



**OVERVIEW AND SCRUTINY
MANAGEMENT BOARD
25 FEBRUARY 2021**

PRESENT: COUNCILLOR R B PARKER (CHAIRMAN)

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

Added Members

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

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

Officers in attendance:-

Michelle Andrews (Assistant Director – Corporate Recovery), Debbie Barnes OBE (Chief Executive), Kiara Chatziioannou (Scrutiny Officer), Pam Clipson (Head of Finance, Adult Care and Community Wellbeing), Andrew Crookham (Executive Director Resources), James Drury (Executive Director Commercial), John Giblin (Strategic Communications Team Leader), Michelle Grady (Assistant Director for Strategic Finance), Nick Harrison (Democratic Services Officer), Tracy Johnson (Senior Scrutiny Officer), Natasha Langford (Corporate Project Support Officer, Resources), Sue Maycock (Head of Finance (Corporate)), Keith Noyland (Head of Finance - Communities), Mark Popplewell (Head of Finance (Children's Services)), Chris Scott (Link Asset Services), Jasmine Sodhi (Performance and Equalities Manager), Karen Tonge (Treasury Manager) and Nigel West (Head of Democratic Services and Statutory Scrutiny Officer)

85 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillors B Adams and Mrs W Bowkett. It was reported that, under Regulation 13 of the Local Government Committee and Political Groups) Regulation 1990, Councillors S P Roe was replacing Councillor B Adams, and Councillor C R Oxby was replacing Councillor Mrs W Bowkett for this meeting only.

86 DECLARATIONS OF INTEREST

None received.

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RESOLVED:

That minutes of the meeting held on 28 January 2021 be approved as a correct record and signed by the Chairman.

88 ANNOUNCEMENTS BY THE CHAIRMAN, EXECUTIVE COUNCILLORS
AND CHIEF OFFICERSChairman's Announcements

The Chairman reported that he had attended the meeting of the Executive on the 2nd February and presented the comments from the Board on the Budget Proposals and the Performance Reporting against the Corporate Plan Performance Framework 2020/21 for Quarter 2. He had highlighted the Board's suggestion that it would be helpful to have planned milestones included in future reports and these had now been included in the Quarter 3 performance report.

In relation to the Councillor Call for Action considered at the last Board meeting he confirmed that the Highways and Transport Scrutiny Committee would be considering the request and the Board's advice at their next meeting on 8 March.

89 CONSIDERATION OF CALL-INS

None received.

90 CONSIDERATION OF COUNCILLOR CALLS FOR ACTION

None received.

91 TREASURY MANAGEMENT PERFORMANCE QUARTER 3 TO 31
DECEMBER 2020

Consideration was given to a report from the Treasury Manager, on the Treasury Management Performance Quarter 3 to 31 December 2020, comparing this to the Treasury Management Strategy and Annual Investment Strategy 2020/21 that was approved by the Executive Councillor for Resources and Communications on 20th March 2020. The report met the reporting requirements as detailed in the CIPFA Code of Practice for Treasury Management. The views of the Board would be passed onto the Executive Councillor for Resources and Communications.

The report highlighted the movement of key interest rates to 31st December 2020; Economic background and latest interest rate forecast; Investments activity and performance; Authorised lending and credit rating key; Investment analysis review at December; Borrowing: activity and performance and long term maturity profile at 31st December 2020.

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

- The report was helpfully laid out.
- It was noted that in the report it showed that Wokingham and Cardiff local authorities offered good rates of interest and it was explained that the rates indicated in the report varied due to the time the loans were taken out. The rates for the local authorities mentioned would have been taken out at a time when rates were relatively higher over a year ago. The interest rate was also dependent on the length of the investment.
- Councillor M A Whittington, Executive Support Councillor for Resources and Communications confirmed that he monitored interest rates and reputational risk in lending to Councils with officers on a regular basis. He reported that the County Council had recently signed up to a pilot scheme to look at the risk and reputation of other Councils re financial standing and financial activity.
- There was a £20M lending limit per local authority and a maturity limit of up to two years. This was the highest limit given and the longest maturity, reflecting the low Government risk of Councils. There was no cap on the total lending to the local authority sector as a whole.
- Local authority lending offered better returns for the lowest risk at present and it was noted that assets were kept relatively liquid at present due to current market uncertainty of cashflow.

RESOLVED:

1. That the report be noted;
2. That a summary of the comments made be passed on to the Executive Councillor for Resources and Communications in relation to this item.

92 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR TREASURY INVESTMENTS 2021/22

Consideration was given to a report from the Treasury Manager, which invited the Board to consider the Treasury Management Strategy Statement and Annual Investment Strategy for Treasury Investments 2021/22, which was due to be considered by the Leader of the Council on 11 March 2021. The views of the Board would be reported to the Leader of the Council as part of his consideration of this item.

The report recommended the approval of the Treasury Management Strategy Statement for 2021/22, including the Annual Investment Strategy Statement for Treasury Investments 2021/22 and the Minimum Revenue Provision Policy Statement contained within the Statement for the year ahead.

Since the report had been published there had been a number of minor changes resulting from the change in long term interest rate forecast that Link Asset Services had made following a recent Bank of England meeting. Amended reports had been circulated prior to the meeting to reflect these changes. Long term borrowing rates had risen by around 0.50% in response to the intimation from the Bank of England

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(BoE) at its meeting that it planned to spread the current £150bn tranche of QE over the whole year and had led to a bit of a sell-off in the gilt market. It was suggested that it would not be a big surprise if the BoE applied more downward pressure on yields, in the near-term, if it felt the market had become overly exuberant in its noting of the Bank's future intentions. The changes affected the following parts of the report: paragraphs 2.2.2 Graph and narrative; 2.2.6 Borrowing Interest Rates narrative; 2.3.5 Target Borrowing Rates; Annex A Interest Rate Forecasts from Link Annex B Economic Outlook from Link. Despite these changes there was no change to the Borrowing Strategy at paragraph 2.3.6.

The Treasury Management Strategy Statement was an annual statement that set out the expected treasury activities for the forthcoming year 2021/22. These activities included the Council's expected borrowing and treasury investments, cashflows and banking. Annual strategies for the Council's borrowing and treasury investments were included as part of the report, as well as the Council's Minimum Revenue Provision Policy Statement and the Annual Investment Strategy for Treasury Investments which set out the Council's policies for investing its surplus cash for the year ahead taking into account the risks involved.

It was reported that CIPFA (Chartered Institute of Public Finance and Accountancy) had recently issued a number of consultations on Treasury Management and borrowing codes. CIPFA was looking to strengthen the codes as a result of the Covid-19 pandemic and the increasing complexity of transactions. The consultation and proposals were welcomed and it was noted that the new codes would impact on the function in the next year.

Chris Scott, Link Asset Services, commented on the highlights of the report and indicated that the strategies set out in the report was sensible and appropriate to help manage the Treasury function. There had been a good performance in Quarter 3. He reassured the Board that the strategies were robust and reflected what had been learnt over the past year. The strategies could react to any unforeseen circumstances and were compatible with the Council's risk appetite.

The following points were confirmed:

- Training for members on Treasury management responsibilities had been included in the Councillor induction programme.
- There was flexibility in the strategies to react to any unforeseen changes over the coming year, such as in response to the Covid-19 pandemic. Interest rate forecasts were closely monitored and reacted to if changed.
- Link Asset Services reassured the Board that the strategies were robust and reflected what had been learnt over the past year. The strategies could react to any unforeseen circumstances and were compatible with the Council's risk appetite.

RESOLVED:

1. That the Board support the recommendations to the Leader of the Council, as set out in the report and outlined above;
2. That a summary of the comments made be passed on to the Leader of the Council as part of his consideration of this item.

93 PERFORMANCE REPORTING AGAINST THE CORPORATE PLAN
PERFORMANCE FRAMEWORK 2020/21 - QUARTER 3

Consideration was given to a report from the Performance and Equalities Manager, which invited the Board to consider the Performance Reporting against the Corporate Plan Performance Framework 2020/21 - Quarter 3, which would be presented to the Executive on 2 March 2021. The views of the Board would be reported to the Executive as part of its consideration of this item. The report recommended to the Executive that the Quarter 3 performance for 2020/21 be considered and noted.

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

- The Board was pleased to see so many key activities and performance measures continuing to be achieved despite the difficult circumstances due to Covid-19.
- Paragraph 1.4.6.4 – the go live date for the Business World system had been delayed due to the impact of Covid-19 on workloads and sickness levels, along with difficulties of testing in a virtual environment. In addition, there had been system implications due to the quality of the current data which was being rectified. Going forward, there would be system safeguards, training, clear guidance and instructions would be designed and implemented to ensure data was compliant in future. The revised live date had been selected taking into account this, together with the avoidance of key service pressures eg the Council's financial accounts.
- Paragraph 1.4.8.3 – Mixed experiences were reported by councillors with the FixMyStreet App. Concerns were raised about the status of reported highway defects being updated to completed when no work had been undertaken, which had resulted in complaints being received by some councillors, including from parish councils who had experienced issues with the system. The Chief Executive stated that she would request a fundamental review of the FixMyStreet App be undertaken to look at the responses and communications provided to the customer in relation to the current status of reported incidents.

RESOLVED:

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

94 COVID-19 UPDATE

Consideration was given to an update report from the Assistant Director – Corporate Recovery, on Covid-19. The report provided an overview of the work by the Local Resilience Forum (LRF), partners and Lincolnshire County Council (LCC) to manage Lincolnshire's response to the Covid-19 pandemic since the last report presented to the Board on the 28 January 2021.

The report highlighted the key data as of 22 February in relation to tests carried out, details of the testing programme, the number of cases, deaths and vaccinations carried out (by age group) and the public health measures introduced to mitigate the transmission of Covid-19. The report

Reference was given to the key milestone dates announced on 22 February by the Government for its road map out of lockdown as follows:-

March 8

- All schools return
- Allowed to meet outside with one other outside your household for outdoor recreation
- England care homes can have one named regular visitor provided testing and PPE
- Amend regulation for COVID-secure campaign activities for May elections

March 29

- Outdoor gathering of six people or two households
- Outdoor sports areas can open
- Organised adult and children's sports return subject to guidance
- Travel outside the local area allowed
- Not legally required to stay at home but work from home where can

April 12

- Non-essential retail opened, hairdressers and public buildings like libraries and museums
- Outdoor settings like alcohol takeaways, beer gardens, zoos and theme parks
- Indoor leisure like swimming pools and gyms
- Self-contained holiday accommodation, such as self-catering and camp sites

May 17

- Rule of six outdoors abolished
- Pubs, bars and restaurants to reopen
- Two households can mix indoors – with the rule of six applied in hospitality settings like pubs
- Cinemas, hotels, performances and sporting events reopen – though social distancing remains
- Up to 10,000 spectators could attend the very largest outdoor seated venues like football stadiums
- Up to 30 people would be able to attend weddings, receptions, funerals and wakes.

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June 21

- Remove limits of social contact and weddings
- Night clubs open
- Theatre performances open

July

- Life broadly back to normality

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

- That reference be included in the next report to the rates of infection in neighbouring Counties compared to Lincolnshire. There was some concern that traffic levels seemed to be high despite the current lockdown.
- It was welcomed that the report now included a comparison to the previous month's data as requested at the last meeting.
- There was some concern that the Board would not meet again after the March meeting until June due to the election. It was noted that there would be a scrutiny governance gap and the Board required guidance on how the scrutiny function of the Council would operate during this period. It was confirmed that this would be addressed in the next report to the March Board meeting.

RESOLVED: That the report be noted.

95 REVENUE BUDGET MONITORING REPORT 2020/21 - QUARTER 3 TO 31 DECEMBER 2020

Consideration was given to a report from the Assistant Director – Strategic Finance, which invited the Board to consider and comment on the Revenue Budget Monitoring Report 2020/21 - Quarter 3 to 31 December 2020, which would be presented to the Executive on 2 March 2021. The views of the Board would be reported to the Executive as part of its consideration of this item. The report recommended that the Executive noted the current position on the revenue budget and decided on any corrective action necessary.

The report provided an update on revenue spending compared with budgets for the financial year which started on 1 April 2020. The tables in the report showed the actual income and expenditure for the first nine months of the financial year to 31 December 2020, along with the forecasts for spending and a comparison of the forecasts against the approved budgets. The report gave an overview of the financial position and detailed information on each budget area. The financial impact of Covid-19 and other variances arising from the "business as usual" activity were considered separately in the report, with the combined position summarised in the Overall Financial Position section.

The overall revenue position was for a forecast underspend this year of £15.378m (excluding schools and Covid-19). There was also a forecast underspend on capital financing charges of £7.868m, this was excluded from this forecast position at this stage. It was planned that the capital financing underspend would be used to manage future fluctuations in the annual capital financing budget by transferring it to

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the capital financing earmarked reserve. It was estimated that the forecasted Covid-19 position may not be contained within the Government's emergency grant the Council received. An overall deficit of £2.212m was forecasted. Included in the forecast was an estimated additional grant of around £4.200m which could be claimed to cover some of the Council's losses of income. The general reserves at the end of the year would remain within the target range of 2.5% to 3.5%. The impact of the revenue budget forecast on the Council's resilience had been assessed and the conclusion was that the Council's financial resilience remained strong. There were healthy reserve balances and the Council would continue to strengthen the financial resilience as set out in the report.

The following point was confirmed:

- Paragraph 1.16 – The Covid-19 position had changed from a forecast surplus of £7.673m in Quarter 2 to a forecast deficit of £2.212m for the end of 2020/21 between the forecast expenditure and losses and the emergency Covid-19 grant received. However, the estimated costs and losses for the first quarter of 2021/22 were currently lower than the allocated fifth tranche of general emergency grant from the Government of £15.159m to cover these costs and losses. Following the first tranche of grants, in which the Council had done quite well, the Government had since created a Covid-19 relative needs formula which consisted of a mixture of deprivation and social care measures, and was now issuing grants based on this formula. The estimated costs and losses were currently lower than the allocated grant as they reflected what had been identified so far and the Council would continue to refine these estimated costs and losses for the first quarter of 2021/22.

RESOLVED:

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

**96 CAPITAL BUDGET MONITORING REPORT 2020/21 - QUARTER 3 TO 31
DECEMBER 2020**

Consideration was given to a report from the Assistant Director – Strategic Finance, which invited the Board to consider and comment on the Capital Budget Monitoring Report 2020/21 – Quarter 3 to 31 December 2020, which would be presented to the Executive on 2 March 2021. The views of the Board would be reported to the Executive as part of its consideration of this item. The report recommended that the Executive noted the position on the capital programme and decided on any corrective action necessary.

The report provided an update on capital spending compared with budgets for the financial year which started on 1 April 2020. The tables in the report showed the net expenditure for the first nine months of this financial year to 31 December 2020, along with the forecasts for spending and a comparison of the forecasts against the

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latest revised budgets. The report gave an overview of the financial position and detailed information on selected capital programme schemes. The current forecasted position was an underspend of £18.587m (Block schemes £5.159m, Project schemes £13.427m). For the project schemes, the whole life budget was forecast to be overspent by £18.971m.

(Councillor S P Roe declared an interest as the North Hykeham Relief Road was discussed and he left at this point for the remainder of the meeting)

(Councillor N H Pepper gave his apologies as he had another appointment and left the meeting at this point)

Members of the Board asked a number of questions, when the following points were confirmed:

- As part of the Capital Strategy and improvements to the monitoring of the capital programme, there was now a Capital Review Group who were looking at business cases in an overarching way which included peer review and were determining whether projects were realistic and ensuring that risks were highlighted at an early stage., It was noted that there were now standardised business case templates and guidance on the information to be included which would ensure all relevant information was captured to be able to make more informed decisions. It also provided a reminder to officers on what information the scrutiny committees and the Executive would need to see. This was being gradually implemented and as a result business cases were coming through in a much better format.
- It was acknowledged that members would like the scrutiny process involved earlier in the larger projects.
- Highways schemes in particular needed to be better managed in terms of risks and forecasting. Future highways schemes, such as the North Hykeham Relief Road, should have more scrutiny of the risks going forward. It was recognised that not all risks could be mitigated against due to third party and contractor involvement. Specific schemes and projects in the capital programme were considered by the relevant scrutiny committee, such as the Special Schools capital scheme appraisals which were being brought forward to the Children and Young People Scrutiny Committee. It was suggested that it would be helpful for members of the Board if future Capital Budget Monitoring reports could include information about when a specific scheme had been considered by a scrutiny committee to highlight that it had already been examined.
- Training on finance and the scrutiny of major projects should be provided so that councillors had the skills and confidence to interrogate the financial information presented at the scrutiny committees. This training had been incorporated into the Induction programme for councillors after the elections on 6 May 2021.

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RESOLVED:

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

97 OVERVIEW AND SCRUTINY MANAGEMENT BOARD WORK
PROGRAMME

Members were advised that this item was for information only.

RESOLVED: That the work programme be noted.

The meeting closed at 12.38 pm