

MINUTES

FINANCE AND RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

1 FEBRUARY 2023

Present:

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

Officers:

Claire Hamilton (Chief Executive)
Catherine Silva Donayre (Strategic Director, Corporate and Commercial)
Nigel Howcutt (Chief Finance Officer)
Ben Hosier (Head of Commercial Development)
David Barrett (Assistant Director, Strategic Housing and Delivery)
Matt Rawdon (Assistant Director, People)
Hannah Peacock (PMO Team Leader)
Trudi Angel (Corporate and Democratic Support Officer)

Also in attendance:

Cllr Andrew Williams (Leader of the Council and Portfolio Holder for Commercial Strategy and Delivery)
Cllr Graeme Elliot (Portfolio Holder for Corporate Services)

Following a joint meeting of the OSC's where a presentation on the budget proposals for 2023/2024 was given, the Finance & Resources OSC meeting began at 8.50 pm.

1 MINUTES

The minutes of the Finance and Resources OSC meeting held on 6 December 2022 were approved as an accurate record and signed by the Chairman.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Adeleke.

3 DECLARATIONS OF INTEREST

Councillor Douris declared an interest as the company he owns rents two commercial garages from DBC.

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

None.

7 DRAFT BUDGET PREPARATIONS 2023/24

This item was presented collectively in the joint Budget OSC meeting by Nigel Howcutt, Chief Finance Officer. Following his presentation, he welcomed questions from the committees.

Councillor Guest referred to page 18 of the report regarding the repayment of £10m, noting that they are no longer paying interest of around £200k per year. Councillor Guest noted that they would be looking to repay further debt, where appropriate, and that the slides suggest a heavy financial penalty for the early repayment of public works loans. She asked if the Council would be saving money by repaying loans.

N Howcutt advises that there are typically penalties in repaying PWLB loans early, though on this occasion, the government wanted to reduce debt levels and offered to reduce the principal capital owed from £10m to £9.6m and not charge the interest that would be paid over the life of the loan. N Howcutt noted that this was a one-off opportunity, noting that it would not typically be cost effective to make an early repayment. When a repayment is made, the total cost of making the repayment is calculated against the cost of continuing with the loan. The process was approved by the Finance and Resources Portfolio Holder and Leader of the Council to ensure it was financially beneficial.

Councillor Mahmood commented on increasing business rates and asked if there was any action they could take to help local businesses.

N Howcutt advised that they are following government protocol in terms of what they charge, however they have an active Economic Recovery Team and Board, which many businesses sit on, and that they look at the support that businesses require. N Howcutt noted that businesses and smaller units have done well from business rates compared to larger industrial units and the filming sectors.

Councillor Symington commented on the PWLB and asked what the Council is missing out on investing in by repaying £10m of debt. N Howcutt advised that they have around £100m in cash balances and that they can consider any investments that will at least bring in the cost of financing them. N Howcutt stated that they currently have enough internal cash to invest. When the loan was repaid, it was

ensured that the full medium-term capital programme and investment strategy were full funded.

Councillor Symington referred to page 20 in the report, noting the employee costs and that in December, they anticipated growth of £5.1m in December, which has reduced to £2.7m. Councillor Symington queried what has changed in the wage bill since December.

N Howcutt confirmed that they will not need to make a contribution to the pensions fund as a result of the pension's triennial review.

Councillor Chapman commented on page 18 of the report, item 13, regarding the ongoing staffing resource to support work on damp and mould issues and council housing stock. Councillor Chapman asked if they will check all housing with this additional money or if they would only use this to respond to complaints.

N Howcutt advised that this follows on from the assessment of housing needs and that a full report was taken to housing and community overview and scrutiny committee to outline this project. The allocated funding is required to continue this work in 2023-24 and suggested that Mark Pinnell, Assistant Director of Property, be asked to provide a further overview of the work that will be undertaken.

Councillor Chapman asked if all members could receive an update on progress regarding housing. N Beresford confirmed that she would liaise with M Pinnell and arrange for an update to be shared with all councillors.

Councillor Elliot thanked N Howcutt and the team for the presentation and noted the robustness of the Council's budget.

N Howcutt highlighted the hard work done by the whole team and agreed that they have a robust yet challenging budget.

The Chairman thanked the Finance team for all their hard work.

Outcome

The Committee reviewed and scrutinised the draft budget proposals for 2023/24 and provided feedback to be considered by Cabinet.

Action

N Beresford to liaise with M Pinnell for update on housing with regards to actions on damp and mould issues to be circulated to all council members.

8 QUARTER 3 FINANCIAL MONITORING REPORT 2022-23

F Jump presented the report. She advised there was a pressure of around £0.8m, driven entirely by inflationary costs around fuel and the pay award, and a request will be taken to Cabinet to fund these particular pressures via the use of reserves. For housing, a deficit of £1.4m is forecast, driven almost entirely by inflationary measures around repairs and maintenance costs, as well as utilities, and the use of HRA (Housing Revenue Account) reserves and reducing the revenue contribution to the capital programme will be proposed to support these costs. For the capital programme, slippage of around £2m on the general fund is forecast and a further £10.6m on the HRA. Part of the slippage on HRA is driven by the planning moratorium and other issues around timing of particular schemes.

Councillor Tindall noted page 26 of the report and the explanation of £4m to the HRA being due to the increased repairs and maintenance work being undertaken and the increasing costs to deliver these services. He asked if the increased repairs and maintenance costs were unexpected or if they are part of the planned service.

F Jump advised that the increases were being driven by increasing costs.

Councillor Tindall clarified that it is therefore an increase in costs rather than an increase in repairs and maintenance taking place.

F Jump took the comments on board and said she would amend that.

Councillor Townsend asked how much the capital slippage is of a percentage of the overall expected capital spend.

F Jump confirmed that these percentages would be circulated after the meeting.

N Howcutt added that the HRA slippage is almost entirely driven by the planning moratorium and that the slippage is a considerable percentage of the overall plan.

Councillor Guest commented on the planning moratorium and asked if there is a forecasted figure of how much would be brought in as a result of backlogged applications now that a mitigation strategy has been agreed.

A Robinson confirmed a report was taken to SPAE in November, to set out the total costs of the mitigation strategy. The contribution that Dacorum is expected to pay towards its own SANG (suitable alternative natural greenspaces) sites, Chipperfield and Bunkers Park is £16m, and the Dacorum contribution to improving Ashridge is around £18m. Much of this money is expected to be phased over the next 2-3 years and there are currently around 2,500 units in the backlog at present.

Councillor Hollinghurst noted the possibility of capital expenditure with regards to generating income and asked if officers would agree that expenditure for projects

such as the installation of solar panels would help generate income or mitigate expense and could therefore be considered over the coming years.

N Howcutt advised that there is an evolving commercial programme, including the Light Industrial Programme that looks to get revenue return and part of this will focus on asset maximisation through the use of existing assets as well as any further assets that can be purchased. N Howcutt agreed that capital investments bring a revenue return and confirmed that this is an area of focus.

Outcome

The Committee approved the following recommendations:

1. To note the financial outturn position for the General Fund and Housing Revenue account as forecast at Quarter 3.
2. The revenue outturn forecast is a deficit of £0.836m for the General Fund to be funded from one off reserve requests to cover pay and fuel inflationary pressures.
3. The HRA has a deficit of £4.113m for the Housing Revenue Account. It is proposed that these additional inflationary costs will be funded through a reduction in revenue contributions to capital and from reserves.
4. The Council's capital programme is forecast on budget, with additional slippage of £2.009m on General Fund schemes and slippage of £10.621m for the HRA.

Actions

F Jump to circulate capital slippage percentage compared to overall capital spend.

9 NEW PERFORMANCE MANAGEMENT FRAMEWORK & PROPOSED REVISIONS TO KEY PERFORMANCE INDICATORS

H Peacock presented the report, noting that developing a strong performance management culture is one of the key transformation foundations along with the development of a project management office and implementation of the Digital, People and Communication strategies. The paper outlines the key elements of the new performance management framework and steps that will be taken to implement it with the intention that this will deliver enhanced reporting, accountability and opportunity for detailed scrutiny of council performance. The paper also brings proposed changes to the KPIs to adapt to changes in council focus and priorities. Key drivers for changes to KPIs are technical refinements, removing duplicated KPIs, and amalgamating duplicate KPIs to ensure succinct and meaningful reporting.

Councillor Symington asked if the KPIs have been peer reviewed or compared with other councils.

H Peacock advised that the performance functionality within the transformation service benchmarked KPIs against other local authorities and that this was brought

into the directorate managing session that formed the shape of the overall service plan. Other authorities with similar demographics were benchmarked as well as other organisations, such as the LGA (Local Government Association).

Councillor Symington asked how our KPIs compared to other authorities.

N Howcutt advised that DBC had more KPIs than the average council and that it was felt that the new suite of KPIs was warranted, and whilst the amount is significant, it is justified if they provide members with the level of transparency they require. N Howcutt confirmed that the KPIs will be monitored and that feedback will be taken from scrutiny groups.

N Howcutt reminded members that removed KPIs are either picked up elsewhere or have been replaced with more appropriate KPIs.

Outcome

The new KPI's for the Finance and Resources OSC were noted.

10 MARKET FORCES SUPPLEMENTS POLICY AND PROCEDURE

M Rawdon presented the report, noting that during autumn 2022 a project was undertaken to explore recruitment difficulties and high areas of agency spend. A key finding identified some recruitment retention issues across parts of the Council and that some roles across the Council would benefit from a market forces payment to overcome some of these issues. The project also highlighted the need for the Council to revise its existing market forces policy as there needs to be a stronger focus on governance and the application of market forces payments.

M Rawdon noted the revised policy under appendix 1, advising that they would be following steps to ensure a robust business as (1) why the market forces payment is required, (2) the correct market forces payment, (3) actions already taken to ensure recruitment and retention issues are not there in the first place, and (4) a revised approval route via HR (Human Resources) and the leadership team. Other key amendments look at how to change, reduce or terminate the market forces payments and the required timeline for each payment to be reviewed. The revised policy will provide the Council a more robust procedure to apply market forces payments in a more consistent manner.

Councillor Townsend asked if the market forces payment is a one-off payment or is an increment to the salary on offer.

M Rawdon advised that the payment is a supplement paid annually until it is removed or changed.

Councillor Townsend noted that new employees would therefore accept the risk of that salary being removed after 2 years.

M Rawdon agreed and confirmed that all documentation stipulates that it is a supplement for a period of time that will be reviewed.

Councillor Townsend asked if there is an internal estimate on how much it will cost the Council to pay these supplements.

M Rawdon confirmed that an assessment was undertaken and they have budgeted £200k for next year to cover the cost.

Councillor Mahmood asked what market is assessed for the supplements and whether most staff are lost to London.

M Rawdon stated that analysis would principally be across Hertfordshire, though it is suggested that they look wider given that people can work more flexibly.

Councillor Mahmood asked how holistic the whole process is and if they are looking at other areas to help with retention.

M Rawdon noted that market forces payments are a relatively short-term fix and that the business case does request for managers to look for other methods to ensure that these payments don't need to continue. M Rawdon added that they are also looking how to keep people motivated and engaged, as well as looking at how they recognise and reward staff. M Rawdon noted that the latest turnover report is 6%, which is particularly low, and that they typically run at around 10-15%.

The Chairman noted the flexibility and to adapt to short-term market trends.

M Rawdon agreed, noting that the new policy is clearer on this and is written in a way to ensure there is ongoing review.

Councillor Symington suggested that the market forces payment was currently only applicable for Waste services and asked what other areas they expect to target. Councillor Symington commented that there may be an ongoing shortage for some roles and that a supplement may not resolve these issues.

M Rawdon commented that the areas originally identified were professional areas, principally planning, surveying, environmental health officers and legal, and stated that market forces should help attract some talent, though they also need to consider overall recruitment and ensuring that they are communicating the full benefits package on offer.

Councillor Tindall asked what approach had been given to the various organisations covering the whole of Hertfordshire, such as the University, Colleges and various business sectors, to encourage training and recruitment of such skills shortages given that the issues in recruiting these roles appear to be long-term. He queried if

districts have lobbied educational bodies to look at additional training, as has taken place with care workers.

M Rawdon explained that a recruitment meeting has been set up across Hertfordshire and that he would bring up working with local colleges to see what support there was.

Councillor Tindall asked if they liaise with neighbouring authorities to ensure that higher supplements aren't being offered elsewhere.

M Rawdon noted that they don't currently pay market forces though most other authorities do and that this will therefore bring them up to the same level. M Rawdon noted that there is a risk that others will continue to increase their supplements too.

Councillor Tindall referred to item 3.4 in the report and the mention of pensions, noting that this was unusual in market supplements. Councillor Tindall stated that if they pay a supplement for someone aged 30 and that person doesn't retire until 55-60, this supplement won't count towards their pension calculation.

M Rawdon advised that the approach was consistent across other policies. He said he would investigate the matter and advise members of the decision.

C Hamilton commented that if they are looking at long-term market forces then they should be reevaluating jobs and building this into baseline budgets. Market forces are therefore a short-term measure to react to the market and pressures on recruitment.

Councillor Tindall recommended that they check the pension's contribution and remove this if it is optional.

The Chairman confirmed that a written response would be provided to members.

Councillor Tindall referred to item 3.5 in the report and asked that any payments be reviewed annually.

M Rawdon noted that the process would take around 3 months and would therefore an annual review would use up significant officer time.

Councillor Tindall suggested that this could be reviewed quickly by monitoring the market on the particular function.

C Hamilton noted that they also need to attract people into these roles and that people are unlikely to commit to a role for a one-year market supplement. A 2-year review also allows DBC to fully assess the role and baseline it if necessary.

Councillor Tindall requested that an annual report on market forces be presented to the Committee.

The Chairman stated that if they maintain the 2-year review, any specific reviews could be brought to the Committee. He agreed that the policy should be reviewed after the first year to assess if any re-adjustment is required.

The Chairman commented on the item on pages 57 and 58 regarding not-protected characteristics and other factors, and requested that care leavers be included in this to represent young people who have been in local authority care. No objections were raised on this matter.

Outcome

The committee considered the report and provided their feedback on the Market Forces Supplements Policy and Procedure to Cabinet.

Actions

M Rawdon to check pension contribution comment under item 3.4 in report.

M Rawdon to add 'care leavers' to list of non-protected characteristics on pages 57-58 of the report.

11 WORK PROGRAMME

Councillor Symington proposed to bring forward a paper on CIL (Community Infrastructure Levy) payments.

Councillor Williams advised that the Strategic Planning and Environment Overview and Scrutiny Committee had a report on this matter on the agenda for this evening. The report would be due to go to Cabinet next.

The work programme was noted.

12 COMMERCIAL STRATEGY UPDATE

Full details can be found in the Part 2 Minutes.

The meeting ended at 10.05 pm.