

Present: Councillor Ric Metcalfe (*in the Chair*),
Councillor Donald Nannestad, Councillor Chris Burke,
Councillor Bob Bushell, Councillor Rosanne Kirk and
Councillor Neil Murray

Apologies for Absence: None.

38. Confirmation of Minutes - 26 October 2020

RESOLVED that the minutes of the meeting held on 26 October 2020 be confirmed.

39. Declarations of Interest

No declarations of interest were received.

40. Statement of Accounts 2019/20

Purpose of Report

To present the Statement of Accounts for the financial year ended 31 March 2020, together with a short summary of the key issues reflected in the statutory financial statements.

Decision

That the Statement of Accounts be recommended to Council for approval.

Alternative Options Considered and Rejected

None.

Reason for Decision

The Statement of Accounts for 2019/20 provided a comprehensive picture of the Council's financial circumstances and were compiled to demonstrate probity and stewardship of public funds.

The Council was statutorily required to publish its Statement of Accounts for 2019/20 with an audit opinion and certificate by no later than 31 July 2020. Further to the Covid-19 pandemic, the statutory dates were amended with publication of the accounts required by 31 August 2020 and an audit opinion and certificate required by 30 November 2020. It was noted, due to unforeseen staffing circumstances, some required follow up work had just been completed meaning that presentation of the accounts may be a couple of days beyond the deadline. This follow up work did not incur any material changes to the accounts.

The Council was required to make the Statement of Accounts available for public inspection for 30 working days. Following notification from the Council's external auditors, this ran from 1 September 2020 until 15 September 2020 and the external auditor was available to answer questions during this period. It was reported that no questions had been asked.

The Council was also required to provide a documented annual review of the effectiveness of its governance arrangements which sat alongside the Statement of Accounts, known as the Annual Governance Statement. The overall level of assurance provided in 2018/19 was substantial and was in line with the Council's Code of Corporate Governance. However, there were currently three defined significant issues, noted as follows:

- IT Disaster Recovery – there was one outstanding action from 2018/19;
- Review of the impact of the Coronavirus on the Council's service delivery and embedding new ways of working;
- Vision 2025 and its re-profiling and communication to a wider audience in light of Covid-19.

The Statement of Accounts 2019/20 had been presented to the meeting of the Audit Committee held on 17 November 2020.

41. Financial Reporting - Quarterly Monitoring

Purpose of Report

To present the second quarter performance, up to 30 September 2020, specifically including the financial impact of the Covid-19 pandemic on the Council's General Fund, Housing Revenue Account, Housing Repairs Service and Capital Programmes.

Decision

That the Executive:

- (1) Notes the financial performance for the period 1 July 2020 to 30 September 2020, the projected outturns for 2020/21 and the impact of Covid-19 on the Council's financial position;
- (2) Notes the underlying impact of the pressures and underspends identified in paragraphs 3.2, 4.3 and 5.2 of the report, together with Appendices B, D and F.
- (3) Approves the proposed contribution to earmarked reserves as set out in paragraph 3.11 of the report.
- (4) Approves the proposed contributions from earmarked reserves as set out in paragraph 3.13 of the report.
- (5) Notes the changes to the General Fund Investment Programme and Housing Investment Programme as approved by the Chief Finance Officer as set out in paragraphs 7.3 and 7.10 of the report respectively.
- (6) Approves the changes to the Housing Investment Programme, as set out in paragraph 7.11 of the report.

Alternative Options Considered and Rejected

None.

Reason for Decision

The report provided updates on the Council's General Fund, Housing Revenue Account, Housing Repairs Service and Capital Programmes for the current financial year and set out the estimated impact on the budget of the Covid-19 pandemic following application of the budget revisions approved at quarter one in order to maintain a balanced budget for 2020/21.

Covid-19 had taken its toll on the financial resilience of the Council as income streams had plummeted and there had been a requirement to incur costs to ensure services were being provided throughout this difficult period and to respond to consequences of the pandemic. The impacts of this were not restricted to the current financial year but would have a significant impact over the period of the current Medium Term Financial Strategy and possibly beyond. The cumulative impact of these challenges had resulted in significant shortfalls on the General Fund and on the Housing Revenue Account prior to the offset of any Government funding.

In response to calls from the sector, the Government had allocated a total of £4.6 billion of general purpose grant funding to support local authorities to cover expenditure related pressures and announced an income compensation scheme to recompense councils for approximately 75p in every £1 of lost sales, fees and charges income. To date, the Council had received funding support of £1.877 million for Covid-19 related pressures and was forecasting to receive approximately £2.980 million through the income compensation scheme. There had, however, been no additional financial support provided to the Housing Revenue Account.

Despite the Government's financial support package, the General Fund and Housing Revenue Account could not absorb the level of budget shortfalls without having to take some measures to reduce some areas of expenditure. The decisive action taken by the Council, as approved at quarter one, had allowed the Council to be able to continue to deliver its critical services in 2020/21 and to ensure its balances remained at an adequate level to provide resilience for future years.

Based on a significant number of planning variables and after offsetting the government funding support package and measures taken to address the budget pressures, as at the end of 30 September 2020, the forecast financial position of the Council for 2020/21 was set out in paragraph 2.5 of the report.

General Fund Revenue Account

The General Fund was currently projecting a forecast budget shortfall of £183,968, resulting in a general balance at the year-end of £2,338,220 subject to any final contributions to earmarked reserves. There were a significant number of forecast year-end variations in income and expenditure against the approved budget, primarily as a result of Covid-19 along with variances arising from measures taken to address the budget pressures. These were set out in paragraph 3.2 of the report and in further detail at Appendix B.

In response to the emergency situation arising in March 2020, the Council had to adjust its service provision to meet the needs of its users and residents, as well as establish new services and response cells and meet increased costs through

contractual arrangements. Increased costs on a range of services had therefore been incurred as follows:

- setting up the Civic Society, including the befriending service and business support cells;
- moving rough sleepers into temporary accommodation;
- provision of PPE and 'Covid Secure' status for Council services and buildings;
- requirements under existing contracts for services;
- increased demand on the Revenues and Benefits Shared Service;
- increased demand on the Licensing and Health and Safety Teams.

In addition, the following key income losses were noted:

- car parking;
- development management, land charges and building control;
- leisure, recreation and tourism;
- the Christmas Market;
- commercial rents;
- treasury management;
- Court cost charges.

Measures taken to address the budget shortfall included:

- a budget review of all of the Council's revenue budgets undertaken to identify one-off budget reductions;
- a coronavirus job retention scheme;
- the Towards Financial Sustainability Programme;
- a review of capital financial through Direct Revenue Finance;
- the establishment of a Covid-19 reserve.

It was proposed that the latest tranche of un-ringfenced Covid-19 grant support was allocated to the Covid Recovery Reserve to support the financial pressures in future years that would arise from the legacy of Covid.

Housing Revenue Account

The Housing Revenue Account was currently projecting an in-year variance of a £479,378 underspend, which would increase the general balances to £1,400,449 at the end of 2020/21.

Although the forecast position was an underspend, there were a number of forecast year-end variations in income and expenditure as a result of Covid-19 along with variances arising from measures taken to address the budget pressures. Full details of the main variances were set out in paragraph 4.3 of the report and Appendix D.

In response to the emergency situation arising in March 2020, the Council had to adjust its service provision in order to meet the needs of its tenants and had increased costs in respect of the establishment of a housing rent hardship fund, together with the required provision of PPE and 'Covid Secure' status for Housing Revenue Account services and buildings. The more significant pressure facing the Housing Revenue Account was in relation to its income streams, primarily its housing rent income, as follows:

- housing voids;
- treasury management;
- Court cost charges.

As with the General Fund, the Housing Revenue Account could not absorb this level of budget shortfall without a range of measures aimed at reducing expenditure in the current year. The measures taken to ensure that the Housing Revenue Account maintained a balanced budget for 2020/21 were similar to those in respect of the General Fund.

Housing Repairs Service

A quarter two the Housing Repairs Service was forecasting a surplus of £169,909 in 2020/21. Full details were set out in Appendix F of the report.

Details relating to the General Investment Programme and Housing Investment Programme were outlined in section 7 of the report.

Councillor Ric Metcalfe put on record his thanks, on behalf of the Executive, to the Chief Finance Officer and her team for their excellent financial management and the work they had done to achieve a balanced budget for the 2020/21 financial year in circumstances which had seen an unprecedented reduction of £6.4 million in income.

Councillor Donald Nannestad referred to the table at paragraph 3.8 of the report which set out in more detail the losses incurred during quarter one and two of 2020/21, together with estimates based on the most likely scenario for the remainder of the financial year. He said that quarters three and four, on that basis, would need to be monitored closely moving forward, particularly as the extent of behavioural change was yet to be known in terms of the impact of Covid 19.

42. Treasury Management and Prudential Code Update Report - Half Year Ending 30 September 2020

Purpose of Report

To report the Council's treasury management activity and the actual prudential indicators for the period 1 April 2020 to 30 September 2020.

Decision

That the report be noted.

Alternative Options Considered and Rejected

None.

Reason for Decision

It was noted that the Council held £33 million in investments at 30 September 2020, with the full investment profile set out at Appendix A. Of this investment portfolio, 100% was held in low risk specified investments, the requirement for the year being a minimum of 25% of the portfolio to be specified investments. During

the 6 months to 30 September on average 92% of the portfolio was held in low risk specified investments and an average of 8% of the portfolio was held in non-specified investments with other local authorities.

The report highlighted changes to the key prudential indicators, setting out an overview of the current status of the authority's capital expenditure plans and provided further information in relation to the Council's Investment Strategy 2020/21 to 2022/23.

43. Setting the 2021/22 Budget and the Medium Term Financial Strategy 2021/22 – 2025/26

Purpose of Report

To update the Executive on the latest Medium Term Financial Strategy position for the Council, including the challenges in preparing for the 2021/22 and future years budget, setting out the parameters within which the Council would prepare these budgets and confirm the Council's approach to development of the budget and Medium Term Financial Strategy.

Decision

That the Executive:

- (1) Notes the significant financial challenges and risks that the Council faces, primarily as a result of the Covid 19 pandemic.
- (2) Notes the projected budget parameters for 2021/22 and future years and the planning assumptions set out at Appendix A of the report.
- (3) Notes the level of projected budget shortfalls forecasted for the General Fund from 2021/22.
- (4) Notes the budget, strategic and service planning preparation programme, as set out in Appendix B of the report.

Alternative Options Considered and Rejected

None.

Reason for Decision

The Council's Vision 2025 and five strategic priorities drove the medium-term financial planning process, with changes in resource allocation determined in accordance with policies and priorities. The Medium Term Financial Strategy provided the framework for the development of annual budgets in line with the aims of the Council's strategy and priorities.

In March 2020, Council agreed the budget for 2020/21 and Medium Term Financial Strategy 2020-2025, which recognised that there was a funding gap forecast in 2020/21 and across the remaining years of the Strategy. This was refreshed annually and rolled forward one year.

The refreshed Medium Term Financial Strategy would include financial projections for the five-year financial planning period through to 2025/26. It would

set out the financial parameters within which the Council was required to work and the recommended approach to addressing the financial challenges the Council faced to develop a balanced, sustainable budget and set at Council Tax for 2021/22.

The refresh of the Medium Term Financial Strategy needed to be seen in the context of significant inherent uncertainty for the Council against the backdrop of the long term, and in many cases unknown, impact of the Covid 19 pandemic on income and expenditure assumptions, together with a lack of any form of clarity on the funding settlement from Government.

The Covid 19 pandemic was having immediate effects on the Council's budgets as a result of increases in spending on local services and plummeting income from sales, fees and charges and commercial activities. However, there would be longer term implications for the Council to consider such as reductions in council tax and business rates revenues collected this year, which would feed through to budgets over the next three years. Additionally, some Covid 19 related spending pressures and reductions in revenues were likely to persist and could potentially grow in some cases.

It had also been confirmed that the UK had fallen into recession, the impact of which was likely to be exacerbated as the furlough scheme and eviction protections were unwound by Government. This inevitably created an ongoing uncertainty over the future levels of Government funding for local authorities after a long period of cuts and changes to funding. In addition, the lack of clarity about post-Brexit arrangements created further uncertainty. The implications of the Government's future spending plans with regard to local government, and other areas of the public sector from 2021/22 onwards, would be heavily influenced by the Government's response to the significant increase in borrowing that had been undertaken in response to the Covid 19 pandemic.

Against this backdrop of significant uncertainty, the report set out the Council's financial planning assumptions that would form the basis of the Medium Term Financial Strategy refresh. This medium-term financial planning was critical to ensuring that the Council had an understanding of the likely level of available resources and the potential costs of delivering services, identifying budget shortfalls at the earliest opportunity. Financial planning facilitated strategic choices around service delivery, efficiency and service reductions.

Based on the current financial planning assumptions it was estimated that the Council would need to make reductions in the net cost base of the General Fund of approximately £2.75 million by 2022/23 which equated to an increase to the existing target of £1.25 million. This was a significant target for the Council to achieve, particularly in light of the annual revenue reductions of £9 million that had been delivered over the past decade. It was noted that the Council would ultimately have to make some difficult decisions over the next 12 months as it prioritised which services it could afford to continue to deliver.

Councillor Ric Metcalfe thanked the Chief Finance Officer and her team for the work they had done in respect of the Council's financial management, adding that they had done the best possible job alongside so many uncertainties. He said that the Council faced an immensely challenging period and what was suggested within the report as part of a proposed budget and Medium Term Financial Strategy was a sensible way forward to minimise the effect on jobs and services. Councillor Metcalfe added, however, it was inevitable that some pain would be

endured, acknowledging that authorities elsewhere in the country were in the same or worse situations, with some even going through special measures.

44. Strategic Risk Register - Quarterly Review

Purpose of Report

To provide the Executive with an update of the revised Strategic Risk Register as at the end of the second quarter 2020/21.

Decision

That the Strategic Risk Register be noted.

Alternative Options Considered and Rejected

None.

Reason for Decision

The Strategic Risk Register consisted of fifteen strategic risks as set out in the report and reflected the significant change in circumstances in which the Council was now operating and the different challenges and opportunities it faced. This took into account the inclusion of two new risks, noted as follows:

- Risk 14 – failure to comply with current safeguarding legislation and procedures;
- Risk 15 – failure to meet the Council’s PREVENT duties.

A number of control actions had been progressed or completed, as outlined at paragraph 3.2 of the report.

45. Operational Performance Report

Purpose of Report

To provide the Executive with a summary of the operational performance position for quarters one and two of the financial year 2020/21, from April 2020 to September 2020.

Decision

That the report be noted and relevant Portfolio Holders be asked to ensure management had a local focus on those highlighted areas showing deteriorated performance.

Alternative Options Considered and Rejected

None.

Reason for Decision

The report provided an indication, beyond the usual operational measures, of how the Council had performed in effectively leading its communities during the

emergency response and rising to the challenge of reprioritising workload to meet different needs in respect of Covid-19.

A full report was attached to the report at Appendix A and provided information on performance for quarters one and two. It covered key operational performance measures identified by Portfolio Holders and the Corporate Management Team as being of strategic importance.

It was noted how many staff had gone above and beyond in their service to the Council, city and its residents during the pandemic, which was reflected within the report.

Appendix B of the report outlined the full quarterly measures table for all Directorates for both quarters.

Angela Andrews, Chief Executive, in presenting the report, emphasised that this year had represented the most challenging for local government in her career. She was extremely proud of how all staff had adapted to the challenges presented by the coronavirus and how they had done their best to maintain performance and standards on behalf of the Council. She emphasised that, whilst it was important to measure and monitor the Council's performance, the enormous collective response from staff who had delivered and continued to deliver key services, with many going above and beyond the call of duty, could not be measured or reflected in a performance report but had been so important to the Council's response to the pandemic.

It was agreed that the content of the operational performance report for the first two quarters of 2020/21 had to be taken in the context of the significant challenges the Council had faced in response to the coronavirus pandemic, particularly the establishment and delivery of the following support services on top of delivering its usual services:

- processing and payment of business support grants;
- community support helpline;
- befriending service.

It was noted that there were no surprises in the report with the pandemic having an impact on the following in particular, effecting operational and financial performance:

- Council Tax collection and assessment for Council Tax support;
- returns of investment;
- leisure;
- car parking;
- rent collection;
- void properties.

The Chief Executive gave the Executive an assurance that measures were in place to address the issues highlighted above and that the Corporate Management Team, in light of the circumstances, was content with the Council's performance.

Councillor Ric Metcalfe fully endorsed the comments of the Chief Executive regarding the efforts of staff and took the opportunity to thank her, the Corporate Management Team, Senior Management and all frontline staff who he said had

responded magnificently to the challenges faced by the coronavirus pandemic. He added that it was inevitable that some areas of the Council's performance would take a hit as part of the authority's response and thanked the Chief Executive for an excellent report.

Councillor Chris Burke praised the response of the Council's staff and highlighted, even under such challenges, that the Council had achieved six awards. He also commended the befriending service that had been established by the Council to support the most vulnerable residents of the city throughout the pandemic.

Councillor Donald Nannestad, in respect of housing, reported that rent collection had been excellent taking into account the circumstances. In terms of voids, this had been impacted due to the limited number of people able to move home since March as a result of the coronavirus and lockdown restrictions. He placed on record his thanks to all housing staff who he said had done an excellent job in very difficult circumstances.

46. Equality, Diversity and Human Rights Policy Review

Purpose of Report

To present the Council's updated Equality, Diversity and Human Rights Policy, as recommended by the Equality and Diversity Group.

Decision

That the proposed changes to the Equality, Diversity and Human Rights Policy be approved.

Alternative Options Considered and Rejected

None.

Reason for Decision

The current policy was first adopted in September 2012 and had since been reviewed several times to ensure it was up to date reflecting legislation at the time, the structure of the authority and its strategic direction.

The latest version of the policy brought the document in line with the Council's strategic plan, Vision 2025 and the current officer structure of the authority.

The Council's Equality and Diversity Group considered the proposed changes at its meeting on 14 October 2020 and recommended their approval.

47. Safer Lincolnshire Partnership Modern Slavery Charter

Purpose of Report

To inform the Executive of the Council's roles and responsibilities relating to modern slavery and provide an opportunity to adopt the Modern Slavery Charter proposed by the Safer Lincolnshire Partnership.

Decision

That the Modern Slavery Charter be adopted.

Alternative Options Considered and Rejected

None.

Reason for Decision

The Charter against modern slavery and human trafficking asked that all partners within the Safer Lincolnshire Partnership committed to having adequately trained staff and procedures in place to ensure that they committed to tackling the issues of modern slavery and human trafficking and also contributed to the wider collective effort to protect communities across Lincolnshire. A copy of the Charter was attached to the report at Appendix A.

The Charter contained seven commitments for partners. It was reported that the Council's Corporate Management Team had already given consideration as to how the Council was currently meeting each commitment or what it could do to ensure each commitment would be met.

48. Exclusion of the Press and Public

RESOLVED that the press and public be excluded from the meeting during consideration of the following items of business because it was likely that if members of the public were present there would be a disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

This item was considered in private as it was likely to disclose exempt information, as defined in Schedule 12A of the Local Government Act 1972. No representations had been received in relation to the proposal to consider this item in private.

49. Strategic Risk Register - Quarterly Review

Purpose of Report

To provide the Executive with an update of the revised Strategic Risk Register as at the end of the second quarter 2020/21.

Decision

That the Strategic Risk Register be noted.

Alternative Options Considered and Rejected

None.

Reason for Decision

The reason for the decision was set out at minute number 44 above.