

MINUTES

FINANCE AND RESOURCES OVERVIEW AND SCRUTINY

4 OCTOBER 2022

Present:

Cllr Adeleke	Cllr Suqlain Mahmood
Cllr Chapman	Cllr Guest
Cllr Claughton	Cllr Symington
Cllr Douris (Chairman)	Cllr Tindall
Cllr Freedman	Cllr Townsend

Officers:

Nigel Howcutt (Chief Finance Officer)
James Doe (Strategic Director, Place)
Catherine Silva-Donayre (Strategic Director, Corporate & Commercial)
Clare Dempsey (Financial Planning & Analysis Team Leader)
Trudi Angel (Corporate and Democratic Support Officer)

Also in attendance:

Cllr Andrew Williams (Portfolio Holder, Commercial Strategy and Delivery)
Cllr Graeme Elliot (Portfolio Holder, Corporate Services)

The meeting began at 7.30 pm

35 **MINUTES**

The minutes of the previous meeting were agreed by the members present and then signed by the Chairman.

36 **APOLOGIES FOR ABSENCE**

There were no apologies for absence.

37 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

38 **PUBLIC PARTICIPATION**

There was no public participation.

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

None.

40 ACTION POINTS FROM THE PREVIOUS MEETING

The Chairman made a plea to officers to ensure that their action points were completed before the next meeting to avoid delays.

41 MEDIUM TERM FINANCIAL STRATEGY

N Howcutt presented an outline of the medium term financial strategy. The latest iteration of the MTFS employed a framework largely unchanged from previous versions. The new challenges involved, firstly, macro-economic factors. Inflation was around 10%, and was projected by some sources to increase to as high as 12%. DBC and Hertfordshire County Council were in discussions with unions over salary measures including pay rises and other allowances such as an additional day of annual leave. This varied slightly across different agencies.

Overall, the macro-economic climate had led to an additional £1.2 million of expenditure in DBC's budget. Borrowing rates were projected to be around 2.6% higher, which would mean DBC's investments would require a greater return in order to be cost-effective.

Underpinning medium-term government funding assumptions was the expectation that funding would decrease, and the MTFS would impact this, though DBC had been ahead of other councils from a funding perspective and was not expected to fall behind the curve. As a result of this, DBC was not expected to be a priority in terms of any additional funding from central government.

In reaction to these financial pressures, measures in several areas were provided for in the MTFS. Of note, several measures were in place to enact a projected £1.4 million saving on the delivery of waste management services.

The effects of the Covid pandemic continued to be reflected in use of local services, including car parking.

£300k of additional income was anticipated from additional reserves made available for investment, given increasing interest rates.

Plans for the development of the leisure centre had been postponed until 2023-24, with the associated expenditure thereby not taking place in 2022-23.

A decision had been made to fund the vehicle replacement programme through capital and internal borrowing, which was a prudent financial move but would not affect the overall funding for the programme.

A large amount of efficiencies would need to be delivered over the coming year, and any shortcoming in this regard would require additional capital reserves.

It was expected that there would be a government revaluation as expected in 2022-23, but that an interest rate reset would not take place.

In terms of the reserves position, the reserves were intended for one-off expenditures. DBC had not committed as much in 2021-22 as it had in previous years, relying on its core reserves. A 20% reduction had been seen in the councils' reserves in the last 20 years, meaning DBC now had less resilience than it had historically. This was broadly attributed to the need for additional expenditure to meet the demands of Covid.

The change and transformation agenda set out extensive measures to reduce expenditure across the council. The commercial programme would aim to increase income and diversify income streams.

Reserves continued to be used for one-off expenditures and were at present sufficient to meet the council's objectives, though there was a risk in the longer term and so the priority was to enact a sustainable medium-term plan.

In summary, the latest MTFS was twice the size of the usual programme, owing to the demands of the current economic climate, and would require focused work across the council from agencies and officers in order to deliver this.

The Chairman thanked N Howcutt for his presentation, and acknowledged the need for such a programme in the current economic environment. The floor was then opened to questions.

Councillor Mahmood said he felt reassured by the presentation and asked for n Howcutt's view on the outlook in the upcoming period.

In response, N Howcutt lamented the need for efficiencies across various services as a result of the current economy. The current MTFS was a result of an additional 6 months of hard work from the entire team, and N Howcutt was optimistic about the council's ability to deliver this ambitious plan, though there was also a great deal of uncertainty in the medium term. Moreover, it was pointed out that the MTFS complemented the wider range of plans being implemented across the council.

Councillor Mahmood asked what the contingencies were, should setbacks be encountered in the delivery of the MTFS.

N Howcutt outlined the extensive deliberation process behind the MTFS, and the contingency plans around service delivery and use of reserves, assuring Councillor Mahmood that significant contingencies were in place.

Councillor Adeleke asked whether the assumption that the government would increase council tax every year was a realistic one.

N Howcutt responded that an assessment of need is carried out each year on local authorities and their ability to collect income. It is expected that an increase will be made each year to avoid a budget deficit and local authorities don't have much choice in that decision.

In response to further questions from Councillor Adeleke, N Howcutt pointed out that 90% of the council's services were procured through contracts. The vast majority of these were capped at a total expenditure. An extensive process was in place to

predict the increases in these contractual expenditures year-on-year, and to ensure the utmost optimisation of cost and effect.

In response to a query from Councillor Tindall, N Howcutt explained the plans for the negative revenue support grant to be rolled out to DBC, which had previously not gone ahead due to Covid, were now anticipated to be re-explored.

Councillor Tindall also highlighted the suggestion that the current government may reduce funding for councils and tell local authorities to increase their funding by raising council tax.

N Howcutt pointed out that no indication had been received from the current government, though this was to be expected given that the current Prime Minister had been in post for only a few weeks.

Following several queries regarding specific figures underpinning the MTFS, N Howcutt gave reassurance that a partnership was in place with all stakeholders, with quarterly strategic board meetings and ongoing collaboration and appropriate scrutiny groups in place to ensure oversight over all relevant areas.

Councillor Townsend asked for further elaboration on the £1.6 million in savings that had been identified for 2023-24.

N Howcutt outlined the measures that would add up to this figure. Key areas included treasury management returns, the change in the capital management programme, the commercial strategy and transformational savings particularly in the vehicle management area.

Councillor Townsend then asked for more information on how the changes to waste management would lead to the large anticipated figure.

N Howcutt pointed out that this was an extensive programme of changes that a brief summary would not do justice. A report would be released in November regarding the changes in waste management, which would thereafter be submitted to the various scrutiny committees.

In response to a query from Councillor Freedman, N Howcutt reassured members that they would have oversight over the rigorous deliberation process underpinning the changes to be made, particularly in relation to the commercial strategy. N Howcutt also welcomed ideas and input from all councillors and, by extension, to the public in terms of changes and efficiencies that might be introduced.

Councillor Guest suggested that efficiencies didn't have to mean cuts in services and asked N Howcutt to expand on his definition of the term 'efficiency'.

N Howcutt emphasised that efficiency was defined as delivery of the same level of service with fewer resources, and did not equate to a reduction in service delivery.

Councillor Mahmood asked how the impact on residents and the community was worked into the design of the council's strategies.

N Howcutt mentioned that both policy and the assessment and deliberation processes in place ensured that local stakeholders were at the heart of the strategies designed and adopted by the council.

Councillor Elliot thanked N Howcutt and his team for a clear and concise presentation. He said DBC were a prudent council and he was confident we could work through all the challenges we were facing.

The Chairman thanked N Howcutt on behalf of the committee for his presentation and hard work.

N Howcutt pointed out that, though he had presented the MTFs, the document he had presented was a reflection of the hard work of everyone involved behind the scenes.

42 **WORK PROGRAMME**

The Chairman asked members to let him know if they had any requests for additional items on the work programme.

Councillor Tindall asked for a presentation on CIL (Community Infrastructure Levy).

The chairman responded that reports on CIL would go to the Strategic Planning and Environment Overview and Scrutiny Committee (SPAEC OSC). He reminded members that they could attend any of the OSC meetings if they wished to.

J Doe advised that the governance arrangements for CIL were being reviewed and the policy would need to go through SPAEC OSC, Cabinet and Council for scrutiny and approval. He said he would circulate the link to the current policy to assist members with their queries. **Action.**

The meeting ended at 8.56 pm.