

**OVERVIEW AND SCRUTINY
 MANAGEMENT BOARD
 2 JULY 2020**

PRESENT: COUNCILLOR R B PARKER (CHAIRMAN)

Councillors R Wootten (Vice-Chairman), B Adams, Mrs W Bowkett, Mrs J Brockway, R J Kendrick, C S Macey, C E H Marfleet, Mrs A M Newton, N H Pepper and E W Strengiel

Added Members

Parent Governor Representatives: Mrs M R Machin and Miss A E I Sayer

Councillors: M J Hill OBE, M A Whittington and B Young attended the meeting as observers

Officers in attendance:-

Debbie Barnes OBE (Chief Executive), Pam Clipson, Andrew Crookham (Executive Director Resources), James Drury (Executive Director Commercial), Michelle Grady (Assistant Director for Strategic Finance), Louisa Harvey (ERP System Delivery Manager), Tracy Johnson (Senior Scrutiny Officer), Sue Maycock (Head of Finance (Corporate)), Andrew McLean (Assistant Director - Transformation), Keith Noyland, Mark Popplewell (Head of Finance (Children's Services)), Dan Quinn (Assistant Chief Fire Officer), Fiona Thompson (Head of Human Resources), Karen Tonge (Treasury Manager), Nigel West (Head of Democratic Services and Statutory Scrutiny Officer) and Emily Wilcox (Democratic Services Officer)

1 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

An apology for absence was received by Andy Gutherson, Executive Director – Place and Senior Officer responsible for Covid-19 recovery.

2 DECLARATIONS OF INTEREST

All declarations will be recorded under the relevant item.

3 MINUTES OF THE MEETING HELD ON 28 MAY 2020

RESOLVED:

That the minutes of the meeting held on 28 May 2020 be approved as a correct record and signed by the Chairman.

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The Chairman announced that he had attended the meeting of the Executive on the 2 June and presented the comments from the Board on the Extension of the Corporate Support Services and highlighted that the Board had unanimously supported the recommendations. The Executive had supported the views of the Board and approved the contract extension with Serco for a further two years.

The Chief Executive informed the Board that notification had recently been received that the Council would receive additional funding to support with the pressures caused by Covid-19. The amount of funding had not yet been confirmed, but was part of £500m that would be distributed nationally.

5 CONSIDERATION OF CALL-INS

Members were advised that a call-in had been received for Decision Reference Number I019952 relating to A631 Market Rasen to Louth Safer Roads Primary Route Network. An additional meeting of the Board would be arranged within 18 working days to consider the call-in.

6 CONSIDERATION OF COUNCILLOR CALLS FOR ACTION

None had been received.

7 COVID-19 RECOVERY GOVERNANCE FRAMEWORK

During this item, Councillor C S Macey declared a personal interest as he worked in the tourism industry.

Consideration was given to a report by the Assistant Director – Corporate Recovery, which provided an overview of the partnership approach and governance arrangements to manage Lincolnshire's recovery from the Covid-19 pandemic.

Members were advised that as well as serious implications for people's health and public services, Covid-19 had impacted on the economy and the recovery approach would need to be considered against an uncertain economic backdrop, which was compounded by an increase in demand in areas of service activity such as social care teams, wellbeing services and infection control.

Lincolnshire had identified three phases of recovery: Phase 1, reset (stabilisation); Phase 2, redesign (economic and social renewal) and Phase 3, renewal.

The Board was informed of the strategic objectives that had been implemented; governance arrangements and local outbreak management arrangements, which were all set out in the report.

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Members considered the report, and during the discussion the following points were noted:

- Members raised concerns over the recovery of theatre arts following the Covid-19 pandemic and questioned how the Council would support the industry throughout the recovery process. In response, it was noted that the business and economy cell were engaging with the business community including the entertainment industry. The Assistant Director – Corporate Recovery agreed to raise the concerns of the Board with the business and economy cell to ensure that the theatre industry was being equally considered within conversations and engagement.
- The pandemic had seen some opportunity to improve service delivery for the people of Lincolnshire as the country moved forward into the recovery stage of the pandemic as the 'new normal'.
- There was recognition that there was reasonable provision for Covid-19 testing within Lincolnshire. The Chief Executive advised that there was a large testing site based at the Lincolnshire Showground, as well as some mobile sites across the county. The Council had raised concerns over the delay in obtaining test and trace data from a national to local level, as the delay in the Council obtaining the data was around two to four days. It was hoped that going forward, data would also be provided to District Councils to enable councils to be more responsive. Assurance had been given by central government that local data would be available by the end of the day.
- The Board commended the ways that the Lincolnshire Resilience Forum and other services had come together to form a fantastic partnership response to the pandemic.
- Officers recognised that a second wave of the virus was a threat to Lincolnshire. An action plan had been agreed in the case of a second wave to ensure that all partners were as prepared as possible in the case of a local outbreak. Plans included reassuring communities and keeping residents and partners fully informed.
- Officers emphasised the importance of managing threats, risk and harm and communicating a clear message to the public about safe distancing in an attempt to avoid major incidents being declared like there had been in other areas of the country.
- Senior Officers were looking into ways that staff would return to office based working in the future. The transformational change programme would investigate the benefits of home working as part of the way that the Council delivered services. There was an ambition to fully understand how agile working could be used to support communities and staff efficiently and effectively.
- The Business and Economy Cell had produced a recovery plan and was working with businesses to ensure that the tourism industry was supported during the recovery process.
- The Board was advised that the Council would look to maximise support to all business, including those in the tourism sector, to help them to access support, utilising all opportunities to maximise investment in Lincolnshire.

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Officers were being proactive to communicate key messages to local businesses.

- The Covid-19 pandemic had not resulted in a surge in reported cases of Domestic Violence in Lincolnshire, however there were on-going anxieties that incidents of domestic violence were not as visible as they were prior to the pandemic. Officers were working hard to ensure that the same level of support was maintained throughout the pandemic.
- Officers welcomed Members views on how the Council could work more effectively with regards to the challenges posed by the pandemic and how the Council could work going forward.
- Members emphasised the importance of working with communities and ensuring that community plans were in place to prepare for any future challenges.
- It was agreed that a further report be scheduled for the meeting of the Board on 27 August 2020 to allow the Board to monitor the progress of the Council's recovery.

RESOLVED:

1. That the Board considered the report and provided feedback, as detailed above;
2. That a further report be scheduled for the meeting of the Board on the 27 August 2020 to allow the Board to monitor the progress of the Council's recovery.

8 TREASURY MANAGEMENT ANNUAL REPORT 2019/20

Consideration was given to a report by the Treasury Manager, which detailed the results of the Council's treasury management activities for the financial year 2019/20 and compared this activity to the Treasury Management Strategy for 2019/20.

Members were informed that short term rates had remained flat over 2019/20 until March 2020, when they were slashed to support the economy during the Covid-19 outbreak. Long term rates had been affected by market uncertainties over Brexit and World Growth in the first half of the year and fell accordingly. Long term rates were increased across all periods by 1% in October 2019 when the PWLB increased the margin it applies to its borrowing. Since then rates drifted downwards to end the year 0.30% lower than October levels.

The Council's risk appetite for its treasury investments was low, as it prioritised security of capital and liquidity over return. The Council had outperformed the benchmark set for this risk level, by 0.37%, which equated to £0.42m 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 the Strategy.

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The Board was advised that the main treasury risks highlighted from the impact of Covid-19 in 2020/21 were Interest Rate and Liquidity Risk. However, Credit Risk was not thought to be a significant factor as the Government supported counterparties during the outbreak.

Capital expenditure and hence its borrowing requirement for 2019/20 were underspent by £17.0m which would be carried forward into 2020/21. The Council took £50m external borrowing from the PWLB during the year at an average cost of 1.848%, bringing total external debt to £501.540m at the year-end.

Chris Scott, Director – LINK Asset Services, advised the Board that the Council's borrowing level was appropriate and sensible. Investment returns were also credible considering current circumstances as the Council had taken a low risk approach to investing. Credit quality that officers had to work within meant that a low risk approach was taken and it was considered important to continue with this approach going forward. All indicators and controls had been complied with and there had been no breaches, therefore overall, the Council's Treasury Management performance was considered credible during a challenging year.

Members considered the report and during the discussion the following points were noted:

- The Board congratulated officers for maintaining a good level of performance during challenging times and thanked them for their hard work.
- Due to having limits on counterparties and money market funds, having to hold a lot of liquidity meant that the Council was close to borrowing limits and there would be nowhere else to place funds. Consequently, officers were looking to open more funds, however it had meant a short term cash flow problem. It was explained that Local Authorities were only able to make investments with companies with an AAA money market rating to ensure that assets were of the highest quality. Money Market funds had to adhere to certain rules meaning that they were of the highest quality. To maintain an AAA rating, funds had to maintain the highest assets.
- Members questioned whether it was appropriate to raise the internal borrowing limit from 15%. Officers explained that the target was an internal target and gave a comfortable level of cash within the authority. It was felt that 15% would give the Council a comfortable level of cash at the current time. The Executive Director – Resources explained that the 15% target was considered a 'soft target' and there was potential for this to increase. Officers welcomed the points made by the Board and would consider whether it was appropriate to increase the target.

RESOLVED:

1. That the Board had reviewed the Treasury Management Performance for 2019/20;
2. That a summary of the comments made be passed on to the Executive Councillor for Resources and Communications.

9 REVIEW OF FINANCIAL PERFORMANCE 2019/20

Consideration was given to a report by the Assistant Director – Strategic Finance, which invited the Board to consider a report on the Review of Financial Performance 2019/20 which was due to be presented to the Executive on 7 July 2020.

The Board was informed that the Covid-19 pandemic hadn't had much of an effect on the 2019 financial performance, however any financial impact in the 2019/20 financial year caused by Covid-19 had been set out within the report for each department.

Members were advised that excluding schools, the Council had a total underspend of £15.140m. In addition, there had been an underspend of £11.958m relating to schools, which would be carried forward for schools to use in 2020/21.

The Board was referred to Table B which set out the Revenue Budget Final Outturn for 2019/20. The Assistant Director –Strategic Finance also provided a breakdown of any key areas of revenue spending for each service area.

The capital programme had underspent by £18m, details of which could be found at Appendix A to the Executive report.

In line with the proposed use of the 2019/20 carry forward set out within the report, it was proposed that £7.394m was transferred to the Development Fund Earmarked Reserve to support the Council's transformation and recovery plans.

Members discussed the report, and during the discussion the following points were noted:

- The underspend on the Carers Commissioning Strategy of £0.121m related to 2019/20 and was due to a couple of contracts which needed to be realigned for 2020/21. The contracts had been extended to March 2021 pre Covid-19 but were under review for 2020/21 due to the Covid-19 environment.
- The Chairman of the Adults and Community Wellbeing Scrutiny Committee confirmed that the budget outturn for Adult Care and Community Wellbeing for 2019/20 had been considered at its meeting on 1 July 2020 which raised awareness of the demand and pressures on this service area due to the impact of Covid-19.
- The 'allocation for compensation payment relating to A1073' of £25,000 in the New Development Capital Contingency Fund was due to outstanding recent claims for compensation arising from the impact of the road scheme. It was highlighted that this was the tail end of the claims but they were still included in this contingency fund in the absence of an end date for claims.
- The overspend on the home to school/college transport budget of £2.373m in 2019/20 was due to the impact of rising costs in the market, increased demand of eligible SEND children and legislative changes. It was confirmed that Covid-19 funding has been earmarked to finance the anticipated

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additional costs for transporting pupils to school. The impact of Covid-19 on the return of schools in September was unknown, and a number of transport scenarios and its financial impact were being worked on. The impact of social distancing and how that was managed would be a challenge, in particular for the transport market in terms of sufficient supply to cater for any social distancing requirements on school transport from the Government.

- The contingency budget had been £3m for a number of years now, and for some years there had been very little call on the budget. For 2020/21, a 2% pay award had been budgeted for, but if the pay award was higher, the contingency budget would be called on to cover the additional cost. It was noted that the whole contingency budget could potentially be used this year. In previous years some services had contingencies within their own budgets but these were all offered up as savings for 2020/21 so there would be more demand on the contingency budget to cover any additional costs. The contingency budget would cover any significant variances and cost pressures in service area budgets that could not be met within existing budgets, such as by offsetting overspends in one area with underspends from another area, or where the cost pressure was across the Council such as the pay award.
- There had been an underspend on capital financing charges for a number of years. The capital financing budget was always based on the capital programme at the start of the year and the forecast spend required for it. Slippage on the capital programme could then occur due to a number of reasons such as bad weather which results in an underspend. The capital underspend results in a lower financing requirement which then causes an underspend on the revenue capital financing budget. It was highlighted that more internal borrowing in future was being considered so that there would be lower cash balances. The proposed capital financing reserve would ensure any future overspends on the capital financing budget could be met through this reserve.

RESOLVED:

1. That the Board support the recommendations to the Executive, as set out in the report;
2. That a summary of the above comments be passed on to the Executive as part of its consideration of this item.

10 BUSINESS WORLD ERP SYSTEM RE-DESIGN UPDATE

Consideration was given to a report by the ERP System Delivery Manager, which provided an update on the progress of the redesign of the Council's Business World enterprise resource planning (ERP) system following approval from the Executive on 17 December 2019 to move to the Hoople Limited platform.

Members were advised that the project mobilisation had completed in March 2020. Members were referred to the governance arrangements, as set out at Appendix A to the report.

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The initial stages of the project had been successful and things were on track for the re-design to go live in April 2021. The mobilisation phase had been completed and included the securing of new resources, including clear governance structure and arrangements.

The Council had responded to the impact of Covid-19 by repurposing some of the planned works to align to a virtual way of working and some activities to make up for lost time during the design phase in order to remain on track.

Details of the key risks to the project were set out in paragraph 4 of the report.

12.00pm – Councillor H Marfleet left the meeting and did not return.

Members considered the report and during the discussion the following points were noted:

- It was confirmed that there would be a contingency plan in place to ensure that business could continue with the existing Business World system if the new system failed. The existing team would be available to continue their work and Officers were doing regular updates of the current system to ensure that things could continue to function should the re-design not be successful.
- Officers were working with Hoople to put in place appropriate Key Performance Indicators to monitor performance on a regular basis. There would be regular monthly reporting and quarterly meetings to review performance.
- The Executive Director – Commercial advised that the new contract presented an opportunity to change the way that performance was reported and align performance reporting for the Business World ERP System with other key indicators. Emphasis was being put on identifying a smaller number of important projects which would be reported to the Board. It was agreed that a further meeting be scheduled with the Chairman and Vice-Chairman of the Board to identify what the most appropriate areas of the Council's IMT services would be reported to the Board in future.

RESOLVED:

1. That the Board considered the report;
2. That the Executive Director – Commercial liaise with the Chairman and Vice-Chairman of the Board to agree the most appropriate way to monitor future progress of the re-design and other IMT services.

11 OVERVIEW AND SCRUTINY MANAGEMENT BOARD WORK PROGRAMME

Members were advised that this item was for information only.

The meeting closed at 12.10 pm