.3%
High Needs Block (DSB Funded)	70,000	66,222	(3,778)	-5.4%
Schools Block (DSB Funded)	156,451	142,469	(13,982)	-8.9%
Schools Related Expenditure (DSB Funded)	0	0	0	0.0%
Dedicated Schools Grant	(256,252)	(256,544)	(292)	0.1%
Schools Budgets (Other Funding)	736	367	(368)	-50.1%
<b>TOTAL SCHOOL BUDGETS</b>	<b>15,721</b>	<b>(5,279)</b>	<b>(21,000)</b>	<b>-133.6%</b>
<b>TOTAL EXPENDITURE</b>	<b>478,555</b>	<b>443,084</b>	<b>(35,471)</b>	<b>-7.4%</b>
<b>INCOME</b>				
Revenue Support Grant	0	0	0	0.0%
Business Rates	(164,883)	(165,798)	(915)	0.6%
Council Tax	(280,793)	(280,793)	0	0.0%
Other Non Specific Grants	(8,750)	(10,047)	(1,297)	14.8%
<b>TOTAL INCOME</b>	<b>(454,426)</b>	<b>(456,639)</b>	<b>(2,212)</b>	<b>0.5%</b>
<b>USE OF BALANCES</b>				
Use of Balances - Earmarked Reserves	(23,329)	(23,329)	0	0.0%
Use of Balances - General Reserves	(800)	50	850	-106.3%
<b>TOTAL USE OF RESERVES</b>	<b>(24,129)</b>	<b>(23,279)</b>	<b>850</b>	<b>-3.5%</b>
<b>TOTAL</b>	<b>(0)</b>	<b>(36,833)</b>	<b>(36,833)</b>	

**Children's Services** – (£0.770m under budget)

1.22 Over the four commissioning strategies, Children's Services underspent by £0.770m (0.7%).

1.23 **Readiness for School** commissioning strategy underspent by £0.585m (or 11.3%).

1.24 The underspend relates to the utilisation of grant funding for the Early Years Contract in 2018/19 (£0.297m); general underspends in the running of children centres across the county and their commissioned activities (£0.161m); a lower referral in supporting out of school childcare placements due to more families accessing other early years funding e.g. disadvantaged 2 year old funding (£0.097m), and property rental income from early years providers using children centre sites (£0.030m).

1.25 **Learn and Achieve** commissioning strategy overspent by £1.299m (or 3.7%).

1.26 The main area of overspend relates to Home to School / College Transport delivery (£0.503m). The main reason for this overspend is due to the impact of inflationary pressures in contract renewals values (impacting particularly on small and medium providers), due to cost increases in staffing, fuel and insurance premiums, and the demand-led nature of the service. The home to school transport budget is also exposed to the following Lincolnshire factors: location of young people meeting the transport policy and supporting mainstream looked after children transport; an increase in the number of pupils accessing tailored establishments, such as the Pilgrim school; growth in high needs pupils, and locally agreed school reorganisations.

1.27 There had been a planned overspend on School Improvement activities (£0.360m) in response to the recent Key Stage 2 results, and the need to make immediate improvements to drive up standards in schools. The remaining overspend (£0.436m) related to the Special Educational Needs service. The government ended its Reforms funding to Local Authorities in 2019/20, which recognised the programmes of change in the area of Special Educational Needs & Disabilities, however these changes have had a significant impact on the service with a 41% (or 1,354) increase in young people with an Education, Health and Care Plan compared to the year before implementation (2013/14), therefore the higher level of costs will continue into the new financial year. The decision to not draw down reserves to meet this future cost was made based on the financial position of Children's Services overall.

1.28 **Readiness for Adult Life** commissioning strategy underspent by £0.932m (or 13.9%).

1.29 The main area of variance is for Supported Accommodation (£0.752m) for those young people of 16 and 17 years at risk of homelessness and all looked after children and care leavers up to the age of 21 years. Transformational work has resulted in a new accommodation pathway and the use of in-house provision in Grantham (a conversion of two former fire houses) rather than a reliance on

externally commissioned provision. This has enabled the service to drive down costs and achieve improved individual outcomes. The underspend is a combination of permanent savings (of which £0.300m had been put forward as a saving through the 2019/20 budget process); the cohort of young people and one-off monies earmarked from the prior year carry forward to facilitate the changing in delivery. The other main underspend relates to the additional income received by the Lincolnshire Secure Unit (£0.239m), in particular the welfare bed utilisation being greater than the income target. This has been adjusted for through the 2019/20 budget process.

**1.30 Children are Safe and Healthy** commissioning strategy underspent by £0.552m (0.9%).

1.31 An overall underspend (£0.041m) of looked after children services occurred. The number of looked after children where the Local Authority was the corporate parent reduced during 2018/19, however this was largely down to the transition of young people to Special Guardianship Orders (SGOs). SGOs are seen as an important option for permanency for children who need to be removed from their birth parents. The Local Authority has however faced an increase in complexity and costs of children requiring specialist support. A budget re-alignment across the demand-led services of looked after children activities will be undertaken to reflect the changing landscape. Social Care legal costs have however continued to increase due to the complexity of the cases involved resulting in an overspend of £0.589m.

1.32 A one-off underspend relates to the funding of central staffing and support costs temporarily in 2018/19 from grants (relating to commissioning and performance staff; the social care peripatetic team, and social worker recruitment (£0.668m)) rather than base budget funding to enable grant funding to be maximised. This was planned for during 2018/19.

1.33 The other largest underspend relates to the early help service. An underspend of £0.591m (7.6%) relates to staffing vacancies across the county wide service resulting from service development opportunities and holding vacancies before the conclusion of the Early Help review and geographical boundary changes. Recruitment has taken place, therefore a future underspend is not expected in 2019/20.

**Adult Care and Community Wellbeing**– (£2.020m under budget).

1.34 The Adult Care & Community Wellbeing (AC&CW) final outturn for 2018/19 is £212.435m, an underspend of £2.020m (0.94%) against a budget of £214.455m.

1.35 The increasing strategic importance of the Better Care Fund (BCF) has meant that the impact to AC&CW now has to be reflected in service budgets, with a detailed exercise undertaken over the summer and autumn months to incorporate all schemes funded via the BCF into the AC&CW budgets.

1.36 The BCF has a growing influence on how AC&CW pressures are funded in the Council with it being the only means in which the vast majority of pressures identified below will be funded over the next two years.

1.37 **Adult Safeguarding** commissioning strategy overspent by £0.470m (10.4%).

1.38 The final outturn for Safeguarding Adults was £4.972m, an overspend of £0.470m on a budget of £4.502m.

1.39 The majority of the overspend relates to the 2013 Cheshire West ruling regarding Deprivation of Liberty Safeguards (DOLs). Excellent progress has been made in 2018-19 with the historical backlog of applications resolved and all new applications and reviews being progressed when received.

1.40 Related demand is expected to grow further in 2019-20 but new Liberty Protection Safeguard (LPS) legislation is expected also in 2019-20 which may have an impact on future budget requirements.

1.41 **Adult Frailty, Long Term Conditions and Physical Disability** commissioning strategy underspent by £3.141m (2.8%).

1.42 The final outturn for Adult Frailty and Long Term Conditions which includes Older Persons, Physical Disabilities (PD) and Infrastructure budgets resulted in an underspend of £3.141m for 2018/19.

1.43 The Older Persons and Physical Disabilities outturn expenditure was £104.540m, an underspend of £2.533m.

1.44 Physical Disabilities service outturn was £13.738m which is an underspend of £0.607m. Income received in PD was 17.8% more than budget down to significant income received from Direct Payment Audits and Debtor Income. Overall PD income was £0.400m over target.

1.45 Physical Disabilities service expenditure – pressures in Home Support due to continued growth resulted in an overspend of £0.291m. However underspends in Residential and Short Term care have helped to offset this and overall expenditure for PD was underspent by £0.205m.

#### Older Persons

1.46 The Older Persons outturn was underspent by £1.926m with an outturn of £90.802m. There has been a stabilisation in Direct Payment numbers for Older Persons. The outturn position was £0.055m overspent due to an increase in Penderels charges for managed accounts.

1.47 Long Term Residential Care outturn was £1.284m overspent and Block Beds overspent by £0.090m; however Short Term care was £0.415m underspent. The average number of days in short term care has significantly reduced in the last two financial years hence the underspend. Overall Residential Based services were £0.959m overspent.

1.48 Home Based Services in Older People was £1.503 million overspent at the end of the financial year. This was due to increased demand and also payment of capacity payments. There were underspends in Transport of £0.151m, Other Services £0.028m and Day Care £0.079m.

1.49 The service has seen a £5m increase in income with £42.1m compared to £37.292m in 2017/18. £0.520m additional was from Direct Payment Audit income, £4.0m was for debtor income for service users where property is included in the assessment or unpaid service user contributions.

1.50 Debtor Income included a correction to previous years debt write off and bad debt provisions which resulted in £1.1m credit and so a one off adjustment.

#### Infrastructure

1.51 Within Adult Frailty and Long Term Conditions there are budgets which relate to Infrastructure costs for senior management and back office staff. These were also underspent as a result of vacancies in Performance, Operations and Quality Assurance teams and some underspends in contracts such as the Sensory Impairment Contract. The 2018/19 outturn was £0.607m underspent.

1.52 **Carers** commissioning strategy underspent by £0.037m (1.5%).

1.53 The service ended 2018/19 with an underspend of £0.037m against a budget of £2.519m.

1.54 This is due to an underspend on the Carers First Contract which delivers the services for Lincolnshire

1.55 **Adult Specialities** commissioning strategy overspent by £0.689m (1.0%).

1.56 Services for Learning Disabilities are administered via a Section 75 agreement between the Council and NHS Clinical Commissioning Groups (CCGs) in Lincolnshire in addition to a small in-house element that sits outside the Section 75 agreement.

1.57 The Mental Health services are run on behalf of the Council by the Lincolnshire Partnership Foundation Trust, also by way of a Section 75 agreement.

1.58 Specialist Adult Services finished 2018/19 with an overspend of £0.689m against a budget of £66.728m.

1.59 The Learning Disabilities Services finished with a small overspend of £0.088m. Within the Learning Disability service there has been an increase in the number of complex cases entering the service for both Supported Living and Residential placements. Pressures on demand have also been seen in Direct Payments. Supported Living costs have also been affected by increases in the cost of waking night services following guidance from Her Majesty's Revenue and Customs (HMRC) that employees should be paid the National Living Wage for

sleep in shifts; however this has been covered by additional funding from the Better Care Fund (BCF).

1.60 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 2018/19.

1.61 Income continues to increase especially with respect to direct payment refunds and increases in residential service contributions. The element of Health Care costs have also increased this year which has meant that the Council has invoiced the CCGs for a further £2.155m on top of the £11.900m already invoiced through the S75 agreement.

1.62 The Mental Health Service finished with an overspend of £0.601m. This has been down to increased numbers of service users with increasing complex needs driven largely by inpatient discharges. A considerable amount of partnership work has been done this year between the Council and LPFT to ensure that any higher than average cost placements were challenged and endorsed before they were agreed. Alongside this, work has been done to look at all high cost packages to ensure Continuing Health Care (CHC) has been applied where applicable.

1.63 **Wellbeing** was underspent by £0.001m (or 0.0%).

1.64 The Community Wellbeing strategy consists of a number of services including Health Improvement and Wellbeing, Prevention and Self-management, Housing Related Support Services for vulnerable adults, prevention and treatment for substance misuse and Sexual Health.

1.65 A number of these 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.

1.66 The service ended 2018/19 on target with a budget of £26.922m.

1.67 The outturn was produced via a combination of overspends and underspends within the wellbeing services including the Integrated Community Equipment Service (£0.444m). This was mostly offset by a number of underspends within Smoking Cessation contracts (£0.178m) and Sexual Health Prescribing contracts (£0.180m) - both underspends were due to reductions in activity within both areas.

1.68 There were also a number of staff vacancies across the service; however posts have started to be filled and will continue to do so in the new financial year.

### **Better Care Fund**

1.69 The Lincolnshire Better Care Fund (BCF) is a framework agreement between the Council and the Lincolnshire Clinical Commissioning Groups (CCGs) and looks to pool funds from those organisations to help support the national and local objective of closer integration between the Council and the CCGs.



1.70 The total pooled amount in 2017/18 was £221.857m which included £54.817m that was allocated to the Lincolnshire BCF from the Department of Health and Social Care. This has increased to £230.391m in 2018/19.

1.71 Lincolnshire's fund is one of the largest in the country and includes pooled budgets for Learning Disabilities, Children and Adolescence Mental Health Services (CAMHS) and Community Equipment plus 'aligned' Mental Health funds from the County Council and the four CCGs.

1.72 In addition to the continuation of existing pooled funds, there are a number of other funding streams, these increases result from:

- Inflationary increases in CCG funding, and as a result in the CCG funding for the Protection of Adult Care Services.
- The addition of the Improved Better Care Fund (iBCF) funding that was announced in the Chancellor's November 2015 budget totalling £2.105m in 2017/18, increasing to £14.249m in 2018/19.
- The announcement of iBCF Supplementary funding in the Chancellor's March 2017 budget. This provided an additional £15.265m in 2017/18; this fund reduced to £9.609m in 2018/19.

1.73 Overall BCF funding from central government is expected to increase by £6.772m in 2019/20.

1.74 There is a requirement to ensure that the funding has a positive impact on performance in the areas of Delayed Transfers of Care, Non-Elective Admissions, Residential Admissions and positive outcomes following Reablement. These have been reflected in our plans.

**Place** (£0.822m under budget)

1.75 **Sustaining and Developing Prosperity Through Infrastructure** – commissioning strategy overspent by £0.410m (or 1.0%).

1.76 Whilst this commissioning strategy was within 1% of the budget some key variances include:

- An overspend on street lighting maintenance of £0.492m was due to increases in energy costs.
- An overspend on the Heritage budget of £0.350m as it continues to explore transition to a suitable cultural enterprise. Net spend continues to fall to £1.540m in 2018/19 from £2.300m in 2016/17.

Overall income at sites has been lower due to a change in ticket sale distribution although overall visitor numbers are above plans.

There has continued to be a small and reducing number of one off legacy costs to bring Lincoln Castle servicing and maintenance in line with policy and provide longer term efficiencies as the Heritage Service continues to implement disciplined and detailed financial and accounting processes.

- These overspends are balanced by savings on staff vacancies carried at various points throughout the year and associated supplies and services budgets. This was across highways, economic infrastructure and transport functions.
- In addition transport concessionary fares has an underspend of £0.351m (budget of £6.980m) as this area is directly affected by market activity with a great deal of volatility and change being experienced this year.
- An overspend on Winter Maintenance of £0.433m in this area has been funded from the adverse weather reserve and is therefore shown net. This overspend relates to the previous year including extra costs for gritting runs (£0.210m) and use of salt (£0.160m). Delays in the procurement of gritters have added further pressure on the leasing budget.
- A planned overspend on the cost of advance design of new schemes of £0.929m has been met by a transfer from the reserve set up for this purpose.

**1.77 Protecting and Sustaining the Environment** – commissioning strategy underspent by £1.126m (or 4.9%).

- Within this area the Waste Management service had an underspend of £1.294m.

This underspend is due to a mix of reduced volumes of waste to both the Energy from Waste (EfW) plant (saving £0.525m on gate fees) and to landfill (saving £0.329m). This is coupled with a reduction in spend in dry recycling (saving £0.222m). In addition to this the income received for providing electricity from the EfW plant has more than doubled to £0.687m.

- Operationally there was a compost bonus from the hot dry summer and autumn with quantities of waste being presented continuing to be down on that expected. There is also a lesser advantage from some Waste Collection Authorities reducing the collection frequency or even stopping altogether their charged garden waste collection services during the winter period.
- Mixed Dry Recycling payments continue to be lower than expected, partly due to a slight improvement in the market trackers and partly due to a slight reduction in the overall amount of Mixed Dry Recycling being collected.
- Based on forecasts made earlier in the year £0.500m has been moved to Capital for fire suppression at waste transfer stations. The budget

requirement for future years is under review to reflect the volatility of volumes and prices in the waste management environment.

- Sustainable Planning had an overspend of £0.251m. This overspend is due to a significant number of legal cases in respect of planning enforcement cases together with planning fee income being lower than originally anticipated.
- Flood and Risk Management had an underspend of £0.097m due to a reduction in our contributions as fewer minor works schemes have been completed. This underspend will be added to Reserves as part of our business as usual to meet with increases in partner funding going forward.

**1.78 Sustaining and Growing Business and the Economy** – commissioning strategy overspent by £0.042m (or 3.4%).

1.79 This overspend is due to overall increases in operational costs alongside a reduction in rental income for business units and lower event sponsorship.

**Community Resilience and Assets** was underspent by £0.148m (or 1.5%).

1.80 Budget allocated to the library service to cover Radio Frequency Identification (RfID) maintenance and software costs was not required in 2018/19 due to delays in the project.

1.81 In the Customer Services Centre there was an increase in demand during the final four months of the financial year resulting in higher than budgeted costs.

#### **Finance and Public Protection** (£5.002m under budget)

**1.82 Protecting the Public** – commissioning strategy underspent by £0.089m (or 0.4%).

1.83 This strategy includes Fire & Rescue, The Registration, Celebratory and Coroners Service, Safer Communities, Emergency Planning and Improving Road Safety. Expenditure in 2018/19 was £24.679m with an overall underspend of £0.089m.

1.84 Services were broadly on target to budget with the underspend mainly due to additional income in Trading Standards (£0.055m) alongside lower than budgeted legal costs across the service.

**1.85 How We Do Our Business** – commissioning strategy underspent by £0.597m (or 7.7%).

1.86 The income from the schools finance service was £0.120m higher following the enhancement of the service and a number of schools upgrading their service.

1.87 The Council has received £0.402m net income after costs for the recovery of duplicate payments by Meridian. This was a one off exercise.

**1.88 Enablers and Support to Council Outcomes** – commissioning strategy underspent by £4.316m (or 10.1%).

1.89 Information Management Technology (IMT) Strategy & Support have underspent by £2.488m in the current year.

1.90 The IMT budget was increased by £3.000m in 2018/19 in recognition of the increasing use of cloud services and the need to increase the capability of the retained client team.

1.91 Whilst there has been some delay in implementing these changes, the service has started with the recruitment to the team and an IMT Board has been set up, to ensure responsive decision making and improved financial management is in place. The Board will also consider the on-going revenue budget implications of capital investment in our IT.

1.92 As well as the staff recruitment, a number of projects and initiatives are under way many of which will be monitored by the IMT Board. These include:-

- Increase in broadband bandwidth for Lincoln Campus
- One off Support for windows 10 deployment
- Enhanced security monitoring service
- Serco Service Improvement programme
- IMT staff development and training programme
- Departmental process and modelling system
- Revenue costs of previous capital spend (eg migration to cloud services)

County Farms (£0.251m under budget)

1.93 This is due to increased income from the estate and the revised phasing of Archaeology works relating to the former lease of the mineral site at West Deeping where costs will be incurred during 2019/20.

Property Strategy & Support (£0.025m under budget)

1.94 The service is broadly on target but slightly underspent due to a reduction in general accommodation costs.

Commissioning (£0.391m under budget)

1.95 Commissioning has underspent by £0.339m; this is made up of £0.182m Serco abatement contract performance penalties plus an underspend on staffing costs due to vacancies of £0.157m.

1.96 The further £0.052m relates to Procurement which is required to be added to reserves as this fund is a shared resource alongside our partner bodies.

Strategic Communications (£0.081m under budget)

1.97 The underspend is due to staffing vacancies throughout the year.

Business Support (£0.057m under budget)

1.98 Business Support continue to proactively manage their budgets to reduce spend across the service.

1.99 Recruitment to fill posts is now undertaken bi-monthly to achieve savings from vacant positions and commissioned support functions were fully recharged to service areas or the Better Care Fund (BCF).

Legal (£0.738m under budget)

1.100 Legal services have achieved an additional surplus of £0.738m.

1.101 The Legal Management Board will decide on the use of any surplus at year end. In recent years it has taken a decision to redistribute the surplus in full to partner authorities in proportion to their use of the service.

People Strategy (£0.282m under budget)

1.102 This includes additional income from the 0-19 health service to support the additional work required (£0.061m); a reduction in HR activity-led budgets (£0.114m) and the reallocation of staff spending to alternative funding streams e.g. Partners in Practice.

**Schools** – (£21.000m under budget)

1.103 Under government regulations, schools carry forward automatically their under and over spends to the next financial year. Budgets held centrally within the ring-fenced 2018/19 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** – (£5.813m under budget)

**Capital Financing Charges** – underspent by £9.588m (or 19.2%)

1.104 The Council's capital financing charges (debt repayment provision, borrowing interest costs, revenue funding net of interest received on cash balances) were £9.588m under budget. Slippage of the capital programme during 2018/19 reduced the need to borrow to £19.972m from £70.080m, leading to reduced interest borrowing costs of £4.433m compared to that budgeted. Interest received on cash balances was £1.272m more than forecast due to slippage on both the Capital and Revenue budgets resulting in a higher cash balance throughout the year. A revenue funding overspend of £3.368m arose as this amount was transferred to capital receipts funding to utilise capital receipts over and above the level of transformation projects funded by useable capital receipts in 2018/19.

**Contingency** – underspent by £1.692m (or -100.0%).

1.105 The Council has a contingency budget of £3.000m set aside for emerging pressures which may arise during the financial year. At year-end £1.692m remained, and was not required in 2018/19.

**Other Budgets** – overspent by £5.467m (or 69.2%)

1.106 Other Budgets were over budget by £5.295m. This comprised a number of under and overspends, the most significant being:

- The Council actually generated £7.157m of capital receipts resulting in a variance of £0.843m below the £8.000m target. This is due to some properties being on hold pending the Council's decision on extra care housing and other developments.

In accordance with the Council's Strategy on the Flexible Use of Capital Receipts, this could only be used to fund revenue transformational projects. During 2018/19 the cost of the Council's revenue transformation projects was £3.368m lower than the available capital receipts. Therefore, £3.368m was used to fund the capital programme as explained further within the Flexible Use of Capital Receipts Strategy section, paragraph 1.128, resulting in an overall overspend of £4.211m.

- The Council's insurance fund shows a deficit of £1.864m. The insurance fund provides a level of protection for risks that are retained in house for those risks which are not insured elsewhere or are as yet unknown. The deficit has arisen as a result of a number of factors. In recent years, we have seen a dramatic increase in the number of liability claims particularly relating to Highways. Our provision for claims known to us has seen a significant increase due to the amount of open claims yet to be settled. Where we have previously secured rebates on external premiums due to tendering under Long Term Agreements, our actual claims have broken the terms set out under this agreement which has resulted in the insurers pulling the renewal terms and applying additional increases above those anticipated.
- In addition to the insurance fund deficit, the Council's budget for liability insurance premium also overspent by £0.847m due to the base budget not being increased this year in the face of increasing liability as well as an increased number of claims relating to pot holes, which have been caused by worse than usual winter conditions last February/March 2018.
- Corporate and Service Redundancy is underspent by £1.059m. The Corporate Redundancy budget funds the costs associated with the staffing restructuring changes that had been approved through the 2018/19 Council's Budget. These planned changes support the Council to bring down expenditure in line with its current levels of planned income.

- National Living Wage is £0.500m underspent. This element of budget was not required this year as the actual living wage rate is lower than anticipated.
- Successful prosecution against Mid UK Recycling Ltd for breaching planning and environmental controls resulting in the fire at Barkston Heath concluded with an award of £0.226m to the Council. Half of this was transferred to Fire and Rescue to cover blue light cost pressures.

**Council's General Funding** – £2.212m more than the income budget.

1.107 The Council's general funding received was £2.212m more than the revenue budget approved at full Council in February 2018. The most significant reasons for this additional funding were as follows:-

- School Improvement, Monitoring and Brokering Grant - £1.121m (more than budgeted for). The school improvement, monitoring and brokering grant has been allocated to local authorities since September 2017 to allow them to continue to monitor performance of maintained schools, broker school improvement provision, and intervene as appropriate.
- Business Rates Top Up – £0.712m (more than was budgeted for). We have received additional funds from the 2017/18 Business Rates Tax Loss reconciliation which has been offset against the Business Rates Tariff and Top-up calculation adjustment that was accrued in 2017/18 but received during 2018/19.
- Business Rates Section 31 Top Up - £0.647m (less than was budgeted for). At the time of setting the budget for 2018/19, the Council was expecting to receive £10.825m. During the summer an updated allocation was released which showed a lower allocation of £10.178m.
- Business Rates - Pooling with Districts - £0.478m (more than was budgeted for). The amount accrued for pooling income at the end of 2017/18 was based on the latest estimates available to us at that time (£1.388m). Following the revision of the position of the pool after outturn, the income expected to the Council was higher than accrued at £1.866m.
- Business Rates Districts (Renewable Energy) - £0.372m (more than was budgeted for). The Council received additional income from the District Councils in relation to the business rates from renewable energy projects for 2017/18 and 2018/19 which was not included in the budget set in February 2018.
- Extended Rights to Free Travel - £0.160m (more than budgeted for). During 2018/19 the criteria of the grant has been amended to reflect the introduction of Universal Credit, which has resulted in the Council being awarded additional funding for 2018/19.

## Capital Programme Outturn

1.108 The capital outturn for 2018/19 is summarised below:

- Net capital expenditure was £43.574m; and
- This was £50.108m or 53.5% less than planned.

1.109 The capital programme outturn is shown in APPENDIX C. **TABLE C** shows the summary of the year end position against the budget funded by the Council.

1.110 The reasons for significant capital budget over or underspends are explained in the following paragraphs.

**TABLE C – Net Capital Programme Summary Outturn 2018/19**

	Actuals	Net Expenditure Revised budget	Outturn Variance
	£'000	£'000	£'000
Adult Care & Community Wellbeing	68	68	0
Finance & Public Protection - Commissioning	16,827	26,428	-9,601
Childrens Services - Commissioning	-7,861	-6,295	-1,567
Place	34,540	66,842	-32,302
Other Programmes	0	6,638	-6,638
Total Capital Programme 2018/2019	43,574	93,681	-50,108

1.111 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.

1.112 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.

### **Adult Care and Community Wellbeing (AC&CW)** (balanced budget).

1.113 Reference line 2 of Appendix C – Adult Care. Capital investment within Adult Care and Community Wellbeing is mostly delivered via capital reserves. AC&CW spent just under £0.068m on capital expenditure in 2018/19. The majority of spend was against the on-going modernisation programme taking place across the remaining in house day care centres that the Council operates, with £0.020m being used to pay for dilapidation costs on one particular day centre (Warwick Road) that the Council handed back to the landlord last year.



1.114 A further £0.008m was utilised as part of a Government initiative to install efficient heating systems in the homes of vulnerable people. Funding for this initiative was provided via a grant.

1.115 Capital expenditure within AC&CW during 2019/20 is once again expected to be minimal, as the bulk of the modernisation work on the day centres has now been completed.

**Finance and Public Protection** (9.601m under budget)

1.116 **Enablers & Support To Council's Outcomes** – commissioning strategy under budget by £5.503m net.

- Reference line 4 of Appendix C – Broadband. The payments for the broadband project were in line with contractual performance criteria.
- Reference lines 5,6,7,8 and 13 of Appendix C – IMT Capital. The payments throughout the financial year reflect the timing of ongoing projects, including infrastructure refresh and the implementation of Windows 10, to improve the ICT infrastructure for the Council.
- Reference lines 9 & 10 of Appendix C – Property. The variance reflects the timing of the overall property programme across financial years.
- Reference line 11 of Appendix C – Blue Light Project. The Blue Light project remains financially on target to its overall budget. The variance in income reflects the timings of income recovery from partner bodies in line with the agreed collaboration agreement.

1.117 **Protecting the Public** – commissioning strategy under budget by £4.099m net.

- Reference line 14 of Appendix C – Fire and Rescue. The variance reflects the timing of payments for the overall programme.
- Reference line 15 of Appendix C - Fire Fleet and Associated Equipment. The timing of milestone staged payments for new vehicles and equipment, which was expected in the final quarter of 2018/19, will now be made within 2019/20.

**Children's Services** (£1.567m under budget).

1.118 Reference lines 17-23, 24, 26-30 of Appendix C – Children's Services. The majority of the underspend relates to funding commitments on a number of planned future schemes and work priorities. These include capital works for remodelling existing school buildings to respond to demands for special educational needs placements (£0.490m); capital works planned to improve the

conditions of an existing school site (£0.400m), and the remaining rollout of IT hardware for Children's Services front line staff to overcome the challenges in accessing mobile technology (£0.164m).

1.119 Reference line 14 of Appendix C – Foster Capital. A capital fund is earmarked for property adaptations to support foster carer placements for Lincolnshire's looked after children where appropriate (£0.372m). This is seen as an invest to save initiative to enable looked after children to remain in local communities and reduce the risk of having to make external commissioned specialist placements.

**Place** (£32.302m under budget).

1.120 **Protecting and Sustaining the Environment** – commissioning strategy underspent by £2.497m gross (54% of the budget).

- Reference line 32 of Appendix C - Flood Defence underspend (£1.100m) will be carried forward to fund the final payments for both the Horncastle and Louth flood alleviation schemes.
- Reference line 35 of Appendix C – Flood and Water Risk Management. The £0.477m underspend (£0.594m net of additional income received) on the Flood & Water Risk Management block budget is committed to schemes within the programme that span several years.
- Reference lines 36 to 38 of Appendix C - Waste Management. The capital programme shows an overall underspend of £0.875m. This comprises of fire suppression at the waste transfer stations that is needed in the next financial year (£0.500m) together with compactors that have not needed to be replaced in the timescale predicted (£0.255m). In addition, the underspend on the Boston household waste recycling centre (£0.120m) will be required within the Waste Management capital programme in 2019/20.

1.121 **Sustaining and Developing Prosperity through Infrastructure** – commissioning strategy underspent by £29.018m gross (24% of the budget).

- Reference line 39 of Appendix C – Highways Asset Protection. The gross budget for this activity (£57.903m) is larger than previous years due to additional funding received in year from the Department for Transport (DfT), recognising the damage caused to roads during the poor weather in 2018. Whilst the programme is showing an underspend in 2018/19, the budget is fully committed and schemes will continue to be completed into the spring period.
- Reference line 40 of Appendix C - Integrated Transport. The underspend (£0.278m) is managed through allocations to larger schemes and is managed across financial years.

- Reference line 41 of Appendix C – Lincoln Eastern Bypass. This scheme is showing an underspend in the current year. This is mainly due to actively using external grant funding before using LCC budget and a delay of earthworks across the scheme together with piling work on the River Witham Bridge. These works are now progressing well. Following Council approval in February 2019, the total gross budget for this scheme is £124.228m. The scheme is currently forecast to be delivered within budget.
- Reference line 44 of Appendix C – Grantham Southern Relief Road. Following approval from Council in February 2019 the gross scheme budget for the Grantham Southern Relief Road is £101.630m. The overspend in the current year is because the Council was expecting a higher value of grant from the Greater Lincolnshire Local Enterprise Partnership (GLLEP) than what was received. The additional grants from the GLLEP will instead be received in financial year 2019/20, thus offsetting the overspend in this financial year.
- Reference line 47 of Appendix C – Lincoln Growth Points. The overspend (£0.449m) reflects compensatory payments and interest associated with replacement buildings on Tentercroft Street.
- Reference line 48 of Appendix C – Lincolnshire Waterways. The overspend (£0.144m) is due to income expected during the year which will now be received in the new financial year.
- Reference line 50 of Appendix C – Street Lighting Transformation. The underspend (£0.358m) is to be utilised in LED replacements going forward.
- Reference line 51 of Appendix C - Lincolnshire Enterprise Partnership. The underspend (£3.057m) resulted as the profile for expected spend including the Skegness Business Centre which was delayed as negotiations regarding land purchase have taken longer than anticipated.
- Reference line 52 of Appendix C – Network Resilience. The underspend (£0.512m) mainly relates to delayed procurement in the programme of purchasing the winter gritter fleet away from a lease payment operation. This will progress early in the new financial year.
- Reference line 56 of Appendix C - Other Transport Initiatives. This spend area includes a £0.495m transfer from the revenue budget to provide further funds for the punctuality improvement programme and other transport initiatives going forward. Elements of the underspend have been created due to slippage in relation to Replacement IT systems, vehicle adaptations and the electronic ticketing project deliverables. Expenditure will now occur in 2019/2020.
- Underspends on the remainder of the programme reflect recently started schemes that will progress during the 2019/20 financial year.

**1.122 Sustaining & Growing Business & the Economy** – commissioning strategy underspent by £0.340m gross (16% of the budget).

- Reference line 64 of Appendix C – Other Sustaining and growing the business. The underspend (£0.279m) relates to payments associated with Kirton Distribution Park and the Lincolnshire Coastal Observatory that will be made in the new financial year.
- Reference line 66 of Appendix C – Holbeach Food Enterprise Zone. The underspend (£0.070m) relates to staged payments for the scheme, expected in 2018/19, which will be made in the new financial year. The wider scheme is to be fully funded via GLLEP and supported LCC capital corporate development funds.

**New Developments Capital Contingency Fund** (£6.638m under budget).

1.123 For 2018/19 the Council set aside £7.500m in a New Development Capital Contingency Fund, plus the carried forward underspend from 2017/18 of £9.299m. During the financial year £11.257m was allocated from this budget. This has been utilised to fund the following schemes:

- Bluelight Collaboration Contribution (£4.716m);
- IT investment of £2.500m to support the upgrade to Windows 365;
- Children's Services IT investment (£1.503m) for front line services such as social workers and early help workers;
- The purchase and refurbishment of Lexicon House for £1.975m. This will create additional office space, some of which may be rented by other organisations;
- Contribution towards the build of a new compliant and fully functioning training building at Grantham Fire Station (£0.275m);
- County Farms – works to meet Minimum Energy Efficiency Standards (MEES) (£0.107m) and Road Improvement Schemes (£0.076m);
- A1073 Part One Compensation Claims paid in 2018/19 (£0.065m); and
- Property – Installation of Solar Panels at Lancaster House (£0.040m).

1.124 Following completion of some projects previously funded from the contingency fund, underspends were transferred back to the fund. These totalled to £1.096m and are detailed below:

- Skegness Countryside Business Park – due to impasse in negotiations (£0.606m) and a revised project is planned; and

- Holbeach Peppermint Junction (£0.490m).

1.125 The underspend of £6.638m remaining at the end of 2018/19 will be transferred forward into 2019/20 to fund schemes in the new financial year. There are a number of commitments which already exist for use of this funding in 2019/20 and future years. This will be allocated in 2019/20 as and when required.

### **Prudential indicators**

1.126 The Local Government Act 2003 gave authorities freedom 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.

1.127 In complying with the Code the indicators for 2018/19 were approved by the Council on 23 February 2018 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 Council should also be informed of the actual position compared with that estimated for any given year after the year end. **APPENDIX D** provides details of this comparison for 2018/19. It shows that Prudential Indicators have not been exceeded during the year and there have been no breach of limits set by the Authority.

### **Flexible Use of Capital Receipts**

1.128 The Council had planned to use £8.000m of flexible capital receipts in 2018/19 to fund transformation projects which will generate ongoing revenue savings to the authority. However, the Council generated £7.157m, which was just short of the £8.000m target. This is due to some properties being on hold pending the Council's decisions on extra care housing and other developments.

1.129 Included in the receipts is £0.344m relating to specific Schools capital projects in accordance with the Section 77 of the Schools Standard and Framework Act 1998. It is therefore requested that £0.344m go to an earmarked reserve for this purpose. (See paragraph 1.135). This will fulfil the requirement to re-invest capital receipts relating to the sale of playing fields as part of the consent given by the Department of Education.

1.130 The remaining balance of £6.813m was available to fund transformation projects according to the Strategy. It had been identified that the following schemes would be funded this way in 2018/19:

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

1.131 During the year the Council spent £3.446m on these transformation projects. Details of the Council's original plans and actual activity are set out at **APPENDIX A1**.

1.132 As the total capital receipts available is £3.368m more than the cost of transformation projects, this surplus amount was used to fund the capital programme 2018/19 in accordance with the Council's accounting policy i.e. to use all available capital receipts to fund the capital programme in the year, thereby reducing the cost of borrowing in future years.

1.133 The Flexible Use of Capital Receipts Strategy has been updated for 2019/20 in the light of revised estimates of the cost of some transformational work. At the same time the opportunity has been taken to provide more detailed information about the Strategy and this is shown in **APPENDIX A2**. The Strategy for 2019/20 was approved by the Council in February 2019 and government statutory guidance requires that where such a Strategy is amended in the year, the amended Strategy is approved.

### **Carry forward of over and underspends**

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

1.135 All under and overspends on service revenue budgets of up to 1% will be carried forward without exception (£3.473m). As in previous years Executive Directors have provided details of how they plan to use the up to 1% carry forward. Executive Directors have delegated authority to approve the use of any 1% underspend in conjunction with relevant Portfolio Holders. A summary of the 1% amounts is shown in the table below with a more detailed breakdown set out at **APPENDIX B**.

<b>Directorate</b>	<b>Final Proposal £000's</b>
Executive Director - Children's Services	1,046
Executive Director - Adult Care and Wellbeing	1,125
Executive Director - Place	766
Executive Director - Finance & Public Protection	536
<b>TOTAL</b>	<b>3,473</b>

1.136 All under and overspends on the dedicated schools budget (£21.000m) will be carried forward.

1.137 In addition to the carry forward of up to 1% of budget under and overspends, there are a number of transfers to reserves for "business as usual" totalling £1.253m:

- Civil Parking Enforcement income is ring-fenced for spending on specific works defined by legislation. This budget underspent by £0.023m in the year.

- The budget for flood and water risk management underspent by £0.096m in the year.
- Two of the Council's activities which provide services to partner organisations have operated at a surplus in 2018/19 and the net surpluses will be transferred to earmarked reserves pending future decisions about their use. These are: Legal Services Lincolnshire (£0.738m) and Strategic Commissioning and Procurement (£0.052m).
- Income of £0.344m was received in the year from the sale of former playing fields and school land. This sum will be transferred to the Capital Receipts earmarked reserve, to be used for the Poplar Farm Schools Project under Section 77 of the School Standards and Framework Act 1998.

1.138 All of the transfers to reserves set out in the preceding paragraphs are for noting. The Council is required to consider the use of underspends above the level of 1% and outside of the "business as usual" transfers to reserves. There are two further requests for transfers to earmarked reserves:

- Following an actuarial valuation, it is proposed that £0.500m be added to the Insurance Fund reserve. This will give a total of £13.000m within the Insurance Fund and the Insurance Provision to cover future liabilities.
- Spending on road maintenance can be volatile and is affected by adverse weather conditions. The Adverse Weather - Winter Maintenance reserve has been depleted and it is requested that the sum of £0.433m be transferred to this reserve to reinstate it to the £0.500m level.

1.139 It is proposed that one new earmarked reserve be created, by transferring some funding from an existing earmarked reserve:

- The proposal is that the sum of £0.261m be transferred from the existing "Highways & Transport Grants and Contributions" earmarked reserve into a new reserve called "Traffic Commissioner Threshold". This will allow the Council to demonstrate that it has a reserve earmarked for the operation of Transport Connect Limited and will give confidence to the Traffic Commissioner that any financial risks can be mitigated. This measure will help to support applications for additional operating licences.

1.140 A summary of the proposals outlined above can be found at **APPENDIX B**.

1.141 After the above allocations, which are in line with the Council's Financial Strategy, there is £10.174m still to be allocated. It is proposed to add the remaining underspend of £10.174m to the Financial Volatility Reserve.

1.142 The current balance in the Financial Volatility Reserve is £45.595m, allocated as follows:

- £3.087m to fund the 2019/20 Budget Shortfall; and
- £42.508m currently available for 2020/21 and beyond, before any further year end contributions.

1.143 Acceptance of the recommendations increases the value of the Volatility Reserves to £55.769m.

1.144 A variety of other transfers to or from other earmarked reserves reflecting actual expenditure and income in 2018/19 are shown in **TABLE E** over the page.

### General Reserve

1.145 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 2018/19 the Council had planned to increase the balance in the General Fund by £0.800m. After considering the updated budget requirement for 2019/20 and the proposals on the carry forward of over and underspends, the General Fund has been increased by £0.600m. It is not proposed to make any further amendments to the General Fund at the year end. The general reserves at 31 March 2019 are £15.800m or 3.45% of the budget requirement (**TABLE D**).

**TABLE D – General Reserves**

<b>GENERAL RESERVES</b>	<b>General Reserves £000's</b>
Balance at 1 April 2018	15,200
Contribution to / use of in year	600
<b>Balance at 31 March 2019</b>	<b>15,800</b>
Balance as a percentage of 2019/20 budget	3.45%



**TABLE E – Transfers to and from reserves**

<b>EARMARKED RESERVES</b>	<b>Restated Balance at 31 March 2018 £'000</b>	<b>Used in Year £'000</b>	<b>Additional in Year £'000</b>	<b>Balance at 31 March 2019 £'000</b>
Schools Carryforward	-12,827	17,737	-17,932	-13,022
Prime Account Loan Reserve Adjustment	287	1,162	-967	482
<b>Balances held by Schools under a scheme of delegation</b>	<b>-12,540</b>	<b>18,899</b>	<b>-18,899</b>	<b>-12,540</b>
Other Services	0	3,576	-3,576	0
Earmarked Reserves - Pre-Council Confirmation	-44,727	44,727	0	0
Adverse Weather	0	433	-500	-67
Insurances	-4,487	0	-750	-5,237
Schools Sickness Insurance Scheme	-1,103	1,168	-584	-519
Museum Exhibits	-133	0	0	-133
Development - Economic Development Reserve	-255	40	0	-215
Health and Wellbeing	-682	213	-4	-473
Health and Wellbeing Operating Cost Reserve	-96	53	0	-43
Development - Lincs Coastal Country Park	-351	301	0	-50
Legal	-920	760	-682	-842
Procurement	-959	0	-104	-1,063
Salix Carbon Management	-184	378	-234	-40
Safer Communities Development Fund	-833	277	0	-556
Co-Responders Services	-150	0	-300	-450
Financial Volatility Reserve - Budget Shortfall	-5,076	5,076	0	0
Financial Volatility Reserve	-26,179	588	-20,004	-45,595
Teal Park	-50	50	0	0
Youth Service Positive Activities Development Fund	-20	0	0	-20
Corby Glen/South Lincolnshire Sports Fund	0	0	0	0
Youth Offending Service	-512	0	0	-512
Domestic Homicide Reviews	-100	29	0	-71
Civil Parking Enforcement	-836	0	-20	-856
Support Service Contract Reserve (FDSS)	-365	569	-2,500	-2,296
Roads Maintenance Reserve	-2	2	0	0
Adoption Reform Reserve	-35	0	0	-35
Community Advisors Reserve	-156	123	0	-33
Local Welfare Provision Reserve	-15	0	0	-15
Property Management	-130	0	0	-130
Energy from Waste Lifecycles	-4,400	700	-1,286	-4,986
Broadband Project	-135	135	0	0
Broadband Clawback	-157	157	0	0
Flood and Water Risk Management	-421	0	-137	-558
Young People in Lincolnshire	-252	0	0	-252
Lincoln Eastern Bypass (LEB)	-500	0	0	-500
Families Working Together	-599	0	0	-599
Enterprise Schemes	-108	0	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	618	0	-262
Homcastle Salt Barn	0	0	0	0
Corporate Property Business Case	-100	0	0	-100
Agresso Milestone 6 Finance Staffing	-100	0	0	-100
Contract Development	-1,000	0	0	-1,000
Highways Advanced Design	-1,763	929	0	-834
Music Service Reserve (carry forward)	-207	59	0	-148
Environmental Improvements Sustainability Reserve (	-1,000	0	0	-1,000
Environmental Improvements Sustainability Reserve (	-4,000	0	0	-4,000
Purchase of Employee Leave Scheme Reserve	0	0	-264	-264
S77 Poplar Farm School Project	0	584	-584	0
Highways Permitting Reserve Income	0	83	-477	-394
Heritage Service	0	80	-130	-50
Business Rates Volatility Reserve	0	0	-1,683	-1,683
<b>Earmarked Reserves</b>	<b>-104,376</b>	<b>61,708</b>	<b>-33,819</b>	<b>-76,487</b>
<b>Revenue Grants and Contributions</b>	<b>-59,005</b>	<b>14,426</b>	<b>-18,791</b>	<b>-63,370</b>
<b>TOTAL RESERVES</b>	<b>-175,921</b>	<b>95,033</b>	<b>-71,509</b>	<b>-152,397</b>

## 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 2018/19 in February 2018 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 has been considered and there is not considered to be any direct impact of the decisions called for by this report on any of these strategies and obligations. The Council set its budget for 2018/19 in February 2018 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 the Joint Strategic Needs Analysis 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 has been considered and there is not considered to be any direct impact of the decisions called for by this report on the obligations arising from this Act. The Council set its budget for 2018/19 in February 2018 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 Section 17 of the Crime and Disorder Act 1998 obligations 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 2018/19. Net revenue spending amounted to £448.363m, excluding Schools Budgets. Net capital spending totalled £43.574m.

3.2 Existing policies allow all over and underspends 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 £15.800m with a further £55.769m in the Financial Volatility earmarked reserve.

#### **4. Legal Comments:**

Recommendation 1 is compliant with the Council's Financial Regulations. With regard to recommendation 2, the 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.

Statutory guidance on the Flexible Use of Capital Receipts requires that where the Strategy for the flexible use of capital receipts is updated following its initial approval and the updated Strategy is approved by the full Council.

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

#### **5. Resource Comments:**

Accepting the recommendations in this report provides the Council with 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**

On 27 June 2019 the Overview and Scrutiny Management Board considered the report on Review of Financial Performance 2018/19. Comments raised by the Board will be reported to the Executive.

##### **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 2018/19
Appendix B	Proposed Directorate Bids for Use of 1% Underspend
Appendix C	Capital Performance Report
Appendix D	Prudential Indicators 2018/19

## 8. Background Papers

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

This report was written by Michelle Grady, who can be contacted on 01522 553235 or [Michelle.Grady@lincolnshire.gov.uk](mailto:Michelle.Grady@lincolnshire.gov.uk).

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## Appendix A1 – Flexible Use of Capital Receipts Outcomes for 2018/19

	Budget Expenditure on Transformation	Budget Expenditure on Transformation	Cumulative Budget Expenditure on Transformation	Actual Expenditure on Transformation	Actual Expenditure on Transformation	Cumulative Actual Expenditure on Transformation	Variance	Project Cumulative Savings or Transformation Results
	2016-17 to 2017-18	2018-19	2016-17 to 2018-19	2016-17 to 2017-18	2018-19	2016-17 to 2018-19		
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	
Corporate Redundancy	4.000	1.500	5.500	2.408	0.268	2.676	-2.824	From 2016-17 to 2018/19 the Council incurred £2.676m of costs whilst the total cumulative payback is £6.451m. This is a more positive payback than the rate assumed.
<b>Service changes and reductions (including redundancies)</b>	<b>4.000</b>	<b>1.500</b>	<b>5.500</b>	<b>2.408</b>	<b>0.268</b>	<b>2.676</b>	<b>-2.824</b>	
Bluelight Project	0.878	0.000	0.878	0.720	0.176	0.896	0.018	This will support the Blue Light Programme, which is a collection of projects run by Lincolnshire Police, Lincolnshire Fire and Rescue and East Midlands Ambulance Service (EMAS) designed to: 1. Provide a modern and fit for purpose estate which meets the needs of each party into the future. 2. Optimise savings and reduce the running costs for all Parties. 3. Maintain and improve service delivery and public confidence in emergency services in Lincolnshire. 4. Continue to build upon existing collaboration and partnership working between Lincolnshire's emergency services. 5. Maximise interoperability and integration opportunities for Lincolnshire emergency services in the future. The programme will soon see the completion of the purpose built premises at South Park.
Strategic Asset Management	1.047	0.520	1.567	1.436	0.547	1.982	0.416	The work done by the team supports the programme of rationalisation, supports the transformation programme that the various services are undertaking to ensure that the property portfolio is being utilised effectively. This includes further collaboratory working with other government departments and local authorities, e.g. Lincolnshire Police, East Midlands Ambulance Service, Health Authorities and District Councils
Lancaster House	0.150	0.000	0.150	0.104	0.024	0.128	-0.022	The refurbishment of Lancaster House resulted from a move by staff from Witham House whereby the lease for c£216k per year at the time was surrendered.
<b>Property rationalisation and collaboration</b>	<b>2.075</b>	<b>0.520</b>	<b>2.594</b>	<b>2.259</b>	<b>0.746</b>	<b>3.006</b>	<b>0.412</b>	
Record Management Project	0.318	0.000	0.318	0.173	0.000	0.173	-0.145	The project ran for 2 years and resulted in the destruction of over 7,500 boxes of records with more than 12,500 boxes reviewed. The work will provide the basis of the next approach the Council needs to adapt to improve the way it manages its records, reduce its holdings, and mitigate the risks currently presented. This will address the outdated practices that results in inconsistencies and inefficiencies, and a lack of ownership and accountability leading to unnecessary retention of a significant number of records.

	Budget Expenditure on Transformation	Budget Expenditure on Transformation	Cumulative Budget Expenditure on Transformation	Actual Expenditure on Transformation	Actual Expenditure on Transformation	Cumulative Actual Expenditure on Transformation	Variance	Project Cumulative Savings or Transformation Results
	2016-17 to 2017-18	2018-19	2016-17 to 2018-19	2016-17 to 2017-18	2018-19	2016-17 to 2018-19		
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	
Commercial Projects and Performance	2.377	1.006	3.383	1.800	0.873	2.673	-0.710	<p>The team has supported the following projects that will transform the delivery of services:</p> <ol style="list-style-type: none"> <li>1. FixMyStreet Implementation - Provision of a fault reporting solution for the Council. This will improve engagement with the public and will enable them to report problems relating to Highways online.</li> <li>2. Bluelight Collaboration in order to deliver a joint Lincolnshire Fire and Rescue (LFR) and Police HQ at Nettleham; co-locate LFR, Police Command and Control Room at Nettleham happened in March 2018; Bluelight campus at South Park with LFR, East Midlands Ambulance Service and Police is nearing completion and expecting the move to take place in June 2019.</li> <li>3. Implementation of the Apprenticeship Reforms which maximised the use of the levy for apprenticeship cost. The project resulted in the consistent take up of apprenticeship training from September 2018 to end of January 2019 including higher level training (Degree and Post Graduate), recruitment of 10 staff to undertake the Social Worker apprenticeship training with Sheffield University, the Occupational Therapist apprenticeship approved and plans to take up in September 2019. At the end of March 2019, there are 145 employees undertaking training funded by the Apprenticeship levy. Prior to the introduction of the levy, there was a maximum of 35 employees at any one time in the Council undertaking apprenticeship training via the Adult Education Budget.</li> <li>4. Integration of Locality Working Programme aims to deliver a more integrated workforce and review working practices to identify where processes can be more streamlined, removing unnecessary duplication of contacts with families. This project resulted in Children Safe and Healthy savings of £0.218m from 2017-18 budget.</li> <li>5. The successful implementation of the new Shared Lives contract within limited timescales.</li> <li>6. The creation of an IMT Board that will be responsible for delivering, championing and driving improvement to the Council IMT delivery. It will ensure that IMT work programme follows the Council's existing formal decision making governance arrangements and monitoring the delivery of that programme.</li> </ol>
Commissioning - Strategic Commissioning Shared Services	0.715	0.379	1.094	0.674	0.373	1.047	-0.047	<p>Savings are achieved through reducing costs but also keeping future contract costs as low as possible (i.e. ensuring that growth in costs is kept to a minimum).</p> <p>In 2016-17 the team delivered the County Planning Software application producing savings of £45k; introduced the SEN Transport Dynamic Purchasing system, which fundamentally changed the procurement strategy and market engagement resulting in a reduction of contracts from 100's to just 18.</p> <p>One of the works completed by the team in 2017/18 is the re-procurement of the new Best Start Lincolnshire early years service model. From the re-procurement of the new service model, the expected saving was 75% achieved in 2017/18 which is £0.588m and fully achieved £0.783m per year from 2018/19.</p> <p>Another is the new model of Children's 0-19 Health Services which is the result of decommissioning the Family Nurse Partnership. The savings of £0.350m anticipated was achieved by Children Safe and Healthy as part of their budget reduction from 2017-18.</p> <p>They were also involved in developing a procurement strategy relating to Apprenticeship Training Providers. This provided a level of flexibility in both the Council's requirements and providers to deliver against the Council's needs.</p> <p>In 2018/19 they worked with ICT to re-procure the Microsoft licenses the Council use and this provided a savings of £547k over 3 years. This will support the planned move to Office 365 in 2019/20. They are also involved in the procurement of the new Council's website to support the transformation programme ICT.</p>



	Budget Expenditure on Transformation	Budget Expenditure on Transformation	Cumulative Budget Expenditure on Transformation	Actual Expenditure on Transformation	Actual Expenditure on Transformation	Cumulative Actual Expenditure on Transformation	Variance	Project Cumulative Savings or Transformation Results
	2016-17 to 2017-18	2018-19	2016-17 to 2018-19	2016-17 to 2017-18	2018-19	2016-17 to 2018-19		
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	
Commissioning - Strategic Commissioning LCC	0.580	0.186	0.767	0.662	0.371	1.033	0.267	<p>The team concluded procurement of the following encompassing 2016-17 to 2018-19 that transformed the way the service will be provided:</p> <ol style="list-style-type: none"> <li>1. Carers Support Service - consolidated multiple independent arrangement across multiple providers to a single contract and lead providers for specialist support to carers in Lincolnshire, including provision of information advice and signposting, face to face assessment, guidance and various other measures.</li> <li>2. Sensory Impairment Support Service - the new contract offers an improved person centred service delivery, providing flexible and innovative solutions within a fixed budget that offers value for money year on year.</li> <li>3. A substance misuse delivery model that is holistic and aims to provide an integrated treatment system for drugs and alcohol which will effectively meet the needs of the local population.</li> <li>4. The re-designed Wellbeing Service 'Wellbeing Lincs' will give people empowerment to live healthy independent lives, provide preventative service that delays escalation to more costly health and care services, increase accessibility to support, improvement in health and wellbeing and an individual's ability to self-care and tailor to ensure the individual gets the right support at the right time.</li> <li>5. The new Telecare Service is more than a delivery and installation of equipment and monitoring of Telecare systems. It will work effectively to support the people to remain at home ensuring that the new provider understands the targeted outcomes along with a positive and flexible approach supporting the service user, carers and trusted assessors.</li> <li>6. A new innovative cost model for Learning Disability residential services to support the vulnerable adults with learning disabilities that will represent a significant step forward in how the Council commissions residential care.</li> <li>7. Currently working on a new Integrated Lifestyle Service that will focus on improving levels of physical activity, reducing weight and BMI, quitting smoking and drinking within safe limits. It is aimed for this new service to commence on 1st July 2019 and will replace the current Stop Smoking service.</li> <li>8. A new framework for day care to address the mixture of spot contracts, which commenced at different times and for varying durations, based on different pricing and in some cases with different specifications and contract terms. This provided a new buildings based day care contracts for older people and people with learning disabilities, maximised the choice of services, ensured consistency in service quality and introduced transparency and control to service costs.</li> </ol>
<b>Efficiencies through contracting and procurement</b>	<b>3.990</b>	<b>1.572</b>	<b>5.562</b>	<b>3.309</b>	<b>1.617</b>	<b>4.926</b>	<b>-0.635</b>	
ICT Project Work	0.772	0.392	1.164	0.745	0.507	1.253	0.089	<p>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. A number of IMT projects to improve the ICT infrastructure of the Council.</p> <p>During 2017-18 work has been undertaken on several schemes including: the design and installation of an IT network and security on the Lancaster House Campus; projects to migrate the IMP content platform to Open Text Cloud and the legacy Achieve Forms software to the new Firmstep replacement as both the current versions are coming to the end of their life.</p>
Electronic Data Warehousing (EDW)	0.270	0.000	0.270	0.442	0.026	0.468	0.198	This is a transformational project which aims to locate key Council's datasets in a central database.

	Budget Expenditure on Transformation	Budget Expenditure on Transformation	Cumulative Budget Expenditure on Transformation	Actual Expenditure on Transformation	Actual Expenditure on Transformation	Cumulative Actual Expenditure on Transformation	Variance	Project Cumulative Savings or Transformation Results
	2016-17 to 2017-18	2018-19	2016-17 to 2018-19	2016-17 to 2017-18	2018-19	2016-17 to 2018-19		
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	
Transformation Enabling Technologies		3.000	3.000		0.000	0.000	-3.000	Technology Enables to improve IMT supporting the Council's services. Although this was planned to be done in 2018-19, it has been deferred.
Financial Strategy Staff Time - Mosaic Project and Agresso Upgrade	0.247		0.247	0.283		0.283	0.036	The Council is replacing the current Care Management system with Mosaic in order that all data are 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. The Council's financial system Agresso was upgraded and provided an up to date, supported system that could be used as a platform for future transformation improvements.
Confirm on Demand								
<b>Transforming information technology</b>	<b>1.289</b>	<b>3.392</b>	<b>4.681</b>	<b>1.471</b>	<b>0.533</b>	<b>2.004</b>	<b>-2.677</b>	
Counter Fraud Investigations	0.402	0.220	0.622	0.426	0.280	0.707	0.084	The authority is developing ways in order to benchmark against the 6 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. Recoveries increased to over £0.068m in 2016/17 compared to £0.031m reported in 2015/16. The work in 2016/17 identified scope for further recoveries of £0.083m, which was pursued in 2017/18. The team's data analysis skills have also played a major role in the identification and recovery of £1.600m in duplicate payments made to suppliers. The team also delivered fraud awareness sessions and liaised with the Serco Masterdata Team. As a direct result of this work and strengthened internal controls, the Serco Team successfully stopped an attempted bank mandate fraud. This prevented a payment of £0.107m from being made to the fraudsters. Recoveries increased to over £0.124m in 2017/18 compared to £0.068m reported in 2016/17. The team's work in 2017/18 also identified further potential recoveries of £55k in current live cases that were investigated in 2018/19. For 2018/19 the team had recovered £13.6k from fraud investigation. The partnership work with other council had resulted in c£1.4m removal of false single person discount, which will result in higher council tax income to the Council; £9.7k from fraud recoveries; and £15.2k fraud payment stopped due to fraud awareness.
<b>Preventing and detecting fraud</b>	<b>0.402</b>	<b>0.220</b>	<b>0.622</b>	<b>0.426</b>	<b>0.280</b>	<b>0.707</b>	<b>0.084</b>	
<b>TOTAL</b>	<b>11.755</b>	<b>7.204</b>	<b>18.959</b>	<b>9.873</b>	<b>3.446</b>	<b>13.318</b>	<b>-5.641</b>	

## Appendix A2 – Flexible Capital Receipts Strategy 2019-20 Amended

	Original Planned Budget 2019-20 £'m	Revised Planned Budget 2019-20 £'m	Expected Savings or Transformation
Corporate Redundancy	1.500	1.500	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 £0.556m of costs.
<b>Service changes and reductions (including redundancies)</b>	<b>1.500</b>	<b>1.500</b>	
Strategic Asset Management	1.054	0.223	The team will continue to support the programme of rationalisation which will see the delivery of the new integrated service based in South Park. They are also expecting some savings from the move of staff from the leased Richmond House in 2020 to Lexicon House. It is too early to confirm any figures as the detailed analysis of the costs of relocation hasn't been concluded and the income expected from other organisation may not be realised due to the increased number of the Council staff that may now have to occupy the building.
Children's Supported Accommodation	0.181	0.181	In order to safeguard and promote the welfare of all young people by providing supported accommodation for those young people of 16 and 17 years at risk of homelessness, Children's Services will be providing new accommodation pathway for those who require support or are experiencing homelessness. A pilot involving in-house provision as a pathway into other accommodation is anticipated to deliver value for money and improved individual outcomes, and the service is planning to roll this out further across the Council, as further properties become available. The pilot is expected to realise savings of £0.300k from 2019-20.
<b>Property rationalisation and collaboration</b>	<b>1.235</b>	<b>0.404</b>	
Commercial Projects and Performance	1.159	1.006	<p>The team will continue to support the following projects that will transform the delivery of services.</p> <ol style="list-style-type: none"> <li>1. Bluelight Collaboration - the South Park construction is entering into the final stages.</li> <li>2. Heritage Service Operating Model Change Programme that will aim to create multi-purpose commercially operated progressive sites to showcase the county's heritage through all engagement mediums.</li> <li>3. Zipporah Migration and Upgrade of the Council's online booking and e-commerce system.</li> <li>4. Strategic Waste Programme will provide a robust and affordable solution to the management of the Mixed Dry Recycling. This will include liaison with District Councils regarding recycling requirements and food waste trials.</li> <li>5. Shared Training Facility - This will explore the case for creating one solution to meet all of the training facilities needs for all of the Blue Light Programme partners. This will likely create cashable benefits through terminating leases on buildings and the need to train at out of county facilities.</li> <li>6. Safer Together - This will develop and improve collaboration between the Council, the Police and other partners by working to promote safer communities across the county through - Project 1 - Establish a multi-discipline, co-located Council and Police team working together on priority themes relating to crime prevention and responses; and Project 2 - New partnership models and working practices to improve outcomes for cohorts with complex and multiple needs and their families.</li> <li>7. Personalised Care Demonstrator Programme aims to embed the personalised care operating model into standard operating practice across the integrated health and care system.</li> <li>8. Procurement of a new digital/web platform together with design and implementation services. The new website will provide a wide range of digital transactions, along with a new look and feel, and reduced content.</li> <li>9. HR Transformation Programme - aims to further develop a transformed and integrated HR Service, which will encourage greater customer self-service through improved access to advice, information and services. The key focus is to ensure Managers become more self-sufficient as people managers and for the HR service to support them to achieve this.</li> <li>10. Supported Housing/ Extra Care Housing Programme will aim to deliver additional extra care provision in Lincolnshire in line with, and in support of the Council's Homes for Independence Supported Accommodation Strategy, which is currently being developed. It aims to support the development of accommodation that promotes wellbeing and independence through a range of housing options that will provide choice for older people and reduce the long term costs of care provision as cost avoidance. The provision is not aiming to generate profitable income.</li> <li>11. Budget 2020 will aim to deliver a balanced budget from 2020-21 onwards through a range of initiatives and transformation.</li> </ol>

	Original Planned Budget	Revised Planned Budget	Expected Savings or Transformation
	2019-20	2019-20	
	£'m	£'m	
Commissioning - Strategic Commissioning Shared Services	0.368	0.379	<p>In 2019-20 the team has various planned activities in 2019-20 and some are listed below. These will transform the way these services will be delivered in the future -</p> <ol style="list-style-type: none"> <li>1. Support the Highways 2020 that will review the service provision for the Alliance, Professional Services and Traffic signals. The contract will be comprehensive and wide ranging to reflect the current strategy for Highways.</li> <li>2. Waste - Mixed Dry Recyclables Agreement. The current contract is let to a single contractor which is due to expire in April 2020. The Council is exploring a number of alternative possibilities such as a provision of mixed recycling facility.</li> <li>3. Household Waste Recycling Centre (HWRC) - Materials Reception (DPS). This is a mid-term refresh to the existing dynamic purchasing system for the reception and treatment of materials recycled by citizens at the Council's Household Waste Recycling Centres.</li> <li>4. Electricity Contract - To procure the supply of electricity to the Council's corporate portfolio of Property and Highways with consideration to the Council's social value agenda (Environmental) and in support of the Council's Carbon Management Action Plan.</li> <li>5. Adult Skills and Family Learning Services - The Adult Skills and Family Learning Services raises achievements and aspirations of Lincolnshire residents by providing high quality learning opportunities. Provision is planned to support the delivery of key strategic priorities of the Council as well as alignment to the Greater Lincolnshire Local Enterprise Partnership's (GLLEP) priority of increasing skills in Lincolnshire and driving economic growth.</li> </ol>
Commissioning - Strategic Commissioning LCC	0.193	0.373	<p>During 2019-20 the team has various planned activities in 2019-20 and some of these are listed below. These will transform the way these services will be delivered in the future. -</p> <ol style="list-style-type: none"> <li>1. The conclusion of the Integrated Lifestyle Service that started in 2018-19 that will provide an new service.</li> <li>2. A full Home Care Review to enable decision on the future model and procurement late summer 2019.</li> <li>3. Home Based Reablement Review to enable decision as to the most effective model, to be considered alongside Home Care.</li> <li>4. A full Housing Related Support and Crisis Housing review of available options and strategy development in advance of the current contract coming to and end in July 2020.</li> <li>5. To complete a full review of the current Community Supported Living Framework to ensure that the team are in an optimum position to begin a procurement process if required.</li> <li>6. Review and potential re-procurement of the Domestic Abuse Outreach and Independent Domestic Violence Advice contracts.</li> <li>7. A full review of Direct Payments Support Service to enable a decision on the future model ahead of re-procurement towards end of 2019.</li> <li>8. Review of Transitional Care Beds current contract arrangements to enable service improvements to be incorporated into a future re-procurement.</li> </ol>
<b>Efficiencies through contracting and procurement</b>	<b>1.720</b>	<b>1.757</b>	

	Original Planned Budget 2019-20 £'m	Revised Planned Budget 2019-20 £'m	Expected Savings or Transformation
ICT Project Work	0.114	0.114	This will be used to meet the requirements in of ad-hoc projects. It will ensure that the Council will be able to provide continuation of services and to undertake investigations leading to corrective actions.
Transformation Enabling Technologies	3.000	2.995	<p>There are various IMT projects planned that will significantly improve the IT of the Council. These include support for the following</p> <ol style="list-style-type: none"> <li>1. Office 365 project will see the latest way in the delivery of Excel, Word and PowerPoint, including other tools such as 'Skype for Business' video conferencing and Teams, which is a collaboration workspace. Office 365 will provide enhanced document management features such as real-time co-authoring - multiple people can work on the same document at the same time - intelligent search capability, and sharing options for both internal and external collaborators. Document compatibility will be no longer an issue as the web apps in Office 365 are compatible with Office file types back to Windows XP. This will support the Council's flexible workforce.</li> <li>2. LCC Telephony Upgrade - the software for the Council's Avaya telephone system used by staff and the CSC will be upgraded. This will improve supportability and provide additional features for the CSC such as voice recognition, which enables callers to verbally answer a number of system generated questions so that they can be quickly routed to the information or support they need. This will extend the working life of the Council's investment in telephone hardware.</li> <li>3. Network Improvement - This will refresh or replace the ageing network equipment to increase resiliency, and to ensure we have the network performance necessary to access the IT service of the future. This will ensure the network is secure, resilient and has the performance to serve today's business demands as well as providing the bandwidth and speed needed to access the IT services in the future, particularly those hosted in the Cloud.</li> <li>4. Internet Upgrade - Along with the network upgrade, this will give users improved performance and stability when accessing IT services, whether one is based in the office or working remotely.</li> </ol>
Confirm on Demand	0.210	0.210	<p>This is to upgrade the current highways works ordering software (Confirm) to a hosted service.</p> <p>This will make for more efficient and effective works ordering leading to better value for money in the delivery of highways work.</p>
<b>Transforming information technology</b>	<b>3.324</b>	<b>3.320</b>	
Counter Fraud Investigations	0.220	0.220	The team aims to generate £30k savings as a result of their fraud work during 2019/20. As part of their partnership work and based on the work recently completed for the Single Person Discount, they are exploring to continue this work as a yearly activity rather than every 2 years. The recent estimate will generate c£10.5m over 5 years. This is based on an annual single person discount savings of £2.2m based on their work since 2015.
<b>Preventing and detecting fraud</b>	<b>0.220</b>	<b>0.220</b>	
<b>TOTAL</b>	<b>8.000</b>	<b>7.201</b>	

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

### Proposed Directorate Use of 1% Underspend 2018/19

Ref	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 (£)
<b>Directorate</b>		<b>Children's Services</b>	<b>Up to 1% Carry Forward</b>		<b>1,046,246</b>
Ch1	School Improvement	Small schools project - the aim is to support small schools, with mixed age classes and leadership, in developing a research informed curriculum that supports all pupils to achieve highly, particularly disadvantaged pupils and pupils with SEND.	One-off		144,129
Ch2	School Improvement	The City of Lincoln Project is aimed at improving outcomes for children at Key Stage 2 and Key Stage 4, particularly those who are disadvantaged. The approach will use toolkits, reviews and research to improve the quality of teaching, teacher expertise, quality of assessment and use of resource to improve experiences and outcomes of the learners through working across the City collaboratively.	One-off		180,000
Ch3	School Improvement	Early Years : A number of projects aimed at improving outcomes for children, targeted at schools with the greatest need in terms of disadvantaged children. These will aim to : - develop reading and writing strategies in Reception classes by implementing a range of research recommendations on how to accelerate progress in the early years in reading and writing. - support bespoke moderation for those schools most significantly adrift from National who will be supported directly with their assessments through termly moderation and support to ensure accuracy and improvement is embedded. - extend the Lincolnshire Approach to Reviewing the Curriculum (LARC) to Early Years. LARC will provide a framework and opportunity to work together to ensure that Early Years settings are confident in how they have designed their curriculum. - develop high quality transition between Reception and Year 1.	One-off		360,000
Ch4	School Improvement	An educational consultant undertaking a review by drawing on local and national perspectives within this field across schools, Trusts, LAs and Teaching schools to review the current approach to school improvement in Lincolnshire. This review must include the role of the Teaching Schools, the LA and Multi Academy Trusts and include the view of Headteachers.	One-off		48,000
Ch5	Commissioned Arrangements	Bereavement Service - funding provided to support young people through difficult times of grief and loss.	One-off (agreed for 2 years)	Dependent on DMT future decision making	50,000

Ch6	Supported Accommodation	Youth Housing contract – the extension of the contract agreed to underwrite voids due to being 75-80% units utilised based on 72 units. A number of mitigating actions are being explored (past 18 years), but referrals are demand-led.  It is hoped Future4Me will bring the numbers down further; therefore discussions are taking place with the provider in reducing the number of units.	One-off (agreed until July 2020)	Dependent on DMT future decision making of new contract arrangements	75,000
Ch7	Provision Planning	General School Reorganisation – costs associated with the former Mablethorpe Tennyson site (till end of Aug 2019)	One-off		41,667
Ch8	HR Service	Finalise and implement Employee Value Proposition work by the external provide, 33, including all social media marketing material for apprenticeships. This Council wide programme aims to improve our recruitment to the hard to recruit areas.	One-off		80,000
Ch9	HR Service	Cleansing of school files in readiness to send to Restore for storage. These files are for schools that are no longer Serco customers and those who have become Academies	One off		20,000
Ch10	HR Service	To provide HR Consultancy and staff training to enhance our approach to apprenticeships and capacity to work with education providers as well as supporting skills development in the area of Recruitment and Resourcing.	One-off		47,450
		<b>TOTAL</b>			<b>1,046,246</b>

In excess of 1% level

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A1	Specialist Adult Services	The Code of Practice that will operationalise the Liberty Protection Standards (LPS) is currently being drafted. The LPS Code of Practice will have statutory force and is expected to be implemented sometime between Spring/Summer 2020. The development of training for AC&CW staff and the wider social care provider market and NHS staff will be a critical element ahead of the implementation date. Accordingly an awareness and training package will be needed at scale. It is expected that ongoing training costs will be of a much smaller scale and so a one-off fund will be prudent.	One Off		100,000
A2	Adult Frailty	The Occupational Therapy service has found it difficult to reduce and then maintain a position where there are no backlogs in the County. A number of initiatives have begun to show progress which includes the development Occupational Therapy assistant grades. There is also a developing dialogue with the Wellbeing Service to fasttrack lower level items of equipment thereby reducing the pressure on Occupational Therapy staff allowing them to undertake higher value work. This investment will help make a substantial inroad to improving the speed of the service impacting the backlog.	One Off		250,000
A3	Wellbeing	Extension and expansion of Digital Maturity Project with independent and 3rd sector providers to enable structured data flow between health, social care and care providers. The current programme has enabled 60 care home providers to meet the required digital and information governance standards and this would seek to increase this to 300+. This will support quicker and more effective discharge from hospital. Longer term this will allow independent providers, health and social care to access each other's data via the Care Portal and support the delivery of an Integrated Care System. The programme will also trial telehealth in a small number of care homes to allow basic observations to be recorded by care home and sent digitally to health and care to support hospital avoidance.	One Off		250,000
A4	Wellbeing	Implementation of the Virtual Wallet Solution that will allow online management of personalised budgets and provide customers with the opportunity to choose, book and buy services using their direct payment or personal health budget. The proposed solution has a direct link to Mosaic and will allow both the council and users to efficiently manage their direct payment, establishing the best way to deliver the outcome. This investment is subject to the Council's ICT system capacity being able to support the investment.	One Off		200,000



A5	Wellbeing	Mobile phone – the majority of frontline operational staff are using basic mobile phones that do not provide internet access. As we develop our suite of online products - Mosaic mobile, connect to support, online financial assessments and online policies and procedures it is important to provide our employees with the appropriate technology to access these tools. Agreed with the Executive Director with responsibility for corporate ICT. All requirements will be developed in conjunction with IMT to ensure the specification and procurement is compliant with a corporate framework.	One Off		100,000
A6	Carers	Intelligence provided via Skills for Care has indicated that the number of Adult Social Care jobs to meet projected demand for care services in Lincolnshire will need to increase from 20,500 jobs to somewhere between 29,000 and 34,000 jobs by 2030. This is an increase of jobs between 41% to 65% of existing workforce a challenge that is consolidated further by annual turnover rates of over 22% and 46% for those employees under 20 years of age. A recent workshop to consider how to address this and other workforce challenges has identified informal carers as a key cohort of people who could help to meet this significant growth in demand. The funding from 2018-19 underspend would be utilised to commission targeted recruitment and retention support and associated materials aimed at informal carers who have a need to work (in addition to their existing informal caring role) and also for those carers who have been bereaved of the person they cared for and now have time to consider a career in the care sector.	One Off		75,000
A7	Adult Safeguarding	Lincolnshire has identified the aspiration to develop a Team Around the Adult Safeguarding approach similar to the Team Around the Child approach already in place. The Team Around the Adult approach would be linked to developing common terms of reference and operating procedures for the Vulnerable Adult Panels that operate at District Council level. The underspend funding would be used to commission support to co-ordinate the development of operating procedures for VAP's and to ensure the VAPS are consistent in operation for the 2020-21 financial year.	One Off		150,000
					<b>1,125,000</b>
Below 1% level					- 856,931

P1	Countryside	Cover the shortfall in cost between service provision and available budget to carry out required cyclic vegetation clearance.	On-going pressure	Previous reliance had been on Waste Service underspend - increased incomes from Public Path Orders may alleviate some of the pressure but there is a reliance on the Deregulation Act.	17,397
P2	Countryside	Materials purchase - currently budget for materials stands at c.£12000 which is sufficient to repair a small number of bridges each year. There is a significant imbalance between the contractual cost of the labour and the remaining funding to provide materials for their work inclusive of statutory duties.	On-going pressure	Previous reliance had been on Waste Service underspend and income from the establishment of the English Coast Path, neither of which are sustainable sources	35,000
P3	Flood Risk	There is increased financial risk in the capital programme due to deferment of Flood Defence Grant in Aid (FDGiA) in the national Medium Term Plan. FDGiA supports LCC projects which contribute to national flood risk management targets. The LCC capital programme has been reprofiled to reflect this short-term change in FDGiA, but there is still a requirement to deliver schemes which contribute to the council's Business Plan target of 100 properties protected each year. In essence, this means 'front loading' LCC investment in projects in the capital programme in the expectation that FDGiA will become available. It is expected that if required the existing revenue reserve will be utilised to manage these on-going pressures, and the requested carry-forward will help mitigate the increased risk of indicative national funding not being received.	On-going pressure.	Maximise grant drawdown when it becomes available. Consideration of alternative funding streams. There is the possibility of increased partner contributions, including Local Levy administered by the Regional Flood & Coastal Committee, but this is by no means certain.	40,000

P4	Strategic Planning	<p>The Chief Executives Group and HIG are agreed that there is a common growth ambition across Greater Lincolnshire which needs to be reflected in the corporate plans and strategies of the Greater Lincolnshire LEP and partner authorities. The broader Planning for Growth (PfG) work, being carried out and steered by Local Partnerships and the officers group, is continuing. This is considering the Greater Lincolnshire shared ambitions for growth, the current delivery position and market, opportunities for accelerated growth along with the range of delivery approaches and vehicles that may be appropriate to deliver the ambition. It will provide an evidence base to justify the recommended approach and will start to develop the business case for these options. It was acknowledged that a strategy, and a single narrative for Greater Lincolnshire, needs to be prepared to maximise the chances that Lincolnshire continues to be successful in accessing government funding – whether through the GLLEP, Homes England or other agencies and government departments. An overall budget of £ 165k has been agreed by GL authorities. £135k has been received from the district councils to progress this work and accrued to financial year 2019/20. Upon the advice of LCC Finance, the remaining £30k (£15k budget and £15k received from LEP) is required via an underspend bid for these funds to be retained within cost code L14325.</p>	One-off project		30,000
P5	Sustainability	<p>During the last 12 months E&amp;E Scrutiny Committee has undertaken significant work focussed on the agricultural sector, particularly in response to the Health and Harmony Command Paper and the subsequent Agriculture Bill. Current areas of work include the promotion of the needs, opportunities and challenges for the sector in Lincolnshire to policy makers and influencers, as well as working with key stakeholders such as the NFU, CLA and LRSN to ensure that the sector is ready for these major changes, which are designed to create radical change and churn to agriculture . Mental health and the resilience of the farming community to deal with these major changes (in particular the end of CAP subsidy) is an area that has been identified by scrutiny as requiring additional support. A funding opportunity is available from the Prince's Trust to draw down funding to provide a mental health specialist to be part of the Rural Support Network Team, match funding is required.</p>	one off		40,000

P6	Sustainability	In 2019 LCC, the GLLEP and a group of AD operators procured the design and build of a verge harvesting machine. The greatest challenge to the project is the permitting arrangement (overseen by the Environment Agency) for the use of the grass, to be used in the process and eventually spread as digestate. Their original concerns largely focussed on heavy metals and we have provided scientific evidence to reassure the EA. However, the rise of the microplastics agenda during the last 12 months has led to new and additional concerns from the EA: that plastic bottles and other litter are being gathered by the machine, broken down during digestion and spread onto land. The farmers involved would co-fund the development of an additional "hoover" head that would be designed to separate the plastic. Estimated costs are £40,000, the request is for a 50% contribution to this.	one off		20,000
P7	Growth	To support us with preparation for a business visit to Hunan in November 2019.	one off		15,000
P8	Growth	WSP costs for Development Management service review - agreed need for review of the function of the service to ensure clarity on purpose/ approach.	one off		15,000
P9	Highways	Programme of road sign maintenance, renewal, cleaning designed to address improved NHT survey response and enhance road user experience	One off		250,000
P10	Planning Services	To pay for bespoke modifications/developments to the Mastergov software system that supports the Highway, Planning and Enforcement functions. Several modifications and enhancements have been identified for different modules within the system which would help to improve usability and deliver efficiencies in workflow and processes. This includes amendments to facilitate better co-ordination and recording of consultation responses from different LCC departments to District planning applications; recording, monitoring and requests for S106's for developments handled by the Districts; creation of additional fields for recording information and to aid reporting. These amendments are 'bespoke' changes to the purchased product and so costs would be incurred to pay for developer time.	One off scheme		20,000
P11	Waste	Sampling of the collected dry mixed recycling is required to investigate the level of contamination that exists. This will then provide evidence of what needs to be targeted in public communication campaigns.	One off scheme		25,000
P12	Heritage	Detailed property feasibility and investigation for the Archives development	One-off		100,000

P13	Strategic Communications	To support marketing campaigns, photography and corporate branding and business support for the Strategic Communications Team	One-off		33,519
		<b>TOTAL</b>			<b>765,916</b>

Difference - none -

Directorate

Finance and Public Protection

Up to 1% Carry Forward

536,012

Cor1	Corporate Property	Corporate Landlord - Programme Manager G11	2 years. This is a two year cost pressure , so the total requirement will be £112,900 (ie £57,210 in 2020/21)		55,690
Cor2	Corporate Property	Modern day slavery response : Additional site management at Washingborough Travellers site as a result of the modern day slavery serious case review. The review has highlighted that the Washingborough site manager is the only person that has daily contact with the Travellers on the site. The manager is only on site for 3 hours per day and this time is taken up by the daily property management. Increasing the hours, or the management resource, would allow for a wider remit and enable the site manager to help LCC to fulfill our role in future detection and prevention of potential modern day slavery issues.	ongoing	Will be included in future budget bid process.	40,000
Cor3	Corporate Property	The Programmes and Project team had placed a Project Manager in Corporate Property due to an increased workload. The Project Management role delivers all of the planned and reactive office moves for the Council and this has become vital to effective service delivery. With this role being reallocated by the Programmes and Projects team the only alternative is to backfill with a consultant who is familiar with the role (to maintain business continuity). The funding is to cover these costs for 6 – 9 months until the service is restructured in the autumn, whereupon a permanent replacement will be sought.	One-off		25,806
Cor4	Corporate Property	Rectory Farm Mineral quarry - Archaeology Categorisation/logging works being undertaken on "Finds" as a result of the previous Lease. Remaining (unspent) budget required to bring to conclusion.	One-off		44,900
Cor5	Finance	To meet a need to seek specialist tax advice to review our processes and adress issues around taxation of employee expenses and benefits, a specialist advisor has been identifeid. The initial cost is likely to be £20,000 but there is an expectation there will be follow up work to undertake.	One-off	N/A	50,000
Cor6	Finance	The finance team have been working with Serco to review the aged debt recovery process, with a view to improving service ownership of debt, and reducing debts being written off. We have used one-off income in 2018/19 (from Meridian review) to use agency staff to review debt still outstanding from prior to the Serco contract, extending the agency support for 6 months will support the completion of this work.	One-off		30,000
Cor7	Finance	Additional staff resource to support Service Action Plan activities, especially Budget process	One-off	N/A	40,000

Cor8	Audit & Risk Mgt	Temporary resource was put in place to help undertake H&S inspection / audits in 2018/19 - ends June 2019. We would like to extend this project work into 2019/20. The backlog has been cleared but we continue to have sickness & capability issues in the team. The team is small and we would like to keep on top of the audits by extending the contract by 6 mths. It is anticipated that the HR issues will be resolved by December 2019.	One-off		10,000
Cor9	Audit & Risk Mgt	Audit and Risk would like to continue with the successful Intern scheme. We supported a professional practice year student - introducing them to Finance and Audit. We would like to continue with this initiative.	on-going		17,212
Cor10	Business Support	Employer Provider Centre - during 2018/19 the centre has not been able to move to the standards (from frameworks) which provides a greater financial draw down on the levy. Additional trainers have had to be recruited to support achievement of the Apprenticeship target in service.	One off	We will have moved to the standards by March 2020 at which point the EPC will become self funding based on current apprenticeship completions.	32,749
Cor11	Business Support	Transfer in of Complaints/FOI/SARS - project support is required for approx 9 months to ensure effective transition of service, review of processes and procedures in line with CMB request to bring service into LCC	One off	Required for effective transition of service into LCC and to work to new model	21,479
Cor12	Fire and Rescue	The Service continues to support the upgrading of the Asset Management System, from Brite Sparks to Red-Kite. This has encountered some IT and data retrieval issues that have required some extra funding to comply with our legal health and safety duties in the maintenance, recording of our operational equipment. The breakdown will be:  1. Extension of the current Britsparks programme and software, £7,000 2. Data retrieval and updating of the Red-Kite system, this will be 3 full time team members for a 3 month period, £21,000 3. Station training, involving Lay Trainers from the on-call / ops support on flat rate and overtime as required, £10,000	One off for FY 2019/20	Once implemented this will form part of service as usual.	38,000
Cor13	Fire and Rescue	On-going Vision 4 project resourcing (caused by delay in implementation through CAPITA). A solution has now been agreed and is being implemented from June 2019, with LFR due to migrate over late 2019, early 2020. LFR have been covering the costs of a technical post integral in the support and configuration of implementing the new solution. This post is not funded and is therefore a budget pressure. Salary costs for a former Control operator with extensive knowledge of the mobilising system. He forms part of the Technical team which is essential for our transition to Vision 4 and move to Police Control. ADDITIONAL INFO - VISION 4 should have been implemented last year but continued delays and a technical backtrack by Capita has meant a significant delay into 2019/20 Financial year. This Person is integral to the support group who are implementing the Hardware element for LFR. His removal would jeopardise both LFR's implementation as well as the partner's. The substantive post for this person is in our Ops support team that is running short but struggling as we have major projects such as 33 new fire engines to implement.	One off for FY 2019/20	Current projection is this will be resolved by year end	41,176

Cor14	Fire and Rescue	<p>The Service continues to support the upgrading of the Fire Safety Team, but with the planned shortfall in CFP Staff (retirement x1 – potential promotion out of the department x 1, Maternity Leave x 1) the proposal would be to offer a fixed term post at G5 to train the third placed candidate from the recent selection process (on call member) to a competent level. Once the year is completed we will have one member who is skilled and could be used as required or be eligible for any future positions.</p> <p>ADDITIONAL INFO . The two new prevention posts are being recruited and will bring us into line with the HMIC's expectations. However, The Protection team have a significant risk of skills loss for specialist posts (likely to lose two qualified staff this year) due to impending retirements / development. The posts have a long duration development route and so when people leave it is up to 1 year to have them auditing. This extra post on a fixed term gives us some resilience and pre planning for skills loss that is hard to replace quickly.</p>	One off for FY 2019/20, this will include the training and development costs.	No – Ongoing budget implications	30,000
Cor15	Fire and Rescue - BLUELIGHT	Continuation of Business Support for completion of South Park build Grade 3 for 6 months	One off for FY 2019/20	Not applicable	12,000
Cor16	Coroners	Archiving and rationalising of historic Coroner's paperwork to avoid storage costs , 12 month project.	One off	n/a	20,000
Cor17	Safer Communities	Support for the Safer Together Collaboration Project , includes moving team, legal costs and IT requirements.	One off	n/a	25,000
		<b>TOTAL</b>			<b>536,012</b>

**Difference - none -**

		<b>GRAND TOTAL</b>			<b>3,473,174</b>
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# Appendix C – Capital Performance Report – Part 1

Line Number	Project	Gross Expenditure			Grants & Contributions			Net Expenditure		
		Actuals	Revised budget	Outturn Variance	Actuals	Revised budget	Outturn Variance	Actuals	Revised budget	Outturn Variance
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	Public Health	8	8	0	0	0	0	8	8	0
	<u>Wellbeing</u>	8	8	0	0	0	0	8	8	0
2	Adult Care	61	61	0	0	0	0	61	61	0
3	Better Care Fund - Disabled Facility Grants	5,698	5,698	0	-5,698	-5,698	0	0	0	0
	<u>Adult Frailty &amp; Long Term Conditions</u>	5,759	5,759	0	-5,698	-5,698	0	61	61	0
	<b>Adult Care &amp; Community Wellbeing</b>	<b>5,767</b>	<b>5,767</b>	<b>0</b>	<b>-5,698</b>	<b>-5,698</b>	<b>0</b>	<b>68</b>	<b>68</b>	<b>0</b>
4	Broadband	5,100	5,921	-821	-4,903	-4,903	0	197	1,018	-821
5	Infrastructure and Refresh Programme	426	1,087	-661	-29	0	-29	397	1,087	-690
6	Replacement ERP Finance System	1,100	1,601	-502	0	0	0	1,100	1,601	-502
7	Care Management System (CMPP)	55	66	-11	-3	0	-3	52	66	-14
8	ICT Development Fund	1,794	2,690	-895	0	0	0	1,794	2,690	-895
9	Property	2,928	3,418	-489	0	0	0	2,928	3,418	-489
10	Property Rationalisation Programme	1,080	849	231	-3	0	-3	1,078	849	228
11	Blue Light South Park	12,606	13,793	-1,186	-6,814	-8,000	1,186	5,793	5,793	0
12	Lexicon House	975	975	0	0	0	0	975	975	0
13	Windows 10 Refresh 2018	179	2,500	-2,321	0	0	0	179	2,500	-2,321
	<u>Enablers &amp; Support To Council's Outcomes</u>	26,244	32,899	-6,655	-11,751	-12,903	1,152	14,493	19,996	-5,503
14	Fire & Rescue and Emergency Planning	433	1,495	-1,062	-5	0	-5	428	1,495	-1,067
15	Fire Fleet Vehicles and Associated Equipment	1,884	4,882	-2,998	0	0	0	1,884	4,882	-2,998
16	Registration Celebratory & Coroners Services	22	55	-33	0	0	0	22	55	-33
	<u>Protecting The Public</u>	2,339	6,432	-4,094	-5	0	-5	2,334	6,432	-4,099
	<b>Finance &amp; Public Protection - Commissioning</b>	<b>28,583</b>	<b>39,331</b>	<b>-10,749</b>	<b>-11,756</b>	<b>-12,903</b>	<b>1,147</b>	<b>16,827</b>	<b>26,428</b>	<b>-9,601</b>
17	Devolved Capital	1,639	1,639	0	-2,817	-2,817	0	-1,178	-1,178	0
18	Provision of School Places (Basic Need)	8,893	9,138	-245	-17,371	-17,371	0	-8,478	-8,233	-245
19	School Condition / Maintenance Capital	3,152	0	3,152	0	0	0	3,152	0	3,152
20	Schools Modernisation / Condition Capital	2,013	5,176	-3,163	-5,147	-5,147	0	-3,135	28	-3,163
21	Schools Access Initiative	101	101	0	0	0	0	101	101	0
22	Other Academies	0	-8	8	0	0	0	0	-8	8
23	Other Learn & Achieve	522	1,120	-598	-862	-771	-91	-341	348	-689
	<u>Learn &amp; Achieve</u>	16,320	17,166	-846	-26,198	-26,107	-91	-9,878	-8,941	-937
24	Universal Infant Free School Meals Capital	211	211	0	-350	-350	0	-139	-139	0
25	Foster Capital	214	586	-372	0	0	0	214	586	-372
26	Short Breaks for Disabled Children	0	20	-20	0	0	0	0	20	-20
27	Children's IT	1,691	1,855	-164	0	0	0	1,691	1,855	-164
	<u>Children are Safe &amp; Healthy</u>	2,116	2,672	-557	-350	-350	0	1,766	2,322	-557
28	Lincolnshire Secure Unit	0	2	-2	0	0	0	0	2	-2
	<u>Readiness for Adult Life</u>	0	2	-2	0	0	0	0	2	-2
29	Early Years Sufficiency / Extended Provision	64	135	-71	0	0	0	64	135	-71
30	Other Readiness for School	217	187	30	-30	0	-30	187	187	0
	<u>Readiness for School</u>	281	322	-41	-30	0	-30	251	322	-71
	<b>Childrens Services - Commissioning</b>	<b>18,716</b>	<b>20,162</b>	<b>-1,446</b>	<b>-26,578</b>	<b>-26,457</b>	<b>-121</b>	<b>-7,861</b>	<b>-6,295</b>	<b>-1,567</b>

## Appendix C – Capital Performance Report – Part 2

Line Number	Project	Gross Expenditure			Grants & Contributions			Net Expenditure		
		Actuals	Revised budget	Outturn Variance	Actuals	Revised budget	Outturn Variance	Actuals	Revised budget	Outturn Variance
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
31	Libraries	240	348	-109	0	0	0	240	348	-109
	<u>Community Resilience &amp; Assets</u>	240	348	-109	0	0	0	240	348	-109
32	Flood Defence	0	1,100	-1,100	0	0	0	0	1,100	-1,100
33	Other Protecting & Sustaining the Environment	0	46	-46	0	0	0	0	46	-46
34	Energy from Waste	700	700	0	0	0	0	700	700	0
35	Flood & Water Risk Management	696	1,173	-477	-307	-190	-117	389	983	-594
36	Boston Household Waste Recycling Centre	526	646	-120	0	0	0	526	646	-120
37	Equipment & Vehicles at Waste Transfer Stations	186	441	-255	0	0	0	186	441	-255
38	Fire Suppression at Waste Transfer Stations	0	500	-500	0	0	0	0	500	-500
	<u>Protecting &amp; Sustaining the Environment</u>	2,108	4,605	-2,497	-307	-190	-117	1,801	4,415	-2,614
39	Highways Asset Protection	53,983	57,903	-3,921	-46,683	-46,469	-214	7,300	11,434	-4,135
40	Integrated Transport	1,734	2,012	-278	-3,573	-3,529	-45	-1,839	-1,516	-323
41	Lincoln Eastern Bypass	26,020	47,890	-21,870	-6,461	-6,461	0	19,559	41,429	-21,870
42	Lincoln East-West Link	300	298	2	0	0	0	300	298	2
43	Spalding Relief Road (Phase I)	6	0	6	0	0	0	6	0	6
44	Grantham Southern Relief Road	4,452	2,141	2,312	0	0	0	4,452	2,141	2,312
45	A16/A1073 Spalding to Eye Road Improvement	19	33	-14	0	0	0	19	33	-14
46	Other Sustaining and Developing Prosperity Through Infrastructure	60	181	-121	-8	0	-8	52	181	-129
47	Lincoln Growth Point	626	177	449	3	0	3	629	177	452
48	Lincolnshire Waterways	2	-142	144	0	0	0	2	-142	144
49	Historic Lincoln	396	468	-72	-450	-450	0	-55	17	-72
50	Street Lighting Transformation	252	610	-358	0	0	0	252	610	-358
51	Lincolnshire Enterprise Partnership Contribution	0	3,057	-3,057	0	0	0	0	3,057	-3,057
52	Network Resilience	28	540	-512	0	0	0	28	540	-512
53	NPIF - National Productivity Investment Fund	1,896	1,896	0	-338	-338	0	1,558	1,558	0
54	A46 Welton Roundabout (Integrated Transport/NPIF)	196	400	-204	-800	-800	0	-604	-400	-204
55	Holdingham Roundabout (Sleaford Growth Schemes)	52	105	-53	0	0	0	52	105	-53
56	Other Transport Initiatives	619	1,379	-761	-549	-549	0	70	831	-761
57	Lincoln Castle Revealed phase 2	1,067	1,067	0	-640	-640	0	427	427	0
58	A46 Roundabouts	69	400	-331	0	0	0	69	400	-331
59	Countryside Rights of Way	252	250	2	0	0	0	252	250	2
60	A1084 Safer Road Fund	0	0	0	-1,245	-1,245	0	-1,245	-1,245	0
61	A631 Middle Rasen to Bishops Bridge Safer Road Fund	0	0	0	-645	-645	0	-645	-645	0
62	Gainsborough Corringham Road (Dev with WLDC)	0	216	-216	0	0	0	0	216	-216
63	Sleaford Rugby Club (Sleaford Growth Scheme)	34	200	-166	0	0	0	34	200	-166
	<u>Sustaining &amp; Developing Prosperity Through Infrastructure</u>	92,064	121,082	-29,018	-61,390	-61,126	-263	30,674	59,956	-29,282
64	Other Sustaining and Growing Business and the Economy	613	891	-279	42	0	42	655	891	-237
65	Teal Park, Lincoln	14	5	9	0	0	0	14	5	9
66	Holbeach Food Enterprise Zone	320	390	-70	0	0	0	320	390	-70
67	LEP Skills Investment Programme	837	837	0	0	0	0	837	837	0
	<u>Sustaining &amp; Growing Business &amp; the Economy</u>	1,783	2,123	-340	42	0	42	1,825	2,123	-298
	<b>Place - Commissioning</b>	<b>96,194</b>	<b>128,158</b>	<b>-31,964</b>	<b>-61,654</b>	<b>-61,316</b>	<b>-338</b>	<b>34,540</b>	<b>66,842</b>	<b>-32,302</b>
68	New Developments Capital Contingency Fund	0	6,638	-6,638	0	0	0	0	6,638	-6,638
	<u>Other Capital Programmes</u>	0	6,638	-6,638	0	0	0	0	6,638	-6,638
	<b>Other Programmes</b>	<b>0</b>	<b>6,638</b>	<b>-6,638</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,638</b>	<b>-6,638</b>
	<b>Total Capital Programme 2018/2019</b>	<b>149,260</b>	<b>200,056</b>	<b>-50,796</b>	<b>-105,686</b>	<b>-106,374</b>	<b>688</b>	<b>43,574</b>	<b>93,681</b>	<b>-50,108</b>

## Appendix D – Prudential Indicators 2018/19

PRUDENTIAL INDICATORS ACTUAL COMPARED TO ESTIMATED 2018/2019			
Original Estimate	2018/19 £000	Actuals	2018/19 £000
Capital Expenditure Net	84,677	Actual Capital Expenditure (Excl Sch RCCO & Leasing)	29,950
Capital Financing Requirement 31/3/2019	640,034	Actual Capital Financing Requirement 31/3/2019	556,484
Capital Financing Requirement Estimate at 31/3/2021	685,231	Capital Financing Requirement Estimate 31/3/2021	601,681
Gross External Borrowing	526,898	Actual Gross External Borrowing	466,972
Borrowing in Advance of Need Limit	11,299	Actual Borrowing in Advance of Need Taken	0
MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Estimate	5.72%	MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Actual	5.12%
Ratio of Financing Costs To Net Revenue Stream	5.62%	Actual Ratio of Financing Costs To Net Revenue Stream	5.00%
<b>External Debt:</b>			
<u>Authorised limit for external debt -</u>		<b>Actual external debt at 31/3/19</b>	
borrowing	651,751	Borrowing	466,972
other long term liabilities	12,984	Other long term liabilities(Credit Arrangements)	10,270
TOTAL	664,735	<b>TOTAL</b>	477,242
<u>Operational boundary -</u>			
borrowing	636,751		
other long term liabilities	10,984		
TOTAL	647,735		
<b>Treasury Management:</b>			
<u>Upper limit for variable rate exposure</u>		<b>Actual exposure variable interest</b>	
Net principal re variable rate borrowing less investments	205,569	Net Principal	-40,688
<u>Upper limit for total principal sums invested for over 364 days</u> (per maturity date)	40,000	<b>Actual sums invested &gt; 364 Day</b>	12,229
<u>Maturity structure of fixed rate borrowing during 2018/19</u>	upper limit	<b>Actual maturity structure as at 31 March 2019</b>	
under 12 months	25%	under 12 months	3.11%
12 months and within 24 months	25%	12 months and within 24 months	3.11%
24 months and within 5 years	50%	24 months and within 5 years	6.43%
5 years and within 10 years	75%	5 years and within 10 years	13.00%
10 years and above	100%	10 years and above	74.30%

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**Open Report on behalf of Andrew Crookham, Executive Director -  
Resources**

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>27 June 2019</b>
Subject:	<b>Treasury Management Annual Report 2018/19</b>

**Summary:**

This report has been prepared in accordance with the reporting recommendations of the CIPFA Code of Practice 2017 and details the results of the Council's treasury management activities for the financial year 2018/19. The report compares this activity to the Treasury Management Strategy for 2018/19, approved by the Executive Councillor for Finance on 20<sup>th</sup> March 2018. It will also detail any issues arising in treasury management during this period.

**Actions Required:**

That the report be noted and any comments to be passed onto the Executive Councillor with responsibilities for Finance.

## **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 matters for the year 2018/19:

- Economic overview and interest rate review.
- **Treasury Investments** - Treasury investment policy, risk appetite, treasury activity and return, comparing this with treasury strategy.
- **Long Term Borrowing** - Capital expenditure plans, borrowing requirement and activity, control of interest rate risk, debt rescheduling activity and internal borrowing position, comparing this with treasury strategy.
- Other treasury issues arising during 2018/19.

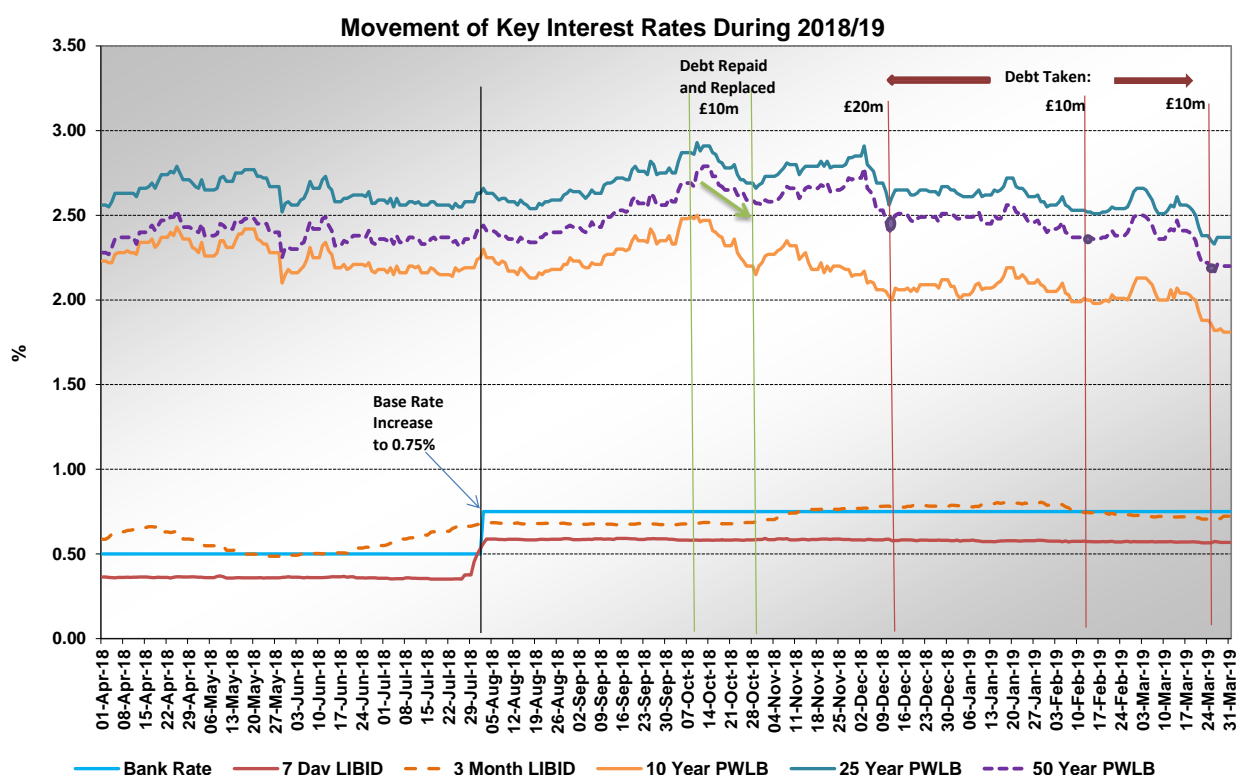
1.3. For reference, a **Key Points Summary** arising from this report has been included in the Conclusion in Section 2 of this report.

1.4. For further reference, a list of abbreviations used throughout this report is shown in **Appendix A**.

## 2. Economic Overview and Interest Rate Review 2018/19

2.1. At the time of setting the Strategy in March 2018, short term bank rate was expected to rise to 0.75% by the end of the year and long term rates were forecast to rise by around 0.30% by the end of the year.

2.2. The graph below shows that Base Rate was increased to 0.75% on 2<sup>nd</sup> August 2018 and has remained at that level since, in line with the forecast. Long term rates peaked mid-year, then started to fall when the impact of non-delivery of the Brexit withdrawal plan started to take hold. Long term rates ended the year below their starting level, especially in the 10 year period. The Council took advantage of this movement by securing new borrowing at the lower levels during the year as indicated on the graph.



2.3. **Growth** in the first half of 2018/19 picked up to a particularly strong annual rate of 1.4% (September 2018), prompting the MPC to raise Bank Rate on 2<sup>nd</sup> August 2018 from 0.50% to 0.75%. The UK was the third fastest growing country in the G7 at this time.

2.4. However, uncertainties over Brexit have weakened growth in the second half of the year and the MPC is unlikely to take any further action on Rates until these uncertainties clear, despite having concerns over the trend in

**wage inflation**, which peaked to a new high of 3.5% in December 2018. A disorderly exit of the EU is likely to see Bank Rate cut to support growth.

- 2.5. **CPI Inflation** fell over 2018/19 to a level of 1.8%/1.9% in January 2019 /February 2019. The latest Bank of England inflation forecast however does see CPI inflation remaining marginally above the MPC's target of 2% over the next 2/3 year time horizon. The rise in wage inflation and the fall in CPI inflation do however give the consumer more spending power which is likely to feed through into support to the overall rate of economic growth in coming months.
- 2.6. **Brexit** is at an impasse, the Conservative minority government having so far been unable to muster a majority in the Commons over its Brexit deal. A deadline for a new supported deal has now been set at 31<sup>st</sup> October 2019 by the EU, but no majority likely in the Commons for any form of Brexit deal at present has led to the resignation of Prime Minister May, effective 7<sup>th</sup> June 2019. The chances of the next Prime Minister being a hard Brexiteer, another referendum or a general election in 2019 have all increased, with potential of a loosening of monetary policy, rising gilt yields, a weaker pound and higher inflation. The uncertainty continues.
- 2.7. **USA**: The annual rate for US growth was 2.9% in 2018 following massive easing of fiscal policy. Strong growth in employment numbers led to a rise in wage inflation which hit 3.4% in February 2019, whilst at the same time CPI inflation overall fell over the year to 1.5%. The last increase in Fed Rate to 2.50% was made in December 2018, the 4<sup>th</sup> increase in the year, but the next direction is expected to be downward with rates expected to be 0.50% lower by the end of 2020. President Trump continues to unsettle markets with his extreme tariff policy, targeting China and Mexico in particular.
- 2.8. **EUROZONE**: The annual rate of growth in the EU was 1.8% in 2018 but is expected to fall to around half this rate in 2019. Any rate increases are therefore unlikely until at least the end of 2019. The ECB ended its QE programme in December 2018. However the downturn in growth, together with falling inflation has prompted the ECB to take new measures to stimulate growth, including providing cheap borrowing to its banks with incentives to encourage bank lending. Rates are expected to not change throughout 2019. (0% refinancing, 0.4% deposit rate).
- 2.9. **CHINA**: Economic growth has been weak despite central bank stimulus. Excess industrial capacity and the stock of unsold property still exists, as well as non-performing loans in the banking and credit systems.
- 2.10. **JAPAN**: Is making little progress on fundamental reform of the economy, with little GDP growth and very low inflation, despite huge monetary and fiscal stimulus.

- 2.11. **WORLD GROWTH:** Equity markets are currently concerned about the synchronised general weakening of growth in the major economies of the world.

### 3. Treasury Investments 2018/19

#### Treasury Investment Policy

3.1. The Council's treasury investment policy, governed by the MHCLG investment guidance, is implemented in the Council's Annual Investment Strategy for Treasury Investments 2018/19. This was approved by the Executive Councillor for Finance on 23<sup>rd</sup> March 2018, after being scrutinised by the Overview & Scrutiny Management Board on 1<sup>st</sup> March 2018.

3.2. The policy sets out the Council's approach for choosing authorised investment counterparties with appropriate limits (amount & maturity) that meet the risk appetite set by the Council. This selection is based on credit ratings issued by the three main credit rating agencies, supplemented by additional market data such as rating outlooks, credit default swaps and bank share prices. The Council's treasury advisors, Link Asset Services (LAS), provide the Council this data in the form of a creditworthiness matrix of suggested counterparties and limits, which the Council follows. **Appendix B** shows the Council's Authorised Lending List at 31 March 2019, based on this creditworthiness approach, together with a key explaining the credit rating scores.

3.3. **Note:** The treasury investment policy relates to treasury investments only. The policy relating to non-treasury investments, held for service or commercial reasons is covered in the Council's Capital Strategy.

#### Treasury Investment Risk Appetite

3.4. The Council prioritises the **security of capital** and the **liquidity of investments**, over and above the **return** achieved on its treasury investments and hence the risk appetite set for its treasury investments is **low**.

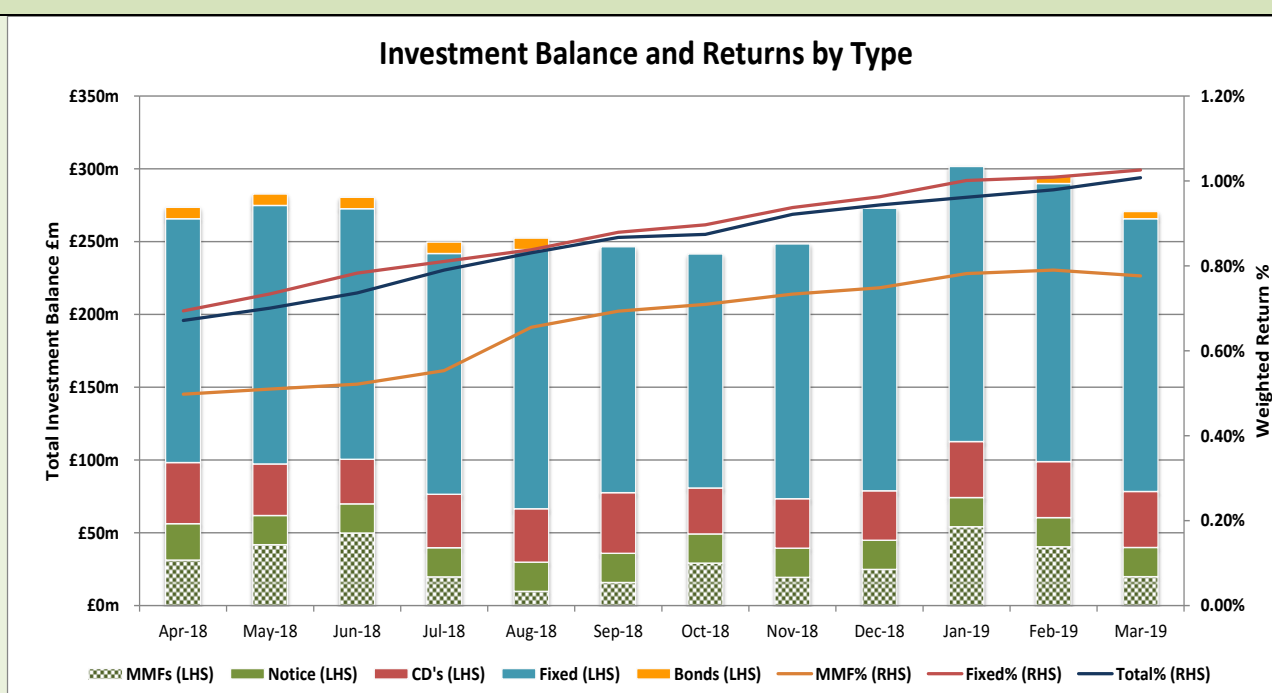
3.5. As such, in addition to LAS's credit methodology, the Council also maintains a minimum limit of **A+ Long Term Rating (two out of three agencies)** for all its Counterparties, excluding part-nationalised UK banks and a **minimum limit AA- Sovereign Rating, (two out of three agencies)** for any Country in which a Counterparty is based to ensure investments are only placed with highly credit rated financial institutions and hence the return achieved is commensurate with this level of risk taken.



## Treasury Investment Activity 2018/19

3.6. The Council's treasury investment position and activity during 2018/19 is shown as follows:

INVESTMENT PORTFOLIO	31.3.18 £m	Annual Return %	31.3.19 £m	Annual Return %
<b>Treasury Investments:</b>				
Money Market Liquidity Funds	17.740	0.29%	20.000	0.67%
Fixed Deposits, Notice, CD's & Bonds	239.958	0.58%	250.827	0.88%
<b>Total Treasury Investments</b>	<b>257.698</b>	<b>0.54%</b>	<b>270.827</b>	<b>0.84%</b>



Maturity Structure	31.3.2018		31.3.2019	
<b>Weighted Average Maturity (WAM)</b>	<b>167 Days</b>		<b>144 Days</b>	
Liquidity	£17.740m	6.88%	£20.000m	7.38%
< 1 Month	£20.000m	7.76%	£20.000m	7.38%
1-3 Months	£68.725m	26.67%	£92.050m	33.99%
3-6 Months	£54.688m	21.22%	£51.000m	18.83%
6-9 Months	£34.950m	13.56%	£52.500m	19.39%
9-12 Months	£46.595m	18.08%	£25.277m	9.33%
1-2 Years	£15.000m	5.82%	£10.000m	3.69%
<b>Total</b>	<b>£257.698m</b>	<b>100.00%</b>	<b>£270.827m</b>	<b>100.00%</b>

- 3.7. The investment balances shown above are made up of general and earmarked reserves, Pension Fund Cash (£10.5m at 31<sup>st</sup> March 2019), income received but not yet used/spent and general movement of working capital.
- 3.8. The average value of investments during 2018/19 was £270m, and the graph shown above shows how this balance fluctuated per month over the year. The graph also shows how these funds were invested by type of investment, split between investments held for liquidity (Money Market Funds and Notice Accounts) as opposed to fixed term investments held for return. All investments made were in line with the strategy and the Council had no liquidity difficulties during the year, being supported by temporary borrowing of £65m taken when required during the year to cover liquidity shortfalls at an average cost of 0.60%, below money market fund yield levels. This was in line with strategy and as an alternative to drawing on higher yielding Notice Accounts. No temporary borrowing remained outstanding at 31<sup>st</sup> March 2019.
- 3.9. In light of expectation for the increase in rates being delayed due to Brexit, several 1 and 2 year investments were made during the year to lock into higher rates above benchmark levels. The table above shows the maturity profile of the investments made in light of this strategy and the weighted average maturity of the investment portfolio of 144 days at 31<sup>st</sup> March 2019 slightly reduced from the year before.
- 3.10. A full list of the investments held at 31<sup>st</sup> March 2019, compared to Link's creditworthiness list, and changes to credit rating of counterparties during March 2019 are shown in **Appendix C**.

#### Treasury Investment Return and Benchmarking Results

- 3.11. The table below shows the Council's annualised return for 2018/19 based on the above activity against the benchmark return for internal investments (weighted 7 day LIBID and 3 month LIBID market rates to reflect low risk appetite taken), compared to the previous year, and also the actual versus budgets investment income earned as a result. The significant underspend in both the Capital and Revenue budgets in 2018/19 was also a contributory factor to the surplus investment income achieved over that budgeted, shown below.

	2017/18	2018/19
Annualised Investment Return	0.54%	0.84%
Annualised Benchmark Rate	0.28%	0.66%
<b>Outperformance</b>	<b>0.29%</b>	<b>0.18%</b>
Total Investment Income	£1.18m	£2.01m
Budgeted Investment Income	£1.00m	£1.00m
<b>Surplus Investment Income</b>	<b>£0.18m</b>	<b>£1.01m</b>

3.12. The table shows that the level of return has increased from the previous year and this is also reflected in the graph at 3.5 where the return of MMFs, fixed investments and the total investment portfolio are shown by the relevant lines, highlighting the upward movement in short term rates as the year progressed.

3.13. The level of return achieved directly correlates with the level of risk taken with investments. To demonstrate this, **Appendix D** shows the performance of a variety of major asset classes over several years ranked by riskier assets first (risk to capital loss). The Council has set its risk appetite at the bottom of this spectrum, Money Market Funds held for liquidity being the lowest return.

3.14. The Council's investment return was also benchmarked against analysis as at 31/3/2019, provided by LAS, which comprised a mixture of 9 other authorities in the East Midlands area and 14 English Counties. The results of this benchmarking are detailed below.

Link Benchmarking – Position at 31/3/2019			
	LCC	Benchmark Group(9)	English Counties (14)
31st March Return %	1.01%	0.87%	0.92%
Risk Banding	0.89% -1.01%	0.77% - 0.89%	0.80% -0.91%
Risk Weighted Score (Duration/Credit Quality)	3.12	2.91	2.70
WAM (days)	144	71	72

3.15. The benchmarking results show that the Council is above par with the investment returns achieved by its LAS comparators in 2018/19, mainly as a result of having a longer WAM (duration of investments). This is a good result given the low risk nature of the Counterparties allowed on the Authorities Lending List (restricted to a Long Term minimum rating of A+), which does not apply to other comparators. LAS calculates a risk banding return that should be achievable for the level of risk being taken on investments and the Council is at the top of this banding.

#### 4. Long Term Borrowing 2018/19

##### Capital Expenditure Plans and Borrowing Requirement 2018/19

4.1. The Council's capital expenditure plans are the key driver of treasury management activity, as it sets the long term borrowing requirement plans for the Council.

4.2. The Council is required by regulation to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities 2017 (referred to as the 'Prudential Code') when assessing the affordability, prudence and sustainability of its capital investment plans. It does this by setting a series of **Prudential Indicators** that ensure and demonstrate the Council's capital expenditure plans remain affordable, prudent and sustainable.

4.3. **Appendix E** shows a summary of the actual Prudential Indicators for 2018/19, compared to those estimated and approved by Full Council at its meeting on 23<sup>rd</sup> February 2018, along with the Council Budget 2018/19. It can be confirmed that no Prudential Indicators were breached during 2018/19.

4.4. Extracted from these Prudential Indicators, shown in the table below, is the Council's **net capital expenditure** for 2018/19 and the resulting **borrowing requirement** for 2018/19 (the element of this expenditure which is not to be financed straight away from cash resource or grants, hence to be financed at a future date by borrowing). Plans were revised during 2018/19 from that agreed by Full Council and both actual spending and borrowing requirement was under budget for the year.

	Original Budget at 1/4/2018 £m	Final Budget at 31/3/2019 £m	Actual at 31/3/2019 £m	Underspend £m
Net Capital Expenditure Programme 2018/19	84.676	93.681	<b>43.574</b>	50.108
Borrowing Requirement 2018/19	84.076	70.080	<b>19.972</b>	50.108

#### Capital Financing Requirement, Borrowing Strategy and Control of Interest Rate Risk 2018/19

4.5. **The Capital Financing Requirement (CFR)** is another Prudential Indicator shown in Appendix E. It is a measure of the amount of capital expenditure that the Council has already spent that has yet to be funded from cash resources or the Council's total indebtedness or **need to borrow for capital financing purposes**. Credit arrangements (finance leases and PFI) are also included in the CFR as they have the same practical impact as borrowing. The CFR is increased each year by the **new borrowing / credit arrangement** requirement, as highlighted in the table above, and reduced each year by the **Minimum Revenue Provision (MRP)**, a provision the Council has to set aside to repay its debt each year.

4.6. In fulfilling the underlying need to borrow to finance its capital expenditure plans, the Council has flexibility when it takes external borrowing to ensure borrowing is taken at a time when interest rates are at their lowest (thereby controlling interest rate risk) and to minimise cost of carry (where borrowing costs exceed investment return, until utilised by capital expenditure). The Council utilises its own internal cash resource to finance borrowing requirement not taken externally and this is known as **Internal Borrowing**.

4.7. A benefit of internal borrowing is the reduction of Counterparty risk as a reduced cash balance leads to reduced investments made and in times

when investment returns are low this is a prudent strategy. Cash resource is depleted by internal borrowing and therefore there is an ultimate limit as to how much internal borrowing can be done before cash resource is put at risk. The Council tries to maintain the **level of internal borrowing at 15% of CFR** in order to maintain a suitable level of cash resource.

- 4.8. Another Prudential Limit states that external borrowing should not exceed the CFR two years hence in order to ensure that borrowing remains prudent and affordable and not undertaken for revenue purposes. Appendix E shows that the Council has maintained this limit.

- 4.9. The table below shows the final CFR position for 2018/19 and how this is split between External and Internal Borrowing.

<b>CFR 2018/19</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Opening CFR Balance at 1.4.2018		554.638	
Net Capital Expenditure 2018/19	43.574		
Financed by Cash Resource:			
Grants	(13.624)		
Capital Receipts	(3.368)		
Reserves	(1.634)		
Revenue	(4.976)		
Add: Borrowing Requirement 2018/19		19.972	
Less: Minimum Revenue Provision 2018/19		(18.126)	
<b>Closing CFR Balance at 31.3.2019</b>		<b>556.484</b>	<b>100.0%</b>
<b>Represented By:</b>			
<b>External Borrowing (Including Credit Arrangements)</b>		<b>476.267</b>	<b>85.6%</b>
<b>Internal Borrowing</b>		<b>80.217</b>	<b>14.4%</b>

#### External Borrowing Activity 2018/19

- 4.10. The Strategy for 2018/19 stated that new external 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.

- 4.11. The Council's actual borrowing position as at 31<sup>st</sup> March 2019 and activity during 2018/19, is detailed in the table below:

Borrowing Activity 2018/19	Market Debt (LOBO) £m	PWLB Debt £m	Total £m	% Cost
Opening Balance at 1.4.2018	30.000	431.391	461.391	4.088%
New Borrowing in 2018/19	0.000	40.000	40.000	2.365%
Borrowing Matured/Repaid in 2018/19	0.000	(35.497)	(35.497)	
Debt Rescheduling:-				
Borrowing Repaid in 2018/19	(10.000)	0.000	(10.000)	3.800%
Borrowing Replaced in 2018/19	0.000	10.000	10.000	2.580%
<b>Closing Balance at 31.3.2019</b>	<b>20.000</b>	<b>445.894</b>	<b>465.894</b>	<b>3.965%</b>
<b>Authorised Limit For External Debt 2018/19</b>			<b>651.751</b>	

4.12. The table above shows that a total of £40m of new external borrowing was taken during the year from the PWLB at an average cost of 2.365%. This borrowing was taken in the 45 to 50 year range. In line with the strategy, the graph in 2.2 shows that this borrowing was taken at times during the year where interest rates were at their lowest and in periods to fill gaps in the long term borrowing maturity profile.

4.13. **Appendix F** shows this maturity profile at 31<sup>st</sup> March 2019, including the variability effect of the £20m LOBO debt held. The graph shows that no debt maturing in any one year exceeds 10.28% of the total debt portfolio.

4.14. The table also shows that a £10m Market Loan (a LOBO loan from Royal Bank of Scotland) was repaid early and replaced by a £10m maturity loan from the PWLB for the equivalent loan outstanding period of 42 years during the year, the timing of which can also be seen in the graph in 2.2. This debt rescheduling resulted in a reduction of the Council's borrowing cost by 0.03%, which equates to a net £1.324m saving over the life of the replacement loan or £31.5k per annum.

4.15. The balance of remaining LOBO's at 31<sup>st</sup> March 2019 was £20m after this restructuring, all held with BAE Systems Pension Fund. This is well within the limit set in the Strategy of 10% of total external debt (equating to £46.6m). A limit is set on this type of borrowing to limit the amount of variability within the debt portfolio for debt repayment.

4.16. Total long term debt outstanding at 31<sup>st</sup> March 2019 of £465.894m is well within the Council's Authorised Limit for External Debt of £651.751m. This is the Council's statutory 'Affordable Borrowing Limit' as per the Local Government Act 2003, which should not be breached and is also another Prudential Indicator.

## External Borrowing Cost and Benchmarking Position

4.17. The table below shows the interest cost of the Council's total external debt and that of new borrowing taken in the year. This is benchmarked against the average cost of debt that was available from the PWLB in the year. Again significant underspend of the capital programme in 2018/19 accounts for the saving in interest cost, as well as the reduction in the overall interest cost of the borrowing portfolio.

	2017/18		2018/19	
	% Cost	£m	% Cost	£m
Long Term Borrowing Outstanding at 31 <sup>st</sup> March.	-	461.391	-	465.894
Actual Interest Cost of External Debt	4.088%	19.002	3.965%	18.380
Budgeted Cost of External Debt	-	19.968	-	20.281
<b>Underspend</b>		<b>0.966</b>		<b>1.901</b>
New Borrowing Taken and Average Cost	-	0.000	2.365%	40.000
Benchmark Cost of Borrowing Available in Year (50 Year PWLB)	2.410%	-	2.470%	-
<b>Outperformance</b>	-	-	<b>0.11%</b>	<b>0.044</b>

## Internal Borrowing Activity 2018/19

4.18. The borrowing requirement (CFR) not taken externally is known as 'internal borrowing' and this utilises the internal balances of the Council to finance the capital spend. The level of Internal borrowing is adjusted for amounts carried forward along with any capital programme underspends each year and also for adjustment to borrowing taken for any voluntary repayment of debt or excess borrowing taken for maturing debt in excess of MRP level. The balance of internal borrowing at 31<sup>st</sup> March 2019 stood at £80.217m and the table below shows how this balance has been derived since 2011/12.

	Original Borrowing Requirement  £m	Carry Forward  £m	Outturn Borrowing Requirement  £m	Adjustment for Voluntary or Maturing Debt £m	Actual External Borrowing Taken £m	Internal Borrowing Balance  £m
<b>2011/12</b>	73.145	(25.651)	47.494	(14.690)	(17.345)	<b>15.459</b>
<b>2012/13</b>	97.685	(13.833)	83.852	(15.366)	(12.000)	<b>56.486</b>
<b>2013/14</b>	53.197	(7.032)	46.165	(20.138)	0	<b>26.028</b>
<b>2014/15</b>	35.300	(18.312)	16.988	(10.404)	(20.000)	<b>(13.417)</b>
<b>2015/16</b>	70.761	(50.092)	20.669	(9.012)	(30.000)	<b>(18.343)</b>
<b>2016/17</b>	50.353	(34.579)	15.774	(0.644)	(12.000)	<b>3.130</b>
<b>2017/18</b>	36.548	(21.946)	14.602	(1.794)	0	<b>12.808</b>
<b>2018/19</b>	70.080	(50.108)	19.972	18.143	(40.049)	<b>(1.934)</b>
<b>Total</b>			<b>265.516</b>	<b>(53.905)</b>	<b>(131.394)</b>	<b>80.217</b>



The £50.108m carry forward of internal borrowing for 2018/19 will be carried forward to 2019/20, along with the Capital Programme and Borrowing Requirement underspends. The Council will take external borrowing in 2019/20, after adjusting for debt repayments and underspends to ensure internal borrowing remains around 15% of CFR in order that sufficient cash balance is maintained.

4.19. 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. This would bring internal borrowing down below 15%.

## 5. Other Treasury Management Issues

### 5.1. Capital Strategy 2019/20

The **CIPFA Prudential Code** was revised in 2017 and included the new requirement for Councils to have a **capital strategy** in place by April 2019 which would highlight Councils capital spending plans and objectives, assess their affordability and, where commercial activity or non-treasury investments have been included, highlight the risks of holding these types of investment and how those risks are to be managed. MHCLG also issued **revised statutory guidance on local government investments** in 2018, which came into effect on 1 April 2018 and extended the meaning of "investments" to include these types of commercial and non-treasury investments.

The Council has adhered to this guidance as reflected in its capital strategy for 2019/20, which was presented to this Board for consideration on 31<sup>st</sup> January 2019 and then to the Executive on 5<sup>th</sup> February 2019 for recommendation for approval at Full Council, along with the Council's Budget for 2019 /20.

For information, the table below highlights the Council's non-treasury investments in place at 31<sup>st</sup> March 2019 by investment type.

Type of Investment	Length to Maturity at 31/03/19 Years	Principal O/S at 31/03/19 £,000	Interest Received 2018/19 £,000	Interest Rate %
<b>Loans to Other Bodies (Service Reason) –Valued at Amortised Cost</b>				
Police Loan Debt	1.0	52	2.0	4.00%
School Academies	Various	1,218	58.4	Various
Lincs Community Foundation (Soft Loan)	18.3	270	1.4	0.50%
		<b>1,540</b>	<b>61.8</b>	
<b>Loans to LCC Companies &amp; Subsidiaries (Service Reasons) –Valued at Amortised Cost</b>				



Transport Connect – Fixed Loan	2.5	603	23.2	4.75%
Transport Connect – Credit Facility	-	79	16.6	4.75%
		<b>682</b>	<b>39.8</b>	
<b>Equity Purchase (3<sup>rd</sup> Parties) (Service Reasons) – Valued at Fair Value</b>				
Investors In Lincoln Shares	-	<b>294</b>	<b>0.0</b>	-
<b>Commercial Property Investments (Non Service Reasons) –Valued at Fair Value</b>				
County Farms	-	106,971	2,457.0	-
Other non-farm properties	-	1,734	68.0	-
		<b>108,705</b>	<b>2,525.0</b>	
<b>Total Non -Treasury Investments</b>		<b>111,221</b>	<b>2,626.60</b>	

**Note:** These investments are held for Service or Commercial reasons and hence have a different risk profile than treasury investments and operate under a different investment policy. To manage the level of non-treasury investments undertaken, two new Prudential Indicator Limits have been set for 2019/20 as follows:

- **Limit for Maximum Usable Reserves at Risk from Potential Loss of Investments (Treasury & Non Treasury Investments) – Limit 10%.**

**Actual 2018/19 = 1.59%**

- **Income from Non Treasury Investments to Net Service Expenditure – Limit 3%**

**Actual 2018/19 0.61%.**

Actual performance for 2018/19 shows that the Council is well below the limits set to control this type of activity.

## 5.2. International Financial Reporting Standard (IFRS) 9 –Financial Instruments

This accounting standard was effective from 2018/19 and it has had two major impacts to the Council's Financial Statements for 2018/19 as follows:

- 1) All Investments held by the Council were reclassified and re-measured into the following **new categories**:
  - Amortised Cost
  - Fair Value through Other Comprehensive Income Account
  - Fair Value designation through Other Comprehensive Income Account (Equity Instruments)
  - Fair Value Through Profit & Loss

The majority of the Council's investments are valued at amortised cost with no real difference to value on the Balance Sheet. Investments that fall under the Fair Value categories which have to be held on the Balance Sheet at their market value at 31<sup>st</sup> March include Pooled Investments Funds (including property funds) and Commercial Investments (including equity investments). The Council has minimal exposure to these types of investments at 31<sup>st</sup> March 2019.

- 2) In an attempt to recognise the risk involved in holding investments, the standard also requires the **Expected Credit Loss** amount to be calculated and accounted for as a provision upfront of any financial investments held at amortised cost, as opposed to calculation of an impairment figure retrospectively if required. This calculation uses the likely probability of default of the investments held over the next 12 months or the lifetime of the investment if deemed riskier. (Investments to other Local Government bodies are exempt from this calculation).

The following table shows the Expected Credit Loss calculated for investments valued at Amortised Cost at 31<sup>st</sup> March 2019 and is a proxy for the risk taken by the Council in holding these investments.

Expected Credit Loss 2018/19	Investment Balance 31/3/19 £,000	Expected Credit Loss 2018/19 £,000	Expected Loss Rate %
Treasury Investments	250,827	33.240	0.013%
Transport Connect – Fixed Loan	603	190.675	31.595%
Transport Connect –Credit Facility	79	20.913	26.472%
Lincs Community Foundation	270	6.884	2.551%
<b>Total Expected Credit Loss</b>		<b>251.712</b>	

The table above shows that the majority of the Expected Credit Loss rests with the non-treasury investments, reflecting the higher risk profile taken for these types of investments.

## 2. Conclusion

### Key Points Summary:

- Both short term and long term rates acted in line with the forecast for the first half of the year as Base Rate was increased to 0.75% in early August and long

term rates increased gradually in line with growth. Impasse over a Brexit agreement stalled the economy and interest rates in the second half of the year. Long term borrowing rates ended the year lower than they started and no further increases in Base Rate were made or are expected.

- Brexit uncertainties continue to pose a significant risk to economic growth, inflation and interest rates in the UK.
- The Council's risk appetite for its treasury investments is low, as it prioritises security of capital and liquidity over return. The Council has outperformed the benchmark set for this risk level, by 0.18%, which equated to £1.01m in monetary terms. It also outperformed benchmarking comparators whilst having a lower risk profile, primarily by having a longer weighted average maturity of investments.
- Liquidity shortfalls were managed during the year by taking short term borrowing at less than investment rate levels, in line with Strategy.
- The Council adheres to the CIPFA Prudential Code for Capital Finance by setting Prudential Indicators to ensure its capital plans are affordable, prudent and sustainable. All prudential limits have been adhered to with no breaches in 2018/19.
- Both capital expenditure and hence its borrowing requirement for 2018/19 was underspent by £50.1m. This will be carried forward into 2019/20.
- The Council's CFR at 31<sup>st</sup> March 2019 (or underlying need to finance its capital expenditure plans by borrowing) has been met by a combination of both external and internal borrowing as follows:

External Borrowing	£476.3m	85.6%
Internal Borrowing	<u>£ 80.2m</u>	14.4%
CFR	£556.5m	

- External borrowing of £40m was taken in 2018/19 from PWLB in the 45 to 50 year range at an average cost of 2.365%, below that of the average cost of debt available during the year. This has reduced the total cost of the Council's external debt to 3.965%, equating to £18.4m borrowing interest paid in 2018/19, £1.9m under budget.
- A £10m LOBO loan from RBS was restructured into PWLB debt during the year resulting in a net saving of £1.324m over 42 years.
- Internal borrowing was reduced in 2018/19 by £1.9m after balances brought forward and carried forward, outturn borrowing requirement and external debt taken, leaving the balance of internal borrowing at £80.2m or just under the target level of 15% of the CFR.
- In line with the revised CIPFA Prudential Code, a capital strategy was produced for 2019/20, highlighting the Council's capital spending plans and objectives, assessing affordability of these plans and highlighting the risks of holding commercial and non-treasury investments to meet these plans.
- A total of £111.22m non-treasury investments were held by the Council at 31<sup>st</sup> March 2019, generating income of £2.6m. Prudential Indicator limits in place for non-treasury investments were no way near being reached in 2018/19. Risk levels were highlighted as being significantly higher for non-treasury related investments.

- New accounting standards have resulted in a reclassification of investments in 2018/19 and expected credit loss provisions being calculated totalling £251.7k.

### 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 2017. 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	Glossary of Abbreviations Used in this Report.
Appendix B	Authorised Lending List at 31st March 2019 and Credit Rating Key.
Appendix C	Investment Analysis Review at 31st March 2019 - Link Asset Services Ltd.
Appendix D	Risk and Reward per Asset Class 2018/19 and Comparative Years.
Appendix E	Prudential Indicators - Actuals Compared to Estimate 2018/19.
Appendix F	LCC Long Term Borrowing Maturity Profile as at 31st March 2019.

### 5. Background Papers

Document title	Where the document can be viewed
Treasury Management Strategy Statement and Annual Investment Strategy 2018/19 - 20/3/2018	Lincolnshire County Council, Resources
Council Budget 2018/19 - 23/2/2018	Lincolnshire County Council, Resources
Capital Strategy 2019/20 - 5/2/2019	Lincolnshire County Council, Resources

This report was written by Karen Tonge, who can be contacted on 01522 553639 or [karen.tonge@lincolnshire.gov.uk](mailto:karen.tonge@lincolnshire.gov.uk).

## GLOSSARY OF ABBREVIATIONS USED IN THIS REPORT

**CFR:** capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

**CIPFA:** Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

**CPI:** consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

**ECB:** European Central Bank - the central bank for the Eurozone

**EU:** European Union

**EZ:** Eurozone -those countries in the EU which use the euro as their currency

**Fed:** the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

**FOMC:** the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

**GDP:** gross domestic product – a measure of the growth and total size of the economy.

**G7:** the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

**Gilts:** gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

**IMF:** International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

**LAS:** Link Asset Services, Treasury solutions – the council's treasury management advisers.

**LIBID:** the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

**LOBO:** a 'Lenders Option, Borrowers Option' money market loan whereby the Lender has the option to change the rate of a loan after a designated fixed period of time and the Borrower (LCC) has the option to accept this new rate or repay the loan.

**MHCLG:** the Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

**MPC:** the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

**MRP:** minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

**PFI:** Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

**PWLB:** Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

**QE:** quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

**RPI:** the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main difference between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

**TMSS:** the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

**WAM:** Weighted Average Maturity (Duration) of investment portfolio.

## LINCOLNSHIRE COUNTY COUNCIL LENDING OF TEMPORARY SURPLUSES

Country		Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted		FITCH IBCA Credit Rating Long Term	Sovereign	For Treas CDS Overlay
	<b>1 Other Local Authorities</b>	20 each	24 Months					
	<b>2 Debt Management Account Deposit Facility</b>	50	6 Month					
	<b>3 UK Banks :</b>							
UK	<b># HSBC Group</b>	20	365 Day					
	HSBC Bank Plc (RFB)	20	365 Day	365 Day	SB	AA-	AA	365 Day
	HSBC Evergreen Notice Account	20	365 Day					
UK	<b># RBS Group - Part Nationalised</b>	40	365 Day					
UK	National Westminster Bank Plc (RFB)	40	365 Day	365 Day	SB	BBB+	AA	
UK	Royal Bank of Scotland Plc (RFB)	40	365 Day	365 Day	SB	BBB+	AA	
UK	<b># LloydsHBOS Group</b>	20	365 Day					
	Lloyds TSB Bank Plc (RFB)	20	365 Day	365 Day	SB	A+	AA	365 Day
	Bank of Scotland PLC (RFB)	20	365 Day	365 Day	SB	A+	AA	365 Day
UK	Santander UK PLC	15	6 Months	6 Months	SB	A+	AA	6 Months
UK	Standard Chartered Bank	15	6 Months	6 Months	SB	A+	AA	6 Months
	<b>4 Other Banks</b>							
AUS	Australia & New Zealand Banking Group	20	365 Day	365 Day	SB	AA-	AAA	365 Day
AUS	Commonwealth Bank of Australia	20	365 Day	365 Day	SB	AA-	AAA	365 Day
AUS	National Australia Bank	20	365 Day	365 Day	SB	AA-	AAA	365 Day
AUS	Westpac Banking Corporation	20	365 Day	365 Day	SB	AA-	AAA	365 Day
BEL	<b># BNP Paribas Group</b>	20	365 Day					
FRA	BNP Paribas Fortis	15	6 Months	6 Months	SB	A+	AA-	6 Months
	BNP Paribas	20	6 Months	365 Day	SB	A+	AA	365 Day
CAN	Bank of Montreal	20	365 Day	365 Day	SB	AA-	AAA	365 Day
CAN	Bank of Nova Scotia	20	365 Day	365 Day	SB	AA-	AAA	365 Day
CAN	Canadian Imperial Bank Commerce	20	365 Day	365 Day	SB	AA-	AAA	365 Day
CAN	National Bank of Canada	15	6 Months	6 Months	SB	A+	AAA	6 Months
CAN	Royal Bank of Canada	20	365 Day	365 Day	NO	AA	AAA	365 Day
CAN	Toronto Dominion Bank	20	365 Day	365 Day	SB	AA-	AAA	365 Day
FRA	Credit Industriel et Commercial	15	6 Months	6 Months	SB	A+	AA	6 Months
FIN	Nordea Bank Abp	20	365 Day	365 Day	SB	AA-	AA+	365 Day
	OP Corporate Bank	20	365 Day	365 Day	SB	AA-	AA+	365 Day
GER	DZ Bank AG	20	365 Day	365 Day	SB	AA-	AAA	365 Day
GER	Landesbank Hessen-Thüringen Girozentrale (Heleba)	20	365 Day	365 Day	SB	A+	AAA	365 Day
NETH	Bank Nederlandse Gemeenten	25	24 Months	24 Months	SB	AAA	AAA	24 Months
NETH	Cooperative Centrale Raiffeisen Boerenleenbank BA (Rabobank)	20	365 Day	365 Day	SB	AA-	AAA	365 Day
NETH	ING Bank NV	20	365 Day	365 Day	SB	A+	AAA	365 Day
SING	DBS Bank Ltd	20	365 Day	365 Day	SB	AA-	AAA	365 Day
SING	Oversea Chinese Banking Corporation Ltd	20	365 Day	365 Day	SB	AA-	AAA	365 Day
SING	United Overseas Bank	20	365 Day	365 Day	SB	AA-	AAA	365 Day
SWITZ	<b>#UBS Group</b>	20	365 Day					
UK	UBS AG	20	365 Day	365 Day	SB	AA-	AAA	365 Day
	UBS Ltd	20	365 Day	365 Day	SB	AA-	AA	365 Day
SWE	Skandinaviska Enskilda Banken AB	20	365 Day	365 Day	SB	AA-	AAA	365 Day
SWE	Swedbank AB	20	365 Day	365 Day	SB	AA-	AAA	365 Day
SWE	<b># Svenska Group</b>	20	365 Day					
UK	Svenska Handelsbanken AB	20	365 Day	365 Day	SB	AA	AAA	365 Day
	Handelsbanken Plc	20	365 Day	365 Day	SB	AA	AA	365 Day
	Svenska Handelsbanken - 35 Day Notice Account	20	365 Day	365 Day				365 Day
	Svenska Handelsbanken- 10 Day Notice Account	20	365 Day	365 Day				365 Day
	Svenska Handelsbanken- Call Account	20	365 Day	365 Day				365 Day
USA	Bank of New York Mellon	25	24 Months	24 Months	SB	AA	AAA	24 Months
USA	Bank of America NA	20	365 Day	365 Day	SB	AA-	AAA	365 Day
USA	JP Morgan Chase Bank NA	20	365 Day	365 Day	SB	AA	AAA	365 Day
	<b>5 AAA Money Market Funds</b>							
	<b># MMF Group</b>	100	24 Months					
	HSBC 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		
	Aberdeen Standard Liquidity Fund	20	24 Months			AAA		
<p># Group Limit of applies where indicated.</p> <p>** A maximum of 20% of total funds to be held in the Building Society Sector.</p> <p>** No more than 20% of total funds to be held in any one institution or group.excluding Govt/MMFs.</p> <p>Any adverse press comments concerning borrowers/potential borrowers should be referred to M Grady / S Maycock / K Tonge / N Kay.</p> <p>Revised: 31st March 2019</p>								

## **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.

Link 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 2019

## Monthly Economic Summary

**General Economy**

March began with Manufacturing PMI which fell to 52 in February, from 52.6 the previous month. Construction PMI dropped into negative figures, falling to 49.5 from 50.6 the month before, caused by Brexit uncertainty and the slowing housing market delaying new building projects. Services PMI rounded the figures off with a rising score of 51.3 in February, from a previous 50.1. This left the Composite figure at 50.3 from 51.5.

The UK's trade deficit continued to rise in January; the trade deficit in goods rose to £13.08bn, and the overall deficit rose to £3.83bn, well above the forecasted £2.6bn.

One of the key economic indicators, CPI inflation, rose slightly in February to 1.9% y/y from 1.8% the previous month, moving closer to the Bank of England's 2% target. However, core inflation, which strips out the more volatile components, edged down to 1.8%. Month-on-month, CPI rose to 0.5% from -0.8% previously, marginally below forecasts.

The UK's labour market continued to defy forecasts; the unemployment rate fell to 3.9%, with employment increasing by 220,000, above expectations of 150,000. Meanwhile, wage growth excluding bonuses maintained its 3.4% y/y figure, with the overall figure falling from 3.5% to 3.4%. British consumers are currently enjoying a period of relief as "real wages" continue to be maintained, as wage growth is well above inflation.

A warm month of February caused retail sales figures to unexpectedly keep up their good start to 2019; retail sales y/y growth slowed slightly to 4% from January's 4.1% figure, well above forecasts of 3.3%, and showing that consumer spending continues to be a source of strength for the British economy at a time when Brexit uncertainty is looming over the nation. Prospects for retail sales continue to look strong as wage growth continues to exceed the pace of inflation. In another measure of nationwide consumer sentiment, GfK Consumer Confidence remained at -13.

On the 21<sup>st</sup> March, the Bank of England's Monetary Policy Committee (MPC) voted unanimously to keep the base rate on hold at 0.75%. Governor Mark Carney has remained dovish due to the prospect of Brexit, but did imply in his press conference that in case of a long Brexit extension, the MPC may move to raise rates in the summer.

The UK's public finances were once again stronger than expected, as the resilient labour market boosted income tax revenue. Public borrowing for February fell to £0.2bn from £1.2bn a year earlier, below forecasts of £0.6bn. With just one month remaining of the financial year, government borrowing totals £21.3bn, down 44% from the same point in the previous tax year, and the government is broadly on track to meet its fiscal targets. Alongside this, Chancellor Hammond suggested in his Spring Statement that spending on public services will be increased if an orderly Brexit can be achieved. The Confederation of British Industry (CBI) data for the month was weaker than expected; the CBI Distributive Trades survey fell from 0 in February to -18 in March, despite being expected to rise to 5. The Industrial Trends survey also suffered a drop, from 6 in February to 1 in March.

To end the month, the final estimate of Q4 GDP growth showed a fall to 1.4% y/y from 1.6% in Q3, however this is higher than the 1.3% earlier estimated. On the quarter, the UK achieved a final estimate of 0.2% growth, a fall from Q3's 0.7%.

In the USA, February's Nonfarm Payrolls figure came in at just 20,000, a massive drop from 311,000 in January, and below forecasts of 190,000. These numbers were amid a contraction in payrolls in construction among other sectors, raising concerns about a sharp slowdown in activity. This was also reflected in the final Q4 GDP estimate, which came in at 2.2%, a further downward revision and down from 3.4% in Q3. The Federal Reserve's Open Market Committee (FOMC) chose to keep rates on hold, as signs of a global slowdown start to take hold.

The Eurozone's unemployment rate remained at 7.8% in January, below predictions of a rise to 7.9%. In terms of growth, the 3<sup>rd</sup> estimate of Eurozone Q4 GDP growth came in at 1.1% y/y, a sharp drop from Q3's 1.6% figure, partly caused by the largest economy in the bloc, Germany, falling to nearly zero growth.

### Housing

According to Nationwide's index, house prices rose 0.4% y/y in February, up from 0.1% in January, however they fell 0.1% m/m, down from 0.2%. Halifax's index showed a 2.8% rise in house prices y/y, well above forecasts of 1.1% and above the 0.8% previous figure. Meanwhile, prices rose 5.9% m/m, up markedly from January's -3% figure.

### Currency

Sterling began February at \$1.33 and €1.14 against the dollar and euro respectively, and finished the month at \$1.30 and €1.16.

### Forecast

Link Asset Services suggest that the next interest rate rise will be in the third quarter of 2019, followed by further hikes in Q2 2020 and Q1 2021, reaching 2.00% in Q1 2022. Capital Economics also expect the next rate rise will be in Q3 2019, followed by further regular rises, reaching 1.50% in Q4 2020.

Bank Rate								
	Now	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Link Asset Services	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.50%

# Lincolnshire County Council

## Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default	Expected Credit Loss (£)
MMF Morgan Stanley	20,000,000	0.78%		MMF	AAA	0.000%	22
Doncaster Metropolitan Borough Council	5,000,000	0.77%	20/04/2017	05/04/2019	AA	0.000%	0
Cheshire East Council	5,000,000	0.85%	20/02/2018	08/04/2019	AA	0.001%	0
HSBC UK Bank Plc (RFB)	10,000,000	0.83%		Call30	AA-	0.002%	198
DBS Bank Ltd	5,000,000	0.85%	11/05/2018	10/05/2019	AA-	0.003%	132
Canadian Imperial Bank of Commerce	3,500,000	0.91%	14/05/2018	13/05/2019	A+	0.006%	217
Bank of Scotland Plc (RFB)	6,000,000	1.00%	15/05/2018	15/05/2019	A+	0.006%	390
Standard Chartered Bank	5,000,000	0.98%	16/11/2018	16/05/2019	A	0.007%	332
London Borough of Haringey	5,000,000	0.95%	11/09/2018	17/05/2019	AA	0.003%	0
Bank of Scotland Plc (RFB)	6,000,000	1.00%	22/05/2018	22/05/2019	A+	0.008%	450
Bank of Scotland Plc (RFB)	8,000,000	1.00%	25/05/2018	28/05/2019	A+	0.008%	670
Cambridgeshire County Council	5,000,000	0.95%	07/09/2018	07/06/2019	AA	0.004%	0
National Bank of Canada	5,000,000	1.05%	13/12/2018	13/06/2019	A	0.011%	534
London Borough of Southwark	5,000,000	0.97%	17/12/2018	17/06/2019	AA	0.005%	0
Plymouth City Council	5,000,000	1.00%	20/12/2018	20/06/2019	AA	0.005%	0
United Overseas Bank Ltd	3,550,000	0.92%	28/06/2018	27/06/2019	AA-	0.006%	206
National Westminster Bank Plc (RFB)	10,000,000	0.97%	29/06/2018	28/06/2019	A-	0.013%	1285
Australia and New Zealand Banking Group Ltd	5,000,000	0.92%	29/06/2018	28/06/2019	AA-	0.006%	294
Commonwealth Bank of Australia	5,000,000	0.90%	29/06/2018	28/06/2019	AA-	0.006%	294
HSBC UK Bank Plc (RFB)	10,000,000	1.03%		Call90	AA-	0.006%	595
Australia and New Zealand Banking Group Ltd	5,000,000	0.95%	13/07/2018	12/07/2019	AA-	0.007%	340
National Bank of Canada	5,000,000	1.00%	14/01/2019	15/07/2019	A	0.015%	765
Highland Council	3,000,000	0.95%	28/08/2018	24/07/2019	AA	0.008%	0
Standard Chartered Bank	10,000,000	1.06%	25/01/2019	25/07/2019	A	0.017%	1675
Australia and New Zealand Banking Group Ltd	5,000,000	1.06%	03/08/2018	02/08/2019	AA-	0.008%	410
Australia and New Zealand Banking Group Ltd	5,000,000	1.04%	21/08/2018	20/08/2019	AA-	0.009%	469
Birmingham City Council	3,000,000	1.04%	28/08/2018	28/08/2019	AA	0.010%	0
Landesbank Hessen-Thüringen Girozentrale (Helaba)	5,000,000	1.02%	05/09/2018	05/09/2019	A	0.023%	1141
National Westminster Bank Plc (RFB)	5,000,000	1.05%	07/09/2018	09/09/2019	A-	0.023%	1170
Bournemouth Borough Council	5,000,000	0.71%	29/09/2017	20/09/2019	AA	0.011%	0
DBS Bank Ltd	5,000,000	0.97%	29/03/2019	30/09/2019	AA-	0.012%	605
London Borough of Enfield	5,000,000	1.05%	22/10/2018	21/10/2019	AA	0.013%	0
Landesbank Hessen-Thüringen Girozentrale (Helaba)	6,700,000	1.12%	01/11/2018	01/11/2019	A	0.031%	2080
Toronto Dominion Bank	7,000,000	1.15%	06/11/2018	06/11/2019	AA-	0.015%	1018
Coöperatieve Rabobank U.A.	5,000,000	1.14%	12/11/2018	11/11/2019	A+	0.032%	1624
Toronto Dominion Bank	7,000,000	1.16%	13/11/2018	12/11/2019	AA-	0.015%	1045
North Tyneside Metropolitan Borough Council	3,800,000	1.15%	10/12/2018	10/12/2019	AA	0.017%	0
North Tyneside Metropolitan Borough Council	3,000,000	1.15%	11/12/2018	10/12/2019	AA	0.017%	0
Canadian Imperial Bank of Commerce	10,000,000	1.13%	14/12/2018	13/12/2019	A+	0.037%	3711
Coöperatieve Rabobank U.A.	5,000,000	1.14%	25/01/2019	24/01/2020	A+	0.043%	2159

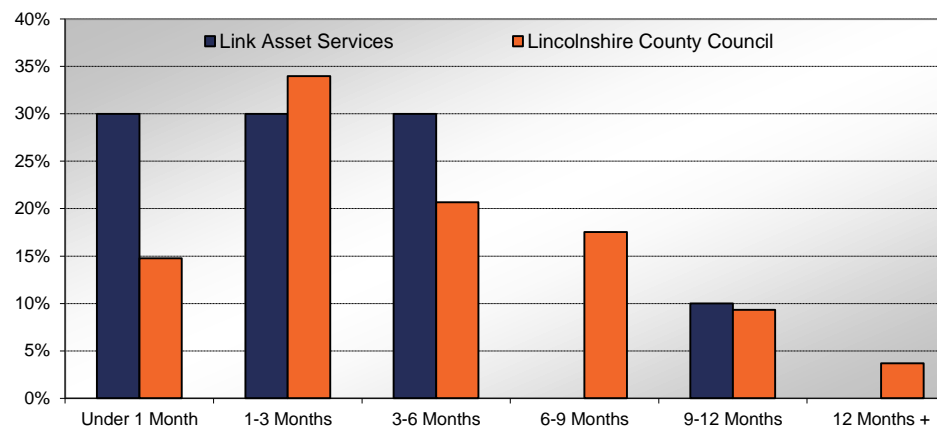
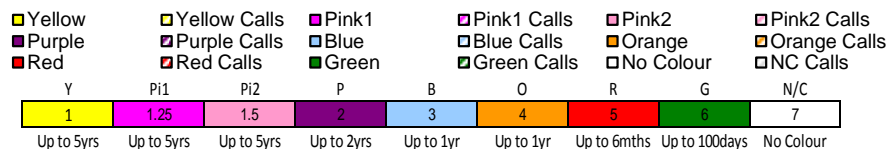
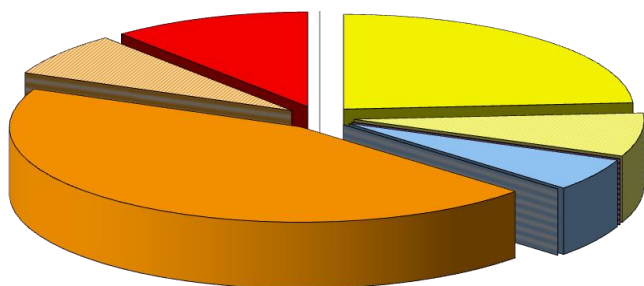
# Lincolnshire County Council

## Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default	Expected Credit Loss (£)
Cooperatieve Rabobank U.A.	5,000,000	1.14%	25/01/2019	24/01/2020	A+	0.043%	2159
Staffordshire Moorlands District Council	2,000,000	1.10%	01/02/2019	31/01/2020	AA	0.020%	0
Santander UK Plc	502,483	1.37%	20/02/2019	17/02/2020	A	0.047%	234
Santander UK Plc	2,967,228	1.39%	20/02/2019	17/02/2020	A	0.047%	1384
Santander UK Plc	1,507,696	1.35%	21/02/2019	17/02/2020	A	0.047%	703
Landesbank Hessen-Thueringen Girozentrale (Helaba)	8,300,000	1.10%	21/03/2019	20/03/2020	A	0.051%	4254
Cheshire East Council	5,000,000	1.15%	15/03/2019	15/04/2020	AA	0.025%	0
Wokingham Borough Council	5,000,000	1.42%	27/03/2019	26/03/2021	AA	0.042%	0
<b>Total Investments</b>	<b>£270,827,407</b>	<b>1.01%</b>				<b>0.015%</b>	<b>£32,565</b>

The Historic Risk of Default column is based on the lowest long term rating. If clients are using this % for their Expected Credit Loss calculation under IFRS 9, please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil. Please note that we are currently using Historic Default Rates from 2009-2018 for Fitch, Moody's and S&P.

# Portfolio Composition by Link Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **3.12**

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

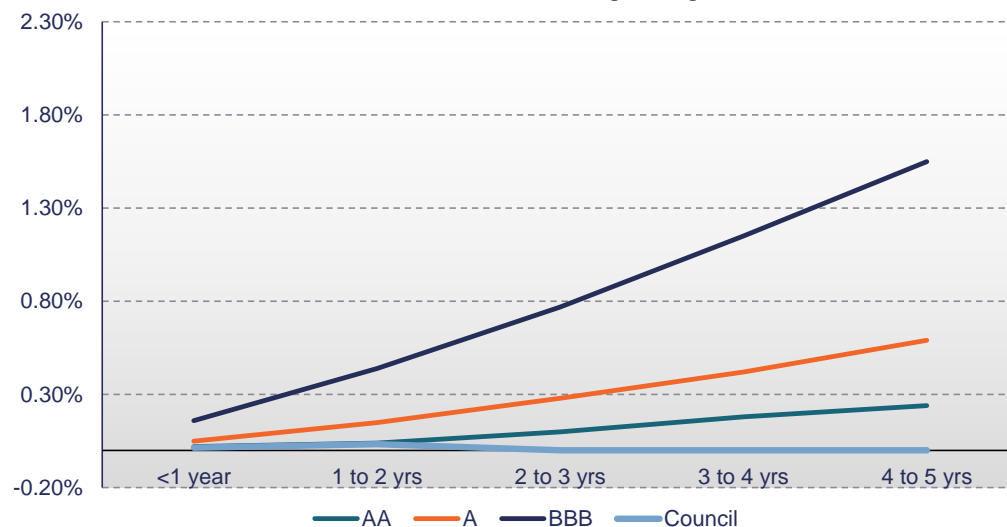
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs	
									WAM	WAM at Execution
Yellow	31.31%	£84,800,000	23.58%	£20,000,000	7.38%	0.95%	141	311	185	408
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	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	5.54%	£15,000,000	0.00%	£0	0.00%	1.00%	113	365	113	365
Orange	52.08%	£141,050,000	14.18%	£20,000,000	7.38%	1.03%	153	315	168	357
Red	11.07%	£29,977,407	0.00%	£0	0.00%	1.09%	130	211	130	211
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
<b>Total</b>	<b>100.00%</b>	<b>£270,827,407</b>	<b>14.77%</b>	<b>£40,000,000</b>	<b>14.77%</b>	<b>1.01%</b>	<b>144</b>	<b>305</b>	<b>164</b>	<b>353</b>



# Lincolnshire County Council

## Investment Risk and Rating Exposure

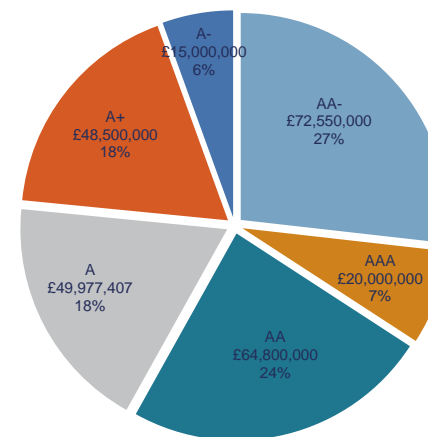
Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.10%	0.18%	0.24%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%
Council	0.014%	0.033%	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
04/03/2019	1671	Abbey National Treasury Services PLC	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	Bank of Scotland PLC (RFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	Barclays Bank PLC (NRFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	Barclays Bank UK PLC (RFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	Close Brothers Ltd	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	Clydesdale Bank PLC	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	Co-operative Bank PLC (The)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	HSBC Bank PLC (NRFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	HSBC UK Bank PLC (RFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	Lloyds Bank Corporate Markets PLC (NRFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	Lloyds Bank PLC (RFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	NatWest Markets PLC (NRFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	Santander UK PLC	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	National Westminster Bank PLC (RFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1671	The Royal Bank of Scotland PLC (RFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1672	Coventry Building Society	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1672	Leeds Building Society	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1672	Nationwide Building Society	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.

## Lincolnshire County Council

### Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
04/03/2019	1672	Principality Building Society	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1672	Skipton Building Society	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1672	Yorkshire Building Society	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch.
04/03/2019	1673	UBS Ltd.	United Kingdom	Ratings withdrawn as a result of changes to the UBS banking group.

## Lincolnshire County Council

### Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
04/03/2019	1673	UBS Ltd.	United Kingdom	Ratings withdrawn as result of changes to the UBS banking group.
07/03/2019	1674	Bank of America N.A.	United States	The Long Term Rating was upgraded to 'Aa2' from 'Aa3' and the Short Term Rating was affirmed. At the same time, the Long Term Rating was removed from Positive Watch and placed on Stable Outlook.
28/03/2019	1675	Bank Nederlandse Gemeenten N.V.	Netherlands	The Long Term Rating was upgraded to 'AAA' from 'AA+'. At the same time, the Short Term Rating and Viability Rating were affirmed.

## Lincolnshire County Council

### Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
04/03/2019	1673	UBS Ltd.	United Kingdom	Ratings withdrawn as result of changes to the UBS banking group.

Whilst Link Asset Services makes every effort to ensure that all the information it provides is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. All information supplied by Link Asset Services should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision. The Client should not regard the advice or information as a substitute for the exercise by the Client of its own judgement.

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## Risk and Reward per Asset Class 2018/19 and Comparative Years.

Asset Class (Local Authority Sector unless stated)	2008 - 09	2017 - 18	2018 - 19	Average Financial Year Return (since 2005-06)
UK All Companies	-31.08%	2.76%	2.85%	8.91%
UK Equity Income	-28.36%	0.38%	3.53%	8.27%
UK Index Linked Gilts	-1.78%	-0.09%	6.15%	7.76%
UK Equity & Bond Income	-25.53%	-0.59%	4.60%	7.36%
Mixed Investments 40-85% Shares	-21.41%	1.64%	4.31%	7.14%
Mixed Investments 20-60% Shares	-17.21%	0.81%	2.91%	5.46%
£ Corporate Bond	-10.98%	1.68%	2.98%	5.42%
UK Gilts	10.25%	0.26%	3.53%	5.36%
UK Property (IPD/AREF, UK PFI Other Balanced Funds)	-33.66%	10.07%	5.58%	5.33%
Mixed Investments 0-35% Shares	-10.81%	0.39%	2.49%	4.53%
Bloomberg Barclays £ 0-5yr Corporate Bond Index	-2.88%	0.88%	2.31%	4.25%
FT\$E Conventional Gilt up to 5yr Index	8.72%	-1.01%	1.39%	3.01%
RPI	2.98%	3.75%	3.06%	2.97%
12 month LIBID	4.75%	0.61%	0.94%	2.19%
3 month LIBID	4.49%	0.29%	0.68%	1.80%
Money Market Funds	0.67%	0.15%	0.65%	1.40%

Key :

Equity	Multi-Asset	Physical	Fixed Income	Money Market	Economic Data Index
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Source: Link Asset Services Ltd

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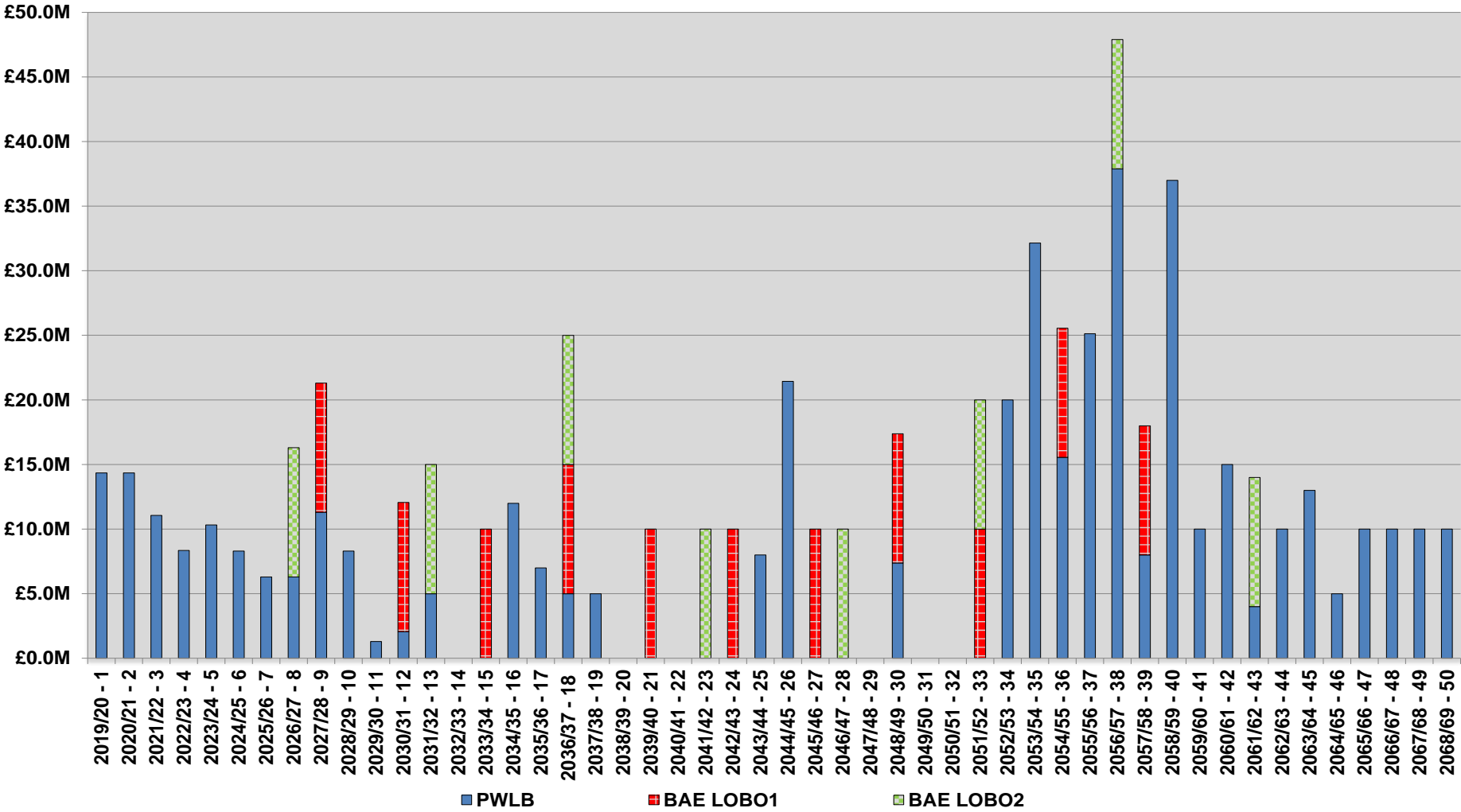


## APPENDIX E

PRUDENTIAL INDICATORS ACTUAL COMPARED TO ESTIMATED 2018/2019			
	2018/19		2018/19
Original Estimate	£000	Actuals	£000
Capital Expenditure Net	84,677	Actual Capital Expenditure (Excl Sch RCCO & Leasing)	43,574
Capital Financing Requirement 31/3/2019	640,034	Actual Capital Financing Requirement 31/3/2019	556,484
Capital Financing Requirement Estimate at 31/3/2021	685,231	Capital Financing Requirement Estimate 31/3/2021	601,681
Gross External Borrowing	526,898	Actual Gross External Borrowing	466,972
Borrowing in Advance of Need Limit	11,299	Actual Borrowing in Advance of Need Taken	0
MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Estimate	5.72%	MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Actual	5.12%
Ratio of Financing Costs To Net Revenue Stream	5.62%	Actual Ratio of Financing Costs To Net Revenue Stream	5.00%
<b>External Debt:</b>			
<u>Authorised limit for external debt -</u>		<b>Actual external debt at 31/3/19</b>	
borrowing	651,751	Borrowing	466,972
other long term liabilities	12,984	Other long term liabilities(Credit Arrangements)	10,270
TOTAL	664,735	<b>TOTAL</b>	477,242
<u>Operational boundary -</u>			
borrowing	636,751		
other long term liabilities	10,984		
TOTAL	647,735		
<b>Treasury Management:</b>			
<u>Upper limit for variable rate exposure</u>		<b>Actual exposure variable interest</b>	
Net principal re variable rate borrowing less investments	205,569	Net Principal	-40,688
<u>Upper limit for total principal sums invested for over 364 days</u> (per maturity date)	40,000	<b>Actual sums invested &gt; 364 Day</b>	12,229
<b>Maturity structure of fixed rate borrowing during 2018/19</b>	<b>upper limit</b>	<b>Actual maturity structure as at 31 March 2019</b>	
under 12 months	25%	under 12 months	3.11%
12 months and within 24 months	25%	12 months and within 24 months	3.11%
24 months and within 5 years	50%	24 months and within 5 years	6.43%
5 years and within 10 years	75%	5 years and within 10 years	13.00%
10 years and above	100%	10 years and above	74.30%

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Long Term Borrowing Maturity Profile at 31/3/2019 -Showing Impact of LOBO Variability



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**Open Report on behalf of Andrew Crookham,  
Executive Director - Resources**

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>27 June 2019</b>
Subject:	<b>Scrutiny Committee Work Programmes: -</b> <ul style="list-style-type: none"><li>• <b>Environment and Economy Scrutiny Committee</b></li><li>• <b>Highways and Transport Scrutiny Committee</b></li></ul>

**Summary:**

As set out in the Council's constitution, a key role for this Board is monitoring and guiding the future work programmes of the other scrutiny committees. This takes place on a quarterly basis, and at the same time the Board considers the previous work undertaken by the scrutiny committee.

This report sets out the work programmes of the Environment and Economy Scrutiny Committee, Highways and Transport Scrutiny Committee

**Actions Required:**

To consider if the Board is satisfied with the planned future work programme of the Environment and Economy Scrutiny Committee, Highways and Transport Scrutiny Committee.

## **1. Background**

The Council's constitution includes in this Board's terms of reference the following two clauses: -

- To agree and monitor the ongoing overview and scrutiny work programme, in particular holding the chairmen and/or vice chairmen to account for their committee's work programme on a quarterly basis.
- To monitor and guide the activities of the other overview and scrutiny committees.

The table below sets out the reporting timetable since November 2018 and up to October 2019:

Scrutiny Committee	Monitoring Date	Monitoring Date	Monitoring Date
Adults and Community Wellbeing	29 November 2018	30 May 2019	29 August 2019
Health			
Children and Young People	28 February 2019	30 May 2019	26 September 2019
Public Protection and Communities			
Environment and Economy	28 March 2019	27 June 2019	24 October 2019
Highways and Transport			
Flood and Water Management			

#### Environment and Economy Scrutiny Committee

The work programme of the Environment and Economy Scrutiny Committee is attached at Appendix A.

#### Highways and Transport Scrutiny Committee

The work programme of the Highways and Transport Scrutiny Committee is attached at Appendix B.

## **2. Conclusion**

The Overview and Scrutiny Management Board is asked to consider the work programmes of the Environment and Economy Scrutiny Committee and the Highways and Transport Scrutiny Committee.

## **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	Environment and Economy Scrutiny Committee
Appendix B	Highways and Transport Scrutiny Committee

## **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 Daniel Steel, Scrutiny Officer, who can be contacted on 01522 552102 or by e-mail at [daniel.steel@lincolnshire.gov.uk](mailto:daniel.steel@lincolnshire.gov.uk)

**ENVIRONMENT AND ECONOMY SCRUTINY COMMITTEE**

**April 2019**

The Committee held its meeting at the North Sea Observatory, Chapel St Leonards.

Lincolnshire Utility Strategy Next Steps

The Committee considered a report on the next steps with the Lincolnshire Utility Strategy and the work on a utility plan the County Council and the Greater Lincolnshire Local Enterprise Partnership to tackle the lack of utility infrastructure compared to demand.

Recommendations from the High Street Revitalisation Working Group

The Committee considered the outcomes of the High Street Vitality Working Group and the recommendations which identify ways that the County Council could support businesses and others in the transition which is happening to high streets. The Committee supported the recommendations were forwarded to the Executive Councillor for further consideration.

**May 2019**

Commissioning of Adult Skills and Family Learning

The Committee recommended the continued commissioning of an Adult Skills and Family Learning Programme and the establishment of an Open Framework for learning providers.

Digby Flood Alleviation Scheme

The Committee recommended that the Leader of the Council to approve the Digby Surface Water Flood Alleviation scheme and welcomed the scheme and the positive benefits it provides for the local community. The Committee also highlighted the need to ensure there would be suitable traffic management in place during the works, including advanced signage and a good level of detailed communication with local residents.

Water Resources East

The Committee supported a recommendation for the Executive to approve the Council taking up membership of the Water Resources East company and supported the work being undertaken to influence the development of the regional Water Resource Management Plan and the wider long term decisions on water management across the region.



## Project Outline for Market Deeping Grow-on Business Space

The Committee considered the potential need for a grow-on facility to complement the Eventus Centre for Business and Innovation, Market Deeping. The Committee supported making use of the current budget allocation and potential funding from the Greater Lincolnshire Local Enterprise Partnership GL LEP and then, secondly, examining a long term business strategy for this area. Further items on this project will be considered at future meetings.

## Energy Procurement

The Committee considered the Council's procurement of green or brown electricity to power its corporate portfolio. The Committee unanimously recommended that the County Council procure a 'Pure Green' Fuel Mix as a way to meet the Council's carbon emission targets. The Committee highlighted buying green would also allow the Council to report that it emits zero emissions for electricity needs, supporting the Council's Carbon Management Action Plan.

## **Future Work**

<b>09 JULY 2019 – 10.00am</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
<b>Proposed Statement of Community Involvement</b>	Adrian Winkley (Minerals and Waste Policy Team Leader)	<b>PRE-DECISION SCRUTINY</b> Executive 03 September 2019
<b>Scale up Business Advice</b>	Samantha Harrison, Enterprise Growth Manager	To scrutinise performance of the Business Growth Hub's scale up programme and make recommendations on enhancing the service as appropriate.
<b>Lincolnshire Broadband Programme Progress Report</b>	Steve Brookes, Lincolnshire Broadband Programme Manager	Review of the implementation of the Lincolnshire Broadband Programme (Onlincolnshire).
<b>Huttoft Coastal Tourism Facility</b>	Peter Fender, Special Projects Officer	Introduction and options on the Huttoft Coastal Tourism Facility.
<b>Environment Quarter 4 Performance Measures 2018/19 (1 January to 31 March 2019)</b>	David Hickman, Growth and Environment Commissioner	Review of the Key Performance and Customer Satisfaction Information
<b>Economy Quarter 4 Performance Measures 2018/19 (1 January to 31 March 2019)</b>	Justin Brown, Head of Economic Development	Review of the Key Performance and Customer Satisfaction Information

<b>10 SEPTEMBER 2019 – 10.00am</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
<b>Creative Industries</b>	Halina Davies, Growth Plan Project Manager	
<b>Lincolnshire Utility Strategy</b>	Andrew Brooks, Regeneration Manager	To update members on the progress and next steps for the Lincolnshire utility strategy.
<b>Bids for European Regional Development Fund</b>	Susannah Lewis, Principal Commissioning Officer Funding	Policy Development
<b>Business Centres and Economic Development Portfolio Strategy</b>	Simon Wright, Principal Officer (Regeneration)	review of the policy and procedures on how to support / retain businesses in Lincolnshire
<b>Planning for Growth</b>	Justin Brown, Head of Economic Development	Policy Development
<b>Findings from the Skills Advisory Panel (SAP) Analysis</b>	Clare Hughes, Principal Commissioning Officer (LEP)	Policy Development

<b>22 OCTOBER 2019 – 10.00am</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
<b>Market Deeping Grow-on Business Space</b>	Amanda Bond, Special Projects Officer	<b>PRE-DECISION SCRUTINY</b>
<b>Huttoft Coastal Tourism Facility</b>	Peter Fender, Special Projects Officer	<b>PRE-DECISION SCRUTINY</b>
<b>Greater Lincolnshire Local Industrial Strategy</b>	Ruth Carver, Commissioning Manager (LEP)	Review of the progress towards the Lincolnshire Local Industrial Strategy.

<b>26 NOVEMBER 2019 – 10.00am</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
<b>UK Shared Prosperity Fund</b>	Susannah Lewis, Principal Commissioning Officer Funding	
<b>Team Lincolnshire Update</b>	Jill McCarthy, Investment Team Manager	

#### **Future items to be programmed**

- Post Brexit Agricultural Policy - Vanessa Strange, Strategic Accessibility & Growth Manager

- Tourism Priorities 2020 onwards – Mary Powell/Samantha Harrison
- Kirton Business Park Development
- High Street Revitalisation Progress Report
- LCC's Archaeological Planning Advice Service - Ian George, Places Manager

**For more information about the work of the Environment and Economy Scrutiny Committee please contact Daniel Steel, Scrutiny Officer on 01522 552102 or by e-mail at [daniel.steel@lincolnshire.gov.uk](mailto:daniel.steel@lincolnshire.gov.uk)**

**HIGHWAYS AND TRANSPORT SCRUTINY COMMITTEE**

**April 2019**

TransportConnect - Teckal Company Update

The Committee received an update on the Council's Teckal Company, Transport Connect Ltd, established in 2016, as an intervention into the market. The Committee welcomed the success of the service which had addressed a shortfall in the market and it was agreed that the Committee would receive an annual report on progress of the company.

Winter Maintenance - End of Year Report

The Committee received a report in connection with an end of year report on winter maintenance for the winter of 2018/19. This Committee were updated on the introduction of treated (brown) rock salt in certain depots, replacing the white marine salt used in pre-wetting operations. The different salt has proved as effective as the pre-wet routes over the season. The Committee supported further depots being converted from pre-wet to treated salt operations, rolled out over the next few winters as existing marine salt stocks are used up.

Lincoln Transport Strategy

The Committee received a verbal report in connection with an update of the Lincoln Transport Strategy. Feedback from the "drop in centres" had indicated the need for more bus services to be provided at the weekend and evenings. In addition the Committee sought assurance on concerns in relation to the Western Growth Corridor.

**June 2019**

Holbeach Transport Strategy

The Committee recommended the adoption of the Holbeach Transport Strategy and welcomed the report, especially the comprehensive layout of the Strategy which was easy to understand. The Committee stated that improvements were required to the Market Hill junction; agreed that the bus service was gradually improving after many years of poor service and the proposed community cycle hub was welcomed.

The Committee sought assurance that public consultation has been undertaken about the Strategy and it was confirmed that there had been extensive consultations including with South Holland District Council, use of social media and detailed discussions at the Local Strategy Board.

Review of the Highways and Transport Capital Programme

The Committee received a report in connection with the Council's capital programme financial performance in 2018/19, specifically with regard to Highways and Transport spend. The Committee supported the need for the Council to improve its

communication with the public and explain to them the reasons why a project was overrunning as this had not always been done in the past.

The Committee also sought assurance around the effects of the recent events caused by the substantial losses incurred by an investment fund on construction companies, as it was noticed that the Kier construction company had made substantial losses.

### Passenger Transport Update

The Committee received a detailed report and presentation which provided an update on Passenger Transport matters and the issues faced by rural communities in accessing public transport.

This report provides an update on a number of passenger transport aspects including:

- Bus Services Act 2017
- The state of the local transport market
- Public Bus changes
- Total Transport including Non-Emergency Transport Services
- Community Transport
- Local Government Association's Special Interest Group on Public Transport Consortium
- Review of Lincolnshire Bus Strategy
- Sustainable Transport
- Transport Services Group's performance

### **Future Work**

<b>15 JULY 2019 – 10:00am</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
<b>Route and Place Based Transport Strategies Annual Report</b>	Sam Edwards, Major Schemes and Design Commissioner	Annual review of Route and Place Based Transport Strategies development.
<b>Traffic Management for Events</b>	Satish Shah, Highways Network Manager	Review of update/amendments to existing policy
<b>Outcome of the Roundabout Sponsorship and Advertising Scrutiny Panel</b>	Chairman of the Roundabout Sponsorship and Advertising Scrutiny Panel	Outcome and recommendations from the Roundabout Sponsorship and Advertising Scrutiny Panel.

<b>16 SEPTEMBER 2019 – 10:00am</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
<b>Highways 2020 – Award decision</b>	Paul Rusted, Infrastructure Commissioner; Jonathan Evans, Senior Project Leader	<b>PRE DECISION SCRUTINY</b> Executive – 01 October 2019
<b>Winter Service Plan 2019</b>		<b>PRE-DECISION SCRUTINY</b>
<b>Quarter 1 Performance Report (1 April to 30 June 2019)</b>	Paul Rusted, Infrastructure Commissioner	Review of the Key Performance and Customer Satisfaction Information.
<b>Civil Parking Enforcement Annual Report 2018 - 2019</b>	Matt Jones, Parking Services Manager	The annual report on CPE related activities and financial statement showing the cost of the operation, including any deficit or surplus.
<b>CCTV Pilot Scheme for Parking enforcement outside schools</b>	Matt Jones, Parking Services Manager	Review of future options for the CCTV Pilot Scheme.
<b>Lincolnshire Connected</b>	Vanessa Strange, Accessibility and Growth Manager	Review of the Lincolnshire Connected document and future actions

<b>28 OCTOBER 2019 – 10:00am</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
<b>Highways 2020 Update</b>	Paul Rusted, Infrastructure Commissioner	Update on progress towards replacement arrangements for Highways 2020.
<b>Engagement with Network Rail</b>	Network Rail	Annual engagement session with Network Rail which will include details of network performance and discussion of any key issues or concerns in Lincolnshire.
<b>Effective Highways Communication</b>	Satish Shah, Highways Network Manager; Georgina Statham, Highways Liaison Manager	Review of the work being undertaken to enhance service users' experience with regards to the Highways and Transport services.
<b>Highways Fault Reporting System Report</b>	Satish Shah, Highways Network Manager; Georgina Statham, Highways Liaison Manager	Update on the highways fault reporting system performance / response times.

09 DECEMBER 2019 – 10:00am		
Item	Contributor	Purpose
<b>Quarter 2 Performance Report (1 July to 30 September 2019)</b>	Paul Rusted, Infrastructure Commissioner	Review of the Key Performance and Customer Satisfaction Information.

Items to be programmed

- **Coastal Highway** – Teresa James, Senior Project Leader – *Review of the first phase of work and initial report on possible options.*
- **Street Lighting** – Monitoring update on requests received under the reversal of part-night lighting protocol (Early 2020)
- **Parking Policy and Strategy** - Matt Jones, Parking Services Manager - Consideration of an updated version of Lincolnshire County Council's parking policy and strategy. (TBC)
- **Highways England** – The Committee have requested engagement with Highways England at a future meeting.
- **East Midlands Rail Franchise** – The Committee have requested to meet with the successful bidder for the next franchise later in 2019 (October 2019)
- **Review of Cycling Strategy** – Philip Watt, Cycling Officer
- **Review of revised arrangements for Lincolnshire's Local Access Forums** – Chris Miller, Team Leader, Countryside Services (April 2020)
- **TransportConnect - Teckal Company Annual Report** – Anita Ruffle, Group Manager Transport Services (April 2020)

For more information about the work of the Highways and Transport Scrutiny Committee please contact Daniel Steel, Scrutiny Officer on 01522 552102 or by e-mail at [daniel.steel@lincolnshire.gov.uk](mailto:daniel.steel@lincolnshire.gov.uk)

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## Policy and Scrutiny

### Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>27 June 2019</b>
Subject:	<b>Overview and Scrutiny Management Board Work Programme</b>

#### 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 and agree the Board's 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.

### Scrutiny Panel 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. Details of Scrutiny Panel activity is set out in Appendix B.

The Board may also establish a maximum of two working groups at any one time, comprising a group of members from the Board.

### Committee Working Group Activity

Scrutiny Committees may establish informal working groups, which can meet a maximum of three times, usually to consider matters in greater detail, and then to put their proposals to Committee. Details of Working Group activity is set out at Appendix C.

### Executive Forward Plan

The Executive Forward Plan of key decisions is set out at Appendix D. This is background information for the Committee's consideration to ensure that all key decisions are scrutinised by the relevant scrutiny committee.

## **2. Conclusion**

The Board's work programme for the coming year is attached at Appendix A to this report.

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 Panel Activity
Appendix C	Working Group Activity
Appendix D	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 Nigel West, Head of Democratic Services, who can be contacted on 01522 552840 or by e-mail at [nigel.west@lincolnshire.gov.uk](mailto:nigel.west@lincolnshire.gov.uk)

**OVERVIEW AND SCRUTINY MANAGEMENT BOARD**

Each agenda includes the following standard items:

- **Call-in (if required)**
- **Councillor Call for Action (if required)**

<b>27 June 2019</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
Updates on the Council People Management and Workforce Plan and the Employee Survey	Lucy Shevill, Strategic People Management Advisor	Performance Scrutiny
Performance Reporting against the Council Business Plan - Quarter 4	Jasmine Sodhi, Performance and Equalities Manager	Pre-Decision Scrutiny (Executive decision on 9 July 2019)
Review of Financial Performance 2018/19	Michelle Grady, Assistant Director – Strategic Finance	Pre-Decision Scrutiny (Executive decision on 9 July 2019)
Treasury Management Annual Report 2018/19	Karen Tonge, Treasury Manager Chris Scott, Link Asset Services	Performance Scrutiny
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> <li>• Environment and Economy Scrutiny Committee</li> <li>• Highways and Transport Scrutiny Committee</li> </ul>	Cllr Wendy Bowkett Chairman of Environment and Economy Scrutiny Committee Cllr Bob Adams Chairman of Highways and Transport Scrutiny Committee	Performance Scrutiny

<b>29 August 2019</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
Performance Reporting against the Council Business Plan - Quarter 1	Jasmine Sodhi, Performance and Equalities Manager	Pre-Decision Scrutiny (Executive decision on 3 September 2019)
Corporate Support Services Contract – IMT Progress Report	John Wickens, Interim Assistant Director ICT	Performance Scrutiny

29 August 2019		
Item	Contributor	Purpose
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> <li>Adults and Community Wellbeing Scrutiny Committee</li> <li>Health Scrutiny Committee</li> </ul>	Cllr Hugo Marfleet, Chairman of Adults and Community Wellbeing Scrutiny Committee Cllr Carl Macey, Chairman of Health Scrutiny Committee	Performance Scrutiny

26 September 2019		
Item	Contributor	Purpose
Revenue and Capital Budget Monitoring Report 2019/20	Michelle Grady, Assistant Director for Strategic Finance	Pre Decision Scrutiny (Executive decision on 1 October 2019)
Treasury Management Performance Quarter 1 (1 April to 30 June 2019)	Karen Tonge, Treasury Manager Chris Scott, Link Asset Services	Performance Scrutiny
Business World Reconfiguration	Andrew McLean, Interim Transformation Director	Pre-Decision Scrutiny (Executive decision on 1 October 2019)
Corporate Support Services Contract – Housekeeping Progress Report	Sophie Reeve, Assistant Director Commercial	Performance Scrutiny
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> <li>Children and Young People Scrutiny Committee</li> <li>Public Protection and Communities Scrutiny Committee</li> </ul>	Cllr Robert Kendrick, Vice-Chairman of Children and Young People Scrutiny Committee Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

<b>24 October 2019</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
Review of Financial Risk Assessment	Dave Simpson, Head of Finance - Technical and Development	Budget Scrutiny
Update on the Council People Management and Workforce Plan	Fiona Thompson, Head of Human Resources	Performance Scrutiny
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> <li>• Environment and Economy Scrutiny Committee</li> <li>• Highways and Transport Scrutiny Committee</li> <li>• Flood and Water Management Scrutiny Committee</li> </ul>	Cllr Wendy Bowkett, Chairman of Environment and Economy Scrutiny Committee Cllr Bob Adams, Chairman of Highways and Transport Scrutiny Committee Cllr Paul Skinner, Chairman of the Flood and Water Management Scrutiny Committee	Performance Scrutiny

<b>28 November 2019</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
Performance Reporting against the Council Business Plan - Quarter 2	Jasmine Sodhi, Performance and Equalities Manager	Pre-Decision Scrutiny (Executive decision on 3 December 2019)
Treasury Management Performance Quarter 2 (1 July to 30 September 2019)	Karen Tonge, Treasury Manager Chris Scott, Link Asset Services	Performance Scrutiny
Corporate Support Services Contract – Six Monthly Overview Report	Sophie Reeve, Assistant Director Commercial John Wickens, Interim Assistant Director ICT	Performance Scrutiny
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> <li>• Adults and Community Wellbeing Scrutiny Committee</li> <li>• Health Scrutiny Committee</li> </ul>	Cllr Hugo Marfleet, Chairman of Adults and Community Wellbeing Scrutiny Committee Cllr Carl Macey, Chairman of Health Scrutiny Committee	Performance Scrutiny

<b>19 December 2019</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
Corporate Support Services Contract – IMT Progress Report	John Wickens, Interim Assistant Director ICT	Performance Scrutiny
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> <li>• Children and Young People Scrutiny Committee</li> <li>• Public Protection and Communities Scrutiny Committee</li> </ul>	Cllr Robert Kendrick, Vice-Chairman of Children and Young People Scrutiny Committee  Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

<b>30 January 2020</b>		
<b>Item</b>	<b>Contributor</b>	<b>Purpose</b>
Revenue and Capital Budget Monitoring Report 2019/20	Michelle Grady, Assistant Director for Strategic Finance	Pre Decision Scrutiny (Executive decision on 4 February 2020)
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> <li>• Environment and Economy Scrutiny Committee</li> <li>• Highways and Transport Scrutiny Committee</li> </ul>	Cllr Wendy Bowkett, Chairman of Environment and Economy Scrutiny Committee  Cllr Bob Adams, Chairman of Highways and Transport Scrutiny Committee	Performance Scrutiny

### **Items to be Scheduled**

- Formation of a Company for Legal Services

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](mailto:Tracy.Johnson@lincolnshire.gov.uk)

# Scrutiny Panel Activity

(as at 19 June 2019)

## Current Reviews

Scrutiny Panel A	Membership	Completion Date
Roundabout Sponsorship and Advertising	Councillors L Wootten (Chairman), S R Parkin (Vice Chairman), W J Aron, Mrs A M Austin, Mrs P Cooper, P Coupland, A G Hagues and N Pepper	Highways and Transport Scrutiny Committee – 15 July 2019

Scrutiny Panel B	Membership	Completion Date
Transitions	Councillors Mrs A Newton (Chairman), A H Turner (Vice Chairman), R L Foulkes, A G Hagues, C Matthews, S R Parkin, R H Trollope-Bellew and M A Whittington	Executive – 9 July 2019

All completed review reports to be approved by relevant scrutiny committee before consideration at a meeting of the County Council's Executive.



## Working Group Activity

(as at 19 June 2019)

Committee	Working Group	Membership
Overview and Scrutiny Management Board	UK's Exit from the European Union	Councillors Mrs A Austin, T Bridges, M Brookes, M T Fido, R L Foulkes, C E H Marfleet, Mrs M J Overton MBE, R B Parker, A N Stokes and Mrs C A Talbot; and added member: Mr S Rudman
Highways and Transport Scrutiny Committee	CCTV Parking Enforcement Pilot Scheme	Councillors B Adams, C J T H Brewis, M Brookes, S P Roe and A N Stokes

**FORWARD PLAN OF KEY DECISIONS FROM 1 JULY 2019**

PUBLISH DATE 31 MAY 2019

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
I017423	Short Breaks Provision in Lincolnshire	Open	Executive Councillor: Adult Care, Health and Children's Services  Between 4 Jul 2019 and 5 Jul 2019	Commercial Team - People Services; Adult and Community Wellbeing Departmental Management Team; Adults and Community Wellbeing Scrutiny Committee	Reports	Commercial and Procurement Manager Tel: 01522 553673 Email: carl.miller@lincolnshire.gov.uk	
I017969	Commissioning Arrangements for Child and Adolescent Mental Health Service (CAMHS)	Open	Executive  9 Jul 2019	Children's Services Directorate Management Team; Commissioning and Commercial Board; Clinical Commissioning Groups; Children and Young People Scrutiny Committee	Reports	Commissioning Officer Tel: 01522 554860 Email: lynda.whitton@lincolnshire.gov.uk	All Divisions
I017768	Review of Financial Performance 2018/19	Open	Executive  9 Jul 2019	Overview and Scrutiny Management Board	Reports	Technical and Development Finance Manager Tel: 01522 553008 Email: dave.simpson@lincolnshire.gov.uk	All Divisions
I017762	Extra Care Housing	Open	Executive  9 Jul 2019	Adults and Community Wellbeing Scrutiny Committee	Reports	County Property Officer Tel: 01522 553726 Email: kevin.kendall@lincolnshire.gov.uk	All Divisions
I018164 New!	A15 Primary Route Network Package	Open	Executive Councillor: Resources and Communications  Between 15 Jul 2019 and 19 Jul 2019	Highways Colleagues, Utility Companies.	Reports	Senior Project Leader Tel: 01522 552940 Email: steve.brooks@lincolnshire.gov.uk	Gainsborough Rural South; Nettleham and Saxilby; Welton Rural

I018163 New!	Gunby Roundabout Primary Route Network	Open	Executive Councillor: Resources and Communications  Between 15 Jul 2019 and 19 Jul 2019	Highways Colleagues, Utility Companies.	Reports	Senior Project Leader Tel: 01522 552940 Email: steve.brooks@lincolnshire.gov.uk	Ingoldmells Rural; Skegness South
I018147 New!	Section 117 Joint Policy	Open	Executive Councillor: Adult Care, Health and Children's Services  Between 22 Jul 2019 and 2 Aug 2019	Service Users - (co-production), Voiceability, Lincolnshire Mental Health Partnership Board, Lincolnshire Rural Community Networks and Neighbourhood Teams, South West Lincolnshire Clinical Commissioning Group Staff representing Children's Services, Adult, Older Adult and Learning Disability service user groups, Lincolnshire County Council Staff representing Children's Services, Adult, Older Adult, and Learning Disability service user groups, Lincolnshire Partnership Foundation Trust Staff where the S117 Joint Policy was approved by their Quality Committee on the 2 <sup>nd</sup> May 2019, Adults and Community Wellbeing Scrutiny Committee, Children and Young People Scrutiny Committee.	Reports	S 117 Specialist Project Manager Tel - 07557169892 heston.hassett@lincolnshire.gov.uk	All Divisions
I018113 New!	Lincolnshire Leaving Care Service from 2020	Open	Executive Councillor: Adult Care, Health and Children's Services  29 Jul 2019	Representatives from Children's Services teams (social care and IROs); care leavers and other stakeholders involved in services for care leavers; Children's Services DMT; Children and Young People Scrutiny Committee	Reports	Commissioning Officer Tel: 01522 555516 Email: bridie.fletcher@lincolnshire.gov.uk	All Divisions

I018047 New!	Proposed Statement of Community Involvement		Executive 3 Sep 2019	A draft version of the Statement of Community Involvement was subject to widespread publicity/consultation from 21 January 2019 to 4 March 2019; Environment and Economy Scrutiny Committee	Reports	Minerals and Waste Policy Team Leader Tel: 01522 554818 Email: adrian.winkley@lincolnshire.gov.uk	
I018064 New!	Future of the Heritage Service	Open	Executive 3 Sep 2019	Public Protection and Communities Scrutiny Committee	Reports	Assistant Director - Communities Tel: 01522 553786 Email: nicole.hilton@lincolnshire.gov.uk	All Divisions
I013959	Future of the Heritage Service	Open	Executive 1 Oct 2019	Public Protection and Communities Scrutiny Committee	Reports	Assistant Director - Communities Tel: 01522 553786 Email: nicole.hilton@lincolnshire.gov.uk	All Divisions
I017884	Highways 2020 Award	All Open/Ex empts	Executive 1 Oct 2019	Highways and Transport Scrutiny Committee; Commissioning and Consultancy Board; all functions within the Highways Service	Reports	Senior Project Leader Tel: 01522 552368 Email: jonathan.evans@lincolnshire.gov.uk	All Divisions
I018150 New!	Direct Payment Support Service	Open	Executive Councillor: Adult Care, Health and Children's Services  Between 9 Oct 2019 and 15 Oct 2019	Senior Strategic Commissioning Support Manager - People Services; Assistant Director - Specialist Adult Services; Assistant Director – Adult Frailty and Long Term Conditions.	Reports	Commercial & Procurement Officer – People Services Tel: 0777615987 Email: reena.fehnert@lincolnshire.gov.uk	All Divisions

## EXECUTIVE MEMBERS

Councillor Name	Portfolio
Councillor M J Hill OBE (Leader of the Council)	Resources and Communications
Councillor Mrs P A Bradwell OBE (Deputy Leader of the Council)	Adult Care, Health and Children's Services
Councillor C J Davie	Economy and Place
Councillor R G Davies	Highways, Transport and IT
Councillor E J Poll	Commercial and Environmental Management
Councillor Mrs S Woolley	NHS Liaison and Community Engagement
Councillor C N Worth	Culture and Emergency Services <i>(Libraries, Heritage, Culture, Registration and Coroners Service, Fire and Rescue and Emergency Planning)</i>
Councillor B Young	Community Safety and People Management <i>(Crime Reduction, Trading Standards, Equality and Diversity People Management and Legal)</i>

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