



**OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES)**

**MEETING HELD AT THE BALLROOM, TOWN HALL BOOTLE
ON TUESDAY 8TH FEBRUARY, 2022**

PRESENT: Councillor Bradshaw (in the Chair)
Councillor Byrom (Vice-Chair)
Councillors Brennan, Grace, Howard, Killen, Lewis
and McKinley

ALSO PRESENT: Councillor Lappin

26. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Morris.

27. DECLARATIONS OF INTEREST

No declarations of interest were received.

28. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the Minutes of the meeting held on 2 November 2021 be approved as a correct record.

**29. ANNUAL REVIEW OF ASSET MANAGEMENT STRATEGY AND
ASSET DISPOSAL POLICY**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services that the Asset Management Strategy and Asset Disposal Policy set out the vision and aspirations for the effective management of the Council's corporate asset portfolio and the role it played in supporting and shaping the Council's agenda for the 2030 vision; that aside from its staff the Council's next biggest resource was its land and property, and therefore, it was vital that this resource was managed and used effectively and efficiently to ensure that the Council derived maximum benefit from its assets in support of its strategic aims and priorities; that the Asset Management Strategy and Asset Disposal Policy would provide a framework for the planning, prioritisation, management and funding of the Councils asset base and that this was a statutory document that the Council was required to have in place and would be reviewed on an annual basis.

The Asset Management Strategy and Asset Disposal Policy were attached as appendices to the report.

This report would also be considered by Cabinet and Council at their meetings to be held on 10 February and 3 March 2022 respectively.

RESOLVED:

That the Asset Management Strategy and Asset Disposal Policy be noted.

30. PRUDENTIAL INDICATORS 2022/23

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services, which explained that the CIPFA Prudential Code for Capital Finance in Local Authorities was introduced following the Local Government Act 2003; and detailed measures / limits / parameters (Prudential Indicators) that were required to be set each financial year; and that the approval of these limits would provide a benchmark to measure actual performance against, to help ensure that the Council complied with relevant legislation, was acting prudently and that its capital expenditure proposals were affordable.

The report went on to explain that the Council was required to approve Prudential Indicators for the following items:

- (i) Capital Expenditure;
- (ii) Financing Costs/Net Revenue Stream;
- (iii) Capital Financing Requirement;
- (iv) External Debt;
- (v) Treasury Management Indicators.

These indicators were presented in the following within the report and summarised at annexe A.

The report concluded that having established the Prudential Indicators, the Executive Director for Corporate Resources and Customer Services would monitor them during the year and report on actual performance to the Audit and Governance Committee on a quarterly basis; and that an outturn report of performance against the Prudential Indicators would be presented to both Cabinet and Council following the financial year end.

This report would also be considered by Cabinet and Council at their meetings to be held on 10 February and 3 March 2022 respectively.

The report concluded by seeking comments to Council which will be considered as part of the formal approval of the Prudential Indicators for 2022/23.

A Member sought information on how the Council would administer the recently announced £150 council tax rebate for those in England whose homes were in council tax bands A to D.

RESOLVED: That

- (1) the Prudential Indicators, as detailed within the report, as the basis

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 8TH
FEBRUARY, 2022

for compliance with The Prudential Code for Capital Finance in Local Authorities be noted;

- (2) it be noted that the relevant Prudential Indicators would be revised, as required, and that any changes would be submitted to Cabinet and then to Council for approval; and
- (3) it be noted that the estimates of capital expenditure may change as grant allocations are received.

31. TREASURY MANAGEMENT POLICY AND STRATEGY 2022/23

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services that set out the following proposed policy and strategy documents:

- a) Treasury Management Policy (Annex A);
- b) Treasury Management Strategy (Annex B); and
- c) Minimum Revenue Provision Policy Statement (Annex C)

The report concluded by requesting the Committee to provide any comments to the Council that would be considered as part of the formal approval of the Treasury Management Policy, Treasury Management Strategy and Minimum Revenue Provisions Policy Statement.

This report would also be considered by Cabinet and Council at their meetings to be held on 10 February and 3 March 2022 respectively.

Members asked questions/commented on the following issues:

- In respect of the Treasury Management Strategy and credit risk, how the Council would only invest with institutions of high credit quality that met certain criteria such as “are non-UK and domiciled in a country which has a minimum sovereign Long-Term rating of AA-“; and how such criteria aligned with the Council’s approval of ethical investment statements and principles
- Due diligence undertaken regarding tax avoidance issues and how the Council’s Treasury Management advisors ensured that the Council’s investments accorded with policies to prevent this
- The use of derivatives as a financial instrument for the management of risks and their compliance with the Council’s approval of ethical investment statements and principles
- How financial organisations were aware of local authorities being mindful to invest ethically and how such organisations tailored their products accordingly
- The need for a clear audit process to ensure the transparency of investments
- Whether the Council had more to gain or lose with interest rates being very low

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 8TH
FEBRUARY, 2022

- The impact of inflation on Council budgets and capital schemes

RESOLVED:

That the report setting out the proposed policies and strategy documents which include the objectives and operation of the Council's Treasury Management functions, the manner in which the Council will manage its investments and the methodology used to set aside revenue provision for the repayment of debt be noted.

32. CAPITAL STRATEGY 2022/23 TO 2026/27

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services that explained that the Capital Strategy set out the long-term context in which capital expenditure and investment decisions were made and considered the impact of these decisions on the priorities within the Council's Core Purpose and Framework for Change Programme and the promises made in the 2030 Vision for Sefton; that at the heart of the Capital Strategy was the Council's core objective to continue to deliver financial sustainability; and that as such a flexible capital investment programme was more important than ever as a method to stimulate and enable economic growth and strategic investment, ensuring best use of existing assets and of generating future income streams to pay for and deliver day to day services.

Attached as Appendix 1 to the report was the Capital Strategy 2022/23 to 2026/27

The report would also be considered by Cabinet and Council at their meetings to be held on 10 February and 3 March 2022 respectively.

The report concluded by seeking comments to Council that would be considered as part of the formal approval of the Capital Strategy 2022/23 to 2026/27.

RESOLVED:

That the Capital Strategy 2022/23 to 2026/27 be noted.

33. ROBUSTNESS OF THE 2022/23 BUDGET ESTIMATES AND THE ADEQUACY OF RESERVES – LOCAL GOVERNMENT ACT 2003 - SECTION 25

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services, which explained that to comply with statute, the Chief Financial Officer was required to report to Council prior to the approval of the budget and the setting of the Council Tax, to give assurance that the budget was robust and that there were adequate reserves and balances.

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 8TH
FEBRUARY, 2022

The report explained that the budget for 2022/23 had been developed whilst the Council continued to deal with the ongoing financial impact of the COVID pandemic on a number of key services and income sources; that this impact would continue for years to come and the understanding of impact and identification of mitigation measures was a key feature of the 2022/23 budget and would be a key feature of budgets to come, thus increasing the complexity of budget setting and also the financial pressure on the Council as this would impact financial sustainability; that as with the previous financial year, developing a robust set of budget estimates for the financial year 2022/23 had been incredibly difficult and both these estimates and the risk profile of the Council would continue to change fundamentally over the next 12 months; and that the budget proposed however, represented the most accurate position that was available at the current time and like during the financial year 2021/22, regular updates would be required to be presented to Cabinet and Council in order that informed decision making could take place during the year in order to maintain financial sustainability.

With regard to the Council's core budget the report advised that over the last 12 months, the Council budget for 2021/22 included a number of short term financial measures and support to mitigate the financial implications of the pandemic and that a number of these were met via central government support provided for a specific purpose and some required Council support; that moving into 2022/23 a lot of this support would come to an end and the budget estimates had had to be updated to take account of the longer term impact of the pandemic on key services and income streams, with continued uncertainty around whether this impact was permanent or temporary; and that the areas of the Council's budget where a residual impact remained and consideration had been given to it in this budget included:

- Business Rates Income;
- Council Tax Income;
- Adult Social Care Budget;
- Children's Social Care Budget;
- Leisure Income; and
- Cost of Waste Disposal

The report detailed the following factors had been considered as part of the budget process for 2022/23:

- Impact of Previous Years' Budget - 2021/22
- Central Government funding
- Maintaining Service Delivery
- Inflation and Annual Cost Increases
- Financial Management
- CIPFA Financial Resilience Index and the CIPFA Financial Management Code

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 8TH
FEBRUARY, 2022

- Management of Risk
- Capital Strategy and Strategic Investment
- External Advice

Regarding the Reserves Strategy 2022/23 the report provided information on:

- The General Fund
- National considerations such as the impact of economic climate on Council costs and anticipated reductions in Government funding
- Local considerations such as planned changes in service delivery methods / contracts; the impact of rising demand for services; legal challenges; and balance sheet risk
- Budget setting assumptions such as sensitivity of the budget assumptions and the Council's significant earmarked reserves
- Management / Member actions including the provision of clear corporate / Member messages and the three-year Medium-Term Financial Plan and One-year budget
- Earmarked reserves
- Capital reserves
- School reserves

The report concluded that as a result of consideration of the issues contained within the report, the budget proposed was a robust budget package and the opinion provided was in accordance with Section 25 of the Local Government Act 2003.

This report would also be considered by Cabinet and Council at their meetings to be held on 10 February and 3 March 2022 respectively.

RESOLVED: That it be noted that:

- (1) the Local Government Act 2003, (section 25 as amended) requires the Chief Financial Officer to report formally the issues of an opinion as to the robustness of the estimates made and the tax setting calculations; and the adequacy of the proposed financial reserves; and
- (2) the Council will have regard to the matters raised in this report during the final stages of determining the budget for 2022/23.

**34. REVENUE AND CAPITAL BUDGET PLAN 2022/23 – 2024/25
AND COUNCIL TAX 2022/23**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services that explained that on 10 February 2022, Cabinet would be asked to recommend to Council a Budget Plan for 2022/23; that on 3 March 2022, the Council would be

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 8TH
FEBRUARY, 2022

asked to consider and approve the Budget Plan for 2022/23 – 2024/25 and the level of Council Tax for 2022/23; and provided the Committee with:

- An assessment of the Council's current financial position and approach to the 2022/23 Budget Plan and preparation for the additional two-year budget period 2023/24 to 2024/25.
- An update on the Government's announcement of resources that are available to the Council for 2022/23.
- The Council's current financial position and the assumptions built into the Medium-Term Financial Plan.
- The proposed Budget for 2022/23; and
- The proposed Capital Programme for 2022/23.

The report set out the financial strategy of the Council and the national and local financial context within which it is operating; and indicated that the Council had a statutory requirement to remain financially sustainable and to balance its budget every year; and that the Council's Framework for Change Programme was a comprehensive and ambitious programme that sought to support the delivery of the Council's core purpose. As would be expected with a programme of this size and complexity that spanned a number of financial years, the detailed proposals had been and would continue to be the subject of change as they were developed and ultimately implemented.

The following appendices were attached to the report:

- Appendix A Individual School Budgets 2022/23
- Appendix B Draft Council Budget Summary 2022/23
- Appendix C Capital Programme 2022/23 – 2024/25

This report would also be considered by Cabinet and Council at their meetings to be held on 10 February and 3 March 2022 respectively.

The report concluded by requesting the provision any comments to Cabinet regarding the Budget Plan for 2022/23 – 2024/25 and setting the Council Tax for Sefton Council for 2022/23.

Members of the Committee asked questions/commented on the following issues:

- in respect of the financial settlement for schools next year was there any additional provision for the ongoing impact of covid to support supply teachers who may be required
- in respect of income from the Strand Shopping Centre reference was made to the forecast that losses of £1.700m would be experienced in 2021/22; that the current business case forecast that this income loss would reduce by £1.200m in 2022/23 (to £0.500m); but would increase again by £0.300m in 2023/24 (to £0.800m)

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 8TH
FEBRUARY, 2022

- Analysis of the Council's budget was complex and at times it could be difficult for Members to adequately scrutinise proposals
- The potential for a waterway between the Strand shopping centre and the new Everton football ground at Bramley Moore dock; and the wider regeneration impact the football ground proposal could have on the south Sefton area
- The setting and collection of business rates
- The Council's recovery policy to pursue council tax and business rate arrears
- The receipt of New Homes Bonus payment and how it was allocated within the Council's budget; and it was noted that the payment did not directly benefit communities that experienced housing growth in their areas
- An assertion was made that the government's Levelling-Up agenda did not provide any new money for wide-ranging plans but allocated money already announced in the previous spending review
- Capital budget strategy should be subject to scrutiny to ensure compliance with ethical business policies and the Council's core values
- How Sefton's population decline could have a negative impact on the Council's overall funding position as part of the government's Review of Relative Needs and Resources

RESOLVED: That

- (1) the update of the Medium-Term Financial Plan for the period 2022/23 to 2024/25 be noted;
- (2) the Executive Director of Corporate Resources and Customer Services and his staff be thanked for the production of the detailed reports for consideration at this meeting and their overall efforts in formulating the Council's budget for consideration by Council; and
- (3) the Executive Director of Corporate Resources and Customer Services be requested to arrange a training session/presentation to a future meeting of the Overview and Scrutiny Committee on Local Government finance and the Council's budget setting processes.