



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

MEETING HELD AT THE COMMITTEE ROOM, TOWN HALL BOOTLE
ON TUESDAY 11 FEBRUARY, 2020

PRESENT: Councillor Bradshaw (in the Chair)
Councillor Byrom (Vice-Chair)
Councillors Brodie - Browne, Brough, Doyle, Grace,
Killen, Lewis, McCann and McKinley

ALSO PRESENT: Councillor Lappin

37. APOLOGIES FOR ABSENCE

No apologies for absence were received.

38. DECLARATIONS OF INTEREST

No declarations of interest were received.

39. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the Minutes of the meeting held on 14 January, 2020 be confirmed as a correct record.

**40. THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL
AUTHORITIES - PRUDENTIAL INDICATORS 2020/21**

The Committee considered the report of the Head of Corporate Resources, which explained that the CIPFA Prudential Code for Capital Finance in Local Authorities was introduced following the Local Government Act 2003. It detailed measures / limits / parameters (Prudential Indicators) that were required to be set each financial year. 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.

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 11TH
FEBRUARY, 2020

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 Head of Corporate Resources would monitor them during the year and report on actual performance to the Audit and Governance Committee; 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 13 and 27 February 2020 respectively.

Members asked questions regarding:

- Contributions to the Merseyside Pension Fund.

RESOLVED: That

- (1) the Prudential Indicators, as detailed within the report, as the basis 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 might change as grant allocations are received.

41. TREASURY MANAGEMENT POLICY AND STRATEGY 2020/21

The Committee considered the report of the Head of Corporate Resources 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 13 and 27 February 2020 respectively.

Members made comments on the following matter:

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 11TH
FEBRUARY, 2020

- Ethical investment by the Council, and whether paragraph 2.15 should be headed as 'Ethical Policies' rather than 'Ethical Principles'.

RESOLVED:

That the report setting out the following proposed policy and strategy documents, namely, the Treasury Management Policy, the Treasury Management Strategy and the Minimum Revenue Provision Policy Statement be noted.

42. CAPITAL STRATEGY 2020/21 TO 2024/25

The Committee considered the report of the Head of Corporate Resources 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.

At the heart of the Capital Strategy was the Council's core objective to continue to deliver financial sustainability. 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 Programme 2020/21 to 2024/25.

The report would also be considered by Cabinet and Council at their meetings to be held on 13 and 27 February 2020 respectively.

Members asked questions on the report relating to:

- the Public Works Loan Board, and the impact of its rise in interest rate;
- How Sefton compared to other Councils;
- The impact of Brexit and the assumptions regarding the type of deal that might be achieved by the government by both financial services, and trade in goods; and
- The changing landscape of the nation's workforce, for example, the building trade was facing an 8% decline in its workers – and whether such matters were taken into account within the report.

RESOLVED: That the Capital Strategy including:

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 11TH
FEBRUARY, 2020

- (1) the overview of the governance process for prioritisation, approval, and monitoring of capital expenditure;
- (2) a longer-term view of capital expenditure plans;
- (3) an overview of asset management planning;
- (4) the authority's approach to commercial activities including due diligence, and risk appetite;
- (5) expectations around debt and use of borrowing to support capital expenditure; and
- (6) the knowledge, and skills in the authority in relation to capital investment activities.

be noted.

43. ROBUSTNESS OF THE 2020/21 BUDGET ESTIMATES AND THE ADEQUACY OF RESERVES – LOCAL GOVERNMENT ACT 2003 - SECTION 25

The Committee considered the report of the Head of Corporate Resources, 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.

The report explained that when preparing the budget for 2020/21, it had once again been essential that the Council's Strategic Leadership Board had led and been fully engaged in the process and had been challenged to ensure that services could be delivered within available funding and that estimates of expenditure and income were realistic. As a result, the Strategic Leadership Board had confirmed that the proposals made within this budget package were deliverable. 2019/20 was the final year of the Council's three-year budget package (2017/18 to 2019/20) and this would see the successful delivery of the Framework for Change 2017 programme that also ensured that the Council remained financially sustainable. This required the Council to meet a funding shortfall over the period of £64m.

In advance of the 2020/21 budget cycle it was the intention to develop a further three-year budget package for the period 2020/21 to 2022/23 in order to build on the success of setting multi-year budgets. However for the reasons outlined within the report, and the lack of information from central government, this had not been possible. Therefore, whilst the Council had outlined its Medium-Term Financial Plan for these three years (which would need continually updating and would be subject to extensive change) and was proposing what its Framework for Change 2020

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 11TH
FEBRUARY, 2020

programme would deliver, at this stage, and like a number of other local authorities, a one-year budget was proposed.

The proposed budget, due to the financial settlement coming much later than previously anticipated due to the 2019 General Election, the in-year financial pressure that had been generated in 2019/20 and the lack of sustainable funding provided, had been prepared with careful consideration and full acknowledgement of the risk and uncertainty around both the proposals made and existing pressures faced by the Council. It was clear that this risk could not be fully mitigated, as a result of the 'demand' pressure facing Children's Social Care in particular. This budget over the last 2 years had required additional support of over £7m and further growth of this level was not sustainable. The 2020/21 budget had been set based on the position as at the end of November 2020, however there was a real risk that the pressure on this budget in the remainder of the year and in 2020/21 would increase further; as such the Council would be required to identify offsetting measures to alleviate any further pressures that arise.

In order to provide assurance that the Council's budget estimates were robust and that the Council was adequately protected as far as possible against unbudgeted financial pressures and the impact on Council Taxpayers was minimised, a number of factors were considered as part of the budget planning process.

The following factors had been considered and were detailed in the report:

- Financial Environment for Local Government and Sefton MBC
- Impact of Previous Years' Budget - 2019/20
- Central Government funding
- Maintaining Service Delivery
- Resources to Deliver Change
- Inflation and Annual Cost Increases
- Financial Management
- CIPFA Financial Resilience Index and the CIPFA Financial Management Code
- Management of Risk
- Capital Strategy and Strategic Investment
- External Advice

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 13 and 27 February 2020 respectively.

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

- High needs funding, as referred to in paragraph 3.26 of the report; and
- The level of reserves held by the Council.

RESOLVED: That it be noted that:

- (1) the Local Government Act 2003, (section 25 as amended) required the Chief Financial Officer to report formally on the issues of an opinion as to the robustness of the estimate made and the tax setting calculations; the adequacy of the proposed financial reserves; and the production of longer term revenue, and capital plans; and
- (2) the Council will have regard to the matters raised in this report during the final stages of determining the budget for 2020/21.

44. REVENUE AND CAPITAL BUDGET PLAN 2020/21 – 2022/23 AND COUNCIL TAX 2020/21

The Committee considered the report of the Head of Corporate Resources that explained that on 27 February 2020, the Council would be asked to consider and approve the Budget Plan for 2020/21 – 2022/23, and also the level of Council Tax for 2020/21. The report provided the Committee with:

- An assessment of the Council's current financial position and approach to the 2020/21 Budget Plan and preparation for the two-year budget period 2021/22 to 2022/23;
- An update on the Government's announcement of resources that were available to the Council for 2020/21;
- The Council's current financial position and the assumptions built into the Medium-Term Financial Plan;
- The proposed Budget for 2020/21; and
- The proposed Capital Programme for 2020/21.

The report set out the financial strategy of the Council and the national and local financial context within which it was operating. The Council had a statutory requirement to remain financially sustainable and to balance its budget every year.

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.

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 11TH
FEBRUARY, 2020

The following appendices were attached to the report:

- Appendix A Individual School Budgets 2020/21
- Appendix B Draft Council Budget Summary 2020/21
- Appendix C Fees and Charges 2020/21
- Appendix D Capital Programme 2020/21 – 2021/22

This report would also be considered by Cabinet and Council at their meetings to be held on 13 and 27 February 2019 respectively.

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

- Parking charges options, whether the variations across the borough were due to historical anomalies or specific formulaic systems; and
- Information relating to valuation and commercial activity at the Strand Shopping Centre, Bootle.

RESOLVED: That

- (1) the update of the Medium-Term Financial Plan for the period 2020/21 to 2022/23 be noted; and
- (2) the Head of Corporate Resources 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.