

## EXECUTIVE COMMITTEE

Minutes of special meeting held in Committee Room 1, Council Offices, Almada Street, Hamilton on 27 February 2019

### Chair:

Councillor John Ross

### Councillors Present:

Councillor Alex Allison, Councillor John Anderson, Councillor John Bradley, Councillor Walter Brogan, Councillor Robert Brown, Councillor Jackie Burns, Councillor Maureen Chalmers, Councillor Gerry Convery, Councillor Poppy Corbett (*substitute for Councillor Kenny McCreary*), Councillor Peter Craig, Councillor Fiona Dryburgh, Councillor Joe Fagan, Councillor Allan Falconer, Councillor Alistair Fulton, Councillor George Greenshields (*substitute for Councillor Margaret Cooper*), Councillor Lynsey Hamilton, Councillor Martin Grant Hose (*substitute for Councillor Mark McGeever*), Councillor Eileen Logan, Councillor Katy Loudon, Councillor Joe Lowe, Councillor Colin McGavigan, Councillor Jim McGuigan, Councillor Gladys Miller, Councillor Lynne Nailon (*substitute for Councillor Ann Le Blond*), Councillor Richard Nelson, Councillor David Shearer, Councillor Josh Wilson

### Councillors' Apologies:

Councillor Margaret Cooper, Councillor Ann Le Blond, Councillor Kenny McCreary, Councillor Mark McGeever

### Attending:

#### Chief Executive's Service

L Freeland, Chief Executive

#### Community and Enterprise Resources

M McGlynn, Executive Director

#### Education Resources

T McDaid, Executive Director

#### Finance and Corporate Resources

P Manning, Executive Director; G Bow, Administration Manager; J Burke, Administration Assistant; G McCann, Head of Administration and Legal Services

#### Housing and Technical Resources

D Lowe, Executive Director

#### Social Work Resources/Health and Social Care

L Purdie, Head of Children and Justice Services

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### 1 Declaration of Interests

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No interests were declared.

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### 2 Prudential Code Indicators, Treasury Management Strategy and Annual Investment Strategy

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A report dated 19 February 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the:-

- ◆ Prudential Code Indicators for 2019/2020 to 2020/2021
- ◆ Council's Treasury Management Strategy for 2019/2020
- ◆ Council's Annual Investment Strategy for 2019/2020

The key objectives of the Prudential Code were to provide a clear framework to ensure that:-

- ◆ local authorities' capital investment plans were affordable, prudent and sustainable
- ◆ treasury management decisions were made in accordance with good professional practice and in full understanding of the risks involved and how those risks would be managed to levels that were acceptable to the organisation

To meet the objectives of the Prudential Code, the Council was required to:-

- ◆ report on a number of indicators
- ◆ use those indicators to demonstrate the affordability and sustainability of its capital plans
- ◆ show good treasury management practice

The Prudential Code and the resulting indicators focused on the following main areas:-

- ◆ capital expenditure plans and asset management
- ◆ treasury management practices

Details were provided on the Prudential Indicators for 2019/2020 and 2020/2021 which had been categorised as follows:-

- ◆ capital expenditure, external debt
- ◆ affordability

The Prudential Code indicators for 2019/2020 to 2020/2021 were detailed in Appendix 1 to the report, together with explanations for each indicator. An updated position for 2018/2019 was also included.

In terms of the Council's Financial Regulations and the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in Public Services Code of Practice, a Treasury Management Strategy required to be submitted to Committee each year for approval.

The main areas covered by the Strategy were:-

- ◆ debt and investment projections
- ◆ expected movement in interest rates
- ◆ borrowing strategies
- ◆ statutory repayment of loans fund advances

The Strategy for adoption by the Council was detailed in Appendix 2 to the report.

The Local Government Investments (Scotland) Regulations 2010 had been introduced on 1 April 2010 and provided a formal investment framework for local authorities. While the regulatory framework provided greater freedom for local authorities in their investment activities, there was an onus on local authorities to act prudently in relation to investment and treasury management activities.

The 2 fundamental principles of the Investment Regulations were that councils were:-

- ◆ required to manage their investments and deposits in a way that minimised the risk to the capital sum and optimised the return on the funds consistent with those risks. Security should be considered first, then liquidity and, lastly, yield on return
- ◆ able to determine what investments they made, including both the type and duration of the investment

In terms of the Regulations, the Council was required to prepare an Annual Investment Strategy prior to the start of the financial year. The Annual Investment Strategy for 2019/2020, attached as Appendix 3 to the report, covered the following areas:-

- ◆ investment policy and strategy
- ◆ treasury management risks
- ◆ permitted investments
- ◆ risk management
- ◆ borrowing in advance
- ◆ investment projection 2019/2020 and 2020/2021
- ◆ prudential indicators
- ◆ Common Good investments

**The Committee recommended to the Council:**

- (1) that the Prudential Code indicators for the period 2019/2020 to 2020/2021, as detailed in Appendix 1 to the report, be approved;
- (2) that the Treasury Management Strategy for 2019/2020, as detailed in Appendix 2 to the report, be approved; and
- (3) that the Council's Annual Investment Strategy for 2019/2020, as detailed in Appendix 3 to the report, be approved.

*[Reference: Minutes of South Lanarkshire Council of 28 February 2018 (Paragraph 3)]*

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### **3 Overall Position of Budget 2019/2020 and Savings Proposals**

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A report dated 19 February 2019 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ◆ the level of grant funding allocated to the Council for 2019/2020
- ◆ savings proposals for approval in preparation of the 2019/2020 revenue budget

At its meeting on 21 November 2018, this Committee was advised of the updated Budget Strategy for 2019/2020 which showed a requirement for savings totalling £13.004 million following the utilisation of corporate funding solutions.

At that time, the Strategy included a number of assumptions on the level of grant funding that would be received. Updated information was provided which:-

- ◆ detailed the current Grant position and revised additional costs that would be incurred in 2019/2020
- ◆ summarised the impact of the Grant settlement and the resultant impact on the Council's Budget Strategy
- ◆ summarised the options for the Council's budget, including the savings position and the savings that could be removed from the package
- ◆ advised how the current year corporate funding solutions affected the budget going forward
- ◆ detailed proposals to address budget pressures in future years' strategies and within Children and Families Services within Social Work Resources
- ◆ detailed the "Free at 3" proposals and potential funding solutions
- ◆ detailed proposals to extend Free School Meals to primary 4 and 5 pupils
- ◆ detailed a proposal to increase the School Clothing Grant allocation by £30, to £130
- ◆ provided a summary of Revenue Budget proposals
- ◆ detailed the level of capital grant received through the settlement

In terms of the position presented on 13 February 2019, the level of savings had been reduced by £1.836 million and the updated savings package was detailed in the appendices to the report. The revised savings package, totalling £11.345 million, had been broken down into the following categories:-

◆ savings previously approved	£0.140 million
◆ efficiency and outturn	£10.108 million
◆ charging	£0.714 million
◆ service impact	£0.383 million

Taking account of the actual grant position, other costs impacting on the Council, the implications of the Stage 1 Scottish Budget Bill and funding solutions, and a Council Tax increase of 3%, as included in the original budget strategy, had left a balance of funds totalling £5.462 million. The recommendations in respect of how this funding would be used would be considered at a special meeting of the Council and included:-

- ◆ reducing the level of savings by £1.826 million and implementing the remaining savings package totalling £11.345 million
- ◆ the allocation of £1.500 million to relieve budget pressures in Children and Families Services
- ◆ the allocation of £1.766 million to extend the current Free School Meals Policy to include those primary school pupils in Primary 4 and 5
- ◆ the allocation of £0.360 million to increase the value of school clothing grants by £30 to £130
- ◆ the implementation of "Free at 3" in 2020/2021, with the necessary provision to be made in the 2020/2021 Revenue Budget Strategy

As a result of the changes to the Budget Strategy assumptions, and the corporate funding solutions identified since they were last considered, the temporary corporate solutions and the year those temporary solutions would have to be reinstated had been updated and was detailed in the report.

Following confirmation of the Council's General Capital Grant Allocation for 2019/2020 which was £3.137 million greater than had been estimated in the Strategy and the allocation of outstanding capital grant that had been awarded in 2016/2017 totalling £5.805 million, there was £8.942 million additional funding in the Capital Programme. It was recommended, for the reasons detailed in the report, that this capital funding be used to contribute towards the requirements associated with Early Learning and Childcare requirements.

A separate report had been issued to all members summarising the outcome of a wide-ranging consultation exercise carried out prior to this meeting.

In terms of the savings requirements beyond 2019/2020, the Council had in place a long-term budget strategy and this would continue to be updated to take account of any new information affecting the finances of the Council.

#### **The Committee decided:**

- (1) that the original grant settlement for 2019/2020, the additional costs facing the Council, and impact on the Council's Revenue Budget Strategy, be noted;
- (2) that the inclusion within the Budget Strategy of an anticipated increase to Council Tax of 3% be noted;
- (3) that the additional funding allocated as part of the Stage 1 Scottish Budget Bill be noted;

- (4) that it be noted that additional budget identified as part of the 2018/2019 probable outturn was included as part of the budget solutions for 2019/2020;
- (5) that the proposed reduction in savings of £1.836 million, as detailed in the appendices to the report, be noted;
- (6) that the remaining savings package totalling £11.345 million, as detailed in the appendices to the report, be noted;
- (7) that the proposed £1.500 million allocation to Children and Families Services be noted;
- (8) that the proposed £1.766 million allocation to extending Free School Meals to Primaries 4 and 5 be noted;
- (9) that the proposed £0.360 million allocation to increase School Clothing Grants by £30 to £130 be noted;
- (10) that it be noted that it was proposed that “Free at 3” be introduced in 2020/2021, with provision made in the 2020/2021 Revenue Budget Strategy; and
- (11) that the additional General Capital Grant of £8.942 million be noted, and that it be noted that it was proposed this additional Grant be used to contribute towards projects identified in the Council’s Capital Strategy, namely, Early Learning and Childcare: 1140 Hours Requirements.

*[Reference: Minutes of 13 February 2019 (Paragraph 9) and 21 November 2018 (Paragraph 8)]*

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#### **4 Urgent Business**

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There were no items of urgent business.