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County Offices
Newland
Lincoln
LN1 1YL

19 February 2020

Overview and Scrutiny Management Board

A meeting of the Overview and Scrutiny Management Board will be held on **Thursday, 27 February 2020 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln Lincs LN1 1YL** for the transaction of the business set out on the attached Agenda.

Yours sincerely

Debbie Barnes OBE
Chief Executive

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, R J Kendrick, C S Macey, C E H Marfleet, Mrs A M Newton, N H Pepper and E W Strengiel

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 FEBRUARY 2020

Item	Title	Pages
1	**Apologies for Absence/Replacement Members**	
2	**Declarations of Interest**	
3	**Minutes of the meeting held on 30 January 2020**	5 - 14
4	**Announcements by the Chairman, Executive Councillor for Resources and Communications and Chief Officers**	
5	**Consideration of Call-Ins**	
6	**Consideration of Councillor Calls for Action**	
7	**Membership of the Local Government Association** *(To receive a report by Nigel West, Head of Democratic Services and Statutory Scrutiny Officer, which invites the Board to consider the Leader of the Council's decision to terminate the Council's membership of the Local Government Association)*	15 - 18
8	**Performance Reporting against the Council Business Plan 2019/2020 - Quarter 3** *(To receive a report by Jasmine Sodhi, Performance and Equalities Manager, which invites the Board to consider a report on the 2019/20 Council Business Plan Quarter 3 performance, which will be presented to the Executive on 3 March 2020. The views of the Board will be reported to the Executive as part of its consideration of this item)*	19 - 42
9	**Council Performance Measures 2020/2021** *(To receive a report by Jasmine Sodhi, Performance and Equalities Manager, which invites the Board to consider the proposals for the continuation of reporting of the Council Performance Measures beyond March 2020, which will be considered by the Executive on 3 March 2020. The views of the Board will be presented to the Executive as part of their consideration of this item)*	43 - 60
10	**Treasury Management Performance to Quarter 3 2019/20** *(To receive a report by Karen Tonge, Treasury Manager, which invites the Board to consider the treasury management activities and performance for Quarter 3 of 2019/20 to 31 December 2019)*	61 - 90

11	**Treasury Management Strategy Statement and Annual Investment Strategy for Treasury Investments 2020/21** *(To receive a report by Karen Tonge, Treasury Manager, which invites the Board to consider a report on the Treasury Management Strategy Statement 2020/21, including the Annual Investment Strategy for Treasury Investments 2020/21, which is due to be considered by the Leader of the Council on 20 March 2020. The views of the Board will be reported to the Leader of the Council as part of his consideration of this item)*	91 - 140
12	**Property Services Contract Year Four Report** *(To receive a report by Kevin Kendall (Assistant Director – Corporate Property) and Stuart Wright (Contract Manager), which provides an update on the performance of the Property Services Contract with VINCI Facilities Partnership Limited at the end of the fourth year of the contract)*	141 - 156
13	**Scrutiny Committee Work Programmes** *(To receive a report which sets out the work programmes of the Highways and Transport Scrutiny Committee; Environment and Economy Scrutiny Committee and the Flood and Water Management Scrutiny Committee in accordance with the Board's agreed programme)*	157 - 168

ITEMS FOR INFORMATION ONLY

14	**Overview and Scrutiny Management Board Work Programme** *(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)*	169 - 182

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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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www.lincolnshire.gov.uk/committeerecords

**OVERVIEW AND SCRUTINY MANAGEMENT BOARD
30 JANUARY 2020**

PRESENT: COUNCILLOR R B PARKER (CHAIRMAN)

Councillors R Wootten (Vice-Chairman), Mrs J Brockway, C S Macey, Mrs A M Newton, N H Pepper, E W Strengiel, A P Maughan, C R Oxby and S P Roe

Councillors: M A Whittington and B Young attended the meeting as observers

Officers in attendance:-

Debbie Barnes OBE (Chief Executive), Andrew Crookham (Executive Director Resources), James Drury (Executive Director Commercial), Michelle Grady (Assistant Director for Strategic Finance), Tracy Johnson (Senior Scrutiny Officer), Sue Maycock (Head of Finance (Corporate)), Keith Noyland, Mark Popplewell (Head of Finance (Children's Services)), Fiona Thompson (Head of Human Resources), Nigel West (Head of Democratic Services and Statutory Scrutiny Officer) and Emily Wilcox (Democratic Services Officer)

83 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillors R J Kendrick, B Adams, Mrs W Bowkett and C E H Marfleet; Patricia Barnett and Alexandra Sayer (Parent Governor Representatives) and Steve Rudman and Rev Philip Johnson (Church Representatives).

It was reported that, under Regulation 13 of the Local Government (Committee and Political Groups) Regulations 1990, Councillor A P Maughan had been appointed as a representative for Councillor R J Kendrick, Councillor S P Roe had been appointed as a representative for Councillor B Adams and Councillor C R Oxby had been appointed as a representative for Councillor Mrs W Bowkett, for this meeting only.

84 DECLARATIONS OF INTEREST

Councillor S P Roe declared a pecuniary interest in relation to items 9, 10, and 11 as his family owned land in which the North Hykeham Bypass was proposed to be built upon. Councillor S P Roe announced that he would not partake in any discussion and would leave the meeting for the duration of these items.

85 MINUTES OF THE MEETING HELD ON 19 DECEMBER 2019

RESOLVED:

That minutes of the meeting held on 19 December 2019 be approved as a correct record and signed by the Chairman.

86 ANNOUNCEMENTS BY THE CHAIRMAN, EXECUTIVE COUNCILLOR FOR RESOURCES AND COMMUNICATIONS AND CHIEF OFFICERS

The Chairman announced that he had attended the meeting of the Executive on 7 January 2020 to present the Board's comments on the formation of a company for Legal Services report which was approved by the Executive. The Board would be receiving an update on the establishment of the Legal Services company at its meeting on 27 August.

Members were advised that following recommendation from the Board, a letter had been sent to John Wickens (Assistant Director – IMT) to commend him and his team on the improvements to the IMT services.

The Board had also agreed at the last meeting to send a letter to the government regarding increasing the flexibility on the level of the apprenticeship levy that the Council can transfer to its providers. This letter was sent to the Right Honourable Gavin Williamson MP, Secretary of State for Education, on 20 January and no reply had been received at this stage.

The Chairman noted that officers had looked into the option of holding the March meeting of the Board at the Blue Light Collaboration Centre. However, Police had now moved into the building and it was now a live police station, meaning there would be very limited access around the centre. Members were encouraged to contact Democratic Services if they would like an individual visit and they would assist with arranging this.

There were no further Executive Councillor or Chief Officer announcements.

87 CONSIDERATION OF CALL-INS

None were received.

88 CONSIDERATION OF COUNCILLOR CALLS FOR ACTION

None were received.

89 REVENUE BUDGET MONITORING REPORT 2019/20

During this item, Councillors C R Oxby and Mrs A M Newton declared that they had active/ on-going insurance claims with Lincolnshire County Council for damage to personal vehicles caused by potholes.

Consideration was given to a report by the Assistant Director – Strategic Finance, which invited the Board to consider a report on the Council's Revenue Budget Monitoring 2019/20, which was due to be considered by the Executive on 4 February 2020.

Members were advised that the report compared the Council's projected expenditure with the approved budget for 2019/20 and provided explanations for any significant over or under-spending.

Members were advised that the total revenue spending for 2019/20 was forecast to be £6.481m less than the total budget (excluding schools) and it was estimated that general reserves would be 3.5% of the total budget based on current spending.

Member were referred to Table A for the Council's position on revenue budget monitoring as at 30 November 2019, with some of the key variances being highlighted as Readiness for Adult Life (Revised Budget £7.432m; Forecast Variance £1.097m) and Enablers and Support to Council Outcomes (Revised Budget £43.165m; Forecast Variance -£2.267m).

It was also highlighted that an underspend of £4.523m was forecast for the year on budgets that supported the cost of the capital programme in 2019/20, and there had been an underspend on the revenue contingency budget of £2m.

Members were then referred to Appendix A which detailed the monitoring of savings.

Members considered the report and as part of the discussions the following points were noted:

- The £1.303m overspend on insurance was largely due to increases in premiums which reflects insurance claims due to bad weather causing damage to the roads and claims for car damage from pot holes. Support was provided to services to manage insurance claims.
- £0.810m of the £1.097m underspend on Readiness for Adult Life was due to the new supported accommodation for young people requiring housing support in Grantham and Gainsborough -. These homes have avoided the Council placing these young people in more expensive out of county provision. The budget had allowed for a one year transition between the two but staff were able to cope with the demand more quickly than anticipated so the money was not needed for the out of county costs.
- The £0.104m underspend on the youth housing contract was due to not needing to draw on the additional funding earmarked from the 1% carry

forward to support the contractor with temporary bed vacancies for young people at risk of homelessness and needing support. The additional funding was not required as occupancy levels had been between 95% and 100%.

- The £2.267m underspend in Enablers and Support to Council Outcomes was due to a number of factors as set out in the report, some of which were legacy issues. It was anticipated that the Legal underspend would not be there next year as Legal Services had now gone through a rebasing exercise.
- It was suggested that underspends could be re-used in-house by service areas rather than being allowed to accumulate. However, it was noted that if the underspends were moved to a new activity, then a political decision would be required. If the underspends were recurrent rather than a one-off, then the money could be used to fund other activities. Timely and accurate financial information would be required to enable virement in year, along with potential plans already in place to make a decision on. The new Development Fund would allow funding to be put into new activities.
- The Board agreed that there was a need to be prudent and not take risks with the underspends as it was better to have a small underspend than a large overspend.

RESOLVED:

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

90 CAPITAL BUDGET MONITORING REPORT 2019/20

Consideration was given to a report by the Assistant Director – Strategic Finance, which invited the Board to consider a report on the the Council's Capital Budget Monitoring for 2019/20, which was being presented to the Executive on the 4 February 2020.

Member were advised that for 2019/20, it was forecast that the capital programme would be underspent by £0.445m, which would be carried forward into the next financial year. For project schemes, the whole life budget was forecast to be underspent by £13.302m of which £11m was due to the Boston Barrier scheme, which was proposed to be replaced by various schemes as part of the 2020/21 onwards capital budget setting process.

Members were referred to Tables A and B for a net summary position for the Block Schemes and Project schemes, as at 30 November 2019. A detailed explanation of the schemes had been included within the report.

Members considered the report and as part of discussions the following points were noted:

- The large difference between the gross and net budgets for some blocks was due to how the blocks were funded. Some blocks were funded wholly or partially by grants and income from outside bodies. Additional funding such as from grants and income would be included in the gross budget.
- The delayed opening of the Lincoln Eastern Bypass from Spring 2020 to Autumn 2020 was not currently generating costs in excess of budget and the project was still forecast to be within the whole-life scheme budget. A delayed project would not always generate additional costs as it would depend on the reasons why it was delayed and the extent to which the cost of any additional work was borne by the contractor. It was also normal practice to include an allowance for risk in capital scheme budgets. It was requested that the Executive Director – Place provide a briefing note to the Board on the costings for the Lincoln Eastern Bypass and an explanation of how costs were being managed within budget despite the delays to the project.

RESOLVED:

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

91 SERVICE REVENUE AND CAPITAL BUDGET PROPOSALS 2020/21

10.37am – Councillor S P Roe left the meeting and did not return.

Consideration was given to a report by the Head of Finance – Communities, which outlined the budget proposals for the next financial year 2020/21, specifically looking at the budget implications for the Council's commercial, support, corporate and enabling services. The Board was invited to scrutinise and comment on the proposals, prior to the Executive meeting on 4 February 2020 when it would make its final budget proposals.

Members were advised that the Council continued to face the effects of the significant reductions in government funding over recent years. Uncertainty around government funding beyond that announced in the Provisional Local Government Finance Settlement 2020/21 had meant that it was not considered practical for the Council to develop detailed long term financial plans at the current time.

There was a proposed general council tax increase of 1.5%, along with a 2% increase for Adult Social Care.

Members were referred to Table A, which set out the revenue budget for the service areas within the remit of the Board. The budget proposals had allowed for pay inflation of 2% for 2020/21. An explanation of service specific cost pressures had also been provided.

Members were then referred to Table B, which set out the capital programme for the Council's commercial, support, corporate and enabling services. There had been one new project added to the capital programme as part of the budget setting process for 2020/21 which was a programme of property maintenance of £3.5m per annum from 2021/22 to 2028/29.

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

- The cost pressure for the Customer Services Centre was due to increases in both the cost of the contract with Serco when it was extended until 2022 and the volume of calls being received. The contract had been renegotiated to better reflect the actual cost of delivery being incurred by Serco. The Council's new website could counteract this increase in volume of contacts if customers start accessing services through the website instead.
- The Corporate Plan and the alignment of the budget with the future aspirations of the Council were not mentioned in the budget proposals due to the Corporate Plan only being approved by the County Council at its meeting in December 2019. However, the increased capacity for transformation to meet the Council's aspirations outlined in the Corporate Plan had been included in the proposed budgets.
- The cost pressure of £1.659m for the increased contractual cost for the "back office" processing in Financial Strategy was partially offset by savings such as the £440,000 saving generated from bringing Human Resources back in-house.
- Property rationalisation would result in some savings from reduced maintenance costs in the property capital programme. The One Public Estate programme was also looking at co-location across the county, including with partner organisations, and how to make the best use of the available property.
- The gross capital programme consisted of £170.077m for 2020/21 and a further £364.159m for the next nine years. The 2020/21 budget was considerably higher than subsequent years due to the capital programmes for the Lincoln Eastern Bypass and Grantham Southern Relief Road. The Council's contribution to the net capital programme was approximately £40m per annum over ten years.

RESOLVED:

1. That the Board support the budget proposals, as set out in the report;
2. That a summary of the comments made be passed on to the Executive as part of its consideration of the final budget proposals.

92 CAPITAL STRATEGY 2020/21

Consideration was given to a report by the Head of Finance – Corporate which invited the Board to consider a report on the Council's Capital Strategy 2020/21 which was due to be considered by the Executive on the 4 February 2020.

Members were informed that the purpose of the capital strategy was to provide Members with a high level overview of capital expenditure, its financing and its longer term impact on future financial sustainability. The Head of Finance - Corporate advised that the report detailed the iteration of the capital strategy. Changes to the Capital Programme were listed in Annex D of Appendix A to the Executive report.

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

- Developer contributions could be received in advance of a project starting to fund any infrastructure required before the project could commence.-, - However, developer contributions were not always received in advance, so the Council would have to fund any capital expenditure required upfront and then offset the cost once the developer contributions for the project had been received such as with the Lincoln Eastern Bypass.
- The Capital Strategy would be included in the Budget Book to Council in February 2020.
- Capital receipts would no longer be used to fund revenue expenditure on projects as capital receipts were hard to project and there was a risk that the expected capital receipts would not materialise. This temporary rule introduced by the government would end in March 2022. Capital receipts would be used to fund the capital programme and reduce the borrowing requirements.
- The TransportConnect fixed loan (Annex F) was considered high risk as it was provided to a start-up business. In contrast, the Police loan was considered low risk as it was provided to another public body.
- The Corporate Plan's priorities were only referred to in Annex A of the Capital Strategy for 2020/21 as the Corporate Plan had only been approved by the County Council in December 2019. The Capital Strategy would be linked to the Corporate Plan in future versions as capital and revenue expenditure would need to be realigned to meet the Corporate Plan's ambitions.
- Capital monitoring was an important role for scrutiny which had been identified previously by the Board.
- There was a need to identify whether capital appraisals should be scrutinised by the Overview and Scrutiny Management Board or by the relevant scrutiny committee.

RESOLVED:

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

93 COUNCIL BUDGET 2020/21

Consideration was given to a report by the Assistant Director – Strategic Finance, which invited the Board to consider the proposed Council Budget 2020/21, which was due to be considered by the Executive on the 4 February 2020.

Members were advised that at its meeting on the 7 January 2020, the Executive had approved the budget proposals, as set out in Appendix A to the report, as the preferred option. Since these proposals, the provisional Local Government Finance Settlement 2020/21 had been announced and the implications of the settlement and an amended budget were set out at Appendix B to the report.

The budget proposals reflected the level of government funding available to the Council in 2020/21, as well as the proposal to increase Council Tax in 2020/21 by 1.5% plus 2% for the Adult Care precept.

Members were informed that the budget proposed a total net expenditure which was £1.5m less than the funding that the Council anticipated that they would receive.

£44.123m of cost pressures has been added to the proposed budget, which were mostly due to an increase in demand in Adult Care and the impact of the National Living Wage.

It was proposed that the total budget savings would total £14.842m. Members were reassured that the savings made would not mean a reduction in frontline services.

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

- The Board supported the establishment of the Development Fund as a new Earmarked Reserve.
- The significant reduction in total cost pressures from £44.123m in 2020/21, to £17.513m in 2021/22 and then to £7.772m in 2022/23, was due to particular cost pressures in the corporate budget for 2020/21, such as the £8.000m cost pressure for the change in use of capital receipts, which would be added into the base budget for the following years and would therefore be non-recurring. The cost pressures reflected known factors such as pay inflation but there were also unknown factors such as the national living wage and the number of looked after children, and these cost pressures were based on assumptions and numbers at the time of setting the budget. However, these could change over time and would be regularly reviewed. Any additional cost pressures would be built into our medium term financial plan, and could be covered if necessary from the financial volatility reserve.
- In-Depth Reviews of some service areas were being conducted. These areas were identified by the Executive as service areas which it considered needed to have a focused review. Reasons for this included:
    - where there was a significant underspend;

  - where there were changes to the delivery of a service such as from changes in legislation;
  - where there were potential efficiencies;
  - where there were opportunities to transform the service; and
  - where there may be opportunities for income generation.
- It was noted that the Children and Young People Scrutiny Committee was aware of the children related deep dives, but it did not appear that other scrutiny committees were. It was suggested that the In-Depth Reviews should be considered by the relevant scrutiny committee. It was also noted that the adults In-Depth Reviews would be through an independent external mechanism and it was suggested that the Adults and Community Wellbeing Scrutiny Committee should receive these.

The Chairman wished it to be noted that he abstained from voting on the budget proposals.

RESOLVED:

1. That the Board support the Executive Budget proposals, as set out in the report;
2. That a summary of the comments made be passed on to the Executive in relation to this item.

94 GENDER PAY GAP

Consideration was given to a report by the Head of Human Resources, which detailed the Gender Pay Gap data and analysis for Lincolnshire County Council as at 31 March 2019.

Members were advised that it was a requirement for employers with 250 or more employees to publish statutory gender pay gap information on an annual basis.

As at 31 March 2019, Lincolnshire County Council had 4899 employees in scope for the gender pay gap exercise, of which 67% of the workforce was female and 33% male.

The mean gender pay gap for 2019 was 5.8% which was an improvement on 2018. The medium gender pay for 2019 was 3.3%, which was wider than 2018.

An action plan had been created to further address the gender pay gap, which included reviewing flexible working policies and promoting arrangements that were in place such as paternity, parental leave, part time working and job share opportunities; consideration to be given to Unconscious Bias training forming part of the rollout of the new employee policies training; and encouraging females returning to work following periods of maternity/adoption leave or a break in employment to take up mentoring opportunities to support progression into management positions.

Members considered the report and as part of the discussion the following points were noted:

- The Head of Human Resources agreed to circulate the timeline for actions to be implemented.
- It was noted that previously the Council had more female than male applicants to roles.
- Officers were pro-actively working with Lincolnshire Fire and Rescue to encourage more women to apply for roles within the Fire Service.
- There was also work planned to encourage more males into the caring industry as there was a much lower number of males.
- The Executive Director – Resources advised that all councils had been through a process to ensure that all organisations were legally managing pay issues.
- It was suggested that a development plan with strategic objectives be used to monitor targets and progress against the gender pay gap.
- There had also been significantly more use of the secondment policy with more females being accepted into secondment roles, which often provided the opportunity for employees to gain the experience needed to progress.
- It was highlighted that officers continued to work to identify the barriers in place which may stop women progressing into higher roles and to encourage and assist where possible to enable females to have further opportunities.

RESOLVED:

That the Gender Pay Gap data and action plan be noted.

ITEMS FOR INFORMATION ONLY

95 OVERVIEW AND SCRUTINY MANAGEMENT BOARD WORK PROGRAMME

This item had been circulated to the Board for information only and was not discussed at the meeting.

The meeting closed at 11.55 am

Lincolnshire COUNTY COUNCIL
Working for a better future

Policy and Scrutiny

Open Report on behalf of Debbie Barnes OBE, Chief Executive

Report to:	**Overview and Scrutiny Management Board**
Date:	**27 February 2020**
Subject:	**Membership of the Local Government Association**

Summary:

In March 2019 the Leader of the Council served 12 months' notice of termination of the Council's membership of the Local Government Association. This report sets out the background to that decision and invites the Overview and Scrutiny Management Board to comment on how it feels this matter should be progressed.

Actions required:

1) That the Overview and Scrutiny Management Board considers the background to the decision to serve notice of termination of the Council's membership of the Local Government Association and

2) Recommend to the Leader of the Council the Board's preferred option from those listed in paragraph 1.11 of this report.

1. Background

1.1 In March 2019 the Leader of the Council gave notice of the Council's intention to leave the Local Government Association (LGA).

1.2 If nothing intervenes to alter this course of action, it will take effect on 1st April 2020.

1.3 Before considering the options available to him, the Leader of the Council has invited the Overview and Scrutiny Management Board to comment on the Council's membership of the LGA.

1.4 The Council has been a Member of the LGA since its formation in 1996. The Association exists to promote the interests of the sector as a whole and to do so on behalf of all of its Members, which include County Councils, Metropolitan Unitary Authorities, London Boroughs and District Councils.

1.5 The decision to serve notice was taken on the basis of concerns that the Council was not receiving full value for its £68,860 annual subscription. Faced with continually having to find savings, it was felt that membership of the organisation could not be justified.

1.6 Since the serving of the notice the LGA has recognised the Council's concerns and has made efforts to engage with us to ensure that we have the fullest opportunity to participate in the development of policies and programmes on relevant matters.

1.7 The LGA says its 2% increase in subscriptions for 2020/21 is the first increase in 11 years. It also points out that councils who opt for payment by direct debit will receive a 2.5% discount. Lincolnshire County Council's subscription for 2020/21 is £68,860 including discounts. The LGA also claims that through its work, including lobbying, it has helped to secure a number of benefits for councils in the following areas:

- Continuation of dedicated 2019/20 social care funding, with £33.2 million approved this year.
- An additional £1 billion for social care in each of the next five years. For 2020/21 Lincolnshire’s allocation is £14.7 million.
- An increase in the business rates baseline and revenue support grant in 2020/21. Lincolnshire’s allocation is £2.1 million.
- Continued adult social care precept flexibility.
- An additional £780 million for council high needs budgets to help meet the increasing demand for support for children and young people with Special Educational Needs and Disability (SEND). Lincolnshire will receive £77.3 million in high needs funding for 2020-21.
- Clarification that recovery of Dedicated Schools Grant deficit, where it exists, is a matter between the council and DFE, not of making claims on council’s General Fund.
- New Burdens funding towards the cost of extending the Blue Badge scheme to people with hidden disabilities in Lincolnshire.
- £112 million funding for rough sleepers, of which Lincolnshire received £0.6 million.
- Reduction in the maximum stake for Fixed Odds Betting Terminals from £100 to £2.
- Additional funding to support Unaccompanied Asylum-Seeking Children. Councils now receive £114 for each day that they are in care.
- New regulations removing permitted development right for telephone kiosks and the associated advertising deemed consent.
- Confirmation in June 2019 from the Secretary of State for Health and Social Care that public health services will remain with local government.
- Recognition from Government that building height is a crude determinant of fire risk; a commitment to consult on lowering the combustible ban threshold from 18 to 11 metres and the height at which sprinklers are required in new buildings.

1.8 The LGA also provides other services and benefits including:-

- Support, training and advice to councillors
- News and briefings
- Discounts on selected services including improvement support and leadership programmes
- Free or discounted events
- Legal advice and representation on complex issues
- Opportunities to join special interest groups such as the County Council's Network
- Free and discounted research and strategy consultancy services

1.9 However, on the most important and pressing matter, fairer funding of local government, there has been limited progress. It is potentially very important to the Council that the LGA takes a principled and robust line on this. While there have been positive tones from the LGA in relation to their response on fairer funding, it remains to be seen whether the organisation will satisfy the Council's wishes in this respect.

1.10 Historically there has been an imbalance in outcomes achieved in respect of the funding of counties. Therefore the LGA's response to this document will be crucial if it is to illustrate that it can ensure that the needs of the different types of council within its membership are properly met.

1.11 There are three options to be considered by the Leader in deciding how to progress this matter.

A) The Leader could take no further action, which will mean the Council will leave the LGA with effect from 1st April 2020.
B) The Leader could withdraw the notice, which will mean the Council will continue its membership of the LGA.
C) The Leader could withdraw the notice and replace it with a further 12 months' notice to terminate membership of the LGA, which would mean the Council could leave the LGA on 1st April 2021.

1.12 Options B and C will require the payment of the annual subscription to the LGA.

1.13 Officers have been asked for information on alternatives in the event that the County Council leaves the LGA.

1.14 The County Council is already a member of East Midlands Councils (EMC), the consultative forum for local authorities in the region. EMC supports the improvement and development of local councils and their workforce.

1.15 On the national stage, The Local Government Information Unit (LGiU) offers a number of services to its members, including:

- LGiU This Week – Its Friday round-up for officers and councillors, summarising what has been going on in local and national government over the week – including briefings, blogs and podcasts.
- Policy Briefings - over 200 policy briefings are published each year on a wide range of issues.
- LGiU Daily News - a summary of local government news seven days a week.
- Learning and Development event discounts.
- LGiU's Policy programme - each year LGiU members decide on their biggest challenges, develop new solutions, campaign to Government and share ideas.

1.16 Membership of the LGiU would cost the County Council £14,900 per annum.

2. Conclusion

It has been 11 months since the Council last served notice to terminate its membership of the Local Government Association. In determining the next steps the Leader of the Council is inviting comments from the Overview and Scrutiny Management Board.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

Not Applicable

4. Background papers

Title	Where available
Executive Councillor Report and Decision: Membership of the Local Government Association 16th March 2017	https://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=366
Executive Councillor Report and Decision: Membership of the Local Government Association 30th March 2018	https://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=423
Executive Councillor Report and Decision: Membership of the Local Government Association 14th March 2019	https://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=492

This report was written by Nigel West, who can be contacted on 01522 552840 or nigel.west@lincolnshire.gov.uk.

Lincolnshire COUNTY COUNCIL
Working for a better future

Policy and Scrutiny

Open Report on behalf of James Drury, Executive Director - Commercial

Report to:	**Overview and Scrutiny Management Board**
Date:	**27 February 2020**
Subject:	**Performance Reporting against the Council Business Plan 2019/2020 - Quarter 3**

Summary:

This report invites the Overview and Scrutiny Management Board (OSMB) to consider a report on the 2019/2020 Council Business Plan Quarter 3 performance, which will be presented to the Executive on 3 March 2020. 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, note areas that are performing well and scrutinise all performance indicators in the Council Business Plan that are not meeting the target and recommend to the relevant scrutiny committee to look at any areas of serious concern or where the explanation for underperformance given by the service requires further explanation or detail.
2) Consider the attached report and to determine whether the Board supports the recommendation(s) to the Executive as set out in the report.
3) Agree any additional comments to be passed to the Executive in relation to this item.
4) 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 performance reporting against the Council Business Plan 2019/2020 - Quarter 3 (Q3) at its meeting on 3 March 2020. 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 Q3 within the How we effectively target our resources (Combination of 3 commissioning strategies). These are set out in Appendix 2 to this report. All of those measures where it is appropriate to compare with a target achieved the target in Q3.

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 performance reporting against the Council Business Plan 2019/2020 - Quarter 3 to be presented to the Executive at its meeting on 3 March 2020
Appendix 2	OSMB Council Business Plan Measures

5. Background Papers

Document title	Where the document can be viewed
Report to Overview and Scrutiny Management Board 28 November 2019 - Performance Reporting against the Council Business Plan - Quarter 2	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=553&MId=5309&Ver=4
Report to the Executive 17 December 2019 - Council Business Plan 2019 - 2020 Performance Report, Quarter 2	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&MId=5277&Ver=4

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

Lincolnshire COUNTY COUNCIL Working for a better future

Executive

Open Report on behalf of James Drury, Executive Director - Commercial

Report to:	**Executive**
Date:	**03 March 2020**
Subject:	**Performance Reporting against the Council Business Plan 2019/2020 - Quarter 3**
Decision Reference:	**I018624**
Key decision?	**No**

Summary:

This report presents an overview of performance for Quarter 3 (Q3) against the Council Business Plan 2019/2020. The Executive can view performance on the web using this link.

Recommendation(s):

That the Executive:-

1. Notes and considers the 2019/2020 Quarter 3 performance.

Alternatives Considered:

1. No alternatives have been considered to recommendation 1 as it reflects factual information presented for noting and consideration.

Reasons for Recommendation:

To provide the Executive with information about Quarter 3 performance against the Council Business Plan 2019/2020.

1. Background

The Council Business Plan 2019/2020 was approved by Council on 22 February 2019. This report provides the Executive with highlights of Q3 performance. The full range of performance is hosted on the Lincolnshire Research Observatory (LRO) available to view on this link.

2. Headlines of Quarter 3 performance

Of the 15 commissioning strategies reported in Q3:-

- 6 performed really well (all measures reported this quarter achieved the target);
- 8 performed well (all but 1 measure reported this quarter achieved the target); and
- 1 had mixed performance (some measures achieved and some measures did not achieve the target this quarter).

These 15 commissioning strategies include 53 measures that can be compared with a target this quarter. 79% (42) achieved the target with 11 measures not meeting the target. Of these 11, People successfully supported to quit smoking (M111) improved compared with previous performance; High risk premises inspected by trading standards (M3) is expected to achieve the end of year target; Children who are subject to a child protection plan (M24) an independent audit has been completed and the findings will be reported to the Children and Young People Scrutiny Committee on 6 March 2020 and Percentage of alcohol users that left specialist treatment successfully (M31) successful discharges increased despite overall numbers of people accessing treatment increasing.

It is worth noting that the quarterly economic survey (produced in partnership with the Greater Lincolnshire Local Enterprise Partnership, Chamber of Commerce, and University of Lincoln) shows that business confidence is currently fluctuating and on that basis the overall year-end target for Jobs created as a result of the Council's support (M68) may not be achieved. This is particularly evident for inward investment jobs where several large scale investments originally expected in 2019/2020 may transpire differently to what was originally planned.

The following 2 commissioning strategies are reported annually in Q4:-

- Learn and achieve
- Readiness for school

The good news

The following 6 commissioning strategies have performed really well (all measures reported this quarter achieved the target):-

- Adult Frailty, long term conditions and physical disability
- Carers
- Readiness for Adult Life
- How we effectively target our resources (Combination of 3 commissioning strategies)

There are several areas where services have highlighted success and these are detailed in Appendix A and summarised below:-

- Reduction in fires and their consequences (M19, M21, M22)

- Increase in 16-17 year old Looked After Children participating in learning (M45)
- Outperforming the regional and national average for People aged 40 to 74 offered and received an NHS health check (M33)
- 97% of People supported to improve their outcomes through up to 12 weeks of direct support, advice and signposting to local community resources. (M110)
- 100% of Emergency and urgent deliveries and collections completed on time (M113)
- This quarter 294 businesses supported (M69), 184 adults achieved qualifications (M70) and we attracted over £6.3m external funding (M71);

In addition Carers who received a review of their needs (M121) was the only measure in the Carers commissioning strategy that did not achieve the target in Q2 and as expected, performance has improved to achieve the Q3 target.

Making Every Contact Count (M109) has been through a period of low activity during Q1 and Q2 due to implementing changes to its future method of delivery to ensure its sustainability beyond 2019/2020. The performance is now on target.

The following 8 commissioning strategies performed well (all but 1 measure reported in Q3 achieved the target):-

- Children are safe and healthy
- Community resilience and assets
- Safeguarding Adults
- Specialist Adult Services
- Sustaining and growing business and the economy
- Sustaining and developing prosperity through infrastructure
- Protecting the public
- Protecting and sustaining the environment

The Wellbeing commissioning strategy continues to have mixed performance (some measures achieved the target and some measures did not).

Measures which achieved the target although performance declined

It is worth noting that within the Safeguarding Adults commissioning strategy, Concluded enquiries where the desired outcomes were achieved (M116) met the target, but performance decreased and the service will undertake an audit to understand the reasons for the decline.

Achievement of KPIs - VINCI Facilities Partnership Limited contract (M101) exceeded the target but the overall performance dropped from 93.7% in Q2 to 87.9%. The reason for this is that there were a handful of failures in undertaking planned preventative maintenance timescales as required under the contract, which has lowered the performance for the quarter. Furthermore, the unplanned and reactive work key performance indicator has remained static but there is scope to improve the performance. Customer feedback received by the service centre dropped by one percentage point in Q3 compared with Q2 which has also affected the overall percentage score. Conversely key stakeholder feedback has improved by four percentage points in Q3 compared with Q2.

Appendix B provides a summary of the measures that did not achieve the target in Q3.

Direction of travel for measures where it is not appropriate to set a target

There are a number of measures where it is not appropriate to set a target, either because of the subject matter or because the measure is provided for context. These measures are monitored for direction of travel and highlights are summarised below:-

Repeat referrals of Domestic Abuse to MARAC (M9) Although higher than the repeat rate reported in Q2 (18.7%), the rate of repeat referrals to MARAC for Q3 (20.3%) remains within expected range of previously reported figures. The rate of referrals to MARAC however does appear to be on an upward trend. This will be monitored.

People killed or seriously injured in road traffic collisions (M11) and Children killed or seriously injured in road traffic collisions (M12) Data is reported with a one quarter lag therefore the latest data is for Q2. Figures are higher for July – September than April - June. However, analysis of collision and casualty data does not indicate any clear commonality or patterns. The overall KSI's are mirrored across all user groups such as car drivers, motorcyclists, pedestrians etc.

Flooding incidents within a property (M72) 83 flood investigations were started in Q3, mainly residential property but also as a result of flooding to two commercial premises and four closures of strategic roads. There were various sources of flooding, including surface run-off, rivers/minor watercourses and groundwater. This compares with 19 flood investigations in Q2, and none in Q3 last year.

Data usually reported in Q3 but not currently available

It is not possible to report Q3 data for First Time Offenders (M15) and Juvenile reoffending (M125) as this data is not available due to upgrades being carried out to the Police National Computer (PNC) from which the Ministry of Justice obtains its information for analysis. It is anticipated that the data will be available for Q4. Both measures achieved the target in the previous two quarters.

The Executive Director - Resources, the Executive Councillor for Community Safety and People Management and the Chairman of OSMB have agreed that the HR Service will not produce a Q2 HR Management Information report on this occasion (Employee Turnover (M91) and Sickness Absence (M92).

The reason is that considerable work is taking place on the rebuild of the HR structure within the Business World system using a new method aligning to financial codes and the amendments to reporting that will be required as a result.

When the Q3 report is produced it will cover all of the data for the preceding quarters, with the exception of sickness days lost per FTE figure and the annual employee turnover figure. These two complex sets of information both take data from the previous 12 months and cannot be reported until Q4 because of the need for specialist support to develop the reports.

The new reporting design is based on the new financial code method of defining the HR structure in Business World. It therefore requires a full year of data defined in the same way, before it can accurately report on the sickness days lost per FTE and turnover. This will be possible at the end of Q4 and will therefore be included in the Q4 HRMI report.

In the meantime officers will be monitoring trends through the remaining measures and will report during this period any areas of concern to the Executive Councillor for Community Safety and People Management and in turn to the Chairman of OSMB.

3. Legal Issues:

Equality Act 2010

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

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

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

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

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

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

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

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

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

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

<u>Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)</u>

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

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

<u>Crime and Disorder</u>

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

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

4. Conclusion

This report presents an overview of performance for Quarter 3 against the Council Business Plan 2019/2020. The Executive is invited to consider performance.

5. 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.

6. Resource Comments:

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

7. Consultation

a) Has Local Member Been Consulted?

Not Applicable.

b) Has Executive Councillor Been Consulted?

Not Applicable.

c) Scrutiny Comments

This report is due to be considered by the Overview and Scrutiny Management Board at its meeting on 27 February 2020. Any comments of the Board will be presented 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.

8. Background Papers

No Background Papers within the meaning of section 100D of the Local Government Act 1972 were used in the preparation of this Report.

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

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Appendix A

Summary of those measures where services have highlighted success

Communities are safe and protected

The Protecting the public commissioning strategy comes within the remit of the Public Protection and Communities Scrutiny Committee. This commissioning strategy performed well in Q3 (all but 1 measure reported in Q3 achieved the target).

Increase public confidence in how we tackle domestic abuse

- Reported incidents of domestic abuse (M7) there is a difference of 63 reported incidents of domestic abuse between Q2 (2,794) and Q3 (2,731). There have been 260 more incidents reported in Q3 compared to the same quarter last year (Q3 2018-19). As with all crime, random variance within anticipated range is to be expected however incidents of domestic abuse that are being reported to the Police show an upward trend.

Reduce fires and their consequences

- The number of primary fires (M19) This measure continues to perform better than target and when we compare to Q3 last year, we have also seen a 6% reduction in the number of primary fires (down from 838 to 785). This reduction is due to farm related fires, which saw an increase during the summer months of 2018/2019 (compared to 2017/2018) due to the long period of hot and dry weather. These types of fires have now returned to levels similar to those seen in previous years (72 at Q3 2017/2018 up to 135 at Q3 2018/2019, down to 84 at Q3 this year). Dwelling and vehicle fires continue to account for the largest proportions of the primary fires, accounting for 34% (268 of the 785 incidents) and 27% (213 of the 785 incidents) respectively. The top three causes are cooking appliances, arson and electrical items/appliances and these remain a high priority, with our SHERMAN Strategy (which focuses on: Smokers; Hoarders; Elderly or lives alone; Reduced mobility, hearing or visual impairments; Mental health issues; Alcohol misuse, drugs/medication dependence and Needs care or support) and the Arson Task Force programme that is well embedded. In support of the community safety plan 2,687 Home Safety Checks have been conducted so far in 2019/2020.
- The number of deliberate primary fires (M21) This measure continues to perform better than target and compared to Q3 2018/19, there has also been a 13% reduction in the number of deliberate primary fires (down from 164 to 143). Deliberate fires involving vehicles and dwellings continue to account for the largest proportion of these incidents so it is pleasing to have, once again, seen a reduction in both of these – deliberate vehicle fires down from 78 at Quarter 3 2018/19 to 64 this year (18% reduction), deliberate dwelling fires down from 25 to 15 (40% reduction).
- The number of deliberate secondary fires (M22) This measure continues to perform better than target and compared to the same period last year, there has also been a 12% reduction in the number of deliberate secondary fires (down from 203 to 179). There have been small fluctuations across most of the secondary fire property types but the biggest reduction has been in those

involving grassland (down from 54 at Quarter 3 last year to 39 this year). Refuse/refuse containers continue to account for the majority of deliberate secondary fires – 107 of the 179 (60%), so it is pleasing to see another reduction in these incidents, albeit smaller than previous years' reductions (down from 153 at Q3 2017/2018 to 114 at Q3 2018/19, to 107 this year).

Health and wellbeing is improved

The Carers commissioning strategy comes within the remit of the Adults and Community Wellbeing Scrutiny Committee. This commissioning strategy performed really well in Q3 (all measures reported this quarter achieved the target).

Carers feel valued and respected and able to maintain their caring roles

- Performance for Carers supported in the last 12 months (M59) (1,944) has exceeded the aspirational target (1,730) set at the beginning of the financial year. Performance is calculated per 100,000 population.

The Readiness for adult life commissioning strategy comes within the remit of the Children and Young People Scrutiny Committee. This commissioning strategy performed really well in Q3 (all measures reported in Q3 achieved the target).

Young people are supported to reach their potential

- 16-17 year old Looked After Children participating in learning (M45)
  The performance for this quarter is 89% which is significantly higher than the target of 82%. The Virtual School team works effectively with social workers, carers, students and education providers to ensure that transitions from Year 11 into Year 12 are successful and that all students have an appropriate educational placement that meets their needs. Once they have accessed a place in Sixth Form or College the service regularly monitor and review their progress to ensure they are appropriately supported to become confident learners.

The Wellbeing commissioning strategy comes within the remit of the Adults and Community Wellbeing Scrutiny Committee. This commissioning strategy had mixed performance in Q3 (some measures achieved and some measures did not achieve the target).

People's health and wellbeing is improved

- People aged 40 to 74 offered and received an NHS health check (M33) This measure is reported with a one quarter lag and so the latest data available is for Q2. The NHS Health Check data for Q2 (63.6% outturn) shows that we continue to exceed our target (55%) and outperform regional and national average performance (Lincolnshire is ranked 16th out of 152 counties in England. The percentage for England is 47.1%).

Work with others to promote community wellbeing

- Number of staff and volunteers trained in Making Every Contact Count (MECC) (M109) MECC has been through a period of low activity during Q1 and Q2 due to implementing changes to its future method of delivery to ensure its sustainability beyond 2019/2020. The performance is now on target, with 211 staff and volunteers trained against a target of 200.

People are able to live life to the full and support their independence

- People supported to improve their outcomes (M110) consistent strong performance has been maintained in this measure of overall improvement in customer outcomes. Individuals across Lincolnshire have been supported to achieve their self-determined outcomes through up to 12 weeks of direct support, advice and signposting to local community resources.
- People supported to maintain their accommodation (M112) 98% of service users that identified access to settled accommodation as a barrier to them living independently have been successfully supported to reduce this during this period. Q2 performance was also 98%.
- Emergency and urgent deliveries and collections completed on time (M113) The third quarter of the financial year saw an increase in demand by approximately 5%. The service was able to manage this increase (100% outturn) and exceed target (98%). The indicator in relation to emergency deliveries and collection is particularly relevant to assist with preventing admissions in hospitals; facilitate discharges from hospital as well as supporting people to live independently in their own homes.

Businesses are supported to grow

The Sustaining and growing business and the economy commissioning strategy comes within the remit of the Environment and Economy Scrutiny Committee. This commissioning strategy performed well in Q3 (all except one measure reported this quarter achieved the target).

Jobs created as a result of the Council's support

- The number of businesses directly supported (M69) has increased to 828 which includes 294 which were added during this quarter. Of these, 268 were supported by the Growth Hub through a range of different services including the provision of advisory support, enabling grants and attendance at various workshops and events. A total of £146,428 of grant funding was delivered in Q3 to 24 businesses within Greater Lincolnshire. Particular events to highlight this quarter include a Digital Conference which provided 69 businesses with information about digital ways of working, and 2 funding fairs at Boston and Stamford where 35 businesses were provided with support in accessing investment funding. There were 6 new companies who received support through the Team Lincolnshire Ambassador Programme (which now brings the membership to 111), 9 businesses were supported through the Foreign Account Management Programme and a further 2 businesses were supported in their aspirations to relocate to Lincolnshire. There is continued work to support 3 companies who are all potential hotel developers and new work has begun in supporting 2 companies linked to the defence sector. A successful bid for funding from the Midlands Engine Challenge Fund towards the FDI Key Account Management Programme which will take effect in Q3 will further increase the numbers of interactions with businesses.
- The number of qualifications achieved by adults (M70) has now increased to 778 which includes 184 added during this quarter. The variety and range of

qualifications delivered are all aimed at helping learners to progress either into work or within work.

- Amount of external funding attracted to Lincolnshire (M71) The value of external funding attracted has now increased to £11.6m. The increase of £6.3m added during this quarter has been achieved through 3 European Regional Development Fund (ERDF) projects which were approved for grants as follows:-
    - £3.7m for the Advanced Engineering Research and Development Centre ('The Bridge') to be delivered by the University of Lincoln which is due to also be part funded by the Greater Lincolnshire Local Enterprise Partnership (LEP) Single Local Growth Fund;
    - £1.5m for the Lincoln Grow on Space project to be delivered by Lincoln Science and Innovation Park Ltd; and
    - £773.9k for the cross-LEP Aerospace UP project to be delivered by Nottingham University.

The last local call for ERDF closed on 28 September 2019 to commit remaining funds. Sixteen outline applications were successful in this call and will be assessed next quarter after submitting full applications. Two further contracts have been issued under the European Agricultural Fund for Rural Development (EAFRD) to self-catering holiday cottages and a farm shop and cafe where the two businesses were awarded £163.3k and £163.2k respectively. A national call for EAFRD is currently open until 16 February 2020, where Greater Lincolnshire applicants can still apply. Three successful Expression of Interests have already been submitted.

The Protecting and sustaining the environment commissioning strategy comes within the remit of the Environment and Economy Scrutiny Committee. This commissioning strategy performed well Q3 (all but 1 measure reported achieved the target).

Increase recycling

- Recycling at County Council owned Household Waste Recycling Centres (M76) The Household Waste Recycling Centre (HWRC) recycling rate for Q3 (75%) reflects the increase in compostable green waste due to the growing conditions so far this year. Our forecast for the year is comparable with last year's actual rate. The security of outlets for the materials that are recyclable has also supported this.

Appendix B

Summary of those measures that did not achieve the target this quarter

Communities are safe and protected

The Protecting the public commissioning strategy comes within the remit of the Public Protection and Communities Scrutiny Committee. This commissioning strategy performed well in Q3 with only one measure High risk premises inspected by Trading Standards (M3) not achieving the target this quarter. The service has completed 117 of the planned high risk inspections as follows:- 19 animal health inspections; 20 food inspections and 78 animal feed inspections. Performance is slightly behind plan but the service remains confident of completing all planned inspections for the year-end target.

The Children are safe and healthy commissioning strategy comes within the remit of the Children and Young People Scrutiny Committee. This commissioning strategy performed well, with only one measure Children who are subject to a child protection plan (M24) not achieving the target this quarter. The number of children subject to a Child Protection Plan is 388 (26.6 per 10,000 children) at the end of December 2019 and the target is 330 (22.8 rate per 10,000). The number of children subject to a Child Protection Plan will fluctuate as the decision for a child to be subject to a plan is based on the individual risk to the child. An analysis has taken place to understand the current numbers, and since this was done there has been a decrease in the number of open plans. An independent audit has been completed and the findings will be reported to the Children and Young People Scrutiny Committee on 6 March 2020. Benchmarking continues to show performance is better than all England and our statutory neighbours.

Health and wellbeing is improved

The Community resilience and assets commissioning strategy comes within the remit of the Public Protection and Communities Scrutiny Committee. This commissioning strategy performed well, with only one measure Visits to Core Libraries and Mobile Library services (M36) not achieving the target this quarter.

This quarter there are 104,096 visits below the target (Oct -41,948; Nov -29,649 and Dec -32,500). As previously reported the low number of visits is attributed to not being able to keep a pace with the changing IT requirements and therefore the 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. The Library Service is embarking on an IT refresh programme across all library sites; the investment in IT is expected to impact against visitor figures and attract more customers back to sites. Greenwich Leisure Limited, a non-profit organisation which runs the libraries on the Council's behalf, has a marketing plan to entice customers back to site once the IT transition has been completed. GLL has installed new Public Network computers at all core sites including new print facilities, with the exception of Bourne. These have received great feedback from customers, with new options for printing for customers being very popular. Community Hubs will be implemented over the coming months. It is the intention that the whole project will be completed by Spring 2020.

The Wellbeing commissioning strategy comes within the remit of the Adults and Community Wellbeing Scrutiny Committee. This commissioning strategy had mixed performance last quarter and this quarter. The following three measures did not achieving the target this quarter:-

People are supported to live healthier life styles

- Performance for the Percentage of alcohol users that left specialist treatment successfully (M31) this period has declined slightly, to 34.1% from 34.9% last quarter. Data has a three month time lag and reflects performance at the end of September 2019. During the period, the number of successful discharges increased, despite the percentage decreasing slightly, due to the total numbers accessing treatment increasing at a greater rate. During this period, only 2.7% of those leaving treatment re-presented within 6 months of discharge, indicating that the treatment received is good quality and achieving long term sustainable outcomes for those accessing the service.
- People are supported to successfully quit smoking (M111) Data for the number of people successfully supported to stop smoking has a three month time lag and so represents performance at the end of September 2019. The new service provider was mobilised on the 1 July 2019 and the target will shortly be changed to reflect contractual requirements. One You Lincolnshire has a cumulative target of 1,980 quits over the three quarters from July 2019 to March 2020, weighted more heavily to the later quarters. Current performance is good, and well on the way to achieving this.

People's health and wellbeing is improved

- Chlamydia diagnosis (M34) Performance is reported with a two quarter lag. Q1 is the latest data available. The target has been missed this quarter, however Lincolnshire performance is only slightly below that of our comparator local authority areas. The service continues to seek improved performance through partnership work, particularly with GP surgeries and in the way the service is delivered. Online testing continues to be popular and achieves a high level of successful diagnoses. Relationships are also being developed through Maternity and Gynaecological services to collaborate on improving targeted testing and treatment.

The Specialist Adult Services commissioning strategy comes within the remit of the Adults and Community Wellbeing Scrutiny Committee. This commissioning strategy performed well with only one measure Adults aged 18-64 with a mental health problem living independently (M117) not achieving the target this quarter. The low performance of 64.7% against the target of 75%, is a reflection of the change in working practices within community mental health teams. LPFT is reducing the number of people managed on Care Programme Approach (CPA) and instead is providing intensive support via their community based care management team.

The Safeguarding Adults commissioning strategy comes within the remit of the Adults and Community Wellbeing Scrutiny Committee. This commissioning strategy performed well with only one measure Adult Safeguarding concerns that lead to a Safeguarding enquiry (M130) not achieving the target (48.25%) this quarter. The outturn was 42.6%. The highest number of concerns which do not progress to enquiry relate to provider services. To address this, the service has worked with the Commercial Team, Lincolnshire Safeguarding Adults Board (LSAB) and Lincolnshire Care Association (LINCA), to develop a provider generated concern form for residential homes which will be launched shortly. It is hoped that this will reduce the number of poor practice concerns referred to safeguarding. This form allows residential home providers to evidence that they have identified and responded appropriately to practice issues/themes. The completed forms are reviewed by the contracts team as part of their on-going monitoring.

Businesses are supported to grow

The Protecting and sustaining the environment commissioning strategy comes within the remit of the Public Protection and Communities Scrutiny Committee. This commissioning strategy performed well, with only one measure Household waste recycled (M78) not achieving the target this quarter. There has been an increase in the tonnage sent to the Mixed Dry Recycling (MDR) processor compared to Q3 last year but the contamination level remains around 30% which is comparable to last year. The contamination level is being addressed with the District Councils as part of the Joint Municipal Waste Management Strategy and the next MDR contract. The National Resource and Waste Strategy includes a commitment to review the current measurement metrics used to report recycling performance. We are currently reviewing our measures to be more in line with how the national rate is calculated.

Sustaining and growing business and the economy commissioning strategy comes within the remit of the Environment and Economy Scrutiny Committee. This commissioning strategy performed well, with only one measure Jobs created (M68) not achieving the target this quarter.

The number of new jobs created as a result of the Council's support has increased to 192 which includes 48 for this quarter. As a result of inward investment 36 new jobs were created including:-

- 4 at Alpego at Frampton Fen, Boston, with the potential for further growth in the future;
- Annyalla Chicks have continued to invest and expand with new broiler and breeder farms throughout Lincolnshire creating a further 9 jobs;
- Dynex Semiconductors are expanding their Research and Development Engineering Team and have appointed 15 new highly skilled engineers to assist them with their auto sector work;
- A further 8 jobs were created at Minebea, Tillotts Pharma and Nordic Seafoods.

As a result of the LEADER programme a further 10 new jobs were created.

Finally at our portfolio of business sites, 2 new jobs were created at Oak House, by OCG Software LTD, who specialise in cloud-based systems for businesses to store their data online.

Although 192 jobs have now been created in 2019/2020, the target of 300 for Q3 has not been met. The Sustainable Business Growth Programme started its new phase of delivery on 1 July but because it takes time for jobs to be created due the Growth Hub's intervention, no new jobs have been attributed to this programme since that date. However, the take up of grants in Q3 was significantly high and Growth Hub advisers are currently visiting their clients to collect job outputs as a result of their support. The service is expecting to see an increase in jobs created through this route during Q4.

The quarterly economic survey (produced in partnership with the Greater Lincolnshire Local Enterprise Partnership, Chamber of Commerce, and University of Lincoln) shows that business confidence is currently fluctuating and on that basis the overall year-end target may not be achieved. This is particularly evident for inward investment jobs where several large scale investments originally expected in 2019/2020 may transpire differently to what was originally planned.

The Sustaining and growing prosperity through infrastructure commissioning strategy comes within the remit of the Environment and Economy Scrutiny Committee. This commissioning strategy performed well, with only one measure Public Satisfaction with Highways and Transport Services (M108) not achieving the target this quarter. The National Highways Transport network satisfaction survey results are published in October each year. This year has seen an increase in performance from 48% to 50%, however this does not reach the target of 52%, which was based on higher levels of satisfaction in previous years. The aim is still to meet and exceed the target. A large rise (5%) in satisfaction with highways maintenance in 1 year and increases in all other areas means we are still on track, however, the annual nature of the national survey means it will not be reported until Q3 2020/2021.

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

X

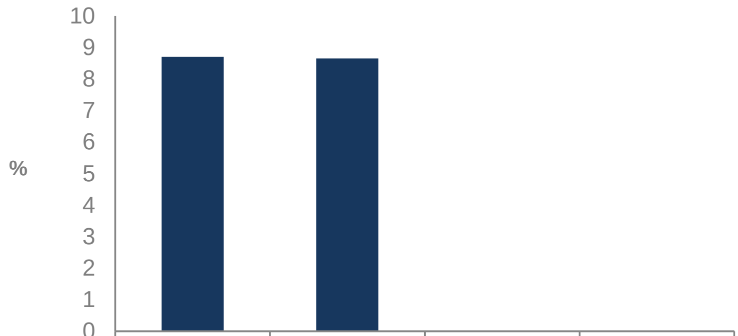
%

Oct 2018 - Sept 2019

9

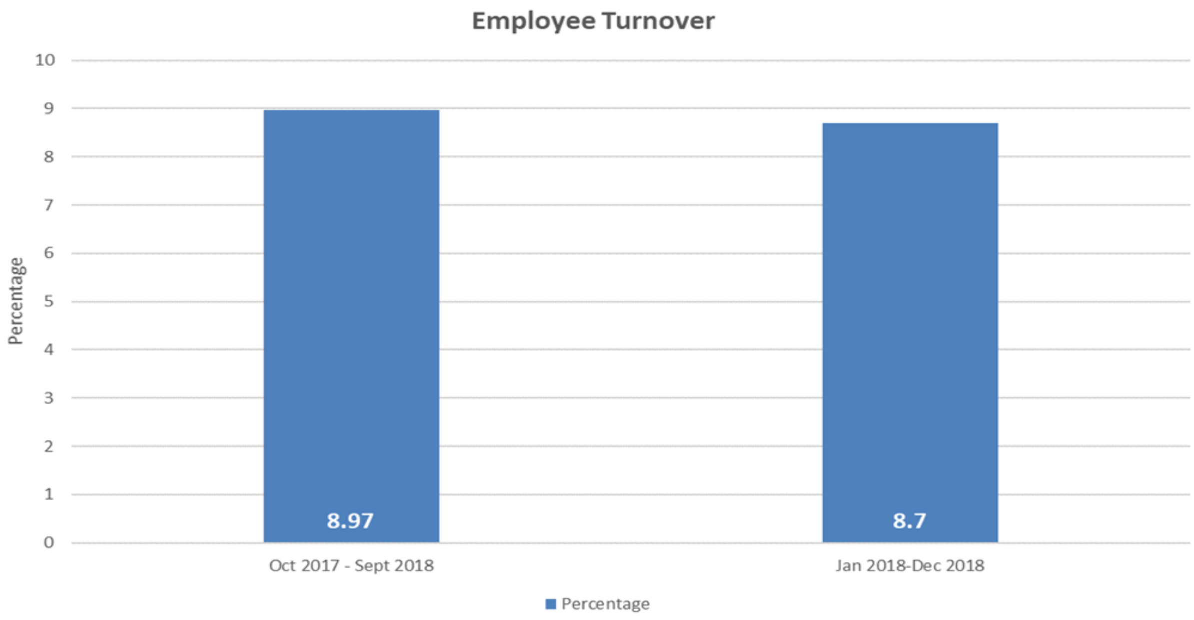
July 2018 - June 2019

Employee turnover



	Apr 18 - Mar 19	Jul 18 - Jun 19	Oct 18 - Sept 19	Jan 19- Dec 20
Percentage	8.7	8.65	0	

Further details



About the target

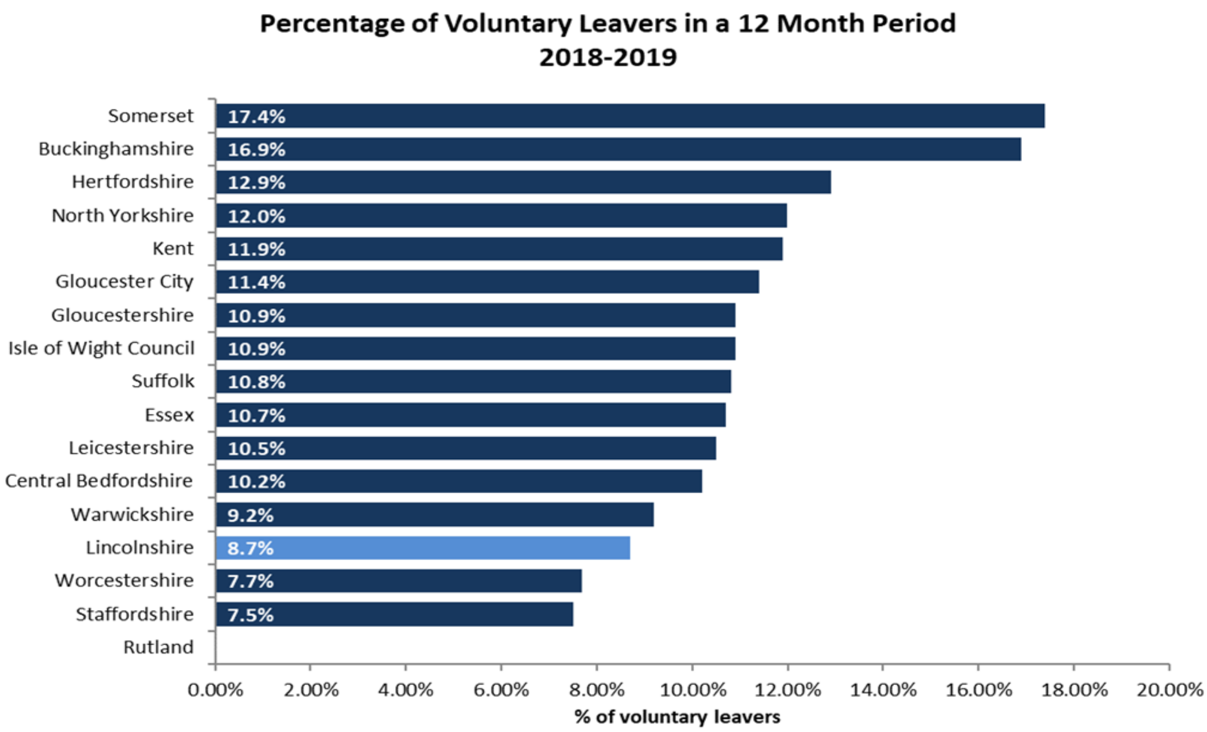
This measure is included for context and so a target is not applicable.

About the target range

A target range is not applicable to this measure.

About benchmarking

The benchmarking data is provided through the PPMA (Public Services People Managers Association) from a request to member Councils.



Lincolnshire COUNTY COUNCIL Working for a better future

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 rolling 12 months.
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.

X

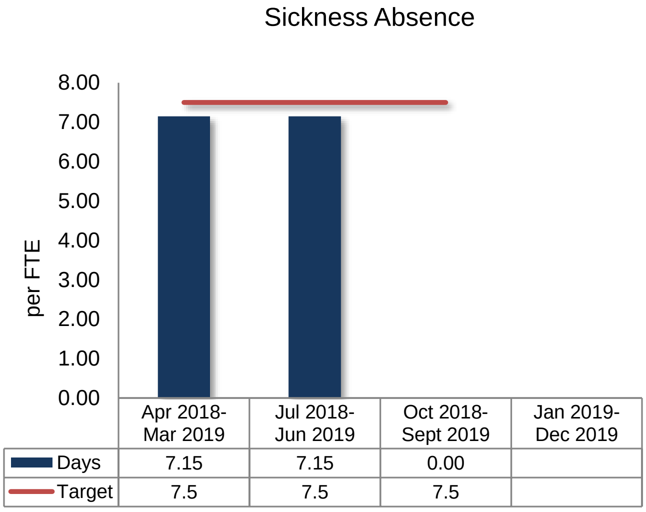
per FTE

Actual Oct 2018 - Sept 2019

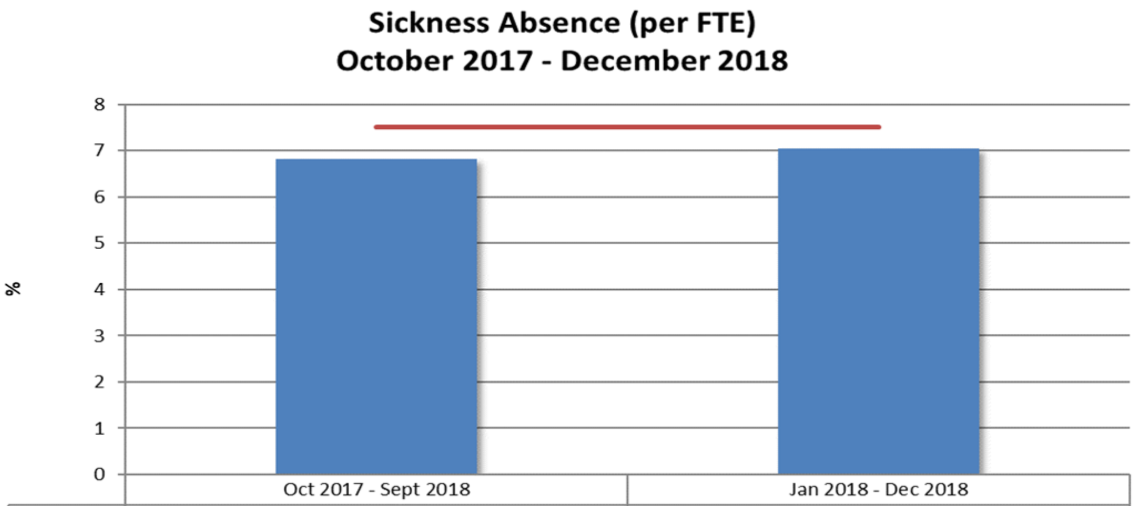
7.50

per FTE

Target for Oct 2018 - Sept 2019



Further details



	Oct 2017 - Sept 2018	Jan 2018 - Dec 2018
Days	6.81	7.04
Target	7.5	7.5

About the target

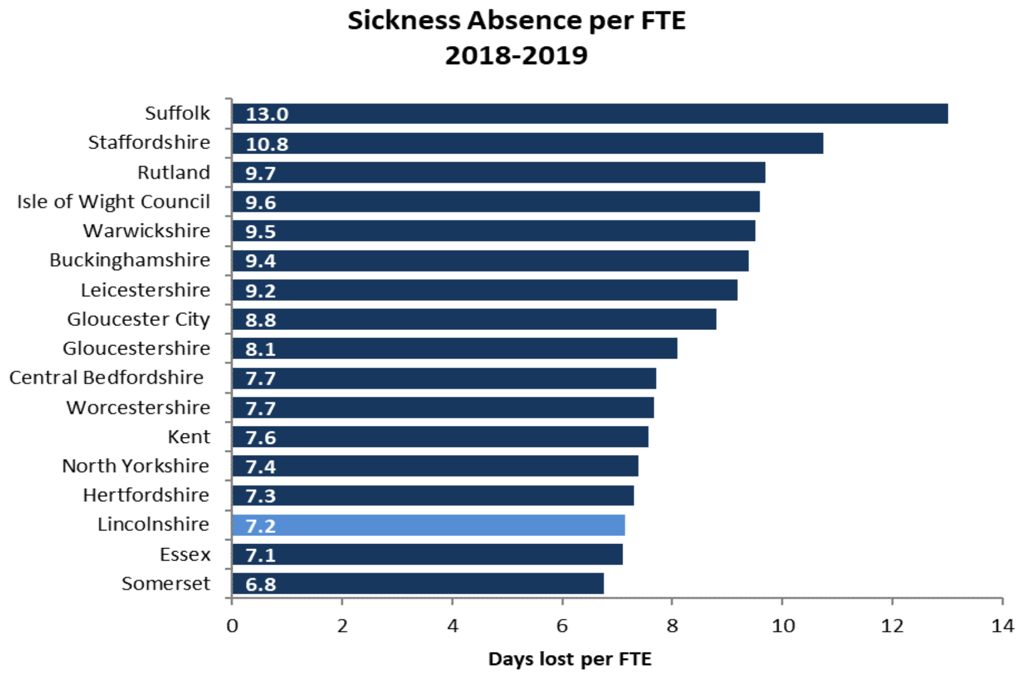
The target has been set to 7.5 days to encourage continuing downwards trend in sickness.

About the target range

A target range is not applicable to this measure.

About benchmarking

The benchmarking data is provided through the PPMA (Public Services People Managers Association) from a request to member Councils.



Lincolnshire COUNTY COUNCIL
Working for a better future

We effectively target our resources

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

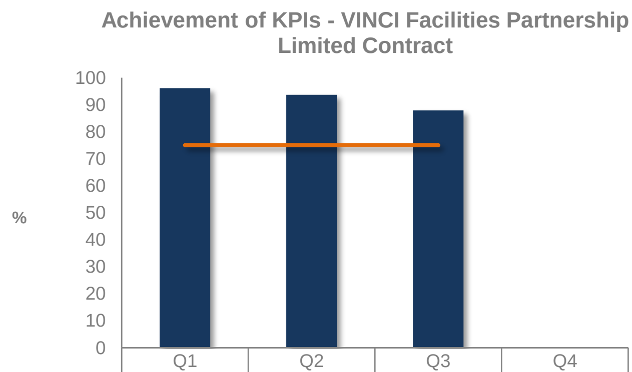
Achievement of KPIs - VINCI Facilities Partnership Limited contract

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

87.9
%
Quarter 3 December 2019

75
%
Target for December 2019

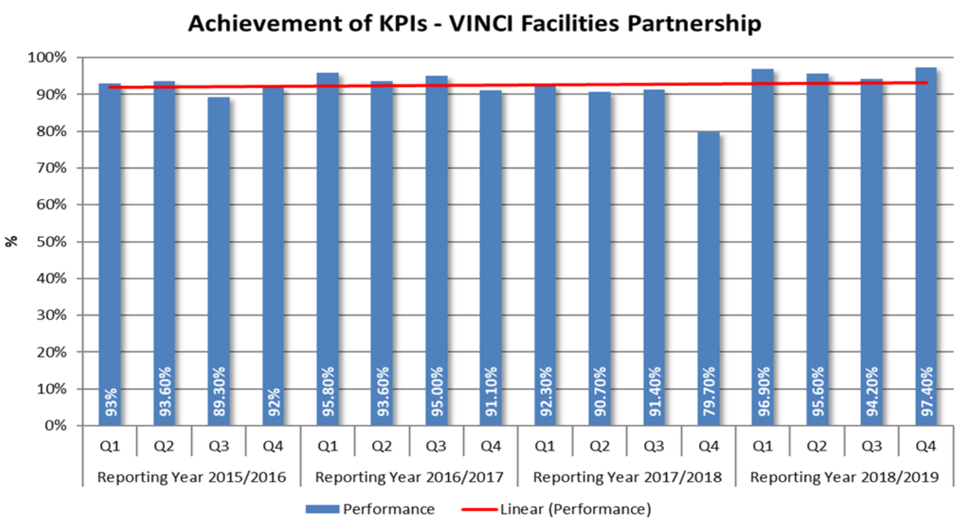


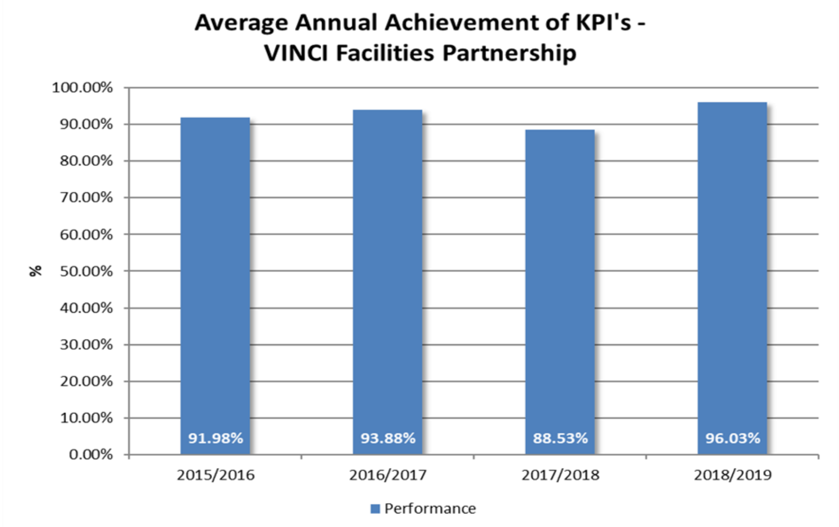
	Q1	Q2	Q3	Q4
Percentage	96.1	93.7	87.9	
Target	75	75	75	

About the latest performance

The overall performance has dropped from 93.7% in Q2 to 87.9%. The reason for this is that there were a handful of failures in undertaking planned preventative maintenance timescales as required under the contract, which has lowered the performance for the quarter. Furthermore, the unplanned and reactive work key performance indicator has remained static but there is scope to improve the performance. Customer feedback received by the service centre dropped by one percentage point in Q3 compared with Q2 which has also affected the overall percentage score. Conversely key stakeholder feedback has improved by four percentage points in Q3 compared with Q2.

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

No target range has been set for this measure.

About benchmarking

There is an aspiration to benchmark performance in the future.

Lincolnshire COUNTY COUNCIL Working for a better future

Policy and Scrutiny

Open Report on behalf of James Drury, Executive Director - Commercial

Report to:	**Overview and Scrutiny Management Board**
Date:	**27 February 2020**
Subject:	**Council Performance Measures 2020/2021**

Summary:

This report presents proposals for the continuation of reporting of the Council Performance Measures beyond March 2020. The Overview and Scrutiny Management Board is asked to consider and comment on the proposals for maintaining continuity of performance reporting, including the proposals for some amendments to some of the measures and targets, as outlined in the accompanying Executive report. These comments will be considered by the Executive at its meeting on 3 March 2020.

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 will consider a report on the Council Performance Measures 2020/2021 at its meeting on 3 March 2020. The full report to the Executive is attached at Appendix 1 to this report. Performance measures linked to the Corporate Plan will be developed through the next phase in organisational planning. The County Council approved the continuation of the existing performance measures at its meeting on 11 December 2019. The Executive Report is therefore only about the proposed changes to the measures.

When considering this report, the Overview and Scrutiny Management Board may wish to pay particular attention to any points it wishes to bring to the attention of the Executive including proposals for changes to measures (See Appendix 1).

There are no proposed changes relating to the areas (finance, people management, audit, property, information governance, and the corporate support services contract) that specifically fall within the remit of this Board.

2. Conclusion

In order to maintain continuity of reporting of the Council's performance, it is recommended that the existing measures in the current Council Business Plan continue to be reported in the next financial year, beginning April 2020.

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 content 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 the Council Performance Measures 2020/21, to be presented to the Executive at its meeting on 03 March 2020

5. Background Papers

Document title	Where the document can be viewed
Report to Council on 22/02/19 Council Business Plan 2019 - 2020	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=5273&Ver=4
Report to Council on 11/12/19 Lincolnshire County Council Corporate Plan 2020/30	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=5661&Ver=4

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

Lincolnshire COUNTY COUNCIL
Working for a better future

Executive

Open Report on behalf of James Drury, Executive Director - Commercial

Report to:	**Executive**
Date:	**03 March 2020**
Subject:	**Council Performance Measures 2020/2021**
Decision Reference:	**I019284**
Key decision?	**No**

Summary:

This report presents proposals for amendments to the reporting of the existing Council Performance Measures beyond March 2020. New performance measures will be developed through the next phase in organisational planning, linked to the ambitions in the Corporate Plan.

Recommendation(s):

That the Executive:-

1. approves in principle the changes to the measures used in reporting Council performance generally specified in Appendix A.

Alternatives Considered:

To amend the proposed changes to the Council Performance Measures.

Reasons for Recommendation:

To ensure that continued reporting on Council performance against existing "Business Plan" measures is fit for purpose.

1. Background

1.1 Lincolnshire County Council (LCC) has historically reported performance in the Council Business Plan aligned to the Commissioning Strategies on a quarterly basis with the report going to the Overview and Scrutiny Management Board (OSMB) and Executive.

1.2 Historically, the review of performance measures normally starts in autumn for implementation in the following year. Directorates and Service areas are asked to review their performance measures and make any adjustments, in agreement with the Executive Councillor.

1.3 Collectively they have formed the basis for the Council Business Plan which is then presented to Scrutiny before being approved by the Executive and the County Council.

1.4 At the meeting of the County Council on 11 December 2019 the final version of a new 10 year Corporate Plan was agreed.

1.5 The Corporate Plan sets out the ambitions and vision but does not have associated performance measures; they will come with the Delivery Plan.

1.6 The legal status of the Corporate Plan is that it is part of the Council's Policy Framework in accordance with the Constitution, replacing the Council Business Plan.

1.7 Performance measures are being developed in line with the Corporate Plan and this work is unlikely to be completed before June 2020.

1.8 With this in mind and to ensure continuity of reporting of the Council's performance until such time as the "new" measures can be reported, the County Council on 11 December 2019 approved the continued reporting of the existing Business Plan measures during 2020/21.

1.9 The Council Business Plan measures are currently reported, digitally, on the Lincolnshire Research Observatory (LRO) platform; access to the platform is due to be discontinued in spring 2020. Work is currently underway developing reporting on the PowerBI platform. It is expected that a period of dual running will be required, which may require an extension to the LRO platform, to allow sufficient time for development and training.

1.10 Directorates and service areas have been asked to identify any changes to their existing performance measures and targets and agree any adjustments with the Executive Councillor. Given that the Council Business Plan has been replaced with the Corporate Plan, changes have been identified by a small number of service areas and are detailed in Appendix A and summarised below.

The Youth Offending Service (YOS) is proposing reporting Juvenile First Time Offenders as a rate per 100,000 instead of actual number of offenders and has provided a rationale and proposed target for 2020/2021. The YOS is also proposing setting a new target for Juvenile Reoffending which reflects the national average performance in 2019/2020 to date.

The Trading Standards service will confirm the target for high risk premises inspected by Trading Standards once negotiation with others in the region and funding by the Food Standards Agency has been agreed.

The Community Safety service is proposing removing the existing measures and replacing them with alternative, more appropriate measures.

Children's Services is proposing amending targets for a small number of measures, namely 'Average time between a local authority receiving court authority to place a child and the local authority deciding on a match to an adoptive family'; 'Number of children who are subject to a Child Protection Plan'; '16-17 year old Looked After Children who are participating in learning'; and 'The percentage gap in achievement between Free School Meals (FSM) Eligible pupils in Lincolnshire and Non-FSM Eligible pupils nationally for Good Level of Development'.

Public Health is proposing to remove the following measures: Chlamydia diagnosis; and the number of frontline staff and volunteers trained in making every contact count. They are also proposing to make a change to the percentage of service users supported to achieve improvement across their outcomes following a period of housing related support.

2. Legal Issues:

Equality Act 2010

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

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

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

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

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

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

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

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

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

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

<u>Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)</u>

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

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

<u>Crime and Disorder</u>

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

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

3. Conclusion

The report presents proposals for amendments to the reporting of the existing Council Performance Measures beyond March 2020. The Executive is invited to consider and approve in principle the proposed changes to the Council's Performance Measures for 2020/21.

4. Legal Comments:

The Report proposes amendments to the measures used to measure and report the Council's performance which, in accordance with the decision of the County Council on 11 December 2019, are the measures previously forming the Council Business Plan.

The decision is within the remit of the Executive.

5. Resource Comments:

There are no resourcing implications.

6. Consultation

a) Has Local Member Been Consulted?

Not Applicable.

b) Has Executive Councillor Been Consulted?

Not Applicable.

c) Scrutiny Comments

This report is due to be considered by the Overview and Scrutiny Management Board at its meeting on 27 February 2020. Any comments of the Board will be presented 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	Proposed changes to measures and targets for reporting the Council Business

8. Background Papers

Document title	Where the document can be viewed
Report to the County Council on 22/02/19 Council Business Plan 2019 - 2020	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=5273&Ver=4
Report to the County Council on 11/12/19 Lincolnshire County Council Corporate Plan 2020/30	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=5661&Ver=4

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

Appendix A Details of proposed changes to reporting of the council business plan in 2020/2021

Proposed changes to performance measures					
Commissioning Strategy	**Performance Measure changed from**	**Ref**	**Performance Measure changed to**	**Reason**	**Director/ Executive Portfolio Holder**
Protecting the public	Juvenile First Time Offenders – Actual Numbers are currently reported	15	Juvenile First Time Offenders – Rate per 100,000	The 'rate' is a more comparable metric against regional and national performance. The Lincolnshire average rate in 19/20 (to date) has been 103, but our Youth Offending Service is entering a new period of stability that may begin to fluctuate following the dramatic drop over last 2-3 years. A target of 125 per 100,000 allows for this period of uncertainty while remaining well below the previous year's average as a goal for improvement.	Janice Spencer/ Cllr Bradwell (have approval from Cllr Bradwell)

Commissioning Strategy	Performance Measure changed from	Ref	Performance Measure changed to	Reason	Director/ Executive Portfolio Holder
Health and wellbeing	Percentage of service users supported to achieve an overall improvement across their outcomes following a period of housing related support	112	Percentage of service users supported to achieve an overall improvement across their outcomes following a period of three months of housing related support which is the expected average length of support someone will receive from the service.	Proposal is to retain this indicator as it currently is for Q1 of 2020/21. From 1 July 2020 the new Housing Related Support contract will go live and so from Q2 it is proposed that this indicator is replaced by the new one with a proposed 2020/2021 target of 90%.	Derek Ward/Cllr Bradwell (have written approval)

Proposed changes to targets						
Commissioning Strategy	**Measure Name**	**Target 2019/2020**	**Proposed target 2020/2021**	**Ref**	**Rationale**	**Director/ Executive Portfolio Holder**
Protecting the public	Juvenile Reoffending	43.6%	37.9%	125	Performance in reoffending can fluctuate quarter on quarter due to the small cohort numbers being reviewed. The proposed 2020/2021 target reflects the national average performance in Q1 and Q2 2019/2020 (37.9%). The goal is to remain at or below these average figures.	Janice Spencer/ Cllr Bradwell (have approval from Cllr Bradwell)
	High risk premises inspected by Trading Standards	TBC	Target will be confirmed summer 2020 once funding from FSA has been agreed	3	The target will be set by the service once negotiation with others in the region has taken place and funding by Food Standards Agency is known. These discussions will commence in 2020/21.	Les Britzman/Cllr Young (awaiting written approval once the targets have been agreed)
Children are safe and healthy	Average time between a local authority receiving court authority to place a child and the local authority deciding on a match to an adoptive family	150 days	175 days	26	It is proposed to make the 2020 Target 175 days to take into account recent trends of a higher number of adoptions, which is expected to impact figures. However, the revised target remains significantly better than the most recent published National figures.	Janice Spencer/Cllr Bradwell (have written approval from Cllr Bradwell)
Children are safe and healthy	Number of children who are subject to a Child Protection Plan	330	370	24	Targets have been revised to 370 to take into account current trends. Comparator information is available and is showing an increasing trend.	Janice Spencer/Cllr Bradwell (have written approval from Cllr Bradwell)

Proposed changes to targets

Commissioning Strategy	Measure Name	Target 2019/2020	Proposed target 2020/2021	Ref	Rationale	Director/ Executive Portfolio Holder
Readiness for adult life	16-17 year old Looked After Children who are participating in learning	89%	90%	45	Performance is currently 90.4%, above the 2019/20 target of 89%. The reason for only a small increase is that as the cohort is very small a change of one or two children moving out of learning can have a significant impact of the percentage in learning. This indicator includes all types of learning including apprenticeships. The target isn't set at 100%, due to the fact that some of the cohort may decide to go into full time work rather than the apprenticeship route.	Janice Spencer/Cllr Bradwell (have written approval from Cllr Bradwell)
Readiness for school	The percentage gap in achievement between Free School Meals (FSM) Eligible pupils in Lincolnshire and Non-FSM Eligible pupils nationally for Good Level of Development	22%	18%	48	Following strong improvement between 2018 and 2019 to aim to at least maintain the gap and not slip back into decline is both ambitious and realistic.	Janice Spencer/Cllr Bradwell (have written approval from Cllr Bradwell)
Health and wellbeing	Percentage of alcohol users that left specialist treatment successfully	40%	35%	31	The current target was set in 2016 prior to the last commissioning exercise for the substance misuse services. Over recent years the budget has reduced. Service performance has fluctuated over recent reports between 32% and 37%, so a 35% target would still provide some challenge	Derek Ward/Cllr Bradwell (have written approval from Cllr Bradwell)

					to the service. Value For Money exercises completed within 2019 have shown the service is performing well for the given financial envelope, so changing the target for a more achievable 35% would be logical.	

Proposed removal of Performance measures for the Community Safety Service

Commissioning Strategy	Measure	Ref No	Reason	Director/Executive Portfolio Holder
Protecting the Public	Antisocial behaviour	107	These measures are no longer the most appropriate way to measure performance of the Community Safety Service and are being changed primarily to reflect those aspects of performance that the Council could strongly influence and control. The proposed replacement measures are much more in the gift of the Council, although still rely on partner influence and delivery. Some of the previous measures eg Anti-Social Behaviour were much more measures of Police and District council delivery.	Les Britzman/Cllr Young (written approval from Cllr Young)
	Reported incidents of domestic abuse	7		Les Britzman/Cllr Young (written approval from Cllr Young)
	Domestic homicides	8		Les Britzman/Cllr Young (written approval from Cllr Young)
	Repeat referrals of Domestic Abuse to MARAC	9		Les Britzman/Cllr Young (written approval from Cllr Young)
	Satisfaction with responses to crime and antisocial behaviour	13		Les Britzman/Cllr Young (written approval from Cllr Young)
	Adults Re-Offending	14		Les Britzman/Cllr Young (written approval from Cllr Young)

Health and wellbeing	Chlamydia diagnoses per 100,000 15-24 year old	34	Propose to remove this measure and agree what, if anything, would be a good indicator to include in future once the new national sexual health strategy is released. This will be undertaken in line with the future revised business planning.	Derek Ward/Cllr Bradwell (have written approval from Cllr Bradwell)
Health and wellbeing	Number of frontline staff and volunteers trained in Making Every Contact Count (MECC)	109	In preparation for better Care Fund (BCF) funding (which paid for additional MECC capacity within Public Health) coming to an end, plans were put in place during 2019/2020 to change the way that MECC is delivered. 10 staff from a range of NHS and district councils have been trained by Health Education England to become accredited MECC trainers. The staff have committed to taking responsibility for the provision of MECC training over the next few years both within and outside their own organisations. Although the Public Health team will remain involved in the programme we will not be in the position to demand performance data from partners as there will be no contractual relationship, consequently it will not be possible to report to the Council Business Plan.	Derek Ward/Cllr Bradwell (have written approval from Cllr Bradwell)

Proposed inclusion of 'new' measures to replace the existing Community Safety measures				
Commissioning Strategy	**Measure**	**Target 2020/2021**	**Reason**	**Director/ Executive Portfolio Holder**
Protecting the Public	The proportion of secondary schools in Lincolnshire which received at least one Stay Safe Day delivered by the Stay Safe Partnership	80% of mainstream secondary schools	The Stay Safe Partnership delivers preventative messages to young people in education establishments about key crime and disorder issues. Stay Safe Days are multi-agency days which cover a variety of key safety areas, giving students the correct information to make informed decisions should they be faced with certain situations. Topics include fire safety, internet safety, alcohol awareness, anti-social behaviour,	Les Britzman/Cllr Young (written approval from Cllr Young)

			healthy relationships, road safety and drugs awareness. The more schools receiving sessions the wider preventative messages can be delivered.	
Protecting the Public	The number of victims of domestic abuse who received support (including Independent Domestic Violence Advisors IDVA, Outreach, and Targeted Support) including Children and Young People	Maintain number of people supported The forecast for 2019/2020 is 3,952	Supporting victims of domestic abuse (including children and families).	Les Britzman/Cllr Young (written approval from Cllr Young)
Protecting the Public	The proportion of Lincolnshire County Council staff to undertake multi-agency domestic abuse e-learning	90% of LCC staff	Multi-agency domestic abuse training helps to ensure a partnership approach to the identification and support of domestic abuse victims, especially those at highest risk of harm.	Les Britzman/Cllr Young (written approval from Cllr Young)

Contextual measures where it is not appropriate to set a target

Commissioning Strategy	Measure	Reason	Director/ Executive Portfolio Holder
Protecting the Public	The number of year 6 children attending primary school in Lincolnshire who received an E-safety workshop delivered by the Stay Safe Partnership	The Stay Safe Partnership delivers preventative messages to young people in education establishments about key crime and disorder issues. As an extension of the current Stay Safe Day offer to secondary schools, E-safety workshops are being offered in primary schools throughout Lincolnshire. The E-safety workshop is an interactive workshop for year 6 students looking at social media and their transition to secondary school. The workshop also enables students to understand ways of safeguarding themselves from abuse and bullying online. The sessions are free for schools and as these are delivered in addition to the core Stay Safe Partnership offer, the ability to service these is reliant on capacity.	Les Britzman/Cllr Young (written approval from Cllr Young)
	The number of clients supported by MARAC	The primary focus of the Multi-Agency Risk Assessment Conference (MARAC) is to safeguard the adult victim.	Les Britzman/Cllr Young (written approval from Cllr Young)
	Reoffending outcome of the Assisting Rehabilitation through Collaboration (ARC) cohort (Percentage reduction in offending)	Part of the Safer Together collaboration between Lincolnshire County Council and Lincolnshire Police the Assisting Rehabilitation through Collaboration (ARC) is Lincolnshire's multi-agency partnership dedicated to reducing reoffending, reducing the number of victims and reducing the harm caused by the most prolific and complex offenders in Lincolnshire. This measure reflects the reoffending outcomes of clients supported by the ARC scheme to date by assessing the percentage change in the number of offences committed 12 months prior to being identified as eligible for the ARC scheme and the number of offences committed in the 12 months following.	Les Britzman/Cllr Young (written approval from Cllr Young)

The ARC reoffending outcome measure is included in the Council Business Plan as a key deliverable of the Safer Together project of which Lincolnshire County Council plays an integral role. Although we would seek to see the greatest reduction in offending, it is not appropriate to set a numerical target for this. There a multitude of reasons for not targeting this measure, not least of which are listed below:

- The continued development of the ARC scheme would render a target based on the schemes current operation null and void.
- Factors relating to the number and complexity of clients managed within the ARC scheme mean that one client could hugely impact the figures leaving performance against a pre-set target unrepresentative of actual performance.
- As a multi-agency scheme it is problematic to set a target for one forum within one of the partner agencies without this being accepted as practice within all agencies involved.

Lincolnshire COUNTY COUNCIL
Working for a better future

Policy and Scrutiny

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

Report to:	**Overview and Scrutiny Management Board**
Date:	**27 February 2020**
Subject:	**Treasury Management Performance to Quarter 3 2019/20**

Summary:

This report details the treasury management activities and performance for Quarter 3 of 2019/20 to 31 December 2019, comparing this to the Treasury Management Strategy and Annual Investment Strategy 2019/20 that was approved by the Executive Councillor for Resources and Communications on 21 March 2019. This report meets the reporting requirements as detailed in the CIPFA Code of Practice for Treasury Management which we follow.

Actions Required:

That the report is noted and any comments be passed onto the Executive Councillor for Resources and Communications.

1. Background

1.1. The Treasury Management Strategy and Annual Investment Strategy 2019/20 sets the framework for how we manage the cashflow, borrowing and treasury investments of the Council and the risks involved.

1.2. Actual activity and performance compared to this strategy is reported quarterly, this report being the third quarter report for 2019/20 covering the period up to 31 December 2019.

1.3. Activity and performance up to 31 December 2019 compared to the strategy is detailed in the Conclusion in Section 2 below. Supporting information is detailed in the attached appendices.

2. Conclusion

<u>Comparison of Activity and Performance to Strategy for Period up to 31 December 2019</u>

Interest Rate Forecast:

***Strategy*:**

At the time of writing the Strategy:

- *Short term and long term rates forecast to rise during 2019/20, but not significantly.*
- *Market uncertainties, predominantly caused by Brexit, may delay or reverse any forecast increases in rates.*

Activity & Performance to 31 December 2019:

Short term Rates.	No movement in rates over the period, as uncertainties in market delay expected increases.
Long Term Rates.	During the first six months long term rates were on a falling trend, reaching historic lows, as markets sought a safe haven in an uncertain period by switching investments into gilts, pushing up gilt prices and hence reducing yields. As reported previously, the Treasury increased the margin on all PWLB borrowing rates by 1% on 9 October 2019 and during the quarter long term rates have risen moderately ending the period around 0.80% higher than at the start of the year in all periods.
Economic Review.	Concerns over global economic growth and uncertainties with the outcome of Brexit may have a negative impact to the UK economy but it is difficult to predict what may happen and the timing.

Appendix A shows a graph of key interest rate movements to 31 December 2019 together with an economic background review and latest interest rate forecast from Link Asset Services Ltd (TM Advisor) dated 31 January 2020.

Investments:

Strategy:

- *Investment priority – security first, liquidity second and finally yield.*
- *Aim to invest in all periods up to 2 years to suit direction of interest rates, at rates in excess of market levels.*
- *Low risk counterparty strategy adopted: minimum long term rating for approved counterparties set at 'A' (from A+) for 2019/20 for any two from three credit rating agencies.*

Activity & Performance to 31 December 2019:

Investment Position and Performance.	Investments outstanding at 31 December 2019, stemming from the Council's cash flow resources, stood at £311m. The return on investments has continued to exceed benchmark returns and benchmark comparators, for the level of risk taken. Achieved by maintaining a longer weighted average maturity of investments, which was 123 days at the end of the period. For more detail see **Appendix B.**
Lending List Changes.	There was no change to the Lending List during period or to the Annual Investment Strategy that sets the Council's investment risk appetite. The Lending List as at 31 December 2019 is shown in **Appendix C**.

Appendix D shows a full list of investments held at 31 December 2019, combined with the creditworthiness list provided by Link Asset Services (TM Advisor).

Borrowing:

Strategy:

- *Long term external borrowing at start of year was £465.9m, costing 3.965%.*
- *New borrowing requirement for 2019/20 to finance capital programme was set at £118.4m.*
- *It was agreed that internal borrowing would be maintained at around 15% of the capital financing requirement for 2019/20. (Internal borrowing is using the Council's own internal cash balance to meet borrowing requirement).*
- *Any external long term borrowing would be taken with the aim to reduce the overall cost of debt and for periods to ensure an even debt maturity profile.*

Activity & Performance to 31 December 2019:

Revised Borrowing Requirement.	Taking into account carry forwards, internal borrowing and estimated rephasing/underspends, the borrowing requirement at 31 December 2019 was revised to £50.0m and projected internal borrowing revised to £102.4m by 31 March 2020.
Borrowing Position and Performance.	During the quarter, a further £5m of new external long term borrowing was taken from the PWLB over 46 years. This borrowing was taken just before the PWLB rate hike of 1% across the board. This resulted in the average cost of new debt taken in the year of just 1.85%. (The graph in Appendix A shows the timing of this borrowing at low points during the year). No further external borrowing is due in 2019/20, which will leave outstanding debt of £501.540m at the year end, costing 3.78%. A reduction in the overall cost of debt from the start of the year of 3.97% as per the strategy.
Temporary Borrowing.	£21m outstanding at quarter end taken to cover drops in liquidity during period. The cost of this debt was 0.6595%, below current money market rate levels and hence cost neutral.
Debt Rescheduling.	No debt rescheduling was undertaken in the period.
Prudential Indicator Limits 2019/20.	All prudential limits were met with no breaches during the period.

Appendix E shows borrowing detail and latest maturity profile at 31 December 2019.

Other Treasury Issues:

Revision to PWLB Borrowing Margins – 9 October 2019:
As previously reported, the PWLB increased the margin they charge on borrowing from 0.80% over gilt rates to 1.80% over during the quarter, on 9 October 2019, making the cost of long term borrowing 1% dearer over all periods. This was done to try to curb overall Council borrowing undertaken from the PWLB in total. Since this increase, rates have fallen, leaving them around 0.80% higher than they were at the start of the year.

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 that are required by the CIPFA Code of Practice 2017. A treasury management risk register details the main risks for treasury management and this is reviewed annually. Both the TMPs and the risk register are held in the Corporate Section of Financial Strategy at County Offices.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Movement of Key Interest Rates to 31 December 2019, Economic Background and Latest Interest Rate Forecast from Link Asset Services Ltd.
Appendix B	Investments: Activity & Performance at 31 December 2019.
Appendix C	Authorised Lending List at 31 December 2019 and Credit Rating Key.
Appendix D	Investment Analysis Review at December 2019 - Link Asset Services Ltd.
Appendix E	Borrowing: Activity & Performance and Long Term Maturity Profile at 31 December 2019.

5. Background Papers

Document title	Where the document can be viewed
Treasury Management Strategy Statement and Annual Investment Strategy 2019/20 - 21/3/2019	http://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=496
Council Budget 2019/20 - 22/2/2019	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=5273&Ver=4

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

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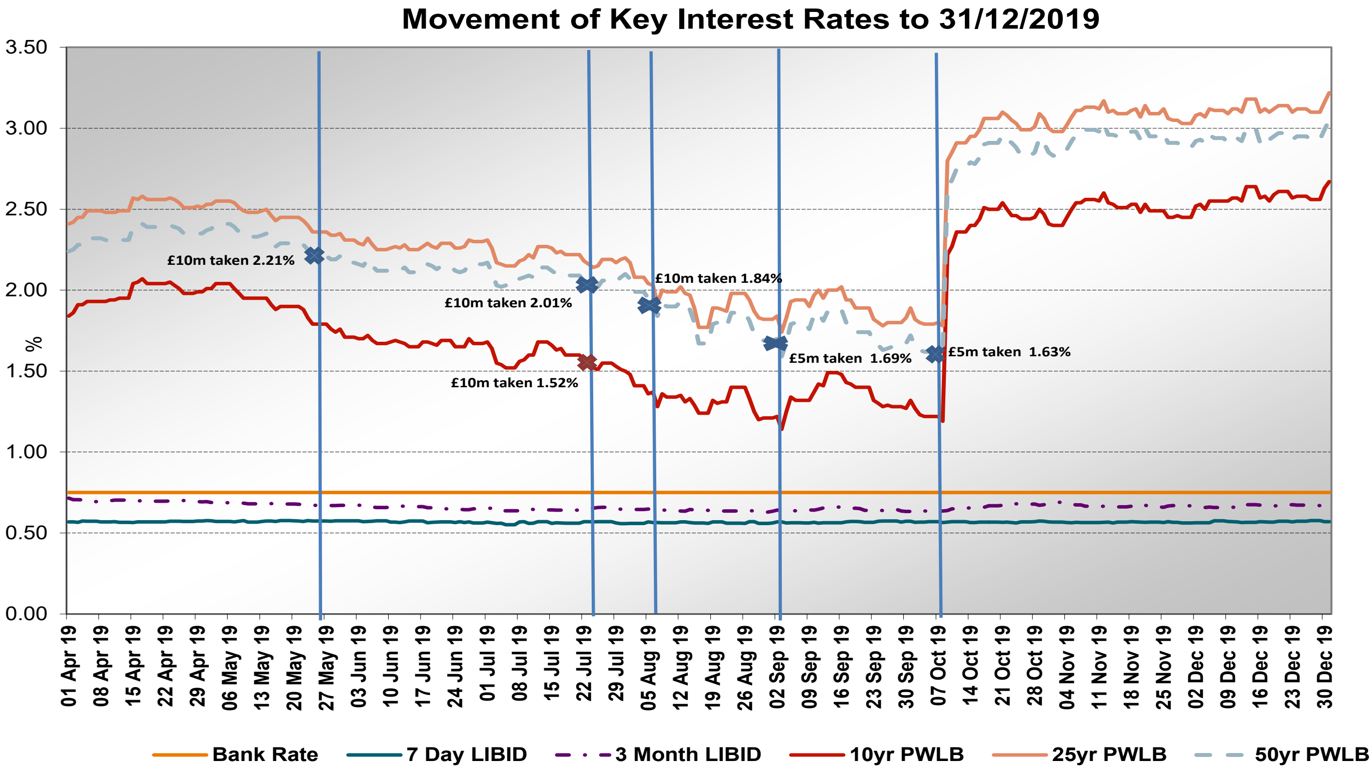

Interest Rate Forecast – Link Asset Services Ltd (31 Jan 2020)

Link Asset Services Interest Rate View													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80

Economic Background – Link Asset Services Ltd

UK. Economic growth in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 back up to +0.4% and quarter 4 expected to come in around zero. Political and Brexit uncertainty have dampened growth in 2019.

Despite political uncertainty ending with a decisive overall majority for the Conservative government in the December general election which clears the way for the UK to leave the EU on 31 January 2020, we still have much uncertainty as to whether there will be a reasonable trade deal achieved by the end of 2020.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until these remaining uncertainties over the likely type of Brexit become clear. If there was a no deal exit, it is likely that Bank Rate would be cut in order to support growth. However, if growth was to flag significantly in any event, the MPC could also cut Bank Rate in 2020. The Government has announced some major spending increases and is expected to make further commitments in the spring budget; these will provide some support to growth and will take some pressure off the MPC to act to stimulate growth by either cutting Bank Rate or implementing other monetary policy measures.

The MPC did have some concerns over the trend in wage inflation, which was on a rising trend, and peaked at a new post financial crisis high of 3.9% in June. Since then, however, it has been falling steadily back to 3.5% in October, (3 month average figure, excluding bonuses). Growth in employment picked up again to 24,000 in the three months to October, after a fall in the previous month's figures. However, this is still well below the 2018 average, although the unemployment rate remained at 3.8 percent, its lowest rate since 1975.

As for **CPI inflation** itself, this fell to 1.5% in October and November and is likely to remain between 1.5% and 2% over the next two years. If there was a no deal Brexit though, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.
The strong wage inflation figure and the fall in CPI inflation is good news for **consumers** as their spending power is improving in this scenario as the difference between the two figures is now around 2.0%, i.e. a real term increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the rate of growth to 2.9% for 2018, just below his target of 3%. Growth in quarter 1 of 2019 was a strong 3.1% but growth fell back to 2.0% in quarter 2 and 2.1% in quarter 3. The strong growth in employment numbers during 2018 has subsided into a weaker trend of growth during 2019, indicating that the economy is cooling, while inflationary pressures have also been weakening. After the Fed increased rates by 0.25% in December 2018 to between 2.25% and 2.50%, it has taken decisive action to reverse monetary policy by cutting rates by 0.25% in each of July, September and October in order to counter the downturn in the outlook for US and world growth. The Fed is now likely to pause to see how the economy responds during 2020.

EUROZONE. The annual rate of growth has been steadily falling, from 1.8% in 2018 to only 1.1% y/y in quarter 3 in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. The trade war with the US does not currently appear to be having a particularly significant impact on growth. Major progress still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

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

WORLD GROWTH. The trade war between the US and China on tariffs is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during the first ten months of 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been weak which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during 2020 is expected to be weak.

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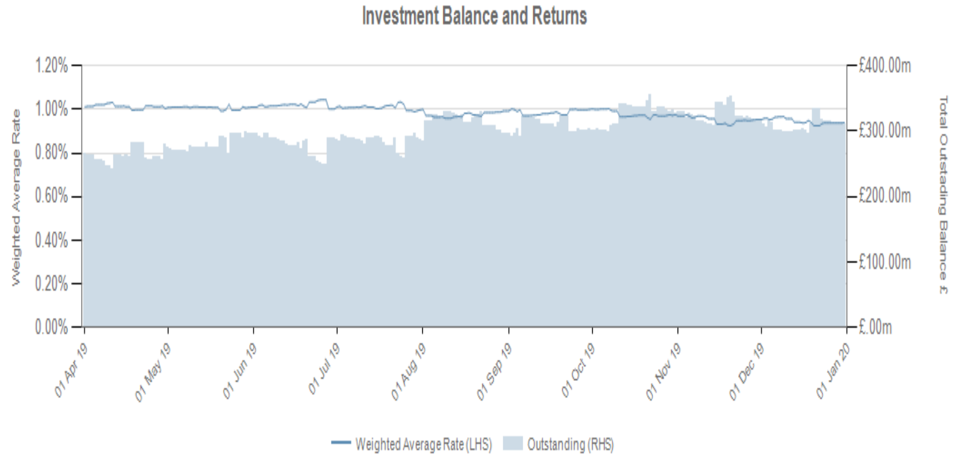
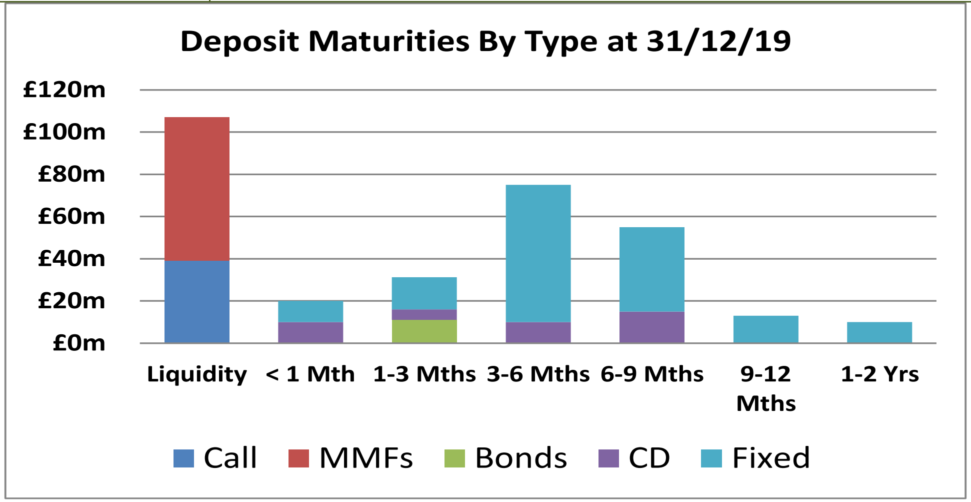
Investments: Activity & Performance at 31 December 2019 — Appendix B

Investment Position at 31 December 2019

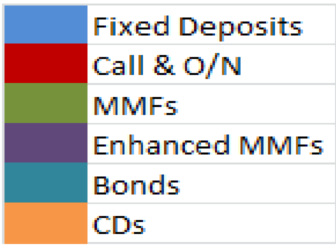
Investments Outstanding 31.12.19	Weighted Average Maturity (WAM)	Benchmark Return (7Day/3 Month LIBID) Annualised	Council Performance Annualised
£311.188m	123 Days	0.65%	1.00%

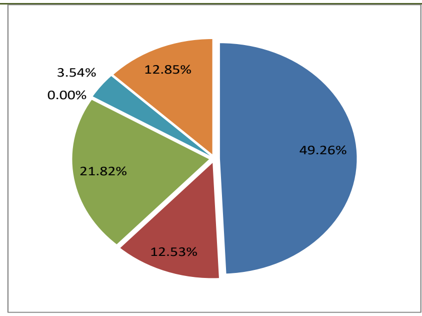


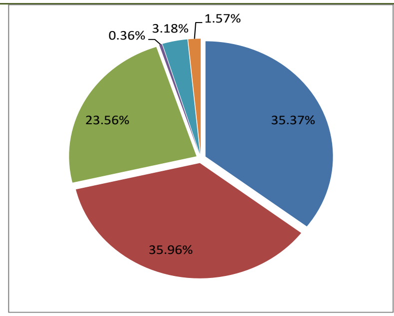


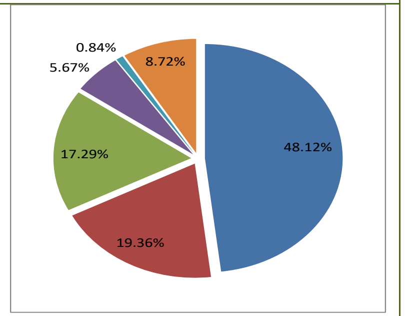
Link Benchmarking Analysis of Investments at 31 December 2019

	LCC	Benchmark Group (14)	English Counties(14)
Return at 31.12.19	0.94%	0.88%	0.90%
WAM	123	82	89
Risk Weighted Score (Duration & Credit Quality)	2.77	3.15	2.95
Model Banding- Expected Return for Risk Taken	0.84% - 0.95%	0.79% - 0.90%	0.81% - 0.92%









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Appendix C

LINCOLNSHIRE COUNTY COUNCIL LENDING OF TEMPORARY SURPLUSES

Country			Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted		FITCH IBCA Credit Rating Long Term	Sovere
	1	**Other Local Authorities**	20 each	24 Months				
	2	**Debt Management Account Deposit Facility**	50	6 Month				
	3	**UK Banks :**						
		# HSBC Group	**20**	**365 Day**				
UK		HSBC Bank Plc (RFB)	20	365 Day	365 Day	SB	A+	AA
		HSBC Evergreen Notice Account	20	365 Day				
		# RBS Group - Part Nationalised	**40**	**365 Day**				
UK		National Westminster BankPlc (RFB)	40	365 Day	365 Day	SB	A+	AA
UK		Royal Bank of Scotland Plc (RFB)	40	365 Day	365 Day	SB	A+	AA
UK		**# LloydsHBOS Group**	**20**	**365 Day**				
		Lloyds TSB Bank Plc (RFB)	20	365 Day	365 Day	SB	A+	AA
		Bank of Scotland PLC (RFB)	20	365 Day	365 Day	SB	A+	AA
UK		Barclays Bank PLC (NRFB)	15	6 Months	6 Months	SB	A+	AA
UK		Close Brothers Ltd	15	6 Months	6 Months	SB	A	AA
UK		Nationwide Building Society	15	6 Months	6 Months	SB	A	AA
UK		Santander Uk PLC	15	6 Months	6 Months	SB	A+	AA
UK		Standard Chartered Bank	15	6 Months	6 Months	SB	A+	AA
	4	**Other Banks**						
AUS		Australia & New Zealand Banking Group	20	365 Day	365 Day	NO	AA-	AAA
AUS		Commonwealth Bank of Australia	20	365 Day	365 Day	NO	AA-	AAA
AUS		National Australia Bank	20	365 Day	365 Day	NO	AA-	AAA
AUS		Macquarie Bank Ltd.	15	6 Months	6 Months	SB	A	AAA
AUS		Westpac Banking Corporation	20	365 Day	365 Day	NO	AA-	AAA
		# BNP Paribas Group	**20**	**365 Day**				
BEL		BNP Paribas Fortis	15	6 Months	6 Months	SB	A+	AA-
FRA		BNP Paribas	20	365 Day	365 Day	SB	A+	AA
CAN		Bank of Montreal	20	365 Day	365 Day	SB	AA-	AAA
CAN		Bank of Nova Scotia	20	365 Day	365 Day	SB	AA-	AAA
CAN		Canadian Imperial Bank Commerce	20	365 Day	365 Day	SB	AA-	AAA
CAN		National Bank of Canada	15	6 Months	6 Months	SB	A+	AAA
CAN		Royal Bank of Canada	20	365 Day	365 Day	NO	AA	AAA
CAN		Toronto Dominion Bank	20	365 Day	365 Day	SB	AA-	AAA
DEN		Danske A/S	15	6 Months	6 Months	NO	A	A
FRA		Credit Industriel et Commercial	15	6 Months	6 Months	SB	A+	AA
FRA		Societe Generale	15	6 Months	6 Months	SB	A	AA
FIN		Nordea Bank Abp	20	365 Day	365 Day	NO	AA-	AA+
FIN		OP Corporate Bank	20	365 Day	365 Day		AA-	AA+
GER		DZ Bank AG	20	365 Day	365 Day	SB	AA-	AAA
GER		Landesbank Hessen-Thueringen Girozentrale (Heleba)	20	365 Day	365 Day	SB	A+	AAA
NETH		Bank Nederlande Gemeenten	25	24 Months	24 Months	SB	AAA	AAA
NETH		Cooperative Centrale Raiffeisen Boerenleenbank BA (Rabobank)	20	365 Day	365 Day	NO	AA-	AAA
NETH		ING Bank NV	20	365 Day	365 Day	SB	AA-	AAA
SING		DBS Bank Ltd	20	365 Day	365 Day	SB	AA-	AAA
SING		Oversea Chinese Banking Corporation Ltd	20	365 Day	365 Day	SB	AA-	AAA
SING		United Overseas Bank	20	365 Day	365 Day	SB	AA-	AAA
SWITZ		UBS AG	20	365 Day	365 Day	SB	AA-	AAA
SWITZ		Credit Suisse AG	15	6 Months	6 Months	PO	A	AAA
SWE		Skandinaviska Enskilda Banken AB	20	365 Day	365 Day	SB	AA-	AAA
SWE		Swedbank AB	20	365 Day	365 Day	NW	AA-	AAA
		# Svenska Group	**20**	**365 Day**				
SWE		Svenska Handelsbanken AB	20	365 Day	365 Day	SB	AA	AAA
UK		Handelsbanken Plc	20	365 Day	365 Day	SB	AA	AA
		Svenska Handelsbanken - 35 Day Notice Account	20	365 Day	365 Day			
		Svenska Handelsbanken- 10 Day Notice Account	20	365 Day	365 Day			
		Svenska Handelsbanken- Call Account	20	365 Day	365 Day			
USA		Bank of New York Mellon	25	24 Months	24 Months	SB	AA	AAA
USA		Bank of America NA	20	365 Day	365 Day	SB	AA-	AAA
USA		JP Morgan Chase Bank NA	20	365 Day	365 Day	SB	AA	AAA
	5	**AAA Money Market Funds**						
		# MMF Group	**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	

 # Group Limit of applies where indicated.

**** A maximum of 20% of total funds to be held in the Building Society Sector.**

**** No more than 20% of total funds to be held in any one institution or group,excluding Govt/MMFs.**

Any adverse press comments concerning borrowers/potential borrowers should be referred to M Grady / S Maycock / K Tonge / N Kay.

Revised: 31st December 2019

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 (Moodys)

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

December 2019

Monthly Economic Summary

General Economy

December's economic data began with the November Markit/CIPS Manufacturing PMI survey falling to 48.9, from 49.6 the previous month. The survey's details showed that British manufacturers cut jobs in November at the fastest rate since 2012, as pressures from Brexit and a global trade slowdown caused the sector's longest decline since the financial crisis. The Construction PMI, meanwhile, rose by 1.1 points to 45.3 - still indicating contraction - as companies yet again noted subdued client demand due to political uncertainty. The Services PMI decreased to 49.3 from October's figure of 50.0, leaving the Composite figure also at 49.3 – a decrease from 50.0 in October, indicating a contraction in the UK's economy last month.

The UK trade deficit widened sharply to £5.19bn in October 2019, the biggest since April, from a revised £1.92bn in the previous month. Imports jumped by 6.2%, while exports rose at a much softer 0.8%. GDP data, meanwhile, showed that the UK economy stagnated in the three months to October 2019, falling from the 0.3% q/q growth recorded in the previous period. Year-on-year GDP growth fell slightly to 0.7% in October, from 0.9% y/y in September.

The UK's unemployment rate remained at 3.8% in the three months to October, as the number of people employed rose by 24,000 to 32.8m. Average earnings including bonuses rose by an annual 3.2% rate, slowing from the 3.7% gain recorded in the three months to September. Average earnings excluding bonuses growth slowed less sharply to 3.5% y/y in the three months to October, from 3.6% y/y in the previous period.

CPI was unchanged at 1.5% y/y in November, slightly above market expectations of 1.4% but well below the Bank of England's 2% target. This was the lowest inflation rate since November 2016, but the BoE forecasts suggest that inflation could fall to as low as 1.25% in early 2020 due to caps on energy and water prices. The core CPI rate (which strips out the more volatile components), was 1.7% in November, unchanged from the previous month.

November's retail sales fell by 0.6% m/m after reporting no growth in October, which missed market expectations of a 0.3% m/m increase. This marked the 4th consecutive month of no growth in trade, the longest run since 1996. Year-on-year retail sales growth slowed to 1.0% in November, from the 3.1% gain recorded in the previous period.

The Confederation of British Industry's monthly retail sales balance rose 3 points from a month earlier to 0 in December, the highest level since April, but below market expectations of +3. The latest reading still signalled flat sales overall, with the volume of orders placed on suppliers falling for the 8th consecutive month. The GfK Consumer Confidence index, meanwhile, rose to -11 in December, from the previous month's reading of -14.

Against this backdrop, the Bank of England voted by a 7-2 majority to hold interest rates at 0.75% during their December Meeting. The two dissenting members voted to cut interest rates to 0.5%. Outside of economic and market events the general election on the 12th December saw the Conservatives gain a 78 seat majority. This result provided a late boost to domestic financial markets as the large majority was expected to ease through the Withdrawal Agreement Bill, thus remove some near-term Brexit uncertainty.

In the US, non-farm payrolls rose by 266,000 in November, following an upwardly revised increase of 156,000 in October, easily beating market expectations of 180,000. This was the largest advance in payrolls since January, with notable job gains occurring in health care and in professional and technical services. Employment also increased in manufacturing, reflecting the return of workers from a strike at General Motors. US average hourly earnings for all employees registered a 0.2% m/m gain in November, following an upwardly revised 0.4% rise in October, which was slightly below market expectations of a 0.3% gain. The unemployment rate fell to 3.5% in November from 3.6% in October, which missed market expectations for the rate to remain unchanged.
US CPI increased to 2.1% y/y in November from 1.8% in October, which was marginally above consensus forecasts of a 2.0% rise. This was the highest rate since November 2018, as food inflation was little-changed while energy prices dropped at a much slower pace. The core inflation rate, which excludes volatile items such as food and energy, was unchanged at 2.3 percent, in line with market forecasts. The US economy grew at a 2.1% annualised rate in the third quarter, following the 2% expansion recorded in the second quarter. The increase in real GDP in the third quarter reflected positive contributions from consumption, government spending and residential spending that were partly offset by negative contributions from non-residential fixed investment and private inventory investment.

The Euro Area unemployment rate fell to 7.5% in October, matching market expectations, from an upwardly revised 7.6% in the previous month. This is the lowest rate recorded in the Euro Area since July 2018. The number of unemployed persons in the Euro Area decreased to 12.334 million in October from 12.365 million in September. Across the European Union as a whole, the unemployment rate was unchanged at 6.3% in October, where it has remained for the last six months.

Housing
Buoyed by a 1% monthly gain, Halifax reported that house prices rose by 2.1% y/y in November, which was well above October's 0.9% y/y gain and the consensus forecast of a 1% y/y rise.
Currency
Sterling exhibited significant volatility against both the US Dollar and Euro last month, mainly due to the outcome of the general election. Having garnered a Conservative majority, the PM can fulfil his plan to take the UK out of the EU on the 31st January 2020. As a result, the pound rose from \$1.29 to \$1.326 and from €1.172 to €1.182
Forecast
The General Election win for the Conservatives has taken away some Brexit uncertainty, and as a result, both Link Asset Services and Capital Economics have left their forecasts unchanged.

Bank Rate	Now	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Link Asset Services	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%
Capital Economics	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%

Lincolnshire County Council

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Deutsche	10,764,000	0.70%		MMF	AAA	0.000%
MMF Insight	20,000,000	0.71%		MMF	AAA	0.000%
MMF Aberdeen Standard Investments	20,000,000	0.73%		MMF	AAA	0.000%
MMF Morgan Stanley	17,150,000	0.70%		MMF	AAA	0.000%
Cooperatieve Rabobank U.A.	5,000,000	1.14%	25/01/2019	24/01/2020	A+	0.003%
Cooperatieve Rabobank U.A.	5,000,000	1.14%	25/01/2019	24/01/2020	A+	0.003%
Standard Chartered Bank	10,000,000	0.79%	25/07/2019	27/01/2020	A	0.004%
HSBC UK Bank Plc (RFB)	10,000,000	0.80%		Call30	A+	0.004%
Staffordshire Moorlands District Council	2,000,000	1.10%	01/02/2019	31/01/2020	AA	0.002%
Santander UK Plc	502,483	1.37%	20/02/2019	17/02/2020	A	0.007%
Santander UK Plc	2,967,228	1.39%	20/02/2019	17/02/2020	A	0.007%
Santander UK Plc	1,507,696	1.35%	21/02/2019	17/02/2020	A	0.007%
Santander UK Plc	5,996,909	0.97%	12/08/2019	17/02/2020	A	0.007%
Nordea Bank Abp	5,000,000	0.81%	01/11/2019	28/02/2020	AA-	0.004%
DBS Bank Ltd	5,000,000	0.91%	17/06/2019	17/03/2020	AA-	0.005%
Landesbank Hessen-Thueringen Girozentrale (Helaba)	8,300,000	1.10%	21/03/2019	20/03/2020	A	0.012%
HSBC UK Bank Plc (RFB)	10,000,000	0.91%		Call90	A+	0.013%
Barclays Bank Plc (NRFB)	15,000,000	0.95%		Call95	A	0.014%
Cheshire East Council	5,000,000	1.15%	15/03/2019	15/04/2020	AA	0.007%
Newry, Mourne and Down District Council	5,000,000	0.85%	23/07/2019	23/04/2020	AA	0.008%
National Westminster Bank Plc (RFB)	5,000,000	1.09%	30/04/2019	30/04/2020	A	0.017%
Commonwealth Bank of Australia	5,000,000	0.97%	10/05/2019	08/05/2020	AA-	0.009%
Bank of Scotland Plc (RFB)	6,000,000	1.25%	15/05/2019	15/05/2020	A+	0.020%
Bank of Scotland Plc (RFB)	6,000,000	1.25%	22/05/2019	22/05/2020	A+	0.021%
National Westminster Bank Plc (RFB)	5,000,000	1.01%	28/05/2019	28/05/2020	A	0.022%
Bank of Scotland Plc (RFB)	8,000,000	1.25%	28/05/2019	28/05/2020	A+	0.022%
DBS Bank Ltd	5,000,000	0.94%	29/05/2019	29/05/2020	AA-	0.010%
Highland Council	5,000,000	1.00%	03/06/2019	01/06/2020	AA	0.010%
Plymouth City Council	10,000,000	0.85%	02/09/2019	02/06/2020	AA	0.010%
Rotherham Metropolitan Borough Council	5,000,000	0.90%	23/09/2019	23/06/2020	AA	0.012%
DBS Bank Ltd	5,000,000	0.93%	28/06/2019	26/06/2020	AA-	0.012%
Santander UK Plc	4,000,000	1.10%		Call180	A	0.026%
Australia and New Zealand Banking Group Ltd	5,000,000	1.08%	28/06/2019	30/06/2020	AA-	0.012%
National Westminster Bank Plc (RFB)	10,000,000	0.97%	01/07/2019	01/07/2020	A	0.026%
Australia and New Zealand Banking Group Ltd	5,000,000	1.07%	12/07/2019	10/07/2020	AA-	0.013%
Australia and New Zealand Banking Group Ltd	5,000,000	1.02%	02/08/2019	31/07/2020	AA-	0.014%
Australia and New Zealand Banking Group Ltd	5,000,000	1.00%	20/08/2019	18/08/2020	AA-	0.015%
Landesbank Hessen-Thueringen Girozentrale (Helaba)	5,000,000	0.85%	05/09/2019	04/09/2020	A	0.036%
National Westminster Bank Plc (RFB)	5,000,000	0.92%	16/09/2019	15/09/2020	A	0.037%
South Ayrshire Council	5,000,000	0.90%	23/09/2019	21/09/2020	AA	0.018%

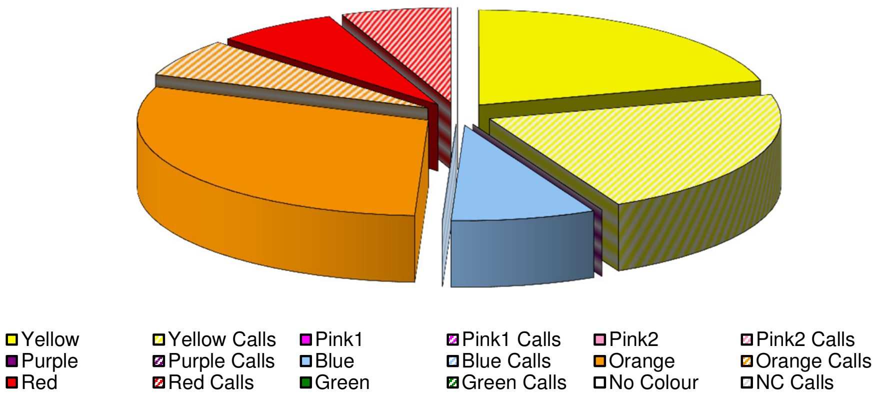
Lincolnshire County Council

Current Investment List

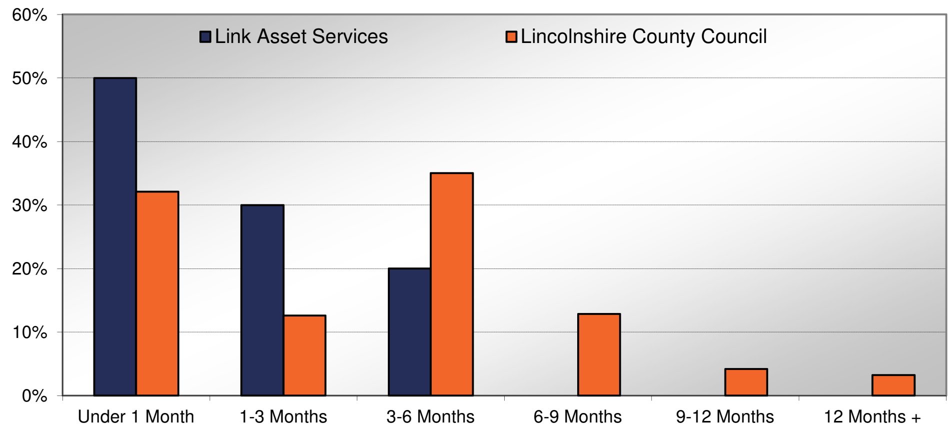
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
West Dunbartonshire Council	5,000,000	0.90%	30/09/2019	28/09/2020	AA	0.018%
DBS Bank Ltd	5,000,000	0.93%	30/09/2019	28/09/2020	AA-	0.018%
Cherwell District Council	5,000,000	1.00%	18/10/2019	16/10/2020	AA	0.019%
Thurrock Borough Council	2,000,000	0.95%	19/12/2019	17/12/2020	AA	0.023%
Reigate & Banstead Borough Council	6,000,000	1.00%	18/12/2019	18/12/2020	AA	0.023%
Wokingham Borough Council	5,000,000	1.42%	27/03/2019	26/03/2021	AA	0.028%
Doncaster Metropolitan Borough Council	5,000,000	1.10%	16/08/2019	02/07/2021	AA	0.033%
Total Investments	**£311,188,316**	**0.94%**				0.012%

Lincolnshire County Council

Portfolio Composition by Link Asset Services' Suggested Lending Criteria



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



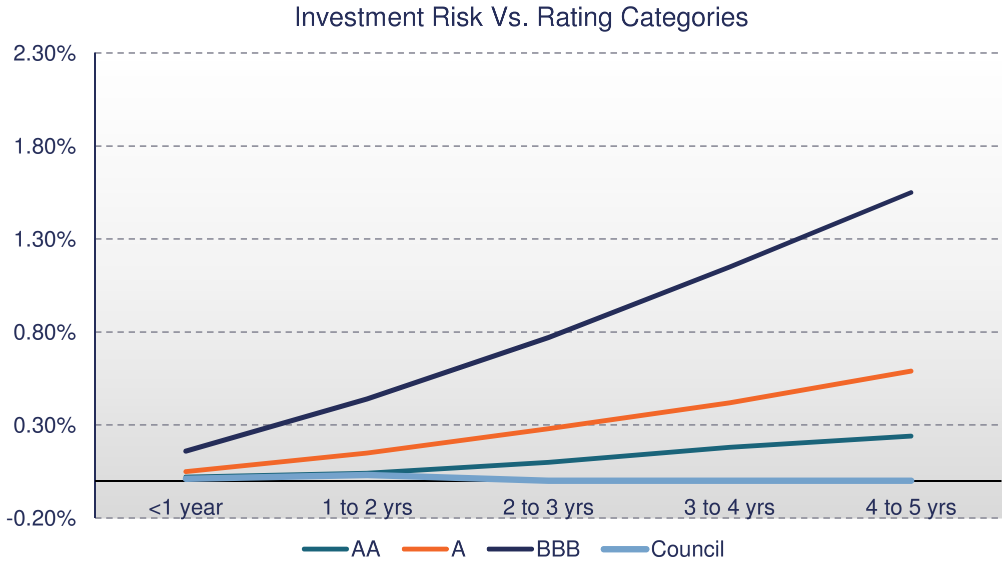
Portfolios weighted average risk number = 2.77

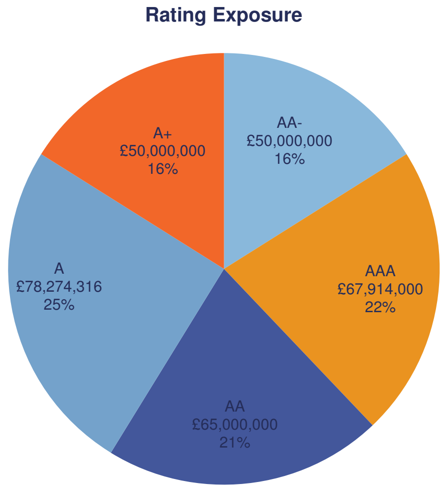
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs WAM	Excluding Calls/MMFs/USDBFs WAM at Execution
Yellow	42.71%	£132,914,000	51.10%	£67,914,000	21.82%	0.85%	123	192	251	392
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	8.03%	£25,000,000	0.00%	£0	0.00%	0.99%	179	366	179	366
Orange	36.41%	£113,300,000	17.65%	£20,000,000	6.43%	1.02%	129	296	144	347
Red	12.85%	£39,974,316	47.53%	£19,000,000	6.11%	0.98%	74	174	38	229
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
	100.00%	**£311,188,316**	**34.36%**	**£106,914,000**	**34.36%**	**0.94%**	**123**	**241**	**171**	**351**

Lincolnshire County Council

Investment Risk and Rating Exposure





Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	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	0.011%	0.031%	0.000%	0.000%	0.000%

Historic Risk of Default

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

Chart Relative Risk

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

Rating Exposures

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

Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
06/12/2019	1708	HSBC UK Bank PLC (RFB)	United Kingdom	The Long Term Rating was downgraded to 'A+' from 'AA-'.
06/12/2019	1709	HSBC Bank PLC (NRFB)	United Kingdom	The Long Term Rating was downgraded to 'A+' from 'AA-'. At the same time the Viability Rating was downgraded to 'a' from 'a+'.
18/12/2019	1711	United Kingdom Sovereign	United Kingdom	The Sovereign Rating was removed from Negative Watch and placed on Negative Outlook.
20/12/2019	1714	Abbey National Treasury Services PLC	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	Bank of Scotland PLC (RFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	Barclays Bank PLC (NRFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	Barclays Bank UK PLC (RFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	Close Brothers Ltd	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	Clydesdale Bank PLC	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	Co-operative Bank PLC (The)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	HSBC Bank PLC (NRFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	HSBC UK Bank PLC (RFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	Lloyds Bank Corporate Markets PLC (NRFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	Lloyds Bank PLC (RFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	NatWest Markets PLC (NRFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	Santander UK PLC	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	National Westminster Bank PLC (RFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1714	The Royal Bank of Scotland PLC (RFB)	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.

Lincolnshire County Council

Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
20/12/2019	1715	Coventry Building Society	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1715	Leeds Building Society	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1715	Nationwide Building Society	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1715	Principality Building Society	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1715	Skipton Building Society	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.
20/12/2019	1715	Yorkshire Building Society	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Stable Outlook.

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
02/12/2019	1707	Credit Suisse AG	Switzerland	The Outlook on the Long Term Rating was changed to Positive from Stable.
18/12/2019	1713	HSBC Bank Plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.

Lincolnshire County Council

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
11/12/2019	1710	Macquarie Bank Ltd.	Australia	The Long Term Rating was upgraded to 'A+' from 'A'. At the same time the Outlook on the Long Term Rating was changed to Stable from Positive.
18/12/2019	1712	United Kingdom Sovereign	United Kingdom	The Outlook on the Sovereign Rating was changed to Stable from Negative.

Appendix E

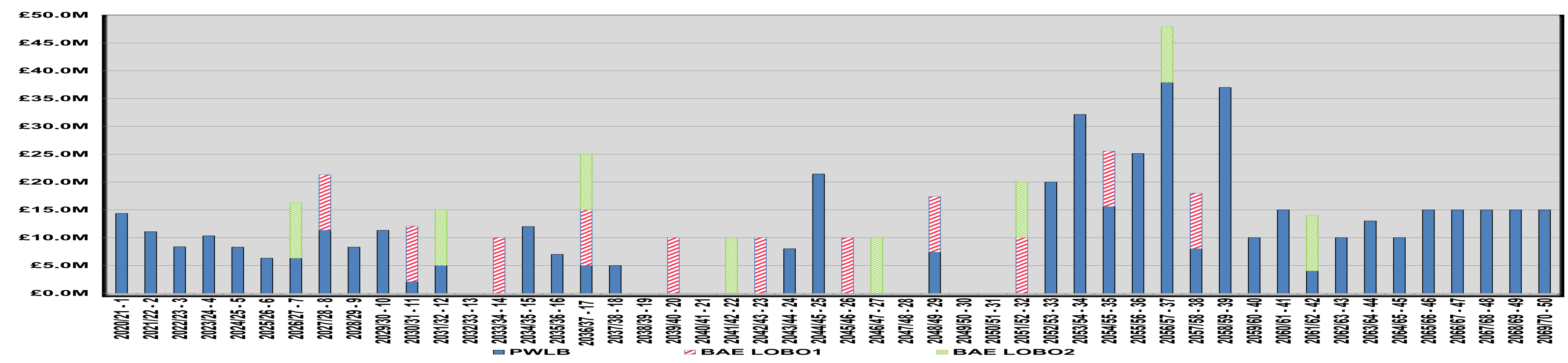
Borrowing: Activity & Performance and Long Term Maturity Profile at 31 December 2019

Long Term Borrowing Position at 31 December 2019

External Borrowing Position 31/12/2019 and Forecast for 2019/20		
Borrowing Position1/4/2019	£465.894m	3.97%
New Borrowing Taken to 31/12/19	£50.000m	1.85%
Debt Repaid to 31/12/2019	-£11.354m	
Borrowing Position 31/12/2019	**£504.540m**	**3.78%**
Further action required in 2019/20:		
Remaining Borrowing Requirement 2019/20	£0.000m	
Further Debt Repayments	-£3.000m	
Projected Borrowing at 31/3/2020	**£501.540m**	

Borrowing Requirement Position at 31/12/2019	
Capital Programme after Rephasing	£118.953m
Funded By:	
Borrowing Requirement 2019/20	£118.353m
Plus Carry Forward from 2018/19	£50.108m
	£168.461m
Less adjustment for Internal Borrowing,	(£118.461m)
Projected Underspends/Rephasing & Voluntary Repayments.	£50.000m
Less Borrowing Taken- to 31/12/2019	(£50.000m)
Remaining Borrowing Requirement 2019/20 At 31.12.2019	**£0.000m**

Long Term Borrowing Maturity Profile At 31 December 2019 (External Borrowing)



Lincolnshire COUNTY COUNCIL
Working for a better future

Policy and Scrutiny

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

Report to:	**Overview and Scrutiny Management Board**
Date:	**27 February 2020**
Subject:	**Treasury Management Strategy Statement and Annual Investment Strategy for Treasury Investments 2020/21**

Summary:

This report invites the Overview and Scrutiny Management Board to consider a report on the Treasury Management Strategy Statement 2020/21, including the Annual Investment Strategy for Treasury Investments 2020/21, which is due to be considered by the Leader of the Council (Executive Councillor: Resources and Communications) on 20 March 2020. The views of the Board will be reported to the Leader of the Council as part of his consideration of this item.

Actions Required:

The Overview and Scrutiny Management Board is invited to:-

1) consider the attached report and to determine whether the Board supports the recommendations(s) to the Leader of the Council (Executive Councillor: Resources and Communications) as set out in the report.

2) agree any additional comments to be passed to the Leader of the Council in relation to this item.

1. Background

The Leader of the Council (Executive Councillor: Resources and Communications) is due to consider the Treasury Management Strategy Statement and Annual Investment Strategy for Treasury Investments 2020/21 on 20 March 2020. The full report to the Leader of the Council is attached at Appendix 1 to this report. The key points of the report are highlighted below.

Key Points Summary

- The Treasury Management Strategy and Annual Investment Strategy set the framework for how we manage cash flows, borrowings, treasury investments and risk. The sums involved are significant. Non-treasury investments made for service reasons have a different risk profile and are covered in a separate Capital Strategy, which was reported to this Board on 30 January 2020.

- Performance against these strategies will be reported quarterly to the Board throughout the forthcoming financial year.

- The forecast for interest rates shows only a moderate increase of no more than 1% over the next 3 years, (see graph, para 2.2.1). Although a risk of a cut in Base Rate is high over the next 12 months if the UK economy falters due to global recession or Brexit planning uncertainties.

- The Council has a significant borrowing requirement over the next 3 years to meet capital expenditure plans. An increase in long term rates will therefore have an adverse impact on the Council due to this borrowing requirement. A level of internal borrowing will be maintained to reduce interest costs and counterparty risks, but this will take account of our liquidity requirements and appropriate cash balances. (See para 2.3.2).

- In line with the CIPFA Prudential Code, Prudential Indicators, which limit the Council's borrowing and investment activity, are set. These limits ensure the Council's capital expenditure plans are affordable, prudent and sustainable. (See Annex C).

- Prudential Indicator Number 6 shows that the Council's cost of borrowing plans remain well within the limit set of 10% of Net Revenue for the forecasting period to 2022/23. (See Annex C).

- Giving consideration to current borrowing and investment factors highlighted, the key elements of the Council's borrowing and investment strategies for 2020/21 are highlighted in the green sections of the report. (See paras 2.3.6 and 2.4.6).

- The Council's risk appetite for treasury investments remains low, its priorities will remain: security first; liquidity second then finally yield. There has been no change to the risk appetite level for 2020/21 and minimum limits set remain the same.

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 Leader of the Council (Executive Councillor: Resources and Communications). The Board's views will be reported to the Leader of the Council.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

See report to Leader of the Council (Executive Councillor: Resources and Communications) attached at Appendix 1.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Report to the Leader of the Council (Executive Councillor: Resources and Communications) on the Treasury Management Strategy Statement and Annual Investment Strategy for Treasury Investments 2020/21

5. Background Papers

Document title	Where the document can be viewed
Council Budget 2020/21 - 21 February 2020	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=5627&Ver=4
LCC Treasury Management Policy Statement and Treasury Management Practices	Lincolnshire County Council, Resources

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

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Lincolnshire COUNTY COUNCIL
Working for a better future

Executive Councillor

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

Report to:	**Councillor M J Hill OBE, Leader of the Council (Executive Councillor: Resources and Communications)**
Date:	**20 March 2020**
Subject:	**Treasury Management Strategy Statement and Annual Investment Strategy for Treasury Investments 2020/21**
Decision Reference:	**I019271**
Key decision?	**No**

Summary:

The Treasury Management Strategy Statement is an annual statement that sets out the expected treasury activities for the forthcoming year 2020/2021. These activities include the Council's expected borrowing and treasury investments, cashflows and banking.

Annual strategies for the Council's borrowing and treasury investments are included as part of this Report, as well as the Annual Investment Strategy for Treasury Investments which sets out the Council's policies for investing its surplus cash for the year ahead taking into account the risks involved.

This report meets the requirements of the 2017 CIPFA Code of Practice for Treasury Management in the Public Sector, (adopted in the Council's Financial Regulations), and also the Local Government Act 2003 and Ministry of Housing, Communities and Local Government (MHCLG) Guidance.

Approval for this Strategy Statement and Annual Investment Strategy is required by the Leader of the Council (Executive Councillor: Resources and Communications).

Recommendation(s):

That the Leader of the Council approves:

The Treasury Management Strategy Statement for 2020/2021, including the Annual Investment Strategy Statement for Treasury Investments 2020/2021 contained within the Statement for the year ahead.

Alternatives Considered:	
1.	Not to approve the strategies or to approve amended strategies.

Reasons for Recommendation:

The Council's Financial Regulations require the Council to prepare annually a Treasury Management Strategy Statement (including an Annual Investment Strategy Statement for Treasury Investments) and Minimum Revenue Provision (MRP) Policy Statement.

The strategies proposed in this Report have been developed with regard to relevant Guidance and in accordance with the Council's financial policies. They are aligned to the Council's Prudential Indicators and MRP Policy Statement both of which are submitted with the Council's Budget Book for approval by the County Council in February. The advice of the Council's Treasury Management advisors has been taken during the course of developing the strategy and the proposals in this report are considered to be the most appropriate approach for the Council to adopt.

1. INTRODUCTION / BACKGROUND

1.1. Background

1.1.1. CIPFA defines treasury management as:

'the management of the Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'

1.1.2. The main functions of treasury management are outlined in the table below.

• Cash Flow	Cash raised during year meets cash expenditure as part of a balanced budget. This cash flow is planned and managed to ensure cash is available when needed. (Investing surplus cash or borrowing for predicted shortfalls).
• Investing Surplus Monies	Surplus monies are invested in accordance with Council's low risk appetite and in line with its liquidity requirements. The Council outlines its investment policy and investment risk appetite within its **Annual Investment Strategy**. Risk appetite is low as security of investments is paramount over any returns made.

• Borrowing (Long Term) to fund Capital Plans.	The Council's capital plans provide a guide to the longer term borrowing need of the Council; essentially longer term cash flow planning. Both external and internal borrowing, (using long term cash surpluses), is done to manage this long term cash flow requirement.

1.1.3. These functions are critical to the Council, as the management of both debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due both in the short and long term for both revenue and capital projects. The minimisation of interest costs on borrowing and the maximisation of interest earned on investments, subject to the security of the sums invested, also play a significant role to the available resources of the Council.

1.2. **Relevant Treasury Management Regulation / Legislation**

1.2.1. The Council's treasury management activities are governed and meet the requirements of the following regulations, legislation and guidance:

- The Local Government Act 2003.
- CIPFA Prudential Code 2017.
- MHCLG MRP Guidance 2018.
- CIPFA Treasury Management Code 2017.
- MHCLG Investment Guidance 2018.

The Council has also adopted the key requirements of the CIPFA Treasury Management Code as part of its **Financial Regulations** within the **Constitution**.

1.3. Reporting Requirements: Treasury Management

1.3.1. The following reporting requirements of the CIPFA Treasury Management Code are met as follows:

- The Treasury Management Strategy, including the Annual Investment Strategy for Treasury Investments, is submitted to the **Executive Councillor for Resources and Communications** for approval prior to the start of the financial year. It is presented to the **Overview and Scrutiny Management Board** prior to this decision for scrutiny comment.

- The Council's Prudential Indicators and MRP Policy Statement are considered by the County Council along with the Council's Budget Book in February of each year. If any changes to these items by the County Council have an impact on the Treasury Management Strategy and Annual Investment Strategy then these will be picked up and altered accordingly via this reporting and scrutiny route.

- **Quarterly update reports** will then be presented to the Overview and Scrutiny Management Board throughout the financial year which will monitor and report on actual treasury activity against the approved Strategy.

1.3.2. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

1.4. Treasury Management Training

1.4.1. The importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them are recognised by the Council and it is the responsibility of the S151 Officer to implement the necessary arrangements to ensure this takes place.

1.4.2. The Council seeks to appoint individuals who are both capable and suitably experienced and also will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

1.4.3. All treasury management staff are encouraged to take any suitable training in treasury management provided by CIPFA, Link Asset Services Ltd or other relevant market participant. The Treasury Manager, Treasury Officer and Corporate Head of Finance for the Council have all successfully gained the CIPFA/ACT qualification in International Treasury Management (Public Finance) (Cert ITM-PF).

1.4.4. The Section 151 Officer will ensure that elected members tasked with treasury management responsibilities, including those responsible for scrutiny have access to training relevant to their needs and those responsibilities.

1.5. External Service Providers: Treasury Management

1.5.1. The Council currently uses **Link Asset Services Ltd** as its external treasury management advisers.

1.5.2. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.

1.5.3. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

1.6. Pension Fund Cash

In line with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, effective from 1 April 2010, an agreement is in place for the pooling of Pension Fund cash within the surplus Council cash balances for investment.

1.7. Non-Treasury Investments

1.7.1. The CIPFA Codes and Government Guidance were revised in 2017/2018 to include requirements for **non-treasury investments**.

1.7.2. Non-treasury investments generally arise from capital expenditure, not from the Council's day to day cashflow activities, and comprise commercial financial assets and property, third party loans supporting service outcomes, investments in subsidiaries and investment in property portfolios.

1.7.3. Non-treasury investments held by the Council are therefore not covered within this Treasury Strategy but are reported within the Council's **Capital Strategy,** which will be presented to the County Council for approval on 21 February 2020 along with the Council Budget for 2020/21. The risks of holding these types of investment and how the Council manages these risks are fully explained within the Capital Strategy as they differ to the risks relating to Treasury Investments as outlined in this document.

2. TREASURY MANAGEMENT STRATEGY STATEMENT 2020/2021

2.1. Introduction

2.1.1. The Treasury Management Strategy for 2020/21 is based upon the capital and revenue expenditure plans of the Council and the Treasury Officers' current views on interest rates for the year ahead.

2.1.2. Both capital and treasury management issues are covered in the following three areas of the Strategy as detailed below:

- **1) Prospect For Interest Rates 2020 to 2023 and Economic Commentary**
- **2) Borrowing**
  - Borrowing Requirement 2019/20 to 2022/23.
  - Associated Prudential Indicators, including:
    - Capital Expenditure and Financing Plans. PI 1
    - Capital Financing Requirement & Internal Borrowing. PI 2
    - Affordable Borrowing Limit 2020/21 to 2022/23. PI 4
    - **Minimum Revenue Provision (MRP) Policy. PI 5**
    - Borrowing in Advance of Need Policy. PI 11
    - Interest Rate Exposure re Borrowing. PI 8
  - Debt Rescheduling.
  - Borrowing Performance Benchmark.
  - Long Term Borrowing –Factors for Consideration 2020/21.
  - **Long Term Borrowing Strategy for 2020/21**.

- **3) Investments**

  - **Annual Investment Strategy for Treasury Investments 2020/21.**
  - Interest Rate Exposure re Investments. PI 8
  - Short term and long term cash flow management.
    - Liquidity of investments. PI 9
  - Treasury Investment Performance Benchmark.
  - Treasury Investments –Factors for Consideration 2020/21.
  - **Treasury Investment Strategy for 2020/21**

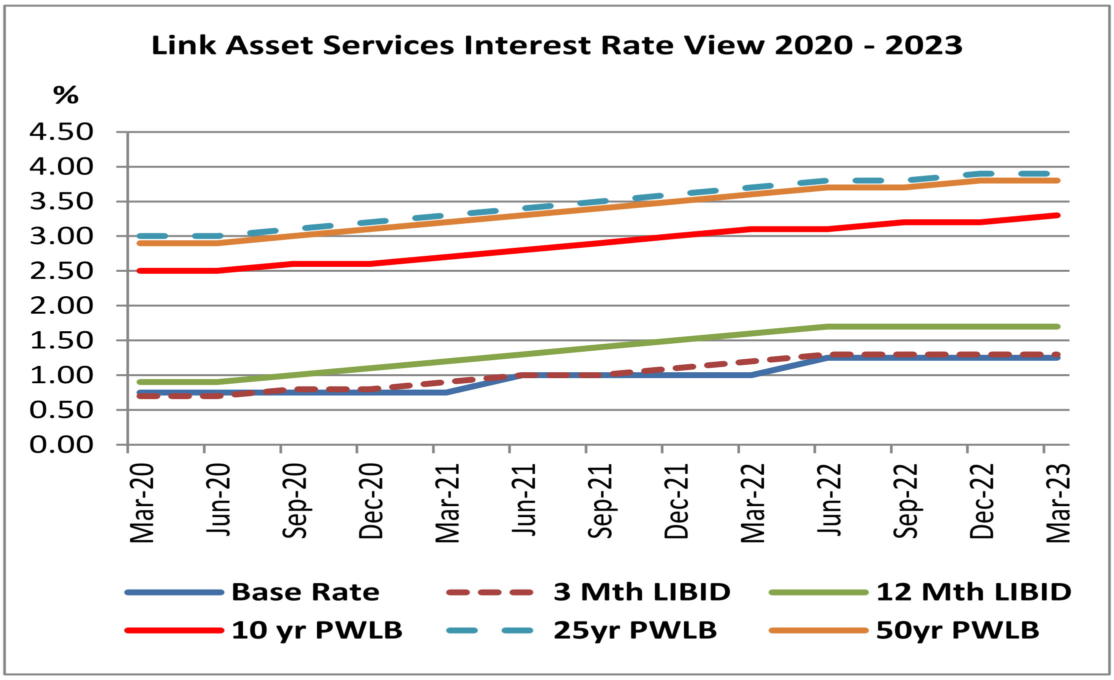
2.1.3. To place this Treasury Management Strategy in context, the table below shows the Council's net treasury portfolio position at 31 December 2019 compared to the start of the year, with associated average percentage costs/returns. It shows the net borrowing position of the Council as follows:

	1 Apr 2019		31 Dec 2019	
	Principal £m	Ave Rate %	Principal £m	Ave Rate %
PWLB Debt	(445.894)	3.96%	(484.540)	3.75%
LOBO Debt	(20.000)	4.00%	(20.000)	4.00%
Long Term Borrowing	(465.894)	3.97%	(504.540)	3.76%
Fixed Deposits	187.350	1.03%	153.300	1.04%
Bonds	4.977	1.38%	10.974	1.15%
Certificates of Deposit	38.500	1.02%	40.000	0.92%
Call & O/N	20.000	0.93%	39.000	0.92%
Money Market Funds	20.000	0.87%	67.914	0.72%
Treasury Investments*	270.827	1.01%	311.188	0.94%
Net Borrowing	(195.067)		(193.352)	

*Note: this balance excludes non-treasury investments but includes Pension Fund cash.

2.2. Prospect for Interest Rates 2020 to 2023 and Economic Commentary

2.2.1. Link Asset Services has provided their view for both short term and longer term interest rates for the following three years to March 2023, taking into account the current outlook for the UK Economy. This is summarised in the graph below.



2.2.2. The graph shows only a **moderate upward drift in rates of no more than 0.90% over the next three years for both short term and long term rates**. A more detailed forecast for interest rates is shown in **Annex A** that also includes a view from Capital Economics, a leading city institution.

2.2.3. The above forecast has been based on an assumption that there is an **agreed deal on the Brexit withdrawal,** including agreement on the terms of trade between the UK and EU at some point. But uncertainty over the outcome of Brexit and achieving a trade agreement with the EU by December 2020 still remains and will have an impact on the economy and interest rates in the year ahead.

2.2.4. Link Asset Services has provided a list of risks that they feel may increase (upside risk) or decrease (downside risk) the interest rate forecast detailed above, which can be found in **Annex B**.

2.2.5. A detailed view of the current economic outlook from Link Asset Services is also shown in **Annex B**. A summary of this economic outlook, that will set the backdrop to the Council's treasury management activity in 2020/21, is detailed below:

- **GDP growth** - The economy is likely to tread water in 2020, with tepid **growth around about 1%,** until there is more certainty after the trade deal deadline is passed.

- **The Bank of England** is concerned that **weak global economic growth** and the potential for **Brexit uncertainties** to become entrenched will delay any UK economic recovery.

- **CPI inflation** – In November 2019, the Bank of England MPC revised its inflation forecasts **down to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021**; hence viewing inflation as causing little concern in the near future.

However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

- **Fiscal Intervention -** The Chancellor is to provide help to support growth by way of a **fiscal boost** e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. Measures are likely to be announced in the next Budget in March 2020. The Chancellor amended the fiscal rules in November 2019 to allow for an increase in government expenditure.

- **Labour Market/Wage Growth** – Growth in numbers employed stalled in 2019, but a major downturn is not expected. The unemployment rate held steady at a 44-year low of 3.8%. Wage inflation has been steadily falling in 2019, to 3.5% in October 2019. Supply pressure in the labour market is easing as employers are finding it easier to employ suitable staff.

2.2.6. The economic outlook and structure of market interest rates have several key treasury management implications for the year ahead as follows:

- **Investment returns are likely to remain low during 2020/21** with little increase in the following two years. If major progress was made with an agreed Brexit, this will increase potential for earnings**.**

- The 1% increase in PWLB rates across all periods will open **more opportunities to take external market** debt at comparable market levels during 2020/21.

- The gap between short term rates and long term rates has widened again due to the 1% increase in PWLB rates last October 2019. Any external borrowing undertaken will therefore incur a **cost of carry,** i.e. a revenue loss between borrowing costs and investment returns.

2.3. Borrowing

2.3.1. Borrowing Requirement 2019/20 to 2022/23

The **long term borrowing requirement** plans for the Council come from the Council's **capital expenditure and financing plans** which form part of the Council Budget each year.

The **affordability, prudence and sustainability** of the capital expenditure and financing plans are assessed / demonstrated by setting a series of **Prudential Indicators and Limits** each year, as required by the CIPFA Prudential Code 2017. **Annex C** shows these Prudential Indicators, actuals for 2018/19 and estimated for 2019/20 through to 2022/23. These are submitted with the Council Budget 2020/21 Report, due to be considered at the meeting of the County Council on 21 February 2020. A more detailed explanation of the Prudential Indicators linked to borrowing is provided in 2.3.2 below.

2.3.2. Prudential Indicators Associated with Borrowing

PI 1 -Capital Expenditure and Financing Plans

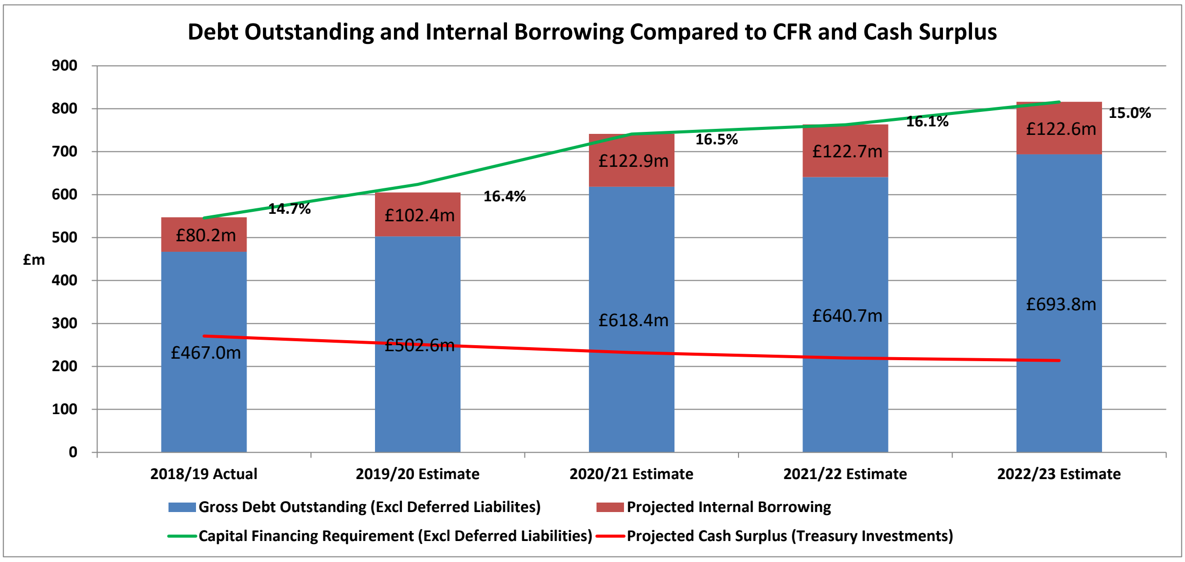
The table below shows the Council's **capital expenditure plans** for the reporting period and the element of this expenditure which is not to be financed straight away from cash resource or grants, hence to be financed at a future date by borrowing (**i.e. the borrowing requirement**). The table also shows the amount of external borrowing taken which is due to mature over the reporting period which impacts on the total indebtedness of the Council.

	Estimate 2019/20 £m	Estimate 2020/21 £m	Estimate 2021/22 £m	Estimate 2022/23 £m	Total £m
Capital Expenditure Plans	189.173	223.204	64.549	100.286	**577.212**
New Borrowing Requirement	94.900	137.893	50.303	83.496	**366.592**
Maturing Borrowing Requirement	14.354	14.354	11.064	8.354	**48.126**

PI 2 - Capital Financing Requirement and Internal Borrowing

The Capital Financing Requirement (CFR) is a measure of the amount of capital expenditure that the Council has already spent that has yet to be funded from cash resources. i.e. the Council's total indebtedness or **need to borrow for capital financing purposes**. Credit arrangements (finance leases and private finance initiatives) 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)**, or the Council's repayment of debt provision. The Council's policy for MRP to be considered by the County Council in February 2020 is outlined in **Annex D**.

The graph below shows the actual CFR for 2018/19 and forward projections to 2022/23 (**the green line**), compared to the actual level of external debt the Council holds (**the blue bars**). The difference between the CFR level and the external debt level is known as **Internal Borrowing** (**the red bars**). This represents the amount of borrowing requirement being met by the Council's **internal balances and cash flow** rather than by taking external borrowing. This internal borrowing or 'under borrowed' strategy is a way of **managing risk** and has been prudent whilst investment returns are low and counterparty risk is high. The graph shows that this internal borrowing level is forecast to maintain at around 15%-16% of the CFR. The predicted effect on the Council's cash resource by maintaining this level of internal borrowing is indicated by **the red line** on the graph below showing cash balances being sustained, falling to just over £200m for the forecasted period, a level the Council deems **sustainable**. It should be noted however that the decision to turn internal borrowing into external debt can be made at any time, given the right market conditions, without affecting the level of the CFR.



The rising **green line** in the above graph indicates that the total CFR (or borrowing requirement) is increasing year on year which means new borrowing commitments are outstripping the minimum provision to repay debt (i.e. MRP) each year to 2022/23.

PI 4 - Affordable Borrowing Limit for 2020/2021 to 2022/2023

The Council has a statutory duty to determine and keep under review how much it can afford to borrow i.e. to determine its "**Affordable Borrowing Limit**" or the **Authorised Limit for External Borrowing** which is another Prudential Indicator.

The Borrowing Limit set must be affordable, prudent and sustainable so that the borrowing impact upon future council tax levels is acceptable and affordable to sustain a balanced budget. The limit includes both external borrowing and credit arrangements (finance leasing and PFI) and is set on a rolling basis for the forthcoming financial year and two successive financial years. Once set this limit should not be breached.

The Executive Director - Resources has responsibility to set the Authorised Borrowing Limit, to monitor the limit and to report to the **Executive Councillor for Resources and Communications**, if he is of the view that the limit is likely to be breached. The Executive Councillor has then to decide to take appropriate action for the limit not to be breached or to raise the limit if prudent to do so.

The Council's **Authorised Limit for External Debt for 2020/21 to 2022/23** is shown in the table below. The Council's actual external debt forecast as shown in the previous graph falls well within these limits set.

	2020/21 £million	2021/22 £million	2022/23 £million

Borrowing	715.305	742.576	779.032
Other Long Term Liabilities*	11.488	11.964	10.728
TOTAL	**726.793**	**754.540**	**789.760**

*Note: The above limit for Other Long Term Liabilities includes an allowance of £3.5m to cover those operating leases currently held off- balance sheet, to be transferred to the balance sheet and treated as finance leases in 2020/21, as per the requirements of International Financial Reporting Standard 16 (IFRS16). Actual figures will be reported as part of the 2020/21 closedown operation. This allowance has also been reflected in the CFR figures as shown in Annex C.

PI 5 – Minimum Revenue Provision (MRP) Policy

Financing capital expenditure by borrowing allows the Council to incur capital expenditure that it does not immediately fund from cash resources. Instead, the Council sets cash resource aside from the Revenue Budget each year to repay the borrowing. This practice is referred to as making **minimum revenue provision (or MRP) for the repayment of debt.**

Regulation and Statutory Guidance requires the Council to produce a **Minimum Revenue Provision (MRP) Policy Statement** in advance of each year, which sets out options followed to calculate, as a minimum, a **prudent MRP charge.** Voluntary Revenue Provision (VRP) over and above the statutory MRP can be made if desired and this can be reclaimed if deemed necessary or prudent. This policy is submitted with the Council Budget 2020/21 Report, due to be considered at the meeting of the County Council on 21 February 2020.

The Council's MRP Policy Statement for 2020/21 to be considered by the County Council in February 2020 is detailed in **Annex D**. This policy uses the **average life** and **straight line repayment methods** to calculate the MRP charge, in accordance with the latest Guidance.

Following this policy, the MRP and VRP charge calculated for 2019/20 to 2022/23, based on the borrowing requirement above, is shown in the table below:

	Estimate 2019/20 £m	Estimate 2020/21 £m	Estimate 2021/22 £m	Estimate 2022/23 £m
Minimum Revenue Provision (MRP)	18.145	23.146	29.191	31.580
Voluntary Revenue Provision (VRP)	0.000	0.000	0.000	0.000

The Council’s policy is to **actually repay** external debt at the MRP level, (not just make a provision against revenue balances), and as a measure of **affordability** the following voluntary Prudential Indicator (No 5) has been set:

MRP and Interest as a percentage of the Councils Income will not exceed 10%

Annex C shows that projected MRP and Interest to 2023/24 is well under this 10% limit – see PI 5.

PI 11 – Policy for Borrowing in Advance of Need

The Council has set a Voluntary Prudential Indicator (No 11) which sets an upper limit for borrowing in advance of need to 25% of the expected increase in CFR over a three year budget period as shown in Annex C.

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds. In determining whether borrowing will be undertaken in advance of need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need.
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
- consider the merits and demerits of alternative forms of funding.
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

PI 8 - Interest Rate Exposure –Borrowing

Long term loans are usually secured at fixed rates of interest, to provide certainty over the cost of maintaining the loans over their lifetime. However up to **30%** of all borrowing could alternatively be secured at **variable rates of interest**. (This is a voluntary Prudential Indicator (Number 8) as shown in **Annex C**). This may be appropriate if, for example, funding is required for a relatively short period, or if the Council wishes to defer locking into fixed rate loans because the interest rate forecast indicated that interest rates will be lower than the prevailing rate in the near term.

2.3.3. **Debt Rescheduling**

Debt rescheduling involves repaying existing loans and replacing these with new loans at different terms for the prime objective of generating financial savings on interest paid.

The Council's Financial Strategy states that **'the Council will actively pursue debt rescheduling to the extent that it will generate financial savings without adding significantly to the overall debt burden**'.

Repaying debt early does incur a premium[1] or discount[2] depending on the current level of interest rates compared to the rate of interest on the debt repaid. The following strategy will be followed when undertaking any debt rescheduling:

- The timing of any rescheduling during the year will take place to minimise premium or maximise the discount available. This is achieved by repaying loans at a peak in current interest rate levels to reduce the amount of premium due and locking into replacement loans at a trough in current interest rates. This strategy can incur an interest cost due to the delay in replacing debt repaid or interest can be made by borrowing in advance of repaying debt. There is also a level of interest rate risk of any timing decision.
- Suitable loans will be selected for rescheduling that match out both premium and discounts, thereby eliminating the cash impact to the Council.
- Any positions taken via rescheduling will be in accordance with the borrowing strategy position outlined in 2.3.5 below.
- The appropriate timing of any rescheduling will be monitored throughout 2020/21 by the Council and Link Asset Services Ltd.

To date interest savings have been made by rescheduling existing PWLB EIP[3] loans into PWLB maturity[4] loans and some existing LOBO[5] debt has

[1] A premium is incurred on repaying a loan early when the interest rate of the loan to be repaid is higher than the current rate available for the remaining duration of the existing loan.

[2] A discount is incurred on repaying a loan early when the interest rate of the loan to be repaid is lower than the current rate available for the remaining duration of the existing loan.

[3] With EIP loans, an equal amount of principal is repaid on a half yearly basis throughout the term of the loan with interest calculated on the reducing balance, hence total payments reduce over the lifetime of the loan.

[4] With Maturity loans, only interest repayments are made during the life of the loan and repayment of principal is made in full at the end of the loan period.

[5] A LOBO is a 'Lender's 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. The fixed period of time is typically for 1 to 20 years and the total length of the LOBO is typically for 50 to 70 years.

also been rescheduled into PWLB debt, at the request of the LOBO holder, to generate savings over the remaining term of the loan.

However, PWLB to PWLB debt restructuring is now much less attractive because of the large premiums that would be incurred due to the introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt.

2.3.4. **Borrowing Performance Benchmarks**

The performance of long term borrowing undertaken will be assessed against the relevant **PWLB rate for the year** for the relevant loan type and interest rate banding. **CIPFA Treasury Management benchmarking** will also be considered to compare with other councils average borrowing rates for the year. **Reducing or keeping increases to the average rate of the debt portfolio to a minimum** will also be a target indicator.

Short term borrowing will be assessed against the average **7 Day London Interbank Offer Rate (7Day LIBOR)** for the year or the current **yields on Money Market Funds/investments** for short term borrowing for cash flow purposes.

2.3.5. **Long Term Borrowing – Factors for Consideration for 2020/21**

- **Forecast for Long Term Interest Rates during 2020/21** – gradual increase of no more than 0.50% during year (see 2.2.1 and **Annex A**).

- **Target Rates for Borrowing (Source: Link Asset Services Ltd 30/1/2020) –** see below:

Period	Target Rate
50 Years	2.90%
25 Years	3.00%
10 Years	2.50%
5 Years	2.30%

- **The Council's Long Term Borrowing Maturity Profile** - as at 23 February 2020 can be seen as **Annex E**. It shows actual maturities and also possible maturities from the LOBO debt taken. Any new borrowing taken should focus on the gaps in the maturity profile and taken at these lengths at prevailing rates of interest where possible.

- **Type of Debt**: An appropriate balance between PWLB and other types of fixed period debt from the market should be maintained in the debt portfolio. As such the following limits for **type of debt** against the total debt portfolio should be followed:

Type of Debt	Limit
PWLB Debt	100%
Market Debt (Fixed term market institution debt).	20%
LOBO Debt	10%
Short Term (up to 10 years) Local Authority Debt	100%

2.3.6. **Long Term Borrowing Strategy 2020/21**

Given the factors detailed above, the following **borrowing strategy** will be adopted for 2020/21:

- **The Council will take new borrowing from the PWLB 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.**
- **Target levels will be monitored and timing of borrowing taken will coincide with any reduced rate opportunity below the target levels identified.**
- **Consideration will be given to borrowing market loans or LOBOs, to fit into the above maturity strategy and limits, in order to take advantage of the lower rates offered on these loans.**
- **Short term borrowing from the money markets or other local authorities will be considered if appropriate.**
- **Borrowing in advance of need will be undertaken during the year if considered appropriate in accordance with the Council's policy as detailed in 2.3.2, PI 11 above.**

2.3.7. To support the above strategy, prevailing interest rates and market forecasts will be continually monitored throughout the year and appropriate borrowing actions, including debt rescheduling if appropriate, will be taken in response to any sharp rise or fall in long and short term interest rates occurring throughout the year.

2.4. Investments

2.4.1. Annual Investment Strategy for Treasury Investments 2020/21

Regulation and Statutory Guidance requires the Council to produce an **Annual Investment Strategy** in advance of each year which indicates the type of treasury and non-treasury investments permitted against a given level of risk adopted for each type. This is shown in **Annex F**.

(Note: The Investment Strategy for Non-Treasury Investments is reported separately within the Capital Strategy Report 2020/21, as Non-Treasury Investments have a different risk profile to that of Treasury Investments).

The Council's **risk level** adopted for its Treasury Investments is **low** to achieve the following investment priorities:

- **the security of capital and**
- **the liquidity of its investments**

The Council will aim to achieve the optimum return on its treasury investments commensurate with proper levels of security and liquidity.

The Treasury Investment Strategy outlines the **Specified** and **Non-Specified Investments** that the Council deems acceptable given the level of risk it has adopted. Authorised counterparties, lending limits and maturity limits are set using credit worthiness methodology from Link Asset Services Ltd and an approved **Counterparty Investment Lending List** is formulated from this methodology. **(See Annex G**). All treasury investments will be made in accordance with the Annual Investment Strategy and Approved Lending List and any breaches during the year will be reported to the Executive Director - Resources.

2.4.2. Interest Rate Exposure re Investments PI 8

As a general guide, term deposits are usually at a **fixed rate** of interest, whereas amounts invested on call (to maintain sufficient liquidity in the investment portfolio) are usually at **variable rates** of interest. Fixed investments of up to 2 years are considered acceptable to good quality counterparties, limits permitting, where above market rates are achievable and sufficient liquidity is available, as a way of enhancing investment return. In a forecast rising interest rate scenario, fixed deposits should be pegged to coincide with the forecast increase periods at market levels. **There are no upper limits set to variable rate investments.**

2.4.3. Short Term and Long Term Cash Flow Management

Liquidity of Investments – PI 9

Liquidity is defined as having adequate, but not excessive cash resources, borrowing arrangements and overdraft or standby facilities to ensure that funds are available, at all times, for the achievement of the Council's objectives.

The Council's investment level is forecast to be around **£230 million** net of Pension Fund cash in 2020/21, of which around **£160 million** can be identified as 'core' balances which will be available to invest for longer periods of investment. The remaining balance of cash is cash-flow driven.

The following measures and limits have been put in place to manage the liquidity of the Council:

- The Council will seek to maintain **liquid short-term deposits** of at least **£25m** available within a week's notice.
- **Prudential Indicator Number 9** has been set to place an upper limit to investments made over 365 days to **£40m.** (See Annex D).
- **Temporary Borrowing for Liquidity Purposes -** Temporary short term borrowing will be taken instead of drawing on investments, when cheaper to do so, in order to minimise the loss of interest from withdrawing funds at higher rate from call or deposit accounts to maintain liquidity.

2.4.4. **Treasury Investment Performance Benchmark**

The target investment return for investments for 2020/21 is the weighted **7 day/3 month LIBID** benchmark that reflects the low risk parameters of the investment portfolio. This is a relative benchmark which moves with the markets, but as an indication the benchmark rate at 31 December 2019 was **0.65%.**

The investment performance will also be compared against **benchmarking data provided by both CIPFA and Link Asset Services.**

2.4.5. **Investments – Factors for Consideration for 2020/21**

- **Forecast for Short Term Interest Rates during 2020/21** - Bank Rate is not expected to increase until March 2021 by only 0.25%. There is a possibility of a rate cut during the year to combat economic slowdown or negative effects of Brexit negotiations.
- **Annual Investment Strategy for Treasury Investments** – permitted counterparties, types of investments and all limits, as detailed in the Annual Investment Strategy, and amended when necessary should be adhered to throughout the year.
- **ESG Investments** – Any Economic, Social and Governance (ESG) Investments will be considered, provided they meet the counterparty criteria and risk parameters as set out in the Annual Investment Strategy.

2.4.6. **Treasury Investment Strategy for 2020/21**

Given these factors above, the following **investment strategy** will be adopted for 2020/21:

- **For the element of the Council's investment portfolio that represents 'core' balances, investments will be made in all periods of 3 months to 2 years, to acceptable counterparties, to lock into rates in excess of the predicted base rate level.**
- **The Council will avoid locking into longer term deals (beyond 1 year) while investment rates are down at historically low levels and forecast to rise, unless exceptionally attractive rates are available which make longer term deals worthwhile.**
- **Extensive use of Bank Business Reserve Accounts and Money Market Funds[6] will be made, that offer returns close to or in excess of base rate level, for the Council's 'core' cash and cash flow generated balances.**
- **Investment in Certificates of Deposit[7], Treasury/LA Bills[8], Dated Bonds held to maturity[9] and Repo[10] will also be considered where appropriate.**
- **Short dated deposits (overnight to 1 month) will also be made for the Council's cash-flow generated balances in order to benefit from compounding of interest.**

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[6] Pooled investment vehicles offering returns equivalent of up to 1 month cash deposits whose assets comprise of cash type investments such as Certificates of Deposit, Commercial Paper and Cash Deposits.

[7] A bearer instrument which certifies that a sum of money has been deposited with the bank issuing the certificate at a fixed yield and on the stated maturity date the deposit is repaid with interest. The maturity length is typically from 1 month to 1 year.

[8] Short term securities issued by HM Treasury on a discounted basis i.e. issued below 100, with 100 being received on maturity with the difference equalling the interest return.

[9] A debt security instrument that governments, supranationals, and companies sell to investors (issue) to finance a variety of projects and activities. The investor buys the bond and receives fixed or variable coupons (interest) in return. Bonds can be dated (mature/repayable on a certain date) or non-dated (never mature). Bonds are tradeable (can be bought and sold) and hence the price of a bond fluctuates over its life. The total yield (return) on a bond for investor equals the npv of the cashflows (e.g. price paid, coupons received, nominal value received on maturity).

[10] A Repo is a form of securitised lending based on a Global Master Repo Agreement (GMRA 2000). Collateral is pledged against each loan made under a Repo Agreement, usually consisting of Gilts or Treasury Bills or acceptable Corporate Bonds. This collateral passes to the Lender in the case of a default of the loan with the original Counterparty.

In addition to the above strategy, prevailing interest rates and market forecasts will be continually monitored throughout the year and appropriate investment actions will be taken in response to any sharp rise or fall in long and short-term interest rates occurring throughout the year.

3. 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 details the Treasury Management Strategy for treasury investments and borrowing and the Council's policy for investing surplus cash for the year 2020/21. There are no equalities implications that need to be taken into account by the Executive Councillor.

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 and Wellbeing Strategy (JHWS) in coming to a decision.

The report details the Treasury Management Strategy for treasury investments and borrowing and the Council's policy for investing surplus cash for the year 2020/21. There are no JSNA or JHWS implications that need to be taken into account by the Executive Councillor.

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 details the Treasury Management Strategy for treasury investments and borrowing and the Council's policy for investing surplus cash for the year 2020/21. There are no Crime and Disorder implications that need to be taken into account by the Executive Councillor.

4. Conclusion

The Treasury Management Strategy, determining appropriate borrowing and treasury investment decisions, and the Annual Investment Strategy, outlining the Council’s policy for treasury investments, has been set for 2020/21 in light of the anticipated economic environment and movement of interest rates for the year ahead. There is no significant difference to strategy or risk appetite adopted from the previous year. These strategies reflect the requirements of the CIPFA Code of Treasury Management and MHCLG Guidance on Local Government Investments. Based on officer recommendation, this report is presented to the Leader of the Council (Executive Councillor: Resources and Communications) for approval in order to comply with Financial Regulations.

5. Legal Comments:

The Council's Financial Regulations require the Council to annually produce a Treasury Management Strategy setting out expected treasury activities in accordance with the requirements of the CIPFA Code of Practice. The strategy statement must be submitted to the Leader of the Council (Executive Councillor: Resources and Communications) for approval prior to the commencement of each financial year.

The Financial Regulations also require the production of an Annual Investment Strategy to ensure that Section 15 (1) of the Local Government Act 2003 is complied with, that is that all authorities must "have regard to guidance on investment issued by the Secretary of State" when investing their surplus cash. The strategy also must also be approved by the Leader of the Council (Executive Councillor: Resources and Communications).

This report enables the Council to meet its legal obligations in accordance with the Financial Regulations. The recommendations are lawful and within the remit of the Leader of the Council (Executive Councillor: Resources and Communications).

6. Resource Comments:

This report sets out the Treasury Management Strategy and Investment Strategy for Treasury Investments of the Council for the year ahead. The Council requires a Treasury Management Strategy and Investment Strategy for Treasury Investments for the year ahead in order to comply with Financial Regulations.

7. Consultation

a) Has Local Member Been Consulted?

Not Applicable.

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

The Overview and Scrutiny Management Board is responsible for monitoring and scrutiny of the operation of the treasury management policies and practices and as such will consider this report at its meeting on 27 February 2020 and pass any comments to the Leader of the Council (Executive Councillor: Resources and Communications) prior to making a decision.

d) Have Risks and Impact Analysis been carried out?

Yes

e) 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.

8. Appendices

These are listed below and attached at the back of the report	
Annex A	Interest Rate Forecasts 2020-2023.
Annex B	Economic Outlook - Link Asset Services Ltd.
Annex C	Prudential Indicator Table 2018/19 to 2022/23.
Annex D	Minimum Revenue Provision Policy Statement for Repayment of Debt 2020/21.
Annex E	Long Term Borrowing Maturity Profile at 27 February 2020.
Annex F	Annual Investment Strategy for Treasury Investments 2020/21.
Annex G	Authorised Lending List at 28 January 2020 and Definition of Credit Ratings and Credit Default Swaps.

9. Background Papers

The following Background Papers within the meaning of section 100D of the Local Government Act 1972 were used in the preparation of this Report.

Document title	Where the document can be viewed
Council Budget 2020/21 - 21 February 2020	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=5627&Ver=4
LCC Treasury Management Policy Statement and Treasury Management Practices	Treasury & Financial Strategy Section, Resources

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

ANNEX A

Interest Rate Forecasts 2020 – 2023

Link Asset Services Interest Rate View	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80
Bank Rate													
Link Asset Services	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%
Capital Economics	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.30%	2.30%	2.40%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%
Capital Economics	2.40%	2.50%	2.50%	2.60%	2.60%	2.80%	2.80%	2.90%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%
Capital Economics	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	3.00%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%
Capital Economics	3.10%	3.10%	3.20%	3.20%	3.20%	3.30%	3.30%	3.40%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.90%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.80%
Capital Economics	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	-	-	-	-	-

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ANNEX B

ECONOMIC OUTLOOK –LINK ASSET SERVICES LTD

UK. Brexit. The **general election** on 12 December 2019 returned a large overall majority for the Conservative Government, led by Prime Minister Boris Johnson. An outline of a Brexit deal to enable the UK to leave the EU on 31 January was agreed by MPs and will now be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. **The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed**.

While the Bank of England went through the routine of producing another **quarterly Inflation Report,** (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an **increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery.** Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. **The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.**

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. **It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time**. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%.. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.
However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period.** At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

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

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates**.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.

- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

ANNEX C

Prudential Indicator Table 2018/19 to 2022/23

PRUDENTIAL INDICATORS		2018-19 Actual	*2019-2020 Original Estimate*	2019-2020 Updated Estimate	2020-21 Estimate	2021-22 Forecast	2022-23 Forecast
Prudence Indicators:							
1) Capital Expenditure & Financing							
The Council will set for the forthcoming year and the following two financial years estimates of its capital expenditure plans and financing:							
Capital Expenditure	**£m**	**188.308**	***178.500***	**189.173**	**223.204**	**64.549**	**100.286**
Capital Financing							
Borrowing	£m	70.080	*118.353*	94.900	137.893	50.303	83.496
Grants & Contributions	£m	99.044	*59.547*	87.474	85.281	14.175	16.675
Capital Receipts, Reserves & Revenue	£m	19.184	*0.600*	6.799	0.030	0.071	0.115
Total Capital Financing	**£m**	**188.308**	***178.500***	**189.173**	**223.204**	**64.549**	**100.286**
2) Capital Financing Requirement							
The Council will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years:							
Opening CFR	£m	554.638	*606.586*	556.484	633.239	749.599	770.711
Add Additional Borrowing	£m	19.971	*118.353*	94.900	137.893	50.303	83.496
Add Additional Credit Liabilities (PFI & Finance Leases)	£m	0.000	*0.000*	0.000	1.613	0.000	0.000
Less Revenue Provision for Debt Repayment (MRP)	£m	18.125	*19.119*	18.145	23.146	29.191	31.580
Capital Financing Requirement	**£m**	**556.484**	***705.820***	**633.239**	**749.599**	**770.711**	**822.627**
3) Gross Borrowing and the Capital Financing Requirement							
The Council will ensure that gross long term borrowing does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimates of any additional capital financial requirement for the current and next two financial years. This is to ensure that over the meduim term borrowing will only be for a capital purpose.							
Medium Term Forecast of Capital Financing Requirement	£m	601.681	*760.695*	770.711	822.627	816.018	802.738
Forecast of Long Term External Borrowing and Credit Arrangements	£m	477.242	*602.615*	512.134	628.398	649.422	701.252
Headroom	**£m**	**124.439**	***167.568***	**258.577**	**194.229**	**166.596**	**101.486**
4) External Debt							
The Council will set for the forthcoming year and the following two financial years an authorised limit and operational boundary for its total gross external debt, gross of investments, separately identifying borrowing from other long term liabilities:							
Authorised Limit for External Debt							
Borrowing	£m	628.558	*696.847*	621.421	715.305	742.576	779.032
Other Long Term Liabilities	£m	12.771	*12.026*	12.270	11.488	11.964	10.728
Total Authorised Limit	**£m**	**641.329**	***708.873***	**633.691**	**726.793**	**754.540**	**789.760**
Operational Boundary for External Debt							
Borrowing	£m	613.558	*681.847*	606.421	700.305	727.576	764.032
Other Long Term Liabilities	£m	10.771	*10.026*	10.270	9.488	9.964	8.728
Total Operational Boundary	**£m**	**624.329**	***691.873***	**616.691**	**709.793**	**737.540**	**772.760**
Affordability Indicators:							
5) Financing Costs & Net Revenue Stream							
The Council will estimate for the forthcoming year and the following two financial years the proportion of financing costs to net revenue stream (NRS), including dedicated schools grant (DSG). The Council will also set the following voluntary indicator limit: minimum revenue provision and interest not to exceed 10% of net reveunue stream (NRS) including dedicated schools grant (DSG).							
Proportion of Financing Costs to NRS (Incl DSG)	**%**	**5.00%**	***5.68%***	**4.97%**	**5.60%**	**6.59%**	**6.92%**
Proportion of MRP & Interest Costs to NRS (Incl DSG) -Limit 10% (Voluntary Indicator)	**%**	**5.12%**	***5.52%***	**5.23%**	**5.78%**	**6.91%**	**7.29%**

PRUDENTIAL INDICATORS		2018-19 Actual	*2019-20 Original Estimate*	2019-20 Updated Estimate	2020-21 Estimate	2021-22 Forecast	2022-23 Forecast
Proportionality Indicators							
6) Limit for Maximum Usable Reserves at Risk from Potential Loss of Investments							
The Council will set for the forthcoming financial year and the following two years a limit of no more than 10% of General Reserves to be at risk from potential loss of total investments. (Voluntary Indicator).							
General Reserves	£m	**15.850**	***14.600***	**16.050**	**16.200**	**16.400**	**16.680**
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.292	*0.298*	0.263	0.178	0.140	0.138
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	%	**1.84%**	***2.04%***	**1.64%**	**1.10%**	**0.85%**	**0.83%**
7) Income from Non Treasury Investments & Net Service Expenditure							
The Council will set for the forthcoming financial year and the following two years a limit of 3% for Income from non- treasury investments as a proportion of Net Service Expenditure. (Voluntary Indicator). This is to manage the risk of over dependancy of non-treasury investment income to deliver core services.							
Income from Non-Treasury Investments (Including County Farms)	£m	2.545	*2.364*	2.409	2.276	2.151	2.040
Net Service Expenditure	£m	429.809	*463.960*	463.959	492.020	504.336	511.481
Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	%	**0.59%**	***0.51%***	**0.52%**	**0.46%**	**0.43%**	**0.40%**
Treasury Indicators							
8) Interest Rate Exposures (Variable)							
The Council will set for the forthcoming year and the following two financial years,an upper limits to its exposure to effects of changes in interest rates on variable rate borrowing and investments. (Voluntary Indicator).							
Upper limit for variable interest rate exposures							
Borrowing	%	30.00%	*30.00%*	30.00%	30.00%	30.00%	30.00%
Investments	%	100.00%	*100.00%*	100.00%	100.00%	100.00%	100.00%
9) Total Principal Sums Invested							
The Council will set an upper limit for each forward year period for the maturing of investments (treasury and non-treasury) longer than 365 days.							
Upper limit for total principal sums invested for over 365 days (per maturity date)	£m	**10.000**	***40.000***	**40.000**	**40.000**	**40.000**	**40.000**
10) Maturity Structure of borrowing							
The Council will set for the forthcoming financial year and the following two years both upper and lower limits with respect to the maturity structure of its borrowing: (Fixed & Variable Rate Borrowing).							
Upper limit							
Under 12 months	%	3.11%	*25.00%*	25.00%	25.00%	25.00%	25.00%
12 months and within 24 months	%	3.10%	*25.00%*	25.00%	25.00%	25.00%	25.00%
24 months and within 5 years	%	6.43%	*50.00%*	50.00%	50.00%	50.00%	50.00%
5 years and within 10 years	%	13.04%	*75.00%*	75.00%	75.00%	75.00%	75.00%
10 years and above	%	74.32%	*100.00%*	100.00%	100.00%	100.00%	100.00%
Lower limit							
All maturity periods	%	0.00%	*0.00%*	0.00%	0.00%	0.00%	0.00%
11) Borrowing in Advance of Need							
The Council will set for the forthcoming financial year and the following two years upper limits to any borrowing undertaken in advance of need.							
Borrowing in advance of need limited to percentage of the	%	**0.00%**	***25.00%***	**25.00%**	**25.00%**	**25.00%**	**25.00%**
expected increase in CFR over 3 year budget period	£m	**0.000**	***13.719***	**34.368**	**18.257**	**11.327**	**-4.972**
(Voluntary Indicator)							

Minimum Revenue Provision Policy Statement for Repayment of Debt 2020/21

In accordance with the MHCLG requirement to make a prudent 'revenue provision for the repayment of debt', the Council ensures that debt is repaid over a period that is commensurate with the period over which the capital expenditure provides benefit.

This is achieved by applying the following methodology:

Borrowing	MRP Repayment Basis
Pre 1st April 2008 Debt	This element of the Capital Financing Requirement is being repaid on a full repayment method based on a standard asset life of 50 years which equates to a flat rate of 2% per year until the debt is fully repaid over 50 years.
Unsupported Debt- 2008/09 onwards	This element of the Capital Financing Requirement is being repaid using the **Asset Life EIP method**. Whereby equal instalments of principal debt repayment are repaid over the asset lives of the assets financed from borrowing.
Debt used to finance assets whose benefit increases as time passes (e.g.Infrastructure - Major New Road Schemes).	This element of the Capital Financing Requirement is being repaid using the **Asset Life Annuity method**. Whereby a fixed repayment of debt consists of primarily all interest in early years and principal repayment increases in later years. This method therefore has the advantage of linking MRP to the flow of benefits from as asset where the benefits of those assets are expected to increase in later years.
Credit Arrangements	MRP is met by a charge equal to the element of rent/charge that goes to write down the balance sheet liability.
Assets financed by borrowing when if sold the income is classed as a capital receipt.	For capital expenditure incurred, financed by borrowing that increased the CFR whose subsequent sale resulted in a capital receipt that reduced the CFR, there will be no revenue provision made for the repayment of the debt liability, unless the receipt fails to meet the expenditure incurred. (Includes: Loans for capital purposes, investment properties, assets acquired for development/resale).
Capitalised Expenditure Under Regulation 16 (2)(b) & 25(1) of LGA 2003	The **Asset Life method** is used to calculate MRP on all **capitalised expenditure**, using maximum asset lives as stated in **Statutory Guidance on MRP**.

Revenue provision is chargeable in the **first financial year after the relevant capital expenditure is incurred**.

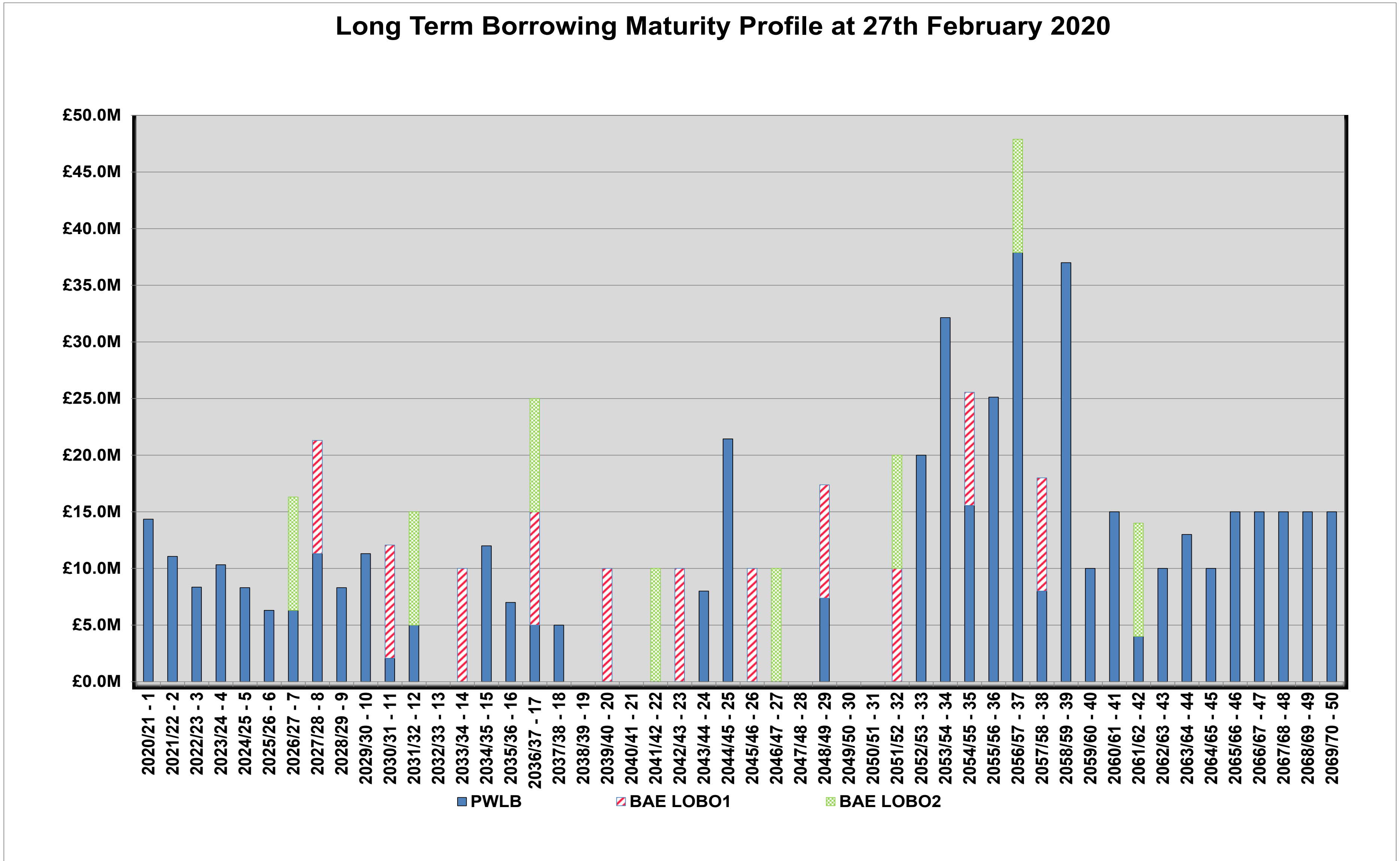
The guidance also allows Councils not to start charging MRP **until an asset becomes operational**.

Where it is practical or appropriate to do so, the Council may make **voluntary revenue provision (VRP)**, (Make more MRP than is calculated prudent in any given year), or **apply capital receipts** to reduce debt over a shorter period. Any VRP made can be used to offset MRP in following years.

The table below shows the estimates for asset lives per type of asset used under the Asset Life MRP policy detailed above. Professional guidance has been used to ascertain these asset lives. Any changes/additions to these asset lives are also indicated in blue.

Type of Asset	Estimated Asset Life in Years
Land	50
Construction	50
Matched Funding	25
Repair & Maintenance	20
Infrastructure (New Road Schemes)	120
Road Maintenance	20
Bridges	120
Integrated Transport	20
Waste Transfer Plant	40
Heavy Engineering Equipment	30
Vehicles	4
Long Life Specialist Vehicles	7
Equipment	5
IT	4
IT -Broadband	10
ERP Finance System	10
Mosaic	10
Investment Properties held for Commercial Reasons	50
Capitalised Expenditure:	
Loans & Grants Made for Capital Purposes to Third Parties	Useful Life of Assets which Third Party Expenditure is incurred.
Share Capital	20

Annex E



Long Term Borrowing Maturity Profile at 27th February 2020
£50.0M
£45.0M
£40.0M
£35.0M
£30.0M
£25.0M
£20.0M
£15.0M
£10.0M
£5.0M
£0.0M
PWLB
BAE LOBO1
BAE LOBO2

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ANNEX F

Annual Investment Strategy for Treasury Investments 2020/21

This report details the Council's **Investment Policy** for its Treasury Investments for 2020/21 and has regard to the following:

- MHCLG's Guidance on Local Government Investments 2018.
- CIPFA Treasury Management Code of Practice and Guidance Notes 2018.

The Government extended the meaning of 'investments' in their Guidance in 2018 to include both **financial (treasury related)** and **non-financial (non-treasury related)** investments. Non-financial investments include the purchase of income yielding assets for the purpose of making a return and also the making of loans to 3rd parties for strategic service reasons. This Annual Investment Strategy applies to the Councils **treasury related investments only**. The investment strategy dealing with the Council's non-treasury related investments and loans is included in the Capital Strategy which is considered along with the Council Budget for 2020/2021.

The above guidance from MHCLG and CIPFA place a high priority on the management of risk when making investments. The **risk appetite** of the Council for its treasury investments is **low**, its priorities being **security first, liquidity second and then return.** The intention of the Treasury Strategy is to provide security of investment and minimisation of risk.

This prudent approach to risk is defined by the Council by using the following means:

- **Minimum acceptable credit criteria** – applied to generate a list of highly creditworthy investment counterparties. This also enables diversification and this avoidance of concentration risk. Key Ratings used to monitor counterparties are the **short term** and **long term** ratings from credit rating agencies.

- **Other Information sources** – continual assessment of financial sector in relation to economic and political environments in which Counterparties operate using the following sources:

~ 'Credit default swap' pricing.

~ Financial press / Internet.

~ Share price websites.

The Secretary of State, within the MHCLG Guidance, has defined investments into two categories as follows:

- **Specified Investments -** Investments of no more than one year with a high level of credit quality.
- **Non-Specified investments - Investments** that are more complex, longer than one year, or with a lower credit quality that results in higher risk than Specified Investments.

The Council has determined its Specified and Non-Specified Investments for 2020/21 as shown in the table below:

Characteristics/Type	Counterparty Categories
Specified Investments	
• Sterling deposits. • Up to and including one year. • Offering high security / high yield. • Fixed, callable or forward term deposits as appropriate[1], Certificates of Deposit, Treasury/ Local Authority Bills, Dated Bonds and Repo.	• UK Government/ Supranational/ Multilateral Development Banks. • Local Authorities. • Bodies or Investment Schemes meeting the Councils **minimum acceptable credit rating criteria for Specified Investments** (Includes Banks, Building Societies, Corporates, and Money Market Funds CNAV, LVNAV).
Characteristics/Type	**Counterparty Categories**
Non-Specified Investments	
• Sterling deposits. • Period greater than 12 months up to a maximum of 2 years. • Higher risk than Specified Investments. • Fixed, callable or forward term deposits as appropriate, Certificates of Deposit, Treasury/ Local Authority Bills, Dated Bonds and Repo.	• UK Government/ Supranational/ Multilateral Development Banks. • Local Authorities. • Bodies or Investment Schemes meeting the Councils **minimum acceptable credit rating criteria for Non-Specified Investments** (Includes Banks, Building Societies, Corporates and Enhanced Money Market Funds VNAV).

Creditworthiness Policy

The Council uses the **creditworthiness service** provided by Link Asset Services Ltd, its treasury management advisor, to assess the risk level of its Counterparties. This service has been progressively enhanced and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

[1] Fixed Deposit : Investment fixed for specific term at specific rate.
Callable Deposit : Investment whereby borrower has option to pay back deposit at specific intervals.
Forward Deposit : Investment whereby period, rate and amount are agreed in advance of a future date. The forward period plus the deal period to be within the maturity limit allowed.

- Credit watches and credit outlooks from credit rating agencies.
- Credit default swap (CDS) spreads to give early warning of likely changes in credit ratings.

This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a **weighted scoring system** for which the end product is a series of **colour coded bands** which indicate the relative creditworthiness of counterparties.

Limits for amount and duration of investment are then assigned to each colour banding. Maximum amount limits have been assigned to different levels of balances which enable the Council to be more risk sensitive to falling balances going forward. Details can be seen in the table below:

Link Weighted Colour Band	**Maximum Duration**	**Maximum Amount Based on Average Balance of**		
		£200m	**£150m**	**£100m**
Specified Investments				
Blue*	1 Year	£40m	£30m	£25m
Orange	1 Year	£20m	£20m	£15m
Red	6 Months	£15m	£10m	£10m
Green	100 Days	£10m	£5m	£5m
Non Specified Investments				
Purple	2 Years	£25m	£20m	£15m
Yellow**	2 Years	£20m	£20m	£15m
Minimum Credit Rating Criteria				
Any Two of Three		**Fitch**	**Standard & Poors**	**Moodys**
Sovereign		AA-	AA-	Aa3
Long Term		A	A	A2
Money Market Funds		AAA	AAAm	Aaa/MR1

* Nationalised/Part Nationalised UK Banks
** MMF's/Government/Local Government

Additional Minimum Rating Criteria/Limits in Place

In addition to the Link's creditworthiness recommendations, the Council has also set **further minimum credit requirements** that restrict the number of acceptable counterparties further to meets its low risk appetite. (See previous table and below).

- **A minimum Sovereign (Country) Rating from a minimum of two rating agencies of AA-.***
- **A minimum Long Term Rating from a minimum of two rating agencies of A or equivalent. ****

- **A limit of a maximum of no more than 20% of total investments to be placed with any one bank/group, corporate or building society sector - to ensure diversification of investments. (With exception of Part UK Nationalised Banks*** which are deemed to bear same low risk as UK Government).**

*Sovereign Rating
Credit Rating Agencies have removed the effect of Sovereign Support from an entities individual rating. This now makes it more important to focus solely on the ratings of an entity itself within an investment strategy. A minimum Sovereign limit of AA- is in line with Link's creditworthiness policy and will allows greater depth and diversification to the Council's Counterparty list, while still maintaining the tenets of security and liquidity.

** Long Term Rating
The definition of an A rating is 'High Credit quality with low expectation of credit risk, with a strong capacity for timely payment of financial commitments'. Ratings can also be assigned a "+" or "–" to denote the relative status within a rating category, but the category still has the same definition regardless of a "+" or "-". For reference, Link's credit worthiness matrix uses a minimum Long Term Rating level of A-.

*** Nationalised or semi nationalised UK Banks:-
As a result of the banking crisis which started in 2008, Governments across the world had to inject capital directly into banks to support their capital ratios and to avoid failure of financial institutions. Several banks were nationalised or part nationalised in this way.

These nationalised banks in the UK have credit ratings which do not conform to the credit criteria usually used by Councils to identify banks which are of high credit worthiness. As they are no longer separate institutions in their own right, their individual ratings, which assess their stand-alone financial strength, are impaired. However, it is considered that institutions that have been nationalised or part nationalised effectively take on the creditworthiness of the Government itself and as such UK nationalised or semi nationalised banks are included within the Councils acceptable investment criteria and will continue to do so as long as they remain semi nationalised. At the time of writing, the only UK Bank falling into this category is now the Royal Bank of Scotland Group, which includes National Westminster Bank.

Barclays Bank plc

Barclays Bank plc is the Councils banker at present and therefore the Council have an intra-day financial exposure to Barclays bank on a daily basis. This intra-day exposure will not be included with limits set for Barclays as part of the Annual Investment Strategy. When it is not financially viable to make an investment, a cash balance will be left at the bank overnight, so long as Barclays Bank remains on Link's recommended Counterparty list.

Authorised Lending List

The Executive Director - Resources has delegated responsibility to produce an '**Approved Lending List**' of acceptable counterparties to whom the Council will lend its surplus cash and this is derived from the credit criteria above.

Annex G shows this Lending List as at 28th January 2020 together with definitions of credit ratings, watches and credit default swaps.

Monitoring

The credit ratings of counterparties are monitored on an ongoing basis. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings, the Council will be advised of information in movements in CDS prices of Counterparties against the iTraxx benchmark[2] and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or suspension from the Council's lending list.

The Council is satisfied that this service gives an improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources. However sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and other market information, from various sources such as the internet, portals, brokers, government, CIPFA etc.

Additions to Non-Specified Investment List

Proposals to invest in any other non-specified investment will be referred to the Executive Director - Resources for approval after first seeking the advice of the Council's treasury advisors, Link Asset Services Ltd. If approved by the Executive Director, a recommendation for the change to the Annual Investment Strategy will be sought from the Executive Councillor for Resources and Communications.

Liquidity of Treasury Investments

Prudential Code Indicator (No 9) sets a voluntary total limit for investments over 365 days at any one time as **£40 million**, see Annex C. This limit reflects a prudent proportion of the Council's estimated level of core cash balances available to invest

[2] iTraxx Senior Financials Index that measures the "average" level of the most liquid financial CDS prices in the CDS market.

for longer periods. The Executive Councillor for Resources and Communications will be informed on any occasion when investments are lent for over 12 months.

In determining the amount of funds that can prudently be committed for more than 12 months, consideration will be given to the following factors:

- Long Term Cash Flow Forecasts of the Council and Balance Sheet Review - 3 years ahead showing :

    - Projected core cash balances over the term of proposed investment.
    - Foreseeable spending needs over the term of proposed investment.
    - Level of provision for contingencies.
    - Acceptable level of reserves.

Appendix G

LINCOLNSHIRE COUNTY COUNCIL LENDING OF TEMPORARY SURPLUSES

Country			Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted		FITCH IBCA Credit Rating Long Term	Sovere
	1	**Other Local Authorities**	20 each	24 Months				
	2	**Debt Management Account Deposit Facility**	50	6 Month				
	3	**UK Banks :**						
		# HSBC Group	**20**	**365 Day**				
UK		HSBC Bank Plc (RFB)	20	365 Day	365 Day	SB	A+	AA
		HSBC Evergreen Notice Account	20	365 Day				
		# RBS Group - Part Nationalised	**40**	**365 Day**				
UK		National Westminster BankPlc (RFB)	40	365 Day	365 Day	SB	A+	AA
UK		Royal Bank of Scotland Plc (RFB)	40	365 Day	365 Day	SB	A+	AA
UK		**# LloydsHBOS Group**	**20**	**365 Day**				
		Lloyds TSB Bank Plc (RFB)	20	365 Day	365 Day	SB	A+	AA
		Bank of Scotland PLC (RFB)	20	365 Day	365 Day	SB	A+	AA
UK		Barclays Bank PLC (NRFB)	15	6 Months	6 Months	SB	A+	AA
UK		Close Brothers Ltd	15	6 Months	6 Months	SB	A	AA
UK		Nationwide Building Society	15	6 Months	6 Months	SB	A	AA
UK		Santander Uk PLC	15	6 Months	6 Months	SB	A+	AA
UK		Standard Chartered Bank	15	6 Months	6 Months	SB	A+	AA
	4	**Other Banks**						
AUS		Australia & New Zealand Banking Group	20	365 Day	365 Day	NO	AA-	AAA
AUS		Commonwealth Bank of Australia	20	365 Day	365 Day	NO	AA-	AAA
AUS		National Australia Bank	20	365 Day	365 Day	NO	AA-	AAA
AUS		Macquarie Bank Ltd.	15	6 Months	6 Months	SB	A	AAA
AUS		Westpac Banking Corporation	20	365 Day	365 Day	NO	AA-	AAA
		# BNP Paribas Group	**20**	**365 Day**				
BEL		BNP Paribas Fortis	15	6 Months	6 Months	SB	A+	AA-
FRA		BNP Paribas	20	365 Day	365 Day	SB	A+	AA
CAN		Bank of Montreal	20	365 Day	365 Day	SB	AA-	AAA
CAN		Bank of Nova Scotia	20	365 Day	365 Day	SB	AA-	AAA
CAN		Canadian Imperial Bank Commerce	20	365 Day	365 Day	SB	AA-	AAA
CAN		National Bank of Canada	15	6 Months	6 Months	SB	A+	AAA
CAN		Royal Bank of Canada	20	365 Day	365 Day	NO	AA	AAA
CAN		Toronto Dominion Bank	20	365 Day	365 Day	SB	AA-	AAA
DEN		Danske A/S	15	6 Months	6 Months	NO	A	A
FRA		Credit Industriel et Commercial	15	6 Months	6 Months	SB	A+	AA
FRA		Societe Generale	15	6 Months	6 Months	SB	A	AA
FIN		Nordea Bank Abp	20	365 Day	365 Day	NO	AA-	AA+
FIN		OP Corporate Bank	20	365 Day	365 Day	SB	AA-	AA+
GER		DZ Bank AG	20	365 Day	365 Day	SB	AA-	AAA
GER		Landesbank Hessen-Thueringen Girozentrale (Heleba)	20	365 Day	365 Day	SB	A+	AAA
NETH		Bank Nederlande Gemeenten	25	24 Months	24 Months	SB	AAA	AAA
NETH		Cooperative Centrale Raiffeisen Boerenleenbank BA (Rabobank)	20	365 Day	365 Day	NO	AA-	AAA
NETH		ING Bank NV	20	365 Day	365 Day	SB	AA-	AAA
SING		DBS Bank Ltd	20	365 Day	365 Day	SB	AA-	AAA
SING		Oversea Chinese Banking Corporation Ltd	20	365 Day	365 Day	SB	AA-	AAA
SING		United Overseas Bank	20	365 Day	365 Day	SB	AA-	AAA
SWITZ		UBS AG	20	365 Day	365 Day	SB	AA-	AAA
SWITZ		Credit Suisse AG	15	6 Months	6 Months	PO	A	AAA
SWE		Skandinaviska Enskilda Banken AB	20	365 Day	365 Day	SB	AA-	AAA
SWE		Swedbank AB	20	365 Day	365 Day	SB	AA-	AAA
		# Svenska Group	**20**	**365 Day**				
SWE		Svenska Handelsbanken AB	20	365 Day	365 Day	SB	AA	AAA
UK		Handelsbanken Plc	20	365 Day	365 Day	SB	AA	AA
		Svenska Handelsbanken - 35 Day Notice Account	20	365 Day	365 Day			
		Svenska Handelsbanken- 10 Day Notice Account	20	365 Day	365 Day			
		Svenska Handelsbanken- Call Account	20	365 Day	365 Day			
USA		Bank of New York Mellon	25	24 Months	24 Months	SB	AA	AAA
USA		Bank of America NA	20	365 Day	365 Day	SB	AA-	AAA
USA		JP Morgan Chase Bank NA	20	365 Day	365 Day	SB	AA	AAA
	5	**AAA Money Market Funds**						
		# MMF Group	**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	

 # Group Limit of applies where indicated.

** **A maximum of 20% of total funds to be held in the Building Society Sector.**

** **No more than 20% of total funds to be held in any one institution or group,excluding Govt/MMFs.**

Any adverse press comments concerning borrowers/potential borrowers should be referred to M Grady / S Maycock / K Tonge / N Kay.

Revised: 28th January 2020

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 (Moodys)

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
Working for a better future

Policy and Scrutiny

Open Report on behalf of James Drury, Executive Director - Commercial

Report to:	**Overview and Scrutiny Management Board**
Date:	**27 February 2020**
Subject:	**Property Services Contract Year Four Report**

Summary:

This report updates the Board on the performance of the Property Services Contract with VINCI Facilities Partnership Limited (VFPL, formerly VINCImouchel) at the end of the fourth year of the contract.

Actions Required:

The Overview and Scrutiny Management Board is asked to

1. seek reassurance on the performance of the Property Services Contract.
2. provide feedback and challenge as required.

1. Background

This report informs the Overview and Scrutiny Management Board about the performance of the contract in year four (2018-2019).

2. Contract Performance

2.1 Service Manager's Assessment

The contract is performing well, VFPL has achieved an overall 96% on key performance indicators for year four overall; see section 2.4 within this report.

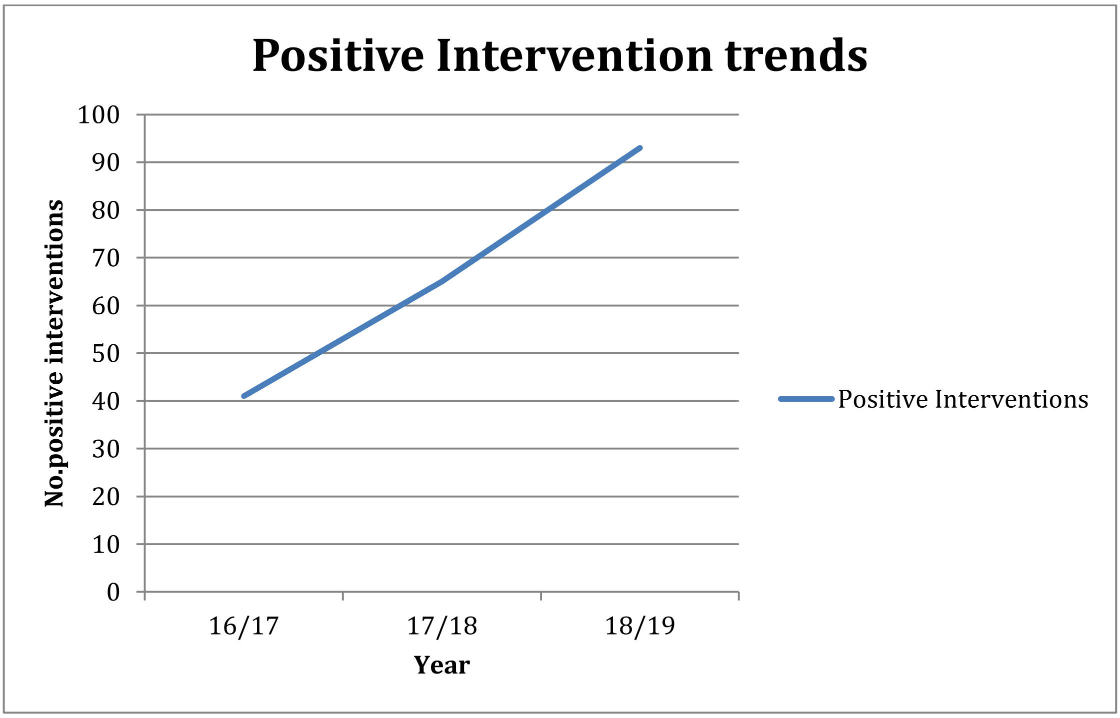
Corporate Property commissioned the third peer review in February 2019, that coupled with feedback from key stakeholders and the recent One Team Conference has provided Corporate Property and VFPL with some key areas for improvement; these include some business processes whilst others include managing stakeholder expectations. Furthermore, there is a clear need for more property related communication, not just from within the contractual arrangement but also to a wider audience within Lincolnshire County Council (LCC).

Corporate Property and VFPL have been instrumental in delivering key projects such as the South Park Blue Light tri-service centre in Lincoln. This project has included many challenges for example managing the core stakeholders, namely Lincolnshire Police, East

Midlands Ambulance Service and Lincolnshire Fire and Rescue Service. These challenges are leading to a refresh in how projects are managed and which tools can be used to better equip project managers to succeed in these complex programmes of work.

2.2 Health and Safety

Analysing the period from April 2018 to March 2019 in respect to health and safety matters, there has been a steady improvement of positive interventions, where employees are encouraged to address unsafe acts or situations, thereby preventing potential incidents.



We can see by the above line graph that positive interventions have been increasing year-on-year, 93 is the highest recorded since the start of the contract.

Moreover, there have been zero reported incidents of injury and/or ill health during year four.

The bi-annual Health and Safety Committee continues to meet to discuss improvements in sub-contractor health and safety practice. This committee feeds into the Corporate health and safety groups within LCC to ensure best practice and learning remains high.

The One Team also held a Health and Safety workshop in March 2019. This was well attended by the supply chain and also well received.

2.3 Finance

- **Pain/Gain Result.** A significant proportion of the contract operates on a target cost basis, the costs of which were competitively tendered. The collaborative principle of shared risk against target costs has incentivised the identification of inefficiencies.

  As there are other more effective KPIs that incentivise time, cost and quality management for Capital projects and due to the low levels of gain and the time required to manage it, the pain/gain incentive was removed from the Capital projects element of the contract. The gain-share for year-two and year-three is broken down for comparison in the table below:

Item	Year Three	Year Four
Contract Target Costs Gain	£208,573.25	£253,403.05
LCC/VFPL split	£104,286.62	£126,701.53
LCC share	£116,279.59	£131,769.58
KPI % deduction applied	£92,293.66 to VINCI	£121,633.47 to VINCI

The marginal improvement in gain-share can be attributed to efficiencies on the cleaning and soft services.

- **Low Service Damages (LSDs).** One of the performance levers within the contract is the application of Low Service Damages for reactive and planned maintenance tasks. Each task is time-bounded and failure to meet the time constraints without adequate justification will lead to a LSD per job. Sanctions for delayed response and completion range from £150 to £250 per occurrence depending on the type of job.

  The following shows the value of (credits) generated from LSDs:

Year	Sum of LSDs
2016/17 (Year 2)	**£37,950**
2017/18 (Year 3)	**£10,250**
2018/19 (Year 4)	**£53,000**

Year four showed a significant increase in the value of credits from LSDs and this rise will likely continue into year five with robust contract management. However lessons learned should be acted upon with VFPL managing their supply chain more effectively which should theoretically reduce LSDs in the longer term.

2.4 Key Performance Indicators (KPIs)

Year four outturn was 96% which is higher than the 88.5% outturn for year three. The annual 'stretch' target is 90%, the baseline (contract) target is 75%. The table below shows the annual results by quarter:

	Yr4
Q1	96.9%
Q2	95.3%
Q3	94.2%
Q4	97.4%
	96%

On the whole, VFPL performed well in year four. There have been improvements in all indicators since year three.

Despite the good overall performance in year four, it is expected to see a dip in performance for year five due to legionella monitoring and also the way extension of time is applied for reactive and planned maintenance work. This has led to a review of the key performance indicators themselves to ensure that they are SMART (Specific, Measurable, Attainable, Realistic and Timely).

2.5 Legionella bacteria monitoring in water

During 2018, VFPL made the decision to insource the legionella/water monitoring service from a subcontractor. As a result, the coordination and management of this key service area was underestimated and this has led to poor performance from VFPL.

Contractual levers have been utilised during 2019 when the matter was escalated to senior management in both LCC and VFPL. VFPL has committed extra resources to the management including employing a Project Manager to coordinate the 'compliance hub' to ensure risk assessments are adhered to and remedial work is completed within timescales.

Since June 2019, over 3000 individual remedial works have been completed as this work continues to be effected by VFPL at the time of writing this report.

2.6 Cladding Audit Review and Dame Judith Hackett Report

A new post for a Property Compliance Officer is being created to monitor changes in legislation and also to ensure that responsible persons/dutyholders are complying with necessary compliance issues and ensuring things such as fire risk assessments, legionella risk assessments, and radon risk assessments are accurate and kept up to date.

Furthermore, the proposals above could have an impact on Corporate Property to ensure that the dutyholder is complying with the proposed regulator. In addition Corporate Property has increased the frequency of fire risk assessments on buildings in consultation with Lincolnshire Fire and Rescue.

2.7 Blue Light Collaboration Programme

Corporate Property, in partnership with VFPL, project managed the construction of the building and provide facilities management services for the new £21m Ambulance, Fire and Police Station at South Park in Lincoln. This is a flagship transformational project that is nationally significant because it is the first building of its type anywhere in the Country. The building is now fully operational. The building houses front line response for the East Midlands Ambulance Service, front line response and divisional headquarters for Fire and Rescue and front line response (including 22 custody cells) and divisional headquarters for Lincolnshire Police.

2.8 VMOST

VMOST, (**V**ision, **M**ission, **O**bjectives, **S**trategies and **T**actics) is a business planning model that VINCI introduced to the contract from the outset and is used to shape the 12-18 month business plan. A key development this year is that, to improve staff engagement, each step of the process has been delegated to the staff level where the work takes place.

2.9 Continuous Improvement

Corporate Property and VFPL have continued to drive improvements and efficiencies through the use of improved reporting.

- **PowerBI Reporting**. VINCI has developed the reporting capability from the data held in Concerto. This has initially been focussed on two main areas:

  - **Statutory Compliance**. In order to demonstrate a compliant estate Corporate Property must be able to access timely and accurate data presented in a simple format. This has been achieved by creating a summary dashboard in Power BI backed up by a more detailed and live dashboard available in Concerto if more detail is required. This enables a user to drill down to identify any trends and areas that require additional focus.

  - **Reactive Revenue Spend**. VINCI has developed Power BI dashboard reports that are used during Area Reviews to identify buildings that are costly to maintain. By reviewing trends on categories of high spend, Corporate Property can identify potential invest to save projects that may benefit from a capital investment to reduce future revenue maintenance spend.

3. Conclusion

The Board is asked to note performance of year four. Corporate Property is continuing to work hard to deliver and identify further opportunities for efficiencies, savings and to work more effectively within the One Team.

4. Consultation

a) Have Risks and Impact Analysis been carried out?

Not Applicable.

b) Risks and Impact Analysis

Not Applicable.

5. Appendices

These are listed below and attached at the back of the report	
Appendix A	Property Services Contract Annual Review 2019

6. 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 Stuart Wright, Contract Manager, who can be contacted on 01522 553503 or by email at stuart.wright@lincolnshire.gov.uk.

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PROPERTY SERVICES CONTRACT

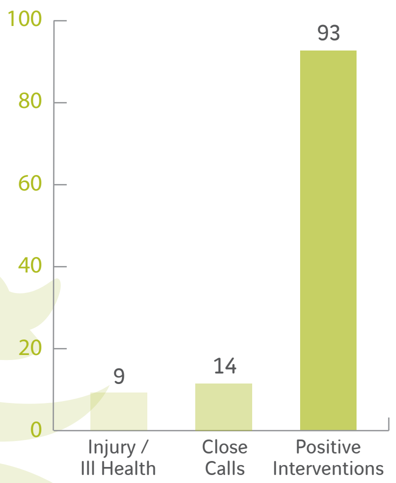
ANNUAL REVIEW 2019

Lincolnshire COUNTY COUNCIL

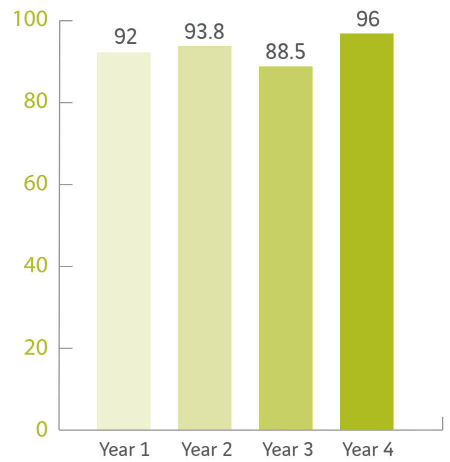
VINCI FACILITIES

Key Contract Information Annual Review Dashboard

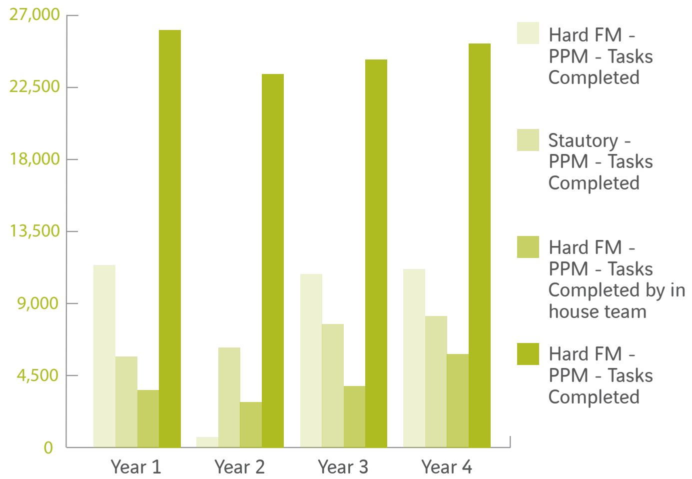
HEALTH & SAFETY INCIDENTS - APRIL 2018 TO MARCH 2019 CUMULATIVE AND IN MONTH



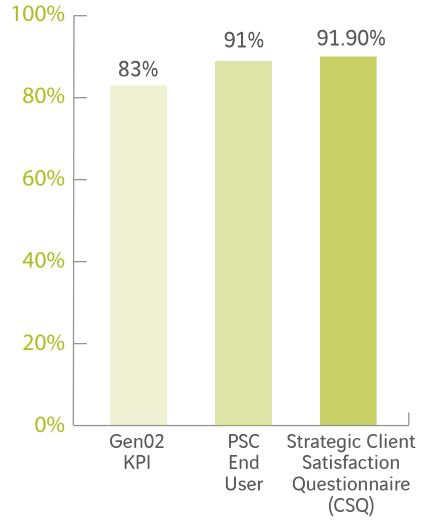
KPI OVERALL SCORES - YEARS' 1, 2, 3 & 4



FACILITIES MANAGEMENT VOLUMES
Planned Preventative Maintenance (PPM)

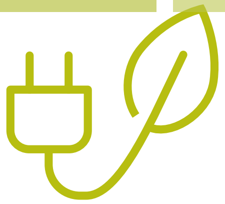


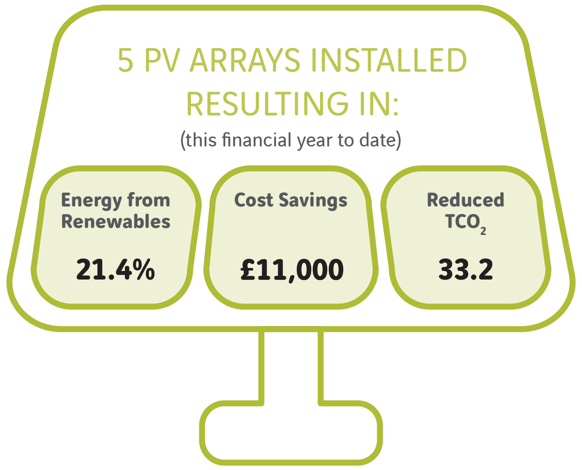
CUSTOMER SATISFACTION SCORES 2018/19



ENERGY MANAGEMENT 2019

Emission Change (TCO_2)	Electricity Change (kWh)	Gas Change (kWh)	Absolute Portfolio Change
-4.6%	-3.7%	-6.7%	-13.7%





Kevin Kendall, County Property Officer

I am very pleased to present the 2019 Annual Service Review for the Lincolnshire County Council/VINCI Facilities partnership, under an NEC3 Terms Services contract, which commenced on 1st April 2015.

The contract goes from strength to strength and a key element of this success has been through our ONE Team working. This enables us to drive joint objectives, hold each other to account and identify improvements across the Corporate Property Service. I am delighted that we were named a finalist in the Premises and Facilities Management, Corporate Partner Award.

The review outlines key contract information demonstrating the performance of VINCI Facilities during 2018/19, our joint ONE Team community activity and focusses on future improvements.

This year, we have been progressing a key VMOST objective of Customer Focus, by engaging with a wide range of customers through surveys, which we have conducted face-to-face. The information we have gathered is helping us to make improvements across the service. I look forward to reporting on developments in next year's Annual Review.

Tony Raikes, Managing Director, VINCI Facilities

I am very proud to have the opportunity to highlight our work with Lincolnshire County Council through this Annual Review, which covers key aspects of the 2018/19 year.

We continue to work collaboratively and energetically across the ONE Team to achieve our joint objectives, all aimed at supporting Lincolnshire County Council deliver excellent public services to the people of Lincolnshire. I am also delighted that we have been able to support some of the wider Council Directorates in developing VMOST plans and through facilitating LEAN training.

VINCI has a strong Social Value ethos and working together as ONE Team we have delivered significant benefit to the Lincolnshire community over the last year. This ranges from working with locally based subcontractors, to providing apprenticeships and undertaking charitable and community activities. The ONE Team Beach Cleans were an excellent example of this, a great team building activity, one which promotes the physical and mental wellbeing of our teams and with a huge benefit to the Lincolnshire coastline. Additionally, through the VINCI UK Foundation, we have granted £15,000 to a Lincolnshire based charity to support Social Inclusion.

Whilst we have achieved much in 2018/2019, there is more we can do and I am very much looking forward to working as ONE Team in the coming year to further improve the work we do to support Lincolnshire County Council in delivering their excellent services.

KPI Key Contract Information

PROGRESS TO DATE

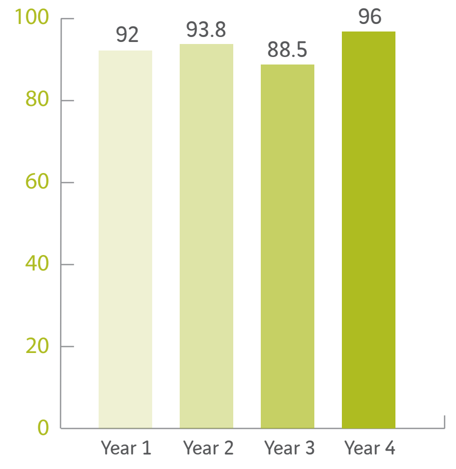
The contract has continued to perform well through the first 4 years, **with an overall score in Year 4 of 96%, which is the highest score achieved so far.** VINCI must achieve a baseline score in ALL KPIs to access gainshare.

Initially this was a 5-year contract from April 2015, with 5 further 1-year extensions. However, owing to consistently good performance and the added value brought through the contract to date, it has been extended by 3 years to 2023.

GAINSHARE

The contract allows for gainshare where VINCI provides services within target cost, and if KPI performance is in line with contractual requirements. This is stringently monitored from a financial and also a quality of service perspective.

KPI OVERALL SCORES - YEARS' 1, 2, 3 & 4



GOING FORWARD

It is essential that KPIs are regularly reviewed to ensure that they measure what is important. They were last reviewed in Year 2 and significantly rationalised to focus on the metrics that best measure performance and drive improvement. A further review will take place in year 5.

Climate Change Mitigation A Pro-active Approach

LCC has a target of being carbon neutral by 2050. **The latest Carbon Management Plan has set a 4% reduction in TCO_{2e} from a baseline year of 2016/17 and the latest annual data shows a 5.6% reduction.**

INITIATIVES

Initiatives that are being introduced within the Property Estate, such as Solar Panel Arrays, are designed to support the reduction in carbon footprint, as well as being more cost effective for LCC. **An example of this is the Solar Panel Array that was installed during the refurbishment of Lancaster House. This has resulted in the generation of 14% of energy from Renewables (Electricity) with the following efficiencies:**

ANNUAL BENEFIT	
Energy from Renewables (Electricity)	14%
Predicted Annual Generation (kWh)	23,000
Annual Emission Reduction (TCO_{2e})	9.7

ANNUAL SAVINGS (PREDICTED)	
Income from Supplier	£1,500
Cost of Electricity Offset	£3,200
Benefit of PV System p.a.	£4,700

GOING FORWARD

The ONE Team is looking at other ways to support LCC's Climate Change Mitigation programme. One of the activities planned is a team exercise to review all buildings and assess what could be achieved through capital investments that would have a positive impact on the climate, e.g. Boiler replacements, Solar PV and LED programmes.

Supplier Health and Safety Day

SUPPLIER HEALTH AND SAFETY SEMINAR

The ONE Team hosted a Supplier Health and Safety Seminar on 5 March 2019. **The event was very well attended with 29 attendees representing 20 framework contractors/sub-contractors.**

There were presentations on the Construction (Design & Management) Regulations 2015 (CDM), Disclosure and Barring Service (DBS) checks and there was a Round the Table discussion.

This interactive session allowed contractors to discuss any issues they have come across in relation to CDM, DBS and Health & Safety and share these with the rest of the group. It was an open and honest seminar and enabled all parties to share thoughts and ideas and has provided some very valuable feedback.

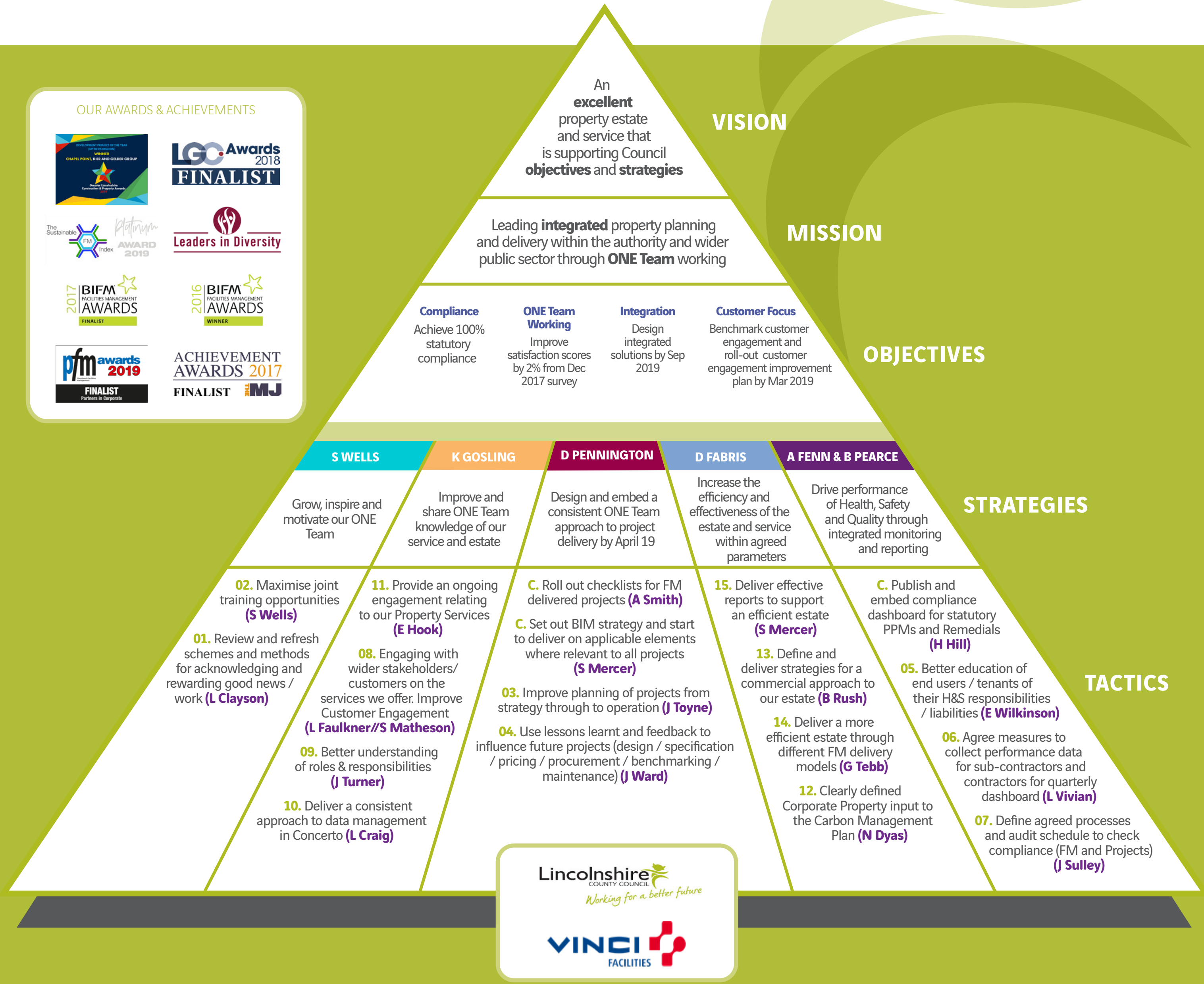
All attendees unanimously said the Seminar was very useful and they looked forward to future events!

GOING FORWARD

Following the positive feedback received from attendees in March, we are planning twice yearly Supplier Health and Safety Seminars.

ONE TEAM VMOST

2019



Projects Showcase

CHAPEL POINT - NORTH SEA OBSERVATORY

WINNER OF DEVELOPMENT OF THE YEAR (UNDER £5M) CATEGORY - GREATER LINCOLNSHIRE PROPERTY AWARDS 2019

Designed and project managed by Kier, Chapel Point - North Sea Observatory is an iconic public building located on the seafront at Chapel St Leonards on the east coast of Lincolnshire. It is the first purpose-built marine observatory in the UK and has been designed and manufactured to a very high environmental specification.

The observatory offers educational facilities for watching coastal wildlife which migrate along the Lincolnshire coastline from around the world between spring and early winter.

The project was:

- Constructed with sustainable materials
- Designed to minimise carbon footprint and maximise energy performance

This project faced many challenges, not just those presented by the exposed coastal location, but also when suspected Second World War incendiary devices were discovered during the groundworks and had to be disposed of safely.

The project finished as planned in Summer 2018, within agreed timescales, which reflected the unexpected discoveries.

The project has had a significant positive social and economic impact on the local community:

- It was tendered and awarded to the successful Contractor using Lincolnshire County Council procurement guidelines that promote use of local contractors supporting local Lincolnshire employment
- As a mixed-use facility that is free to access, the observatory plays a vital part in the local economy, providing a destination for visitors visiting from across the UK and wider
- Visitor numbers to Chapel Point in the autumn months of 2018 (following the opening of the building) increased, as compared to previous years, and have continued to grow
- It provides local employment in the catering facility

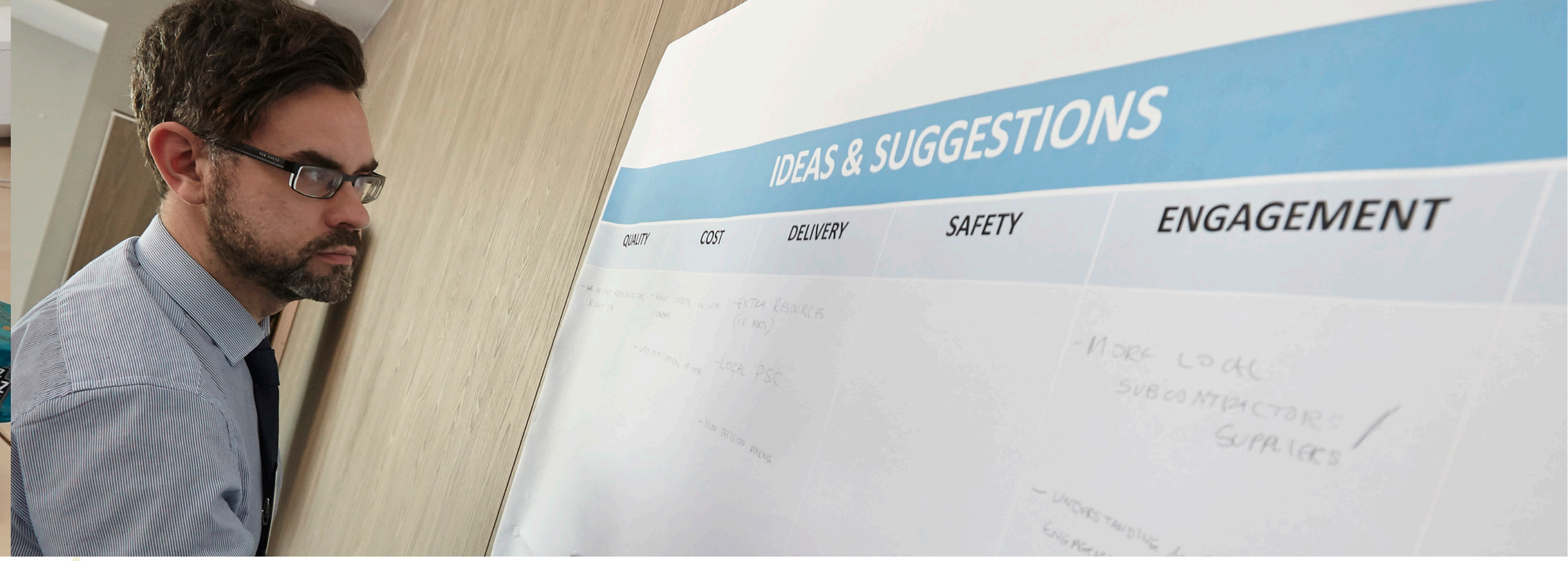
LINCOLNSHIRE BEACH CLEANS - SUPPORTING THE ENVIRONMENT

The ONE Team looks for opportunities to support the local community and as such, this summer organised 2 Beach Cleans at Chapel Point, with the help of the Lincolnshire Wildlife Trust.

Armed with litter pickers and hessian sacks, each of the teams covered a large expanse of the Lincolnshire coast at Chapel Point (where the new North Sea Observatory has recently been built).

Over the 2 days, the teams collected 31.5kg of rubbish from the beach at Chapel St Leonards, which is litter that is removed from our coastline forever.

The teams thoroughly enjoyed both days and this has been an excellent way to make a real impact in Lincolnshire. It was also a great way of team building and an opportunity for those involved to see the fantastic North Sea Observatory facility.



Community Engagement and Social Value

The ONE Team is passionate about supporting the Community and adding Social Value. As well as the Beach Cleans, there have been a number of other initiatives this year.

RECYCLING FOR SCHOOLS

The ONE Team is supporting the recycling of crisp packets, sweet wrappers and pens. Through co-ordinating the collection of these items, we are supporting a number of local schools who act as 'hubs' for recycling. **The schools are paid a sum of money per kilo of recycling collected. This benefits both the schools and the environment.**

REVERSE ADVENT CALENDAR

Last Christmas, the ONE Team collected food and toiletry items for the local foodbank, the Lincoln Community Larder. **The value of goods donated was over £200** and was gratefully received by the Larder, who thanked everyone who contributed.

TEAM DEVELOPMENT

As well as ONE Team community engagement activity, we are also dedicated to adding social value through developing our teams. This year we have had 5 people studying through apprenticeships, with 1 having recently completed their apprenticeship by qualifying as an electrician. **We have a target of another 6 apprenticeships starting next year.**

MACMILLAN COFFEE MORNING

We held a Coffee Morning and ONE Team Team 'Bake Off' **raising £167 for Macmillan Cancer Care**.

CPR TRAINING

We held CPR training, delivered by the British Heart foundation. This was particularly important to the ONE Team as 4 members of the team have had heart attacks over the last year.

CHARITY SPONSORSHIP

Members of the ONE team have supported the Handicapped Children's Action Group, a Lincolnshire based charity **to attain a grant of £15,000 from the VINCI UK Foundation, which is dedicated to supporting social inclusion.** The grant monies will purchase specialist buggies for severely disabled children, allowing them to take part in activities and excursions they would not otherwise be able to access.

GOING FORWARD

We will continue to support charities and community events within Lincolnshire. This is a great opportunity for us to give to the community, as well as helping team building and getting to know people across the ONE Team. We have had fantastic feedback from our teams about taking part in these events.

Collaborative Working

One of the key fundamentals of the Property Services NEC3 contract is its basis in collaborative working. VINCI has provided significant support in this area through introducing initiatives and training on **Lean Methodology, Empower - Delivering Excellence Through People, Ideas and Suggestions and VMOST our joint Business Plan.** This has supported the development of our ONE Team culture.

In addition, VINCI has also supported other Directorates within the Council to develop their own VMOST. By extending the collaboration and sharing of resources beyond the Property Services contract, added value has been brought to the wider LCC and has assisted those Directorates in producing clear, concise Business Objectives and supporting their ONE Team working. **This culminated in VINCI/LCC being named a finalist in the Premises and Facilities Management – Corporate Property Award 2019.**

Capital Projects are also being delivered collaboratively, with the early engagement of framework contractors, an example being the Council's Special Needs Schools Programme. This enables project objectives to be agreed and fosters a 'team approach' to the project.

GOING FORWARD

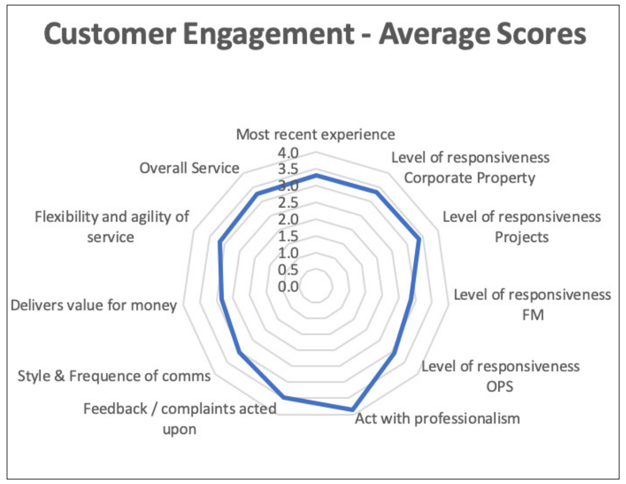
The ONE Team will continue to drive collaborative working throughout our teams as we have seen huge benefits in this approach.

Customer Engagement

One of the key ONE Team Objectives is to benchmark customer engagement to assist in identifying and implementing improvements that will benefit customers and end users and improve the perception of our service.

This year, the ONE Team has carried out customer interviews across a wide range of our customers from Strategic Leaders of LCC through to Schools Business Managers.

The survey also asked customer to rate the specific areas on a scale of 1 to 4, with 1 being the lowest and 4 being the highest score. The responses have been mapped in the following diagram.



KEY THEMES

The ONE Team received very good and constructive feedback, in particular, **the level of professionalism within the team was viewed very highly by the customers.**

There were several key themes coming out of the feedback that we will focus on going forward:

1. Communication
2. Flexibility/Agility of service
3. Value for money

GOING FORWARD

Customer focus sessions will be arranged to explore the feedback and themes in more depth, we will use this information to develop an improvement plan and survey customer again next year to see how far the ONE Team have moved forward.

ONE Team Conference

The annual ONE Team Conference was held in July 2019. **This is always a popular event, and is a key element of our employee engagement; allowing us to network as a team and provide an update on the contract performance.**

This year, our key theme was 'Customer'. We ran a 5* Customer Service Workshop, asking ourselves what does excellent customer service look like? We then presented the feedback from our Customer Engagement activity (see previous page). We took the learning from the previous 2 sessions and worked as teams to identify 'Ideas and Suggestions' that we could take forward to improve customer service across the team.

Finally, we presented a ONE Team Annual Recognition Award. There were 12 nominations from across the ONE team and attendees at the Conference voted for the overall winner, which was Simon Lock, Mobile Cleaning Supervisor!

Team Awards

PROGRESS TO DATE

Over the last year, the ONE Team has been the winner/finalist in the following awards/categories:

LINCOLNSHIRE CONSTRUCTION AND PROPERTY AWARDS 2019

- Development of the Year under £5m Category (partnering with Gelder) - Winner For the design of the North Sea Observatory, Chapel Point

ARCHITECT'S JOURNAL ARCHITECTURE AWARDS

- Public Building of the Year - Finalist For the design of the North Sea Observatory, Chapel Point

RICS EAST MIDLANDS AWARDS

- Community Benefit Category - Finalist
- Infrastructure Category - Finalist (For the design of Sleaford Eastgate, New Bluelight Campus)
- Tourism and Leisure Category - Finalist
- Regeneration - Finalist (For the design of the North Sea Observatory, Chapel Point

PREMISES AND FACILITIES MANAGEMENT AWARDS

- Corporate Partner Category - Finalist

Building on last years awards, this is further recognition of the excellence and professionalism within the ONE Team.

ONE TEAM EMPLOYEE AWARDS

IMPROVING EFFICIENCY

- **Simon Lock, Mobile Cleaning Supervisor** - for improved ways of working, creating better value for money for LCC

PERFORMANCE EXCELLENCE

- **Simon Challis, Strategic Development Officer** - for negotiating over £1m of funding to go back to Children's Services for Basic Need expenditure without having time bars or place restrictions

IMPROVING EFFICIENCY

- **Stuart O'Connell** - for outstanding service to a school

LIVING THE ONE TEAM VALUES

- **Sue Wells** – for going the extra mile in everything she dœs

ONE TEAM ANNUAL RECOGNITION AWARD

- **Simon Lock** - voted for by attendees of the 2019 ONE Team Conference

GOING FORWARD

We will continue to showcase our team achievements by submitting nominations for local and national awards, particularly those that demonstrate collaborative working, which lies at the heart of our approach.

ONE TEAM proud to deliver exceptional services

For enquiries, please contact Sue Matheson, Project Director – sue.matheson@vincifacilities.com

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Lincolnshire COUNTY COUNCIL
Working for a better future

Policy and Scrutiny

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

Report to:	**Overview and Scrutiny Management Board**
Date:	**27 February 2020**
Subject:	**Scrutiny Committee Work Programmes: -** • **Environment and Economy Scrutiny Committee** • **Highways and Transport Scrutiny Committee** • **Flood and Water Management Scrutiny Committee**

Summary:

As set out in the Council's constitution, a key role for this Board is monitoring the future work programmes of the other scrutiny committees.

This report focuses on the Environment and Economy Scrutiny Committee, Highways and Transport Scrutiny Committee and the Flood and Water Management Scrutiny Committee.

Actions Required:

To consider if the Board is satisfied with the content of the planned future work programme of the following Scrutiny Committees:

- Environment and Economy Scrutiny Committee
- Highways and Transport Scrutiny Committee
- Flood and Water Management 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.

Reporting Timetable

The table below sets out the proposed reporting timetable until September 2020: -

<table>
<tr><th>Scrutiny Committee</th><th>Monitoring Date</th><th>Monitoring Date</th><th>Monitoring Date</th></tr>
<tr><td>Adults and Community Wellbeing</td><td rowspan="2">24 Oct 2019</td><td rowspan="2">26 Mar 2020</td><td rowspan="2">02 July 2020</td></tr>
<tr><td>Health</td></tr>
<tr><td>Children and Young People</td><td>28 Nov 2019</td><td rowspan="2">30 Apr 2020</td><td rowspan="2">27 Aug 2020</td></tr>
<tr><td>Public Protection and Communities</td><td>19 Dec 2019</td></tr>
<tr><td>Environment and Economy</td><td rowspan="3">27 Feb 2020</td><td rowspan="2">28 May 2020</td><td rowspan="3">24 Sept 2020</td></tr>
<tr><td>Highways and Transport</td></tr>
<tr><td>Flood and Water Management</td><td></td></tr>
</table>

The work programmes of two committees are normally considered at each meeting, except when the Flood and Water Management Scrutiny Committee is due for consideration.

The highlights of previous activity and the future work programme of the Environment and Economy Scrutiny Committee, Highways and Transport Scrutiny Committee and Flood and Water Management Scrutiny Committee are shown below.

2. Environment and Economy Scrutiny Committee

Since the last update to the Overview and Scrutiny Management Board the Environment and Economy Scrutiny Committee has considered the following key areas of work.

Lincolnshire Broadband Programme

The Committee continues to monitor the Lincolnshire Broadband Programme aims of improving rural broadband connectivity and received an annual update at the July 2019 meeting.

The Committee continues to endorse the aspiration to hit 97% Superfast coverage by mid-2020. Officers confirmed that providing a fibre connection particularly in rural areas was expensive. However, the cost of installing a fixed wireless or 4G was more cost effective and could aid many people to get connectivity. The Committee also considered work to improve mobile coverage in rural areas and officers have written to Ofcom to request they consider 4G as an alternative to fibre to premises.

The Committee is due to revisit this area in March 2020 and will continue to monitor and promote the roll out Superfast Broadband in Lincolnshire.

Huttoft Coastal Tourism Facility

In October 2019 the Committee endorsed recommendations which outlined the conversion of the Huttoft Boat Shed into a visitor centre with the aim of developing a quality tourist facility. The Committee confirmed they were in favour of the project and that it was great news for the area. However, it was highlighted that no reference was made to a car parking strategy; members were advised that an overarching car parking strategy for the whole of the coast was being developed.

The Committee will continue to monitor the development of this project to ensure the benefit of visitors and the local economy.

Business Centres and Economic Development Portfolio Strategy

In September 2019 the Committee considered a report which sought the views of the Committee on the development and review of the criteria currently used to manage the Council's business centres and economic development portfolio.

The Committee endorsed officer's aims and recommended a flexible approach to manage the portfolio in such a way that it could support economic prosperity and job growth across Lincolnshire whilst at the same time maximising the net income generated from the portfolio.

Mixed Dry Recyclables (MDR) contract

In October 2019 the Committee considered the strategy behind the procurement of a new mixed dry recycling (MDR) contract commencing in 2020. It was agreed that approval would be sought for a short extension of existing arrangements in order to enable the most advantageous procurement process to be followed and ensure appropriate transition arrangements to a new service if necessary.

The Committee supported the development of more localised infrastructure to process Mixed Dry Recyclables and recommended that further consideration should be given as part of the procurement process to reduce the carbon footprint from haulage from the transport of mixed dry recyclables.

The Committee will consider the procurement of this contract in March 2020 as part of pre-decision of the decision.

Greater Lincolnshire Local Industrial Strategy

In November 2019 the Committee had the opportunity to input on the direction and focus of the Greater Lincolnshire Local Industrial Strategy. The Committee endorsed that a central aim of the Strategy should be to put the area in a strong position for the future and to support Lincolnshire's growing business sectors.

The Committee highlighted new towns fund had the potential to bring £25m into Skegness and other areas and that there was a need to think about how this could be used as a framework for all six of the towns, and to support those emerging opportunities.

The Committee will continue to monitor the development and implementation of the Local Industrial Strategy.

Lincolnshire Rural Support Network: LRSN

In January 2019 the Committee tasked officers with looking at mental health support in Lincolnshire and significant discussion focussed on the need to support the farming sector through the current and coming challenging period of change. As a result of the work of the Committee the Lincolnshire Rural Support Network received a £40,000 grant from Lincolnshire County Council.

In January 2020 Members received a presentation on the work carried out by the Lincolnshire Rural Support Network to support the farming and rural community with pastoral and practical support during periods of anxiety, stress and problems relating to their families and businesses. Members commended the work LRSN carried out to support farmers and thanked all involved. The Committee endorsed the support provided.

Future Work

During 2020 the Committee plans to consider a wide range of topics to promote Lincolnshire as a place to live, work and invest.

- Agriculture Bill – major changes to the sector will come about as the UK leaves the European Union and the Common Agriculture Policy comes to an end. The government's Agriculture Bill paves the way for direct payments to be phased out and replaced by a new system largely based on environmental support. The Committee has requested to review these changes to better understand the impact to Lincolnshire.
- Development of a Greater Lincolnshire Tourism Sector Deal to set out how the government and industry will work in partnership to boost productivity, develop the skills of the workforce and support destinations to enhance their visitor offer.
- Review of the Carbon Management Plan and development of a Green Masterplan.

31 MARCH 2020 – 10.00am	
Item	**Contributor**
County Mixed Dry Recyclables (MDR) Procurement	Ben Crow, Commercial Team - Infrastructure
Lincolnshire Broadband Programme Progress Report	Steve Brookes, Lincolnshire Broadband Programme Manager
Carbon Management Plan	David Hickman, Head of Environment

31 MARCH 2020 – 10.00am	
Item	**Contributor**
China Hunan Province Outcomes	Angela Driver, Senior Commissioning Officer (Enterprise)

26 MAY 2020 – 10.00am	
Item	**Contributor**
Internationalisation Strategy	Samantha Harrison, Head of Economic Development
Agriculture Bill Update	TBC
Energy Strategy Update	Andrew Brooks, Regeneration Manager
Charging for pre-application in planning	Neil McBride, Head of Planning; Ian George, Historic Places Manager
Historic Places Strategy	Ian George, Historic Places Manager

14 JULY 2020 – 10.00am	
Item	**Contributor**
Developing a strategy for the sustainable future of the coast	David Hickman, Head of Environment
Business Lincolnshire Growth Hub Update	Samantha Harrison, Head of Economic Development
Investment Plan Update and Team Lincolnshire progress report	Jill McCarthy, Investment Team Manager

08 SEPTEMBER 2020 – 10.00am	
Item	**Contributor**
Skills Audit Action Plan	Thea Croxall, Principal Commissioning Officer (Learning)

3. Highways and Transport Scrutiny Committee

Since the last update to the Overview and Scrutiny Management Board the Highways and Transport Scrutiny Committee has met five times.

During this period the Committee has continued engagement with Network Rail and Train Operating Companies and in October 2019 the Committee welcomed London North Eastern Railway (LNER) and East Midlands Railway (EMR) to provide updates on key rail developments in Lincolnshire.

The Committee has also continued to receive quarterly performance reports on major highway schemes, Highways Alliance performance indicators and customer satisfaction information.

Highways 2020 Contract Award Decision

In September 2019 the Committee considered the outcome of the Highways 2020 procurement process. The Committee supported the recommendations to the Executive. The Committee also welcomed proposals to implement mobile IT tablets for contractors which would enable in the field reporting through CONFIRM. Members supported using the improved real time reporting to improved customer service.

The Committee also recommended that robust management was put in place in relation to the timing of the transition to the new contracts arrangements. The Committee will begin to receive performance reporting on the new arrangements from April 2020.

Roundabout Sponsorship and Advertising Scrutiny Panel

In July 2019 the Committee reviewed the work of Scrutiny Panel A which made four recommendations regarding a revised Roundabout Sponsorship and Advertising policy and a proposal for a countywide scheme. The main issues considered included sponsorship of signage, content and size of signs, public liability insurance, signage planning issues and planting schemes.

The Committee accepted the recommendations and agreed that the final report should be submitted to the Executive and placed its thanks to the Scrutiny Panel and officers involved on record for all their hard work on this review and for producing an excellent report.

Highways Fault Reporting Performance / Highways Customer Engagement and Liaison Strategy

In October 2019 the Committee received proposals in connection with the Highways Customer Engagement and Liaison Strategy which outlined what the Council would do to improve public satisfaction levels in the highway service by placing the customers at the heart of the service.

The Committee also received a report in connection with the performance of highways fault reporting which highlighted the improvements made and recommendations for future improvements. The Committee welcomed the drive for improvement to the system and the drive for better customer engagement. The Committee agreed to support the recommendations in the report and requested to monitor performance in six months.

Spalding Western Relief Road

In December 2019 the Committee received a petition comprising 1343 signatures in connection with the Spalding Western Relief Road and welcomed local residents to address the Committee as part of the consideration of the item.

Members of the Committee highlighted the serious impact on the lives of local residents in relation to the potential planning blight which could be caused by adopting route option three.

The Committee supported carrying out of the Spalding Western Relief Road Scheme, and to progress a phased delivery of the scheme. However, the Committee did not support the proposed 'route option three' and formally resolved to recommend 'route option four' to the Executive, with an alignment through the ‘Trojan Wood’ factory site to the west and outside the safeguarded road corridor.

CCTV Pilot Scheme for Parking Enforcement Outside Schools

In September 2018 Committee resolved that a working group should be formed to consider the longer term outcome of the CCTV Pilot scheme. The working group was formed and meetings took place between June and October 2019.

The Committee considered the outcome of the working group in January 2020 and after giving full consideration to the information provided by Officers agreed to the recommendations that the CCTV enforcement trial be ended.

The Committee supported Option 5 (additional Civil Enforcement Officer foot patrols) as the preferred future direction and noted that this would ensure the safety of young people outside schools, provide more flexible patrols, be more visible at key times and offer greater Enforcement Officer coverage to keep areas outside of schools free from traffic.

Future Work

09 MARCH 2020 – 10:00am		
Item	**Contributor**	**Purpose**
Rewaterproofing of Pelham Bridge, Lincoln	Richard Waters - Principal Engineer (Structures)	**PRE-DECISION SCRUTINY** Between 11 and 25 March 2020 Leader of the Council
Welton / Dunholme A46 Improvement Project	Charlotte Hughes, Senior Project Leader	**PRE-DECISION SCRUTINY** 7 April 2020, Executive
Highways Quarter 3 Performance Report (01 October to 31 December 2019)	Paul Rusted, Head of Highways Services	Review of the Key Performance and Customer Satisfaction Information.
Street Lighting Update	John Monk, Group Manager Design Services	Update on requests received under the reversal of part-night lighting protocol
Roundabout Sponsorship and Advertising Scrutiny Panel – Executive Response and Action Plan	Mick Phoenix, Network Management Commissioner	Report back on the implementation of the recommendations from the Scrutiny Panel

09 MARCH 2020 – 10:00am		
Item	**Contributor**	**Purpose**
Lincoln Transport Strategy	Karl Gibson, Senior Project	Vision, Objectives and Strategy

27 APRIL 2020 – 10:00am		
Item	**Contributor**	**Purpose**
Highways Infrastructure Asset Management Plan 2020	Joe Phillips, Policy and Strategic Asset Manager	**PRE-DECISION SCRUTINY**
Winter Maintenance – End of Year Report	Joe Phillips, Policy and Strategic Asset Manager	
Review of revised arrangements for Lincolnshire's Local Access Forums	Chris Miller, Team Leader, Countryside Services	Review of the revised arrangements for Lincolnshire's Local Access Forums in April 2019.
TransportConnect - Teckal Company Annual Report	Anita Ruffle, Head of Transport Services	Annual Report
Passenger Transport Update	Anita Ruffle, Head of Transport Services	Comprehensive update on a wide range of Passenger Transport related items.
Cycling Strategy	Philip Watt, Project Officer	Review of current Cycling Strategy arrangements.

08 JUNE 2020 – 10:00am		
Item	**Contributor**	**Purpose**
Highways 2020 Mobilisation Update	Paul Rusted, Head of Highways Services	
Quarter 4 Performance Report (1 January to 31 March 2020)	Paul Rusted, Head of Highways Services	Review of the Key Performance and Customer Satisfaction Information.
Highways Fault Reporting System	Georgina Statham, Highways Liaison Manager	Update on the highways fault reporting system performance / response times.
Highways Asset Management Annual Review	Joe Phillips, Policy and Strategic Asset Manager	
Rail Update	Strategic Transport Policy Manager	Rail Prospectus

20 JULY 2020 – 10:00am		
Item	**Contributor**	**Purpose**
Route and Place Based Transport Strategies Annual Report	Sam Edwards, Head of Highways Infrastructure	Annual review of Route and Place Based Transport Strategies development.

4. Flood and Water Management Scrutiny Committee

Since the last update to the Overview and Scrutiny Management Board in March 2019 there have been an unprecedented number of flooding incidents across the County.

Following a prolonged period of heavy rainfall in June 2019 there was widespread flooding across Lincolnshire and the eastern side of the county was particularly affected, especially Wainfleet (All Saints), Holbeach, Spalding and Great Steeping. Most notably, a significant number of properties in Wainfleet were flooded from at least two sources, initially surface water compounded by a breach in the embanked Wainfleet Relief Channel.

In the autumn of 2019 some areas in Lincolnshire saw 170% of its average rainfall and there were well reported events at Short Ferry and the Barlings Eau, Timberland Delph and Billinghay Skirth.

The Committee has continued to monitor the exceptional number of flood investigations undertaken compared with previous years, with 142 flood investigations commenced in 2019 compared to 25 in 2018.

In addition, the Flood and Water Management Scrutiny Committee has considered the following key areas of work.

<u>The outcome of the investigation into the flooding at Wainfleet in June 2019</u>

Over the period 10th to 13th June 2019 around 62 properties were flooded in Wainfleet, Thorpe St. Peter and Thorpe Culvert, with further significant flooding elsewhere in East Lindsey District. The consequences of the breach at Wainfleet were severe enough to trigger a multiagency response in order that military aid could be called upon.

The events at Wainfleet (and elsewhere) met the requirement to carry out a flood investigation. Due to the increased pressure on resources as a result of the widespread flooding, Norfolk County Council was approached to carry out the flood investigation on behalf of Lincolnshire County Council in order to help it meet its duties under Section 19 of the Flood & Water Management Act.

The Committee is due to consider the outcome of the investigation into the flooding at Wainfleet in June 2019 at its meeting on 24 February 2020.

Joint Lincolnshire Flood Risk & Water Management Strategy 2019-2050

In November 2019 the Committee considered the draft Lincolnshire Flood Risk & Water Management Strategy 2019-2050 and was advised that the updated strategy provided a more holistic approach, by combining the flood risk management activities of the Council and its partners with a strategic view of water supply and resource management.

The Committee endorsed the Joint Lincolnshire Flood Risk & Water Management Strategy 2019-2050.

Response to Saltfleet to Gibraltar Point Strategy Public Consultation

In September 2019 the Committee reviewed the response submitted by Lincolnshire County Council to the Saltfleet to Gibraltar Point coastal strategy consultation. Members welcomed the approach and acknowledged that going forward the Lincolnshire Coast would be one of the biggest challenges in terms of climate change and investments needed to be made into this.

Future Work

24 FEBRUARY 2020 – 10:00am	
Item	**Contributor**
Outcome of Wainfleet Section 19 Flood Investigation	David Hickman, Head of Environment; Paul Brookes, Flood Risk Manager
Investigations undertaken under Section 19 of the Flood and Water Management Act 2010.	Paul Brookes, Flood Risk Manager
Environment Agency Update	Morgan Wray, Area Flood and Coastal Risk Manager
Co-ordinated Coastal Management	David Hickman, Head of Environment

18 MAY 2020 – 10:00am	
Item	**Contributor**
Investigations undertaken under Section 19 of the Flood and Water Management Act 2010.	Paul Brookes, Flood Risk Manager
Environment Agency Update	Environment Agency
Water Resources East	David Hickman, Head of Environment
Sewage Flooding Events	Anglian Water

01 SEPTEMBER 2020 – 10:00am	
Item	**Contributor**
Wainfleet Section 19 Flood Investigation Action Plan Progress Report	David Hickman, Head of Environment; Paul Brookes, Flood Risk Manager
Investigations undertaken under Section 19 of the Flood and Water Management Act 2010.	Paul Brookes, Flood Risk Manager
Environment Agency Update	Environment Agency

5. Conclusion

The Board is asked to consider whether it is satisfied with the previous activity and the planned work programmes of the Environment and Economy Scrutiny Committee, Highways and Transport Scrutiny Committee, and Flood and Water Management Scrutiny Committee.

6. 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

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Lincolnshire COUNTY COUNCIL
Working for a better future

Policy and Scrutiny

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

Report to:	**Overview and Scrutiny Management Board**
Date:	**27 February 2020**
Subject:	**Overview and Scrutiny Management Board Work Programme**

Summary:

This item informs the Board of its current work programme for the coming year.

Actions Required:

Members of the Board are invited to note the current version of the work programme.

1. Background

Work Programme

The current version of the work programme for the Overview and Scrutiny Management Board is set out in Appendix A.

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.

Committee Working Group Activity

Scrutiny committees may establish a maximum of two informal working groups, at any one time, comprising a group of members from the committee which can meet a maximum of three times. 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 Board to ensure that all key decisions are scrutinised by the relevant scrutiny committee.

2. Conclusion

The Board is invited to note its current work programme for the coming year, which is attached at Appendix A to this report. Members of the Board are invited to contact the Head of Democratic Services and Statutory Scrutiny Officer to highlight any additional scrutiny activity which could be included for consideration in the work programme.

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 and Statutory Scrutiny Officer, who can be contacted on 01522 552840 or by e-mail at nigel.west@lincolnshire.gov.uk

APPENDIX A

OVERVIEW AND SCRUTINY MANAGEMENT BOARD

Each agenda includes the following standard items:

- **Call-in (if required)**
- **Councillor Call for Action (if required)**

27 February 2020		
Item	**Contributor**	**Purpose**
Membership of the Local Government Association (LGA)	Nigel West, Head of Democratic Services and Statutory Scrutiny Officer	Consultation / Pre-Decision Scrutiny (Executive Councillor Decision between 9 – 16 March 2020)
Performance Reporting against the Council Business Plan 2019/20 - Quarter 3	Jasmine Sodhi Performance and Equalities Manager	Pre-Decision Scrutiny (Executive decision on 3 March 2020)
Council Performance Measures 2020/2021	Jasmine Sodhi Performance and Equalities Manager	Pre-Decision Scrutiny (Executive decision on 3 March 2020)
Treasury Management Performance Quarter 3 (1 October 2019 to 31 December 2019)	Karen Tonge Treasury Manager	Performance Scrutiny
Treasury Management Strategy Statement and Annual Investment Strategy 2020/21	Karen Tonge Treasury Manager Chris Scott, Link Asset Services	Pre-Decision Scrutiny (Executive Councillor Decision on 20 March 2020)
Property Services Contract Year Four Report	Kevin Kendall, Assistant Director – Corporate Property Stuart Wright, Contract Manager	Performance Scrutiny

27 February 2020		
Item	**Contributor**	**Purpose**
Overview and Scrutiny Work Programmes • Environment and Economy Scrutiny Committee • Highways and Transport Scrutiny Committee • Flood and Water Management Scrutiny Committee	Cllr Mrs 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

26 March 2020		
Item	**Contributor**	**Purpose**
Performance of the Corporate Support Services Contract	Sophie Reeve, Assistant Director - Commercial Arnd Hobohm, Serco Contract Manager John Wickens, Assistant Director - IMT	Performance Scrutiny
Brexit Working Group Progress Report	Justin Brown, Assistant Director - Growth	Member Report
Scrutiny Panel B: *Review of Overview and Scrutiny* – Draft Final Report	Cllr Angela Newton, Chairman of Scrutiny Panel B	Scrutiny Review Activity
Overview and Scrutiny Work Programmes • Adults and Community Wellbeing Scrutiny Committee • Health Scrutiny Committee	Cllr Hugo Marfleet, Chairman of Adults and Community Wellbeing Scrutiny Committee Cllr Carl Macey, Chairman of Health Scrutiny Committee	Performance Scrutiny

30 April 2020		
Item	**Contributor**	**Purpose**
Corporate Plan Delivery Plan	Verity Druce, Commercial Manager	Pre-Decision Scrutiny (Executive decision on 5 May 2020)
Overview and Scrutiny Annual Report	Nigel West, Head of Democratic Services and Statutory Scrutiny Officer	Performance Scrutiny
Overview and Scrutiny Work Programmes • Children and Young People Scrutiny Committee • Public Protection and Communities Scrutiny Committee	Cllr Robert Kendrick, Chairman of Children and Young People Scrutiny Committee Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

28 May 2020		
Item	**Contributor**	**Purpose**
Employee Survey – Outcomes and Action Plan	Fiona Thompson, Head of Human Resources	Performance Scrutiny
Overview and Scrutiny Work Programmes • Environment and Economy Scrutiny Committee • Highways and Transport Scrutiny Committee	Cllr Mrs Wendy Bowkett, Chairman of Environment and Economy Scrutiny Committee Cllr Bob Adams, Chairman of Highways and Transport Scrutiny Committee	Performance Scrutiny

02 July 2020		
Item	**Contributor**	**Purpose**
Review of Financial Performance 2019/20	Dave Simpson, Head of Finance - Technical and Development	Pre-Decision Scrutiny (Executive decision on 7 July 2020)
Treasury Management Annual Report 2019/20	Karen Tonge, Treasury Manager Chris Scott, Link Asset Services	Performance Scrutiny
Performance Reporting against the Council Business Plan 2019/20 - Quarter 4	Jasmine Sodhi, Performance and Equalities Manager	Pre-Decision Scrutiny (Executive decision on 7 July 2020)
Business World ERP System Re-Design – Progress Report	Andrew McLean, Assistant Director – Transformation, Programmes and Performance	Performance Scrutiny
Performance of the Corporate Support Services Contract	Sophie Reeve, Assistant Director - Commercial Arnd Hobohm, Serco Contract Manager John Wickens, Assistant Director - IMT	Performance Scrutiny
Overview and Scrutiny Work Programmes • Adults and Community Wellbeing Scrutiny Committee • Health Scrutiny Committee	Cllr Hugo Marfleet, Chairman of Adults and Community Wellbeing Scrutiny Committee Cllr Carl Macey, Chairman of Health Scrutiny Committee	Performance Scrutiny

27 August 2020		
Item	**Contributor**	**Purpose**
Performance Reporting against the Council Business Plan 2020/21 - Quarter 1	Jasmine Sodhi, Performance and Equalities Manager	Pre-Decision Scrutiny (Executive decision on 2 September 2020)

27 August 2020		
Item	**Contributor**	**Purpose**
Establishment of the Legal Services Company – Progress Report	David Coleman, Chief Legal Officer	Performance Scrutiny
Overview and Scrutiny Work Programmes • Children and Young People Scrutiny Committee • Public Protection and Communities Scrutiny Committee	Cllr Robert Kendrick, Chairman of Children and Young People Scrutiny Committee Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

24 September 2020		
Item	**Contributor**	**Purpose**
Revenue Budget Monitoring Report 2020/21	Michelle Grady, Assistant Director for Strategic Finance	Pre Decision Scrutiny (Executive decision on 6 October 2020)
Capital Budget Monitoring Report 2020/21	Michelle Grady, Assistant Director for Strategic Finance	Pre Decision Scrutiny (Executive decision on 6 October 2020)
Treasury Management Performance Quarter 1 (1 April to 30 June 2020)	Karen Tonge, Treasury Manager	Performance Scrutiny
Updates on the Council People Management and Workforce Plan and the Employee Survey – Quarter 4	Fiona Thompson, Head of Human Resources	Performance Scrutiny

24 September 2020		
Item	**Contributor**	**Purpose**
Overview and Scrutiny Work Programmes • Environment and Economy Scrutiny Committee • Highways and Transport Scrutiny Committee • Flood and Water Management Scrutiny Committee	Cllr Mrs 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

29 October 2020		
Item	**Contributor**	**Purpose**
Review of Financial Risk Assessment	Dave Simpson, Head of Finance - Technical and Development	Budget Scrutiny
Performance of the Corporate Support Services Contract	Sophie Reeve, Assistant Director - Commercial Arnd Hobohm, Serco Contract Manager John Wickens, Assistant Director - IMT	Performance Scrutiny
Overview and Scrutiny Work Programmes • Adults and Community Wellbeing Scrutiny Committee • Health Scrutiny Committee	Cllr Hugo Marfleet, Chairman of Adults and Community Wellbeing Scrutiny Committee Cllr Carl Macey, Chairman of Health Scrutiny Committee	Performance Scrutiny

26 November 2020		
Item	**Contributor**	**Purpose**
Performance Reporting against the Council Business Plan 2020/21 - Quarter 2	Jasmine Sodhi, Performance and Equalities Manager	Pre-Decision Scrutiny (Executive decision on 1 December 2020)
Treasury Management Performance Quarter 2 (1 July to 30 September 2020)	Karen Tonge, Treasury Manager	Performance Scrutiny
Overview and Scrutiny Work Programmes • Children and Young People Scrutiny Committee • Public Protection and Communities Scrutiny Committee	Cllr Robert Kendrick, Chairman of Children and Young People Scrutiny Committee Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

17 December 2020		
Item	**Contributor**	**Purpose**
Overview and Scrutiny Work Programmes • Environment and Economy Scrutiny Committee • Highways and Transport Scrutiny Committee	Cllr Mrs 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:

- County Farm Strategy

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

APPENDIX B

Scrutiny Panel Activity

(as at 19 February 2020)

Current Reviews

Scrutiny Panel A	Membership	Completion Date
	Councillors L Wootten (Chairman), S R Parkin (Vice Chairman)	

Scrutiny Panel B	Membership	Completion Date
Review of Overview and Scrutiny	Councillors Mrs A Newton (Chairman), A H Turner (Vice Chairman), B Adams, C Matthews, R B Parker, S P Roe, M A Whittington and R Wootten Councillor B Young (Executive Non-Voting Added Member)	Overview and Scrutiny Management Board – 26 March 2020 (Final Report) Executive – 5 May 2020

All completed review reports to be approved by relevant scrutiny committee before consideration at a meeting of the County Council's Executive.

APPENDIX C

Working Group Activity

(as at 19 February 2020)

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

APPENDIX D

FORWARD PLAN OF KEY DECISIONS FROM 02 MARCH 2020

PUBLISH DATE 31 JANUARY 2020

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
I019526 New!	A1031 Tetney Primary Route Network	Open	Executive Councillor: Resources and Communications Between 20 Feb 2020 and 5 Mar 2020	Highways colleagues and utility companies	Report	Senior Project Leader Tel: 01522 552940 Email: steve.brooks@lincolnshire.gov.uk	Saltfleet and the Cotes
I018573	New LPFT Mental Health S75 Partnership Agreement	Exempt	Executive 3 March 2020	Adults and Community Wellbeing Scrutiny Committee	Reports	Interim Head of Mental Health Services Tel: 01522 553836 Email: lorraine.graves@lincolnshire.gov.uk	All Divisions
I019387	Re-waterproofing of Pelham Bridge, Lincoln	Open	Executive Councillor: Resources and Communications Between 11 Mar 2020 and 25 Mar 2020	Local Member; highway and permitting colleagues; public utility companies; City of Lincoln Council; stagecoach (bus service); Network Rail; emergency services; businesses in immediate vicinity; Highways and Transport Scrutiny Committee	Reports	Principal Engineer (Structures) Tel: 01522 782070 Email: richard.waters@lincolnshire.gov.uk	Park
I019386	Welton / Dunholme A46 Improvement Project	Open	Executive Councillor: Resources and Communications Between 25 Mar 2020 and 10 Apr 2020	Highways and Transport Scrutiny Committee	Reports	Senior Project Leader Tel: 01522 782070 Email: charlotte.hughes@lincolnshire.gov.uk	Welton Rural
I019547 New!	Lincolnshire Integrated Health Protection Service	Exempt	Executive Councillor: Adult Care, Health and Children's Services Executive Councillor: Highways, Transport and IT Between 3 Apr 2020 and 6 Apr 2020	United Lincolnshire NHS Hospitals Trust; Public Health England; Clinical Commissioning Groups; Adults and Community Wellbeing Scrutiny Committee	Exempt Report	Programme Manager, Infection Prevention & Control and Emergency Planning Tel: 01522 552345 Email: natalie.liddle@lincolnshire.gov.uk	All Divisions
I019235	Extra Care Housing	Open	Executive 7 Apr 2020	Adults and Community Wellbeing Scrutiny Committee	Reports	Assistant Director - Corporate Property Tel: 01522 552933 Email: kevin.kendall@lincolnshire.gov.uk	All Divisions

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I019460 New!	County Mixed Dry Recyclables (MDR) Procurement	Open	Executive 7 Apr 2020	Environment and Economy Scrutiny Committee	Report	Senior Commercial and Procurement Officer Tel: 01522 553643 Email: ben.crow@lincolnshire.gov.uk Assistant Director - Communities 01522 553786 nicole.hilton@lincolnshire.gov.uk	All Divisions
I018626	The Sustainable Modes of Transport to School (SMOTS) Strategy	Open	Executive Councillor: Adult Care, Health and Children's Services 4 May 2020	Colleagues in Highways; Countryside Services; Public Health; the Transport Services Group; Children and Young People Scrutiny Committee	Reports	Children's Commissioning Manager Tel: 01522 554053 Email: mark.rainey@lincolnshire.gov.uk	All Divisions
I019546 New!	Post 16 Transport Policy Statement 2020/21	Open	Executive 5 May 2020	Education Providers; Transport Providers; Young People and Parents/Carers; Children and Young People Scrutiny Committee	Report	Education Transport Manager Tel: 01522 553440 Email: teri.marshall@lincolnshire.gov.uk	All Divisions