

MINUTES

FINANCE AND RESOURCES OVERVIEW AND SCRUTINY

9 JULY 2019

Councillors: Herbert Chapman
Guest
Tindall
Adeleke
Townsend
Claughton
Taylor
Beauchamp
Stevens

Officers: Trudi Angel Corporate and Democratic Support Officer
James Deane Corporate Director - Finance and
Operations
Nigel Howcutt Assistant Director - Finance and Resources

Also Attendance:

Councillor Graeme Elliot

The meeting began at 7.30 pm

1 MINUTES

The Part 1 minutes of the meeting held on 11 June 2019 were agreed and then signed by the Chairman.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Arslan, Barrett, Suqlain Mahmood, Sinha, Symington and Williams.

Councillor Beauchamp substituted for Councillor Sinha.

Councillor Stevens substituted for Councillor Symington.

3 DECLARATIONS OF INTEREST

There were no declarations of interest.

4 PUBLIC PARTICIPATION

There was no public participation.

5 **CONSIDERATION OF ANY MATTER REFERRED TO THE COMMITTEE IN RELATION TO CALL-IN**

None

6 **ACTION POINTS FROM THE PREVIOUS MEETING**

There were no actions to be followed up from the previous meeting.

7 **MEDIUM TERM FINANCIAL STRATEGY**

J Deane provided the committee with a presentation on the Medium Term Financial Strategy. He welcomed questions during the presentation.

The Chairman asked if capital expenditure was part of expenditure or if it was separate. J Deane advised this was the revenue side, so purely the cost associated with the provision of day to day services.

Councillor Adeleke sought clarification that it was a political decision to increase Council Tax. J Deane confirmed it was a political decision and that the MTFS comes from the Portfolio Holder and represents the Cabinets views.

Councillor Tindall said he recalled that in previous years the Government has allowed an additional 1% in Council Tax for those involved in social care. He noted that within the report there was indication that we were looking at a £5 increase and asked if that was correct. J Deane said there were two separate matters there; in relation to social care, the opportunity was given to increase Council Tax by 6% by either 3 years at 2% each year or 2 years at 3% each year. For Districts without the social care responsibility, over the last two years there has been an announcement at the eleventh hour which says rather than the greater of £5 or 1.99% it's become the greater of £5 or 2.99%.

Councillor Claughton understood that we had been making more savings than needed but asked if we were setting ourselves up for a fall. J Deane explained that in terms of the savings made in the past that have been greater than needed, we had a four year deal that allowed us to smooth the savings requirement because it is largely driven by reductions in Government funding and that doesn't tend to follow a pattern. He said you might get a drop of different amounts each year so they smoothed that over a period of time which meant instead of having big or small differences you try and achieve those targets over a four year period. Because of the way that those savings were required it meant we were finding them slightly ahead of time so we would end the four year period in the right place.

Councillor Tindall felt we were still budgeting for savings over the next four years when we should look about restoring some of the imbalances in services, particularly staffing that we previously may have cut too far. He asked if they could really see us having to make further savings through to 2024. J Deane replied there was no certainty so we've got to be prepared to absorb reductions enough that we're not going to be unprepared when they come through, but not so much that we end up making service reductions. He felt that due to the uncertainty we needed to prepare for the worst to give ourselves enough flexibility.

The Chairman asked if the savings targets assumed there will continue to be a negative Revenue Support grant. J Deane explained we had two funding streams – the business rates baseline funding and the revenue support grant and they're both legacy systems that are best seen as one single system. He said they're almost certainly going to be merged together as part of the fair funding review. The combination would be the Governments assumption of Dacorums level of need.

Councillor Tindall said he couldn't see them being able to do a fair funding review unless it was run with the three year plan, otherwise the two wont merge. J Deane agreed and said the two combined would be a good solution.

Councillor Claughton asked what proportion of Dacorums budget was spent purely on statutory services. J Deane said he would investigate and come back to him on that.

Action: J Deane

Councillor Chapman arrived at 8pm.

Councillor Guest referred to the information presented on business rates and asked how Hertfordshire Business Rates Retention Pilot would relate to this. J Deane advised that was something different and related to growth. He explained there would be two elements to the new system when it comes out the fair funding review; essentially there will be an assessment of need for Dacorum and then we would be likely to receive a share of any growth within the Borough.

Councillor Tindall asked if being self-financed by 2022/23 included business rates. J Deane advised that was an assumption and didn't include any business rates growth.

Councillor Tindall asked if there was an up to date asset register for Dacorum and if there was a strategy for maximising the assets. J Deane confirmed we did and asked N Howcutt to expand on that. N Howcutt advised later this year there would be an update on the Asset Management Strategy and that will look at the different asset groups and outline how best we can use those different groups. He explained the commercial asset portfolio will be there to try and maximise revenue returns and the community asset portfolio will be there to try and maximise the use of the community assets within community groups. Councillor Tindall asked if that would include a category of assets accumulated over time. N Howcutt explained the strategy would be looking at the whole asset base and will be split into groups. He said we do have a commercial assets team that work on this on a monthly and annual basis and we're working with various partners at the moment on various asset groups to maximise the use of them. He added we had good links in with various agents and organisations so that if an opportunity came up we would maximise it.

Councillor Adeleke asked what happened if we didn't meet our level of business rates, currently £60m. J Deane advised the c£60m figure was our baseline. If we collected £61m the Herts scheme would get 75% of that growth under the current pilot. If we collected £59m we would suffer a loss of funding reduction from our level of need and that loss is capped at 7.5%.

The Chairman thanked J Deane for his very comprehensive presentation. He summarised by saying essentially we do need to find savings of £600-700k each year for the foreseeable future but the reserves were pretty positive.

Councillor Guest asked if our MTFS linked in with Hertfordshire County Councils integrated plan. J Deane advised it wasn't directly linked.

Councillor Taylor queried what the Dacorum development reserve was used for. J Deane advised it looked at Capital investment at ways to improve the Borough and increase tourism. Councillor Taylor asked if there were any plans to spend that money. J Deane said there wasn't at the moment.

Councillor Taylor asked that at some point in the future the committee receive more information on the effect on our services that we provide to residents due to all the savings we're having to make. J Deane said member involvement was fundamental as ultimately these are member decisions. He explained that the Assistant Directors are given their savings targets and have to look at ways of delivering their services as well as making the required savings, which may mean delivering the services differently. A business case is then put together and presented to the budget review group where they receive a political steer from the Leader and the Portfolio Holder and then it would be challenged by officers. He advised that every year in December the three scrutiny committees come together for a budget meeting and look at the proposals, and then they meet again in February. He said it's a process that involves members all the way.

Councillor Tindall suggested that the committee put forward to Cabinet that any increases in Council Tax should not be more than the rate of inflation. The Portfolio Holder said he would feed that back.

Councillor Guest felt that Councillor Tindall's comment was too prescriptive and reduces flexibility that could cause us issues. She felt happier if we said we had an aspiration to keep Council Tax low.

Councillor Beauchamp asked what mitigation we had if we don't meet the £60m target. J Deane said there was a trend of retail businesses being under pressure and it was a tough battle. He explained we had the Business Improvement District which brings all the businesses from the town centre together to discuss what improvements they would like to see and how to deliver them. He added that the town centre has had significant investment in the last few years to try and encourage shoppers to visit.

Councillor Stevens referred to the temporary car park in Berkhamsted. He asked if we had investigated the cost of restoring the car park now against the cost of remedial work and the loss of revenue. J Deane said he didn't have detailed knowledge of the car park but in regards to the management of the car park he was sure those things would be looked at.

The Chairman queried the reserving structure. He couldn't understand if the earmarked reserves were the total reserving portfolio or earmarked plus the general fund balance. He also questioned the profile of some of those reserves and then asked if we should be reviewing and scrutinising how those reserves are managed. J Deane advised the earmarked reserves were constantly under review. He explained the decision to create a reserve and the identification that there's going to be a future spending need tends to take place at budget time. If a significant one off requirement or project comes up they would make a recommendation to officers to create a

reserve to put the money in there for the future and that would be picked up as part of the annual budget setting process.

Outcome:

The Committee considered the Medium Term Financial Strategy and recorded their comments within these minutes to be fed back to Cabinet at the meeting on 30 July 2019.

8 **WORK PROGRAMME**

There were no changes made to the work programme.

The Meeting ended at 8.50 pm