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FINANCE AND RESOURCES OVERVIEW AND SCRUTINY AGENDA

Scrutiny making a positive difference: Member led and independent, Overview & Scrutiny Committees promote service improvements, influence policy development & hold Executive to account for the benefit of the Community of Dacorum.

TUESDAY 3 OCTOBER 2023 AT 7.30 PM

CONFERENCE ROOM 2 - THE FORUM

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Freedman (Chair)
Councillor Capozzi
Councillor Gale
Councillor Reynolds
Councillor Santamaria
Councillor Stewart
Councillor Adeleke

Councillor Elliot (Vice-Chair)
Councillor Guest
Councillor Pound
Councillor Hannell
Councillor S Hobson
Councillor A Williams
Councillor Cox

For further information, please contact Corporate and Democratic Support on 01442 228209 or email member.support@dacorum.gov.uk.

AGENDA

1. **MINUTES** (Pages 3 - 11)
To confirm the minutes from the previous meeting
2. **APOLOGIES FOR ABSENCE**
To receive any apologies for absence
3. **DECLARATIONS OF INTEREST**

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

- (ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

4. PUBLIC PARTICIPATION

An opportunity for members of the public to make statements or ask questions in accordance with the rules as to public participation

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

6. ACTION POINTS FROM THE PREVIOUS MEETING (Page 12)

7. MEDIUM TERM FINANCIAL STRATEGY 2023 - 2027/28 (Pages 13 - 33)

8. WORK PROGRAMME (Pages 34 - 36)

MINUTES

FINANCE & RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

5 SEPTEMBER 2023

Present:

Councillor Freedman (Chair)	Councillor A Williams
Councillor Capozzi	Councillor Hannell
Councillor Gale	Councillor Pound
Councillor Reynolds	Councillor Elliot (Vice-Chair)
Councillor Santamaria	Councillor Cox
Councillor Adeleke	Councillor S Hobson
Councillor Guest	Councillor Stewart

Officers:

Catherine Silva Donayre (Strategic Director, Corporate and Commercial)
Aidan Wilkie (Strategic Director, People and Transformation)
Nigel Howcutt (Chief Finance Officer)
Ben Hosier (Head of Commercial Development)
Matt Brookes (Assistant Director, Legal and Democratic Services)
Chris Baker (Head of Revenues and Benefits)
Kelvin Soley (Head of Communication)
Trudi Angel (Democratic Support Officer)

Also in attendance:

Councillor Carole Weston (Portfolio Holder for People and Transformation)
Councillor Sally Symington (Portfolio Holder for Corporate and Commercial)

The meeting started at 7.30 pm.

1. MINUTES

The minutes of the previous meeting were approved as an accurate record and signed by the Chair.

2. APOLOGIES FOR ABSENCE

There were no apologies for absence.

3. DECLARATIONS OF INTEREST

The Chair declared that he had solar panels installed as part of the first round of the Solar Together scheme.

No other conflicts of interest were declared.

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. QUARTER 1 PERFORMANCE REPORT – CORPORATE & COMMERCIAL

C Silva Donayre introduced the item and said she would handover to each of the responsible officers to highlight any key areas in the reports.

B Hosier took the report as read, noting that it has been a busy quarter with significant work on parking. B Hosier focused on KPIs and percentage of garage and parking income, noting that these are both slightly above Q1 budget.

Cllr Gale referred to paragraph 2.9 on page 15 of the report and asked for clarification on the market forces policy and new menopause policy. The Chair noted the question and suggested that this be answered under item 8.

M Brookes noted that Q1 was dominated by the local borough and town parish elections, which included a corporate effort of around 400 staff who performed well. M Brookes also highlighted the two member induction days and said he was pleased with how they went.

N Howcutt referred to the performance review, noting that one red KPI had been raised regarding the timetable for debtors to pay, which continues from last year, and the improvement in the service has been around 20% since last year. There was one red KPI in the operational risk report regarding the collection of council tax and was an ongoing challenge in terms of achieving pre-Covid levels. N Howcutt confirmed that performance had improved on last year though they are yet to reach expectations and part of this will be reviewed as part of the MTFS that will be brought to the committee next month in a more detailed report.

Cllr Santamaria referred to page 18 of the report and the average days taken to respond to a council tax-related and benefit-related contact and noted that no targets for these are listed. C Baker advised that this was recorded for the first time last year and that targets should be in place by the Q2 reports to allow performance to be monitored.

Cllr Guest referred to paragraph 2.2 on page 14 of the report regarding the reduction of sickness absence. The Chair asked that this question be responded to under item 8.

8. QUARTER 1 PERFORMANCE REPORT – PEOPLE AND TRANSFORMATION

A Wilkie presented the report. He advised that sickness had reduced during the quarter and the turnover rate remained healthy compared to the sector with notable success in recruitment across the board. This has been assisted by the market forces policy that allows the Council to pay slightly above pay scales in cases of particular roles that are more challenging to recruit, such as for specialist roles.

A Wilkie referred to Cllr Gale's previous query regarding the new menopause policy and advised that it would provide support for any members of staff experiencing menopause. This is currently going through the staff consultation stage and will then proceed through standard policy approval process over the coming months.

A Wilkie commented on customer call handling times and advised that work was taking place to improve this through recruitment, training and analysis. Work is underway to review the interactive voice recognition system (IVR) to provide a better service for residents. A new team is in place to focus on the climate and environmental emergency work and a more focused programme of work will be produced.

K Soley noted the large scale community events that took place over Q1, including The King's Coronation events, Armed Forces Day, Windrush 75 celebrations and the annual staff recognition awards. There were also a number of digital initiatives, including the weekly digital newsletter and positive growth across all social media channels.

Cllr Guest referred to paragraph 2.2 of page 14 of the report and the reduction in sickness absence. The main contributors to sickness absence is musculoskeletal, cold and flu and mental health, and Cllr Guest asked if musculoskeletal absence is primarily seen in the refuse collection service and Clean, Safe and Green staff. A Wilkie confirmed that this absence was primarily seen in these areas and that this was why initiatives such as the on-site physio have been introduced to help staff and reduce numbers.

Cllr Guest asked how else sickness absence has been reduced other than introducing an on-site physio. A Wilkie referred to the sickness management policy and health and safety training, and that managers are made aware of any issues to help prevent issues becoming worse. A Wilkie stated that evidence suggests these measures are working as sickness rates are reducing, though there was more work to do.

Cllr Guest referred to paragraph 3.1.3 on the IVR and asked how this is being improved. A Wilkie explained that technology providers have been engaged to help improve voice

recognition and that residents should soon experience improved customer journeys where they will reach their intended point much quicker. Work has taken place with both services and residents to understand how they describe the issues they want to talk about to help understand the terminology used.

Cllr Guest asked if the project manager referred to on page 17 of the report under paragraph 5.1 was a replacement for Melanie Parr. A Wilkie confirmed that it was.

Cllr Guest referred to page 18 of the report and paragraph 6.3, noting that the target performance was achieved in June despite a continued vacancy in the digital team. Cllr Guest asked for an update on recruitment of this role. A Wilkie advised that the role is currently being recruited for and that he would provide members with an update on progress.

The Chair commented on the publicly accessible AI tools being deployed by organisations to assist with self-learning of how people describe their systems and he hoped these are also being investigated for IVR.

The Chair thanked officers for the performance reports and the information contained within them.

Actions

To update members on progress regarding recruitment for vacancy in the digital team (A Wilkie)

9. QUARTER 1 FINANCIAL PERFORMANCE 2023/24

N Howcutt presented the report, noting that there was currently a general fund surplus of £0.8m, predominantly due to significant investment returns and interest rates. There were pressures around the commercial programme in terms of customer strategy and planning fees, which are detailed within the report. There was pressure on the HRA (housing revenue account) of £0.4m due to increased staffing and interim staffing to cover senior posts and significant pressure comes from the backlog of repairs, the average cost of which has increased this year, causing a financial pressure of around £1.3m. The service was working to mitigate spending by looking at a longer and more detailed maintenance programme.

On capital, N Howcutt highlighted the re-phasing of the capital programme with £24m of re-phasing, including large projects around leisure that were currently under review by the new administration. Some delayed HRA programmes that were delayed last year due to the planning moratorium are running behind expectations this year and will be subject to re-phasing. DBC saw its largest capital programme in 2023-24 in the last 6 years.

Cllr Guest referred to paragraph 3.5 on page 28 of the report and asked what the Council proposes to do with the forecasted surplus of over £2m of treasury management income. N Howcutt advised that this year it offset some of the outlined pressures and if there is a surplus at year end then decisions and proposals will be made in the final outturn report. Cllr Symington advised that the Q1 net figure is closer to £0.8m and not the £2.4m figure stated in paragraph 3.5.

Cllr Hannell commented on the capital programme monitoring lines, specifically lines 73 and 107 regarding the spending on public conveniences. Cllr Hannell suggested that there were £35,502 across the two lines to be spent over the next financial year and he asked where this money had been spent. N Howcutt advised that line 73 shows a budget of £20k and no funds have been spent this year. These were funds put aside as work comes up with much going on repairs and maintenance. On line 107, N Howcutt advised that this was a prior slippage of the budget and that he would confirm where the £4k was spent.

Cllr Hannell queried why Bennetts End toilets had remained closed for the vast majority of this century and commented that the absence of toilets was clearly contributing to reduced footfall. Cllr Hannell asked if money could be spent on opening up these toilets. N Howcutt confirmed that he would take the comments to the portfolio holder and administration, stating that public conveniences cost a lot to upkeep and tend to be vandalised, and they would therefore need to assess the overall cost and benefit.

Cllr Hannell next referred to lines 84, 90 and 93 and noted that only 36% of the total budgeted for refurbishments of Bennetts End Shopping Centre was subject to slippage from the previous year and he asked if residents could be confident that there would be no further slippage this year. N Howcutt confirmed that he would ask the corporate property team to provide further details on this item. N Howcutt advised that committed spend for this year was where the project leaders expect to spend funds and that he would expect a significant proportion of the budget to be completed this year.

Cllr Elliot commented that the green bin income had been successful but was £700k over budget. N Howcutt stated that the initial budget was £650k and that they are currently at £1.35-1.4m for this financial year. Cllr Elliot asked how this compared to other boroughs. N Howcutt suggested that Dacorum potentially has the highest subscription numbers for its first year and that the successful take up was partly due to how the project was managed and rolled out by the team.

Actions

To clarify where the £4k on public conveniences was spent (N Howcutt)

To investigate the closure of Bennetts End public toilets (N Howcutt)

To ask the corporate property team to provide further information regarding budget slippage on Bennetts End Shopping Centre (N Howcutt)

10. REVISIONS TO THE COUNCIL TAX SUPPORT SCHEME 2023-24

N Howcutt took the paper as read, advising that the council tax support policy was reviewed on an annual basis and that it had to be approved by December as part of the council tax base setting support. The paper outlined proposed revisions to the existing council tax support policy and will look to benefit around 1,000 homes at very little cost to DBC.

Cllr Santamaria thanked officers for their work, noting that whilst it is a modest programme, it affects those most in need and officers were asked how much it will save in terms of administration and collection costs. C Baker stated that it was not possible to put a figure on this, though it is expected the requirement of using debt services and communications with individuals will be reduced.

Cllr Guest referred to paragraph 2.7 on page 40 of the report and asked if the calculation was a sustainable way to fund the proposed revision. N Howcutt advised that the MTFS (medium term financial strategy) will outline the financial plan and sustainability and that when it is brought to committee in October, members should see that MTFS shows a balanced and sustainable financial plan, including this change in policy. On the reduction in council tax, N Howcutt advised that the estimated reduction is around £38k on around £14.6m and whilst it had minimal impact on the council, it could significantly impact individuals who will benefit from this.

Cllr Williams noted the requirement to consult with other major precepting authorities and asked if these authorities have a vetoing role. C Baker advised that it was a decision for the billing authority to make and the legal requirement was for precepting authorities to be consulted.

The Chair suggested that the receipts that parish areas get from a precept was derived from the net collectable percentage for the borough and asked if doing this would mean that the council tax base now has a higher percentage of collections due to having fewer people affected by a lack of ability to pay. C Baker advised that a tax base is calculated for each parish and the calculation includes a question of how much the tax is being reduced by through the support being paid in that parish, therefore increasing the level of council tax support will bring the tax base down. It was more likely that the council tax base will reduce, though changes to parishes are likely to be particularly small.

11. PARKING SERVICE TARIFF & BUSINESS CASE PROPOSALS

C Silva Donayre advised that the item followed on from the previous paper presented in July and that the item was open for questions.

Cllr Guest commented on the minimum stay of 2 hours and asked if this was being consulted on with businesses and individuals. C Silva Donayre advised that this had been consulted on throughout the borough and that businesses and residents can respond to the consultation once it goes out.

Cllr Guest noted the reduction of the free parking sessions in The Forge and Frogmore car parks from 1 hour to 45 minutes and asked if further reductions are anticipated until free parking is removed completely. C Silva Donayre advised that there were no policy decisions being announced on this, though to ensure financial sustainability there will continue to be decisions that need to be made, including on feasible appropriate charges.

Cllr Guest asked what the rationale was behind reducing free parking down to 45 minutes in the listed car parks. Cllr Symington advised that there was strong demand for free parking in Tring and the consultation will look into which car parks are being referred to. Feedback so far suggested that Tring car parks are used by local people for local journeys and therefore the cross-subsidy from the rest of the borough has to be balanced for these car parks against the needs of local people.

Cllr Guest commented that the reasons behind reducing free parking in Tring were to raise money for the council and deter people from using their cars. Cllr Guest suggested that these reasons were contradictory and asked how these were being reconciled. Cllr Symington stated that the proposal wasn't to deter people from using their cars but to obtain a return on capital for the assets that the council owned, as well as raising income. In the longer-term, it will be to encourage more active travel.

Cllr Guest welcomed Cllr Symington's U-turn on parking charges for Gadebridge Park following pressure from Conservative councillors. The Chair stated that the committee does not recognise that previous submissions of the paper belong to any singular councillor.

The Chair reminded the committee that, should the paper go to public consultation and the council proceeds as stated, there was nothing in the paper that gives any intention for future changes. Any further developments would come through the OSC and would need to go back out to public consultation. The Chair highlighted the cost of public consultation.

Cllr Williams commented that members take responsibility for the decisions put forward and that a report came to the Committee in June in the name of Cllr Symington proposing to remove free car parking and that a report could not come to the Committee from officers without Cllr Symington's approval. Cllr Williams suggested that, after the paper received negative feedback on social media, senior members of the administration have stated it was wholly to do with officers and he stated it was

inappropriate to 'throw officers under the bus' when the report that they commissioned was negatively received by the public. Cllr Williams stated that it was appropriate for the administration to have its own policies and discourage the use of car parking and increase revenue, though it was also appropriate to own difficult decisions and not blame officers.

The Chair noted Cllr Williams' comment, adding that he was unaware of what was being referred to. The Chair clarified that the Committee has a scrutiny responsibility and that points of feedback were provided, which has evolved into the change of report being brought to the Committee today. The Chair stated that the Committee adds value to the decision-making structure and that scrutiny or challenges means that it is entirely appropriate for officers and the cabinet to make changes based on these.

Cllr Symington noted a correction, stating that they had always said they will consult and that this is an informal consultation that is clearly demarcated as an informal consultation. The amendment on free parking was not exclusive to Gadebridge Park.

Cllr Symington agreed that social media was not the correct place to discuss this and reassured members that they remain on course to have a consultation. The questions have been adjusted slightly to take feedback into account and the key change was to remove the suggestion that free car parks are withdrawn. Cllr Symington stated that she hoped that all members could support an important move forward for the whole council in terms of securing a sound financial position going forward.

Cllr Elliot referred to item 2.3 and asked for clarification on inclusion of e-bikes. B Hosier advised that the council are potentially looking at e-bikes and e-scooters for travel around the borough and may be included in the consultation to gauge interest on what level of demand there would be.

Cllr Elliot referred to item 2.4 on technology and parking. Cllr Elliot commented on tariffs and suggested that electric vehicles produce pollution through their braking systems. C Silva Donayre advised that this was part of a wider commissioning review on how smart technology can be incorporated and policy decisions would need to be made on how this is used to differentiate tariffs or other benefits.

Cllr Williams commented on the number of recommendations going to Cabinet and public consultation and noted the suggestions to current practice that are not outlined in the report. Cllr Williams asked if there will be a more detailed report that will explain all proposals. B Hosier confirmed that the consultation will be an informal public consultation and that from the results of this there will be a requirement to set out what will be included in any notice of proposals, which will be set out as part of a formal consultation to clearly stipulate all changes.

12. WORK PROGRAMME

There were no changes or additions to the work programme.

The meeting ended at 8.35 pm.

Finance and Resources OSC Action Points - September

Date of meeting	Action point	Responsible officer	Date action completed	Response
05/09/23	<u>Item 8</u> To update members on progress regarding recruitment for vacancy in the digital team	A Wilkie	20/09/23	We expect the post to be filled from November.
05/09/23	<u>Item 9</u> To clarify where the £4k on public conveniences was spent	N Howcutt	14/09/23	The £4k Expenditure relates to refurbishment works at Adeyfield Public Conveniences which included replacement of rotten cubicles, flooring and sanitary items.
05/09/23	<u>Item 9</u> To investigate the closure of Bennetts End public toilets	N Howcutt	14/09/23	After a long trail through the records I understand that as a result of a usage survey and to achieve savings, a Member Decision was taken in 2009 to permanently close 11 Public Conveniences including those at Bennetts End which were decommissioned. The Bennetts end conveniences are now used as a storage room by the Community Centre, incorporated into their lease demise, as such it would not be possible to re-open to the public as it is demised under lease to Community Centre in April 2014. As part of this process all toilet fixtures and fittings were removed prior to 2014.
05/09/23	<u>Item 9</u> To ask the corporate property team to provide further information regarding budget slippage on Bennetts End Shopping Centre	N Howcutt	14/09/23	Bennetts gate Window Renewal, external render & and structural concrete improvement works. Contractor OPSL (Osborne) instructed and works due to commence in October, the work is a projected to be a 16 week project.



FINANCE & RESOURCES Overview and Scrutiny Committee

Report for:	Finance and Resources Overview and Scrutiny Committee
Title of report:	Medium Term Financial Strategy 2023 – 2027/28
Date:	3 rd October 2023
Report on behalf of:	Councillor Sally Symington, Portfolio Holder for Corporate & Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A – Medium Term Financial Strategy 2023/24– 2027/28 Appendix B – General Fund Reserves Summary
Background papers:	Budget 2023/24; Cabinet, February 2023 MTFS 2022/23; Cabinet, October 2022 Transformation Strategy; Cabinet December 2022 (Appendices; People Strategy, Digital Strategy, Communication strategy) Town Centre Vision, Cabinet July 2023 Commercial Strategy, Cabinet September 2022
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund NHB – New Homes Bonus MTFS – Medium Term Financial Strategy RSG – Revenue Support Grant SFA - Settlement Funding Assessment

Report Author / Responsible Officer

Nigel Howcutt, Chief Finance Officer (S151)



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Corporate Priorities	<p>A clean, safe and enjoyable environment</p> <p>Building strong and vibrant communities</p> <p>Ensuring economic growth and prosperity</p> <p>Providing good quality affordable homes, in</p>
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	<p>particular for those most in need</p> <p>Ensuring efficient, effective and modern service delivery</p> <p>Climate and ecological emergency</p>
Wards affected	All
Purpose of the report:	To present and seek the committee's feedback on the 2023 Medium Term Financial Strategy Proposals.
Recommendation (s) to the decision maker (s):	1. That committee considers the draft MTFS, and, if required provide comments for feedback to cabinet to consider.
Period for post policy/project review:	12 months

MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2027/28

Author	Nigel Howcutt, Chief Finance Officer (S151)
Responsible officer	Nigel Howcutt, Chief Finance Officer (S151)

Date of publication	October 2023	Date of last version	October 2022
Version no.	1	Date of expiry	October 2024
Key Associated documents: 2023/24 Budget Cabinet, February 2023, 2022 MTFS Cabinet, October 2022			

DACORUM BOROUGH COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2023/24–27/28

October 2023

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11. Reserves & Working Balance
12. Housing Revenue Account
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Appendix A – General Fund Budget 2023/24 – 2027/28

Appendix B – General Fund Reserves Summary 2023/24 – 2027/28

- 1 Executive Summary:

- 1.1 The Medium-Term Financial Strategy (MTFS), is the Council's overarching financial planning document. The MTFS contains forecasts for the financial position of the Council's General Fund revenue budget over a five-year period from 2023/24 to 2027/28. It also provides a framework within which the Council undertakes financial planning for its key funds. It shows how the delivery of the Council's Corporate plan and the efficient and effective running of the Council goes hand in hand with organisational financial resilience.
- 1.2 This report recommends that Cabinet agrees to recommend to Council the General Fund's medium-term revenue budget forecast and associated strategy to deliver the setting of a balanced budget for 2024/25 and subsequent years, as the basis for consultation on the Council's budget plans with residents, businesses and other stakeholders.
- 1.3 There continues to be a high level of uncertainty over the medium-term outlook due to the Government's short-term funding settlements, delays in local government funding reforms, the post pandemic period and the current inflationary pressures and wider economic uncertainty. At this stage, the overall funding envelope for local government is not entirely clear, with 1 year budget settlements issued by Government since 2019.
- 1.4 The General Fund budget forecasts will be used to inform final decision-making in setting the revenue budget, capital programme and Council Tax for 2024/25, in the budget reports to Cabinet and Council in February 2024. They will also be used as the basis for engagement and consultation with Members, officers, residents, businesses and other stakeholders in reaching budget setting decisions for 2024/25.
- 1.5 The General Fund medium-term revenue budget forecast, presented as part of the Budget report in February 2023, had a projected 4 year Medium Term Savings requirement of £3.6m, and a residual budget gap of £700k for 2024/25. The Council has reviewed the MTFS assumptions in 2023 and has taken into account the changing economic outlook and performance. The Medium Term Financial Strategy 2023 now has a revised savings requirement of £4.4m over the next 4 years.
- 1.6 The Total Savings Requirement for 2024/25 is £1.6m and at present there are assumptions that will deliver this savings requirement and balance the 2024/25 budget.
- 1.7 In response to the changing economic environment and the additional cost pressures the Council and the wider economy are facing, the 2023 MTFS outlines a change in financial strategy going forward. The Council is moving away from the previous drive to self-sufficiency to a strategy where the Council ensures every penny of government funding is utilised to support service delivery, and its residents and businesses, as and when they are received. This approach means that the Council is more reliant on government funding so, if current funding assumptions change, the Council will have fewer options to support non-delivery of efficiencies or income generation proposals, this is detailed in section 5 below.
- 1.8 This report also contains the proposed Capital and Investment Strategies to re-profile the General Fund capital programme for 2024/25 onwards, to support the key corporate objectives. As with the revenue budget, engagement and consultation on the detail will take place prior to final decision-making over the capital programme for 2024/25 to 2027/28, as part of the budget report to Overview and Scrutiny Committee and then Cabinet and Council in February 2023.

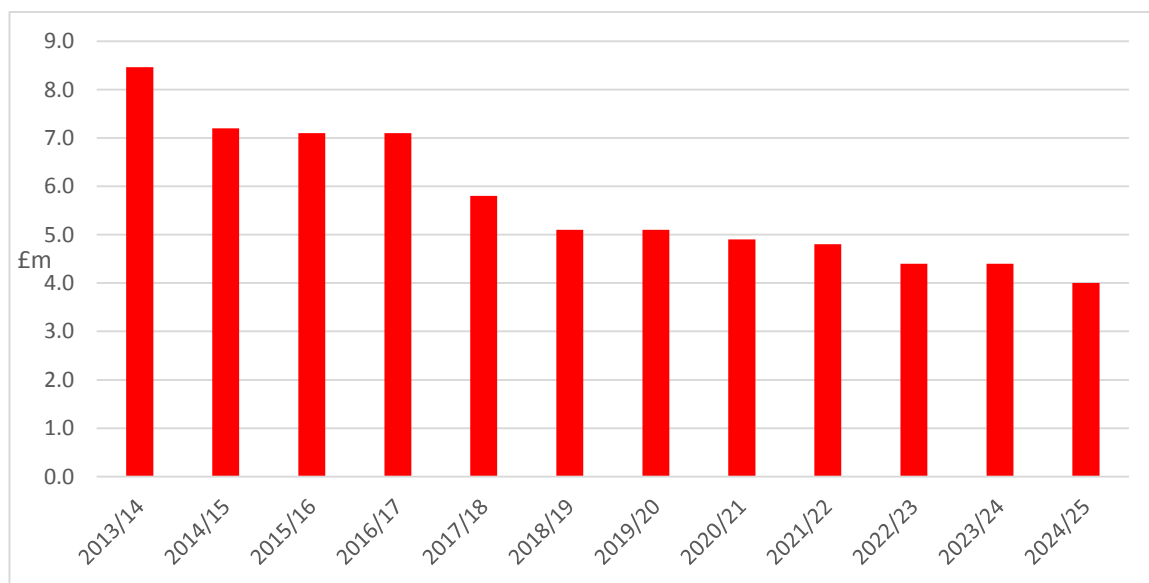
2 Introduction and Background

2.1 Local Authority Funding.

This report sets the context for the future financial position for Dacorum Borough Council. The Medium Term Financial Strategy (MTFS) is a statement on the Council's approach to the management of its financial resources to meet its Corporate Priorities. The MTFS also considers the appropriate level of reserves that the Council holds to mitigate current and longer-term risks.

- 2.2 The last local government medium-term funding settlement provided by government ended in 2019. Since 2019, Local Authorities have been provided with annual settlements, awaiting a government “Fair Funding Review” that would reassess a local authorities “funding need” and develop a mechanism to fund this requirement on an ongoing sustainable method. This period of uncertainty has made medium term planning extremely difficult, and the timeline for the revised funding review is still unclear.
- 2.3 The funding the Council receives from government has consistently reduced since public sector austerity was introduced in 2010-11. In 2013-14 local government funding changed and Local Authorities were allocated a share of business rates from their area as the biggest change in local authority funding. Since 2013-14, government grants have reduced by 53% in cash terms, as detailed in Chart 1 below. In 2013-14 the total core government grants totalled £8.5m, and in 2024-25 the Dacorum grant is projected to be circa £4m.

Chart 1: Dacorum Borough Council Core Government Grant funding 2013/14 – 2024/25



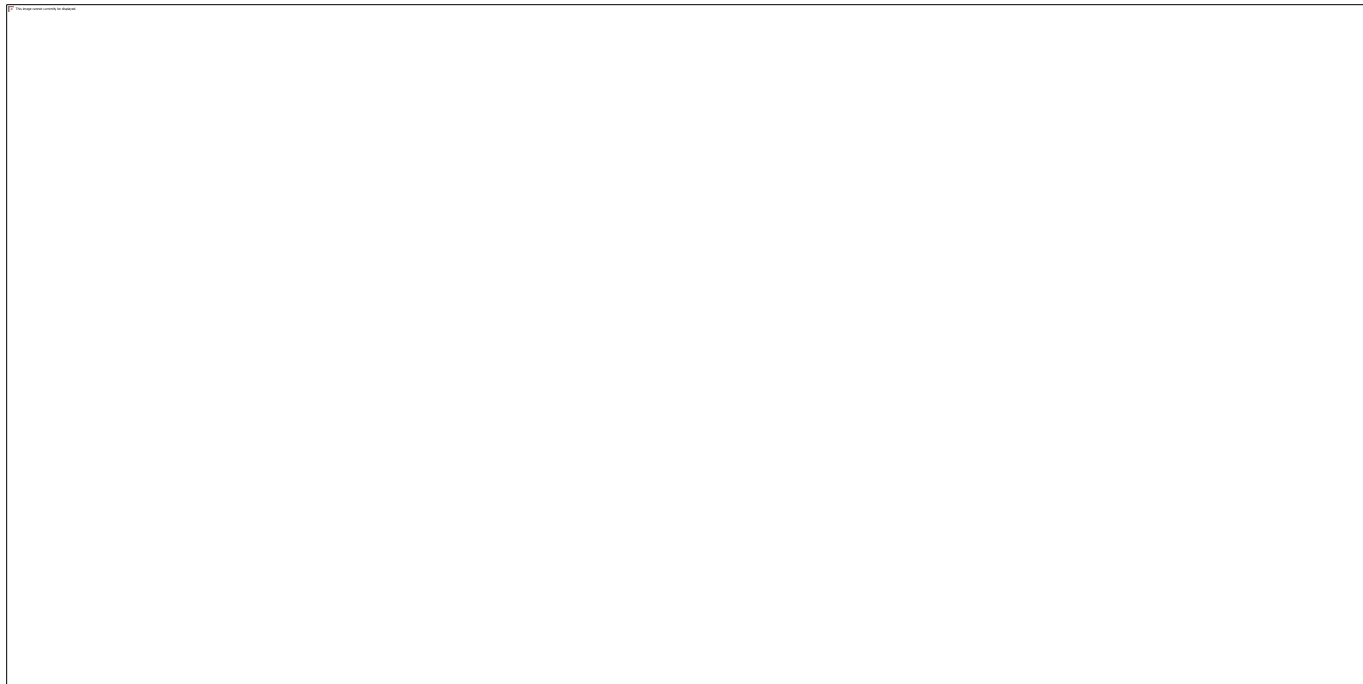
- 2.4 In this same period of time, inflation (Cumulative Consumer price index), has increased Council costs on average by 38% (ONS Annual data 2013-2023) providing additional expenditure pressures to the funding pressures detailed above. The combination of the government funding reduction and additional inflationary pressures meant the Council had to do something in order to be able to continue to provide services to residents and businesses. The primary focus of the Council has, therefore, been to increase the provision of housing, encourage economic growth through its place strategies and regeneration activities and to maximise income generation wherever possible.
- 2.5 The COVID-19 pandemic has had a profound and unprecedented impact on the activity and finances of the Council since March 2020. The financial scarring effects of the pandemic will continue to impact demand for services and income due to the Council for many years to come.
- 2.6 Whilst the Council is not alone in facing these challenges, this does not lessen the scale of the challenge and the impact on the residents and businesses within the borough.
- 2.7 In June 2022, DLUHC announced they would provide local authorities with a 2 year funding settlement for the period 2023- 2025, due to the delay in the more strategic funding reforms. This will provide more funding certainty than the Council received in the previous 3 years and increased funding is expected for 2023/24 and 24/25 as a result, but this is only a short term measure prior to the election of a new government in 2024.

- 2.8 The impact of these delays to funding reform on the Council is by no means clear. However, the MTFS brings together anticipated demands and pressures and sets out how the Council will ensure a balanced medium-term position.
- 2.9 Medium term financial planning must make assumptions about the future demand profile and cost pressures on expenditure and on factors that affect income sources. The MTFS represents a summary of these assumptions and their impact on the funding of the Council.
- 2.10 The MTFS sets the financial envelope within which the Council must fund its activities in order to set a balanced budget in each of the next 4 years. In order to begin the budget setting process for 2024-25 and beyond it is therefore prudent to revise the MTFS at the beginning of the budget setting process. In the spring, a Service planning review was undertaken, during the autumn these plans will be used to inform detailed service budgets in order to deliver a balanced budget for 2024-25. In addition, this process will allow the Council to identify where savings may be achieved in future years and begin planning their delivery.
- 2.11 The MTFS provides assurance on the intended use and the overall level of reserves and the extent of underpinning commercial and financial planning risk.

3 Economic Climate

- 3.1 In addition to the uncertainty of government funding, the wider economic environment remains very challenging, as it has done since the start of the pandemic in 2019. In a post-Covid environment, the Council's services are returning to a "new normal" way of working that brings new challenges and opportunities. The behaviours of residents and business changed over the pandemic period and at present it is still uncertain whether behaviours will or will not return to pre-pandemic patterns. This has had a significant impact on income streams such as parking and also key service areas such as waste services.
- 3.2 The wider economy is having to cope with increasing inflation resulting in a cost-of living crisis and this plays key role in the 2023 MTFS assumptions and pressures. The impact of this is uncertain apart from a high probability that costs will increase and income sources will be unlikely to keep up.
- 3.3 The cost-of-living crisis is driven by many factors that are primarily evidenced by increases in inflation (comparing current costs to how much they cost a year ago). There are a number of reasons for increasing inflation, which started to increase in 2021 in large part due to increased spending on goods during the Covid crisis. As economies around the world, including in the UK, opened up after Covid restrictions eased, some businesses struggled to meet this extra demand because of difficulties in getting the materials used in their production. Russia's continued invasion of Ukraine has led to sharp increases in the price of energy. The war in Ukraine has also caused an increase in the price of many agricultural commodities, such as grain, which are needed to produce food. There are also inflationary pressures from the UK economy including wage inflation; as in certain sectors there are more job vacancies than there are people to fill them, which means employers are having to offer higher wages to attract job applicants. The chart below shows key components of current inflationary pressures.

Chart 2: Commodity CPI Inflation 2021- 2023 (ONS Date July 2023)



- 3.4 In an effort to contain inflation and return it to the Government's 2% target, the Bank of England has increased interest rates in recent months reaching 5.25% in August 2023. The last time rates were at, or above, 5.0% was September 2008. There are multiple forecasts for the future economic outlook. Interest rates may continue to increase over coming months, with core inflationary growth pressures expected to remain high, and financial markets are anticipating rates could increase to 6% before slowly reducing towards 4% in 2027.
- 3.5 The impact on the Council is pronounced and creates significant financial pressure on its budgets. The direct impact on the Council is the requirement to make provisions for the growing inflationary cost pressures to deliver services, such as pay awards of circa 6% in 23/24, cost of supplies increases and utility cost growth, as well as capital investment growth. Indirectly the impact on residents and businesses is likely to;
- Increase the demand for Council support services,
 - Decrease the demand for the Council's discretionary fees based services,
 - Reduce the collection rates on Council Tax and Business Rates
 - Increase the need to support those that are financially vulnerable
- 3.6 At present, the national debt levels are projected to be the highest seen in peace time and it is not anticipated that central government will provide additional funding to Local Authorities to support them through the cost of living crisis. DLUHC officials have stated, on many occasions, that local authorities should not be reliant on additional central government funding announcements to balance the books. The Council will continue to work closely with treasury advisers and wider sector experts to monitor the government's funding and monetary policy and the wider economic impact.

4. Financial Planning Framework

- 4.1 The Financial Planning Framework, shown below, demonstrates the process by which the Council ensures that revenue and investment plans are developed in tandem, and that the annual budgets approved by Council each February are developed within the context of longer-term sustainability. It also demonstrates the consultation the Council undertakes with major stakeholders as part of the budgeting process.

January – June	All key corporate strategies are reviewed. This financial year this has included the Commercial, Transformation, People, Investment, Digital and Place Strategies.
April – June	Service Leads/Budget Holders develop Service Plans that are in line with the key corporate priorities and strategies, in consultation with SLT and Portfolio Holders, for the following 2 years. These plans include revenue and capital bids and highlight new savings proposals and budgetary pressures.
July	The new financial year financial monitoring begins, and the approved budget is then assessed at Quarter 1 under the in-year budget performance monitoring process.
September	The final 2022/23 audited accounts are provisionally approved by the Audit Committee.
September – October	The revised MTFS position is communicated widely and the finalised savings/growth proposals and budget changes are scrutinised and challenged by the Senior Leadership Team, the Budget Review Group and Cabinet prior to presentation to the Overview and Scrutiny Committee Cabinet approves the revised Medium Term Financial Strategy.
November - December	Draft budget proposals presented to Joint Overview & Scrutiny Committee, for Members' scrutiny.
December - January	Provisional Local Government Finance Settlement announced by Government, which sets the level of grant the Council will receive over the next year(s). Consultation events held with Town and Parish Clerks and Members, and with members of the public.
January	Feedback from December Joint OSC is considered by the Budget Review Group, and incorporated into final budget proposal presented to members at cabinet.
February	Final budget report is presented to Cabinet for recommendation to Council. Council considers the recommendations of Cabinet for approval. An updated MTFS fiscal plan will be presented alongside the 24/25 budget.

5. Review of the Council's Primary Funding Streams

Core Baseline Funding

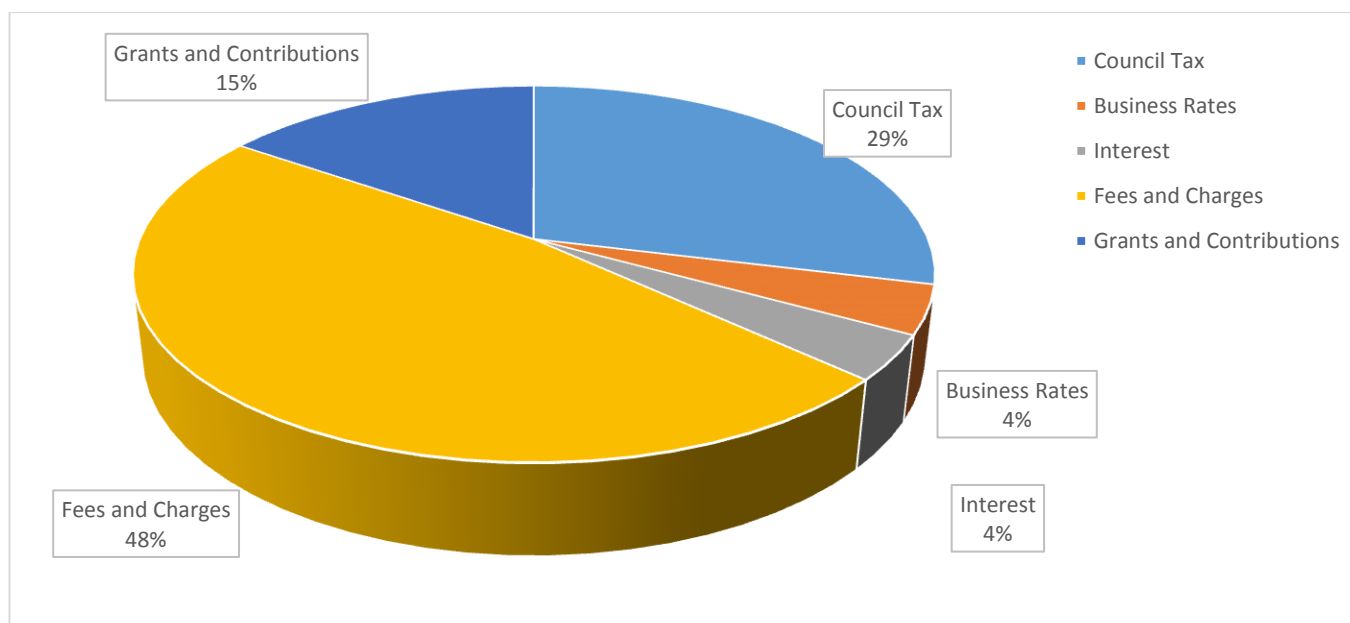
- 5.1 The current economic environment, as detailed in section 3, is very uncertain, the current cost of living pressures combined with government spending cuts, is likely in the medium term, to reduce Local Government funding in real terms year on year.
- 5.2 At present, forecasted levels of local authority funding for 2024/25 appear to be in line with 2023/24 and hence provide some short term certainty and respite but going forward in the medium term it is extremely uncertain, with no clear understanding of what efficiencies may be required or whether the 2023 Spending Review funding projections will be maintained.
- 5.2 The Core funding baseline for Dacorum is projected to be £4m in 24/25. This is the combination of the Minimum Funding Guarantee £1m, Retained business rates £2.9m and the services grant £0.1m. The Central Government Departmental funding envelopes for 2024/25, which finance these funding streams, are expected to be maintained for 2024/25 hence it is prudent to assume

in this version of the MTFs that these base level funding streams will match the 2023/24 funding levels.

- 5.3 The significant cost pressures resulting from the impact of high inflation has led to a change in the approach to financial planning in 2023. The 2023 MTFs is not focussed on a medium term aspiration for the Council to achieve self-sufficiency and is more focused on ensuring all estimated funding is utilised to support the Council's core statutory services and the delivery of the Corporate Plan.
- 5.4 This approach means the Council is planning to be more reliant on central government funding in the medium term and will need to be more reactive to significant future government funding reductions or new burdens. The MTFs assumes a core funding level of £2.9m going forward which would appear prudent based on current funding levels and will be monitored. Confirmation of the funding allocation for 2024/25 is expected in December 2023. Any additional information given at that time regarding future years' funding will be reported to Members as part of the budget-setting process.

Fees and Charges

- 5.5 The most significant of the Council's funding streams is the income collected through fees and charges and council tax. The Pie Chart below gives a summary of the overall 23/24 projected income streams. It is assumed in the MTFs that fees and charges will be protected and enhanced going forward.



Council Tax

- 5.6 The current government funding model and assessment of need assumes that each authority maximises the revenue it can raise locally each year, and that any grant funding awarded will reflect this assumption. In other words, any authority that does not increase Council Tax by the maximum permissible amount, is likely to be operating below the overall level of funding that Government deems necessary to remain sustainable.
- 5.7 Under current legislation, district councils are permitted to increase Council Tax by the higher of £5 or 2.99% per Band D without triggering a referendum. The current MTFs assumes an annual Council Tax increase of the maximum currently permissible of 2.99%.
- 5.8 In recent years, the Local Government Finance Settlement in released in December has granted additional freedoms to increase Council Tax to higher levels, such as an increase in 2023 to 2.99%. As the additional freedom introduced in 2023 has been extended to 2024 it is not

expected that there will be any government changes to this in the 2023 LGFS in December. If the unexpected does occur, it is recommended that the Council revisits the current assumptions and takes steps to keep pace with Government policy as this approach underpins financial sustainability.

Minimum Funding Guarantee (MFG)

5.9 In the 2023/24 Local government finance settlement, the government introduced a new Minimum Funding Guarantee grant to be awarded to Local Authorities as part of the 2023/24 and 2024/25 financial years. This grant was introduced as a response to the impact of the inflationary pressures being felt in the wider economy and public services. This grant aimed to ensure that overall Local Authority funding levels were not reducing year on year in cash terms. As part of the 2023/24 Local government settlement, Dacorum received circa £850k of MFG and is projected to receive circa £1m in 2024/25.

New Homes Bonus

5.10 New Homes Bonus (NHB) is an historic scheme paid to Local Authorities as an incentive to stimulate local housing growth, and takes the form of a grant payable to the Council linked to year-on-year growth in the tax base (Number of homes). The first 0.4% of growth attracts no NHB, but for growth above this point, each Band D equivalent attracts an annual payment of £1,671 per annum for a 3-year period. Affordable Housing units attract an additional £350 per unit bonus payment.

5.11 Based on information provided in the 2023 Settlement, the NHB payment forecast for 2023/24 will be the final one received before Government brings the scheme to an end, hence the Council is not projecting the receipt of any NHB in 2024/25. The government has indicated that it will be replacing the NHB scheme with another government scheme to promote housing growth but to date no details have been released. Members will be updated on any information related to the possible future housing scheme as and when government announces details.

6.0 General Fund Medium Term assumptions

6.1 The basic principle of the MTFS model is to extrapolate the current year's approved budget, in this case 2023/24, and model this budget going forward over the next four years. The extrapolation process incorporates assumptions on government grant, inflation, changes in demand for services, changing legislation, and probable risks and opportunities.

Update of MTFS assumptions based on other information

6.2 A range of information sources have been used to inform the updated assumptions shown within the following table. The rationale behind estimates is shown in the notes below. Further sensitivity will be undertaken as new information becomes available.

Table 1: Budget Assumptions.

	Note	2024/25	2025/26	2026/27
Income				
Council Tax	1	3.93%	3.99%	3.99%
Core Government Grant	2	£1.1m	£0.1m	£0.1m
Retained Business Rates Baseline Funding	3	£2.9m	£2.9m	£2.9m
Fees & Charges	4	5%	2%	2%
CT Collection Rate	5	98.5%	98.5%	98.5%
Expenditure				
Pay settlement	6	5%	4%	3%
Pay: contract increments	6	0.4%	0.4%	0.4%
Utilities	7	20%	5%	5%

Fuel	7	5%	5%	5%
Supplies & Services	7	5%	5%	5%

Notes:

1. Assumed the increase in Council Tax is set at the government maximum of 2.99% plus a 1% increase in tax base.
2. Core funding assumes, Minimum funding guarantee (MFG) of £1m and the services grant of £100k. It is assumed going forward that negative RSG will no longer be a government funding policy following 4 years of delaying its implementation.
- 3 It is projected that the retained business rate will be set at safety net levels for the next 3 years, as a result of the 2023/24 business rates revaluation uplift, hence the authority is at a high risk of a significant rates appeal that would reduce retained rates to the minimum safety net level.
4. The 2023 Fees and charges review is underway, with the assumption that on average fees and charges (Excluding commercial property, garages and parking) will achieve an average increase of 5%.
5. A reduction of 0.9% to the council tax collection rate has been assumed based on recent Dacorum trend analysis, with further details included in para 10.2 below.
6. The undecided 23/24 pay award is expected to be circa 6% for Dacorum and we have assumed a further 5% in 24/25, 4% in 25/26, based on current ONS projections for CPI pay inflation. Incremental cost increases are based on actual increments due and historical staff turnover rates.
7. Increases to the projected costs of fuel, utilities and Supplies and Services have been made in line with assessment of the current contractual arrangements and the impact of current high inflation levels.

Fees and Charges Policy

6.3 The fees and charges set by the Council are subject to annual review as part of the budget-setting process. Changes made between years are included within the annual Budget Report, and are subject to Council approval. The key principles behind charging are that:

- discretionary charges should recover costs as a minimum unless the strategy is to provide a particular service at a subsidy;
- discretionary income should be optimised through appropriate commercial charges; and,
- robust systems of discounts or concessions should be in place for those who would otherwise find that they could not access services, where deemed appropriate.

6.4 Provision of many Council services is a statutory requirement and charges for access to these are determined as part of that requirement. The Council therefore has no discretion in setting these fees, although there is an expectation that statutory fees setting will see significant increases in 2024/25.

6.5 A thorough review of the true cost and effectiveness of providing statutory services must be undertaken on a regular basis to ensure that the fees charged meet the cost of service provision wherever possible. Where any review indicates an under- recovery of cost, alternative methods of service provision and comparison with other comparable authorities must be undertaken to identify opportunities for minimising the liability to the Council.

6.6 The Local Government Act 2003 includes a general power for Councils to charge for discretionary services i.e. services that an authority has the power, but no obligation, to provide. Some discretionary charges are governed by alternative legislation, in which case this general power does not then apply.

6.7 An Increase of 5% on average have been assumed in the MTFS as part of the annual review of fees and charges based on the approach of:

- Continuing full cost recovery policy for some services,
- Achieving income to offset the increase in service delivery costs due to inflationary pressures, or an
- Increase of circa 5% on average where applicable on discretionary fees and charges,

6.8 The full fees and charges review is at present underway and final fees and charges will be approved as part of the budget setting process.

7.0 Corporate Strategies

7.1 The Corporate Plan sets the priorities that the Council strives to achieve and the MTFS is one of several key corporate strategies that supports the delivery of the Corporate Plan objectives. To ensure a sustainable MTFS is achievable, it is essential that Corporate Strategies evolve and develop as an intrinsic part of the wider Council MTFS. During the last few years, the Council has been developing several core strategies that form the foundations of the 2023 MTFS, in particular the savings identified to date.

7.2 The key corporate strategies that are fundamental to the delivery of a sustainable Council are;

- Commercial Strategy
- Transformation Strategy
- Place Strategy
- Housing Strategy

7.3 Commercial Strategy

The Commercial Strategy was approved by Cabinet in September 2022. It supports the Council's ambition to create a financially sustainable organisation that can meet the evolving needs and expectations of residents. It is closely linked to the Place and Transformation strategies being taken forward, and aims to support the Council in the increasingly challenging financial environment within which local government operates.

7.4 In order to support the successful delivery of the Commercial Strategy, the Council is developing a Commercial Programme that enables the development, assessment and monitoring of all commercially related activity. A Commercial Board has been established that plays an integral strategic role in supporting commercial activity; providing corporate oversight of commercial performance, to help shape an agile, commercial culture across the Council.

7.5 The Commercial Strategy centres around the following areas of focus:

1) 'Maximising current income & commercial benefits'

A commercial focus involves not just seeking new opportunities for income generation and efficiencies, but understanding how to maximise current opportunities.

The Council will seek to achieve maximum value through existing commercial work streams; looking to increase income streams where possible, and maximise returns from assets and services we provide. This includes ensuring we achieve maximum value from fees and charges for discretionary services, as well as strengthening effective commissioning, procurement, and contract management to achieve best value in all works, services and goods we procure, and improve spend efficiency. As part of this, 'health checks' on current activity will assess viability for growth, maintenance or redirection/termination as appropriate. This includes understanding the true cost of service delivery, to enable net benefits to the Council and financial impacts to be clearly understood.

2) 'Developing new opportunities'

The Council will look to explore and develop new commercial opportunities; in line with corporate objectives, using data and insight to drive decisions. The Council will continue to ensure that our residents and customers are at the heart of our delivery plans, and success will be dependent on collaboration and partnerships.

As part of this activity the Council will explore shorter term opportunities for increased income or efficiencies, as well as longer term opportunities through strategic planning of how we make best use of our assets to support our financial sustainability. A strategic review currently underway of the Council's assets aims to support delivery of additional income streams for the Council in the longer term; while also supporting delivery of the wider vision for the Borough. This includes regeneration and improvements to town and neighbourhood centres, economic growth and opportunities for businesses and residents, and improvements to housing supply.

3) 'Getting the basics right'

To deliver on both of the above work streams, it is essential that the council shapes and drives its fundamental commercial business operations that support the Council's overall financial sustainability. This includes, commissioning & procurement and contract management to ensure there is a solid foundation for both existing and new commercial activity. Contract management is a key factor in commercial success. Not only will it ensure the council achieves maximum value from its activity but also support risk mitigation, safeguard the council's interests and foster relationships - both internally and with external partners and suppliers.

- 7.6 An initial set of Business Cases were assessed during 2022-23 for potential opportunities. These led to certain beneficial outcomes, one of which saw the integration of property services across the Council, with a view to harnessing efficiencies, and achieving service and financial benefits from alignment of the property functions. Another Business Case led to a decision to build new business units within the borough on former garage sites. This will meet known market demand for such units for smaller businesses, will support local economic growth and employment, while also delivering a modest financial return for the Council. A pilot project is now underway and in its early stages of procurement to seek a contractor for design and build of the new units. If successful, this approach could be further developed to increase availability of units and additional income streams for the Council's General Fund.
- 7.7 Other opportunities were explored for services to maximise and grow income from existing products and services, as well as introduction of new services for additional income. As a result, a roadmap has been identified for certain services to deliver improvements that could position them to increase commercial activity and income in the future. This work aligns with the themes both of 'getting the basics right' and 'maximising current income'.
- 7.8 The nature of the Commercial Strategy's areas of focus means that much of the work that might deliver additional income is longer term in nature. However an area where shorter term contributions can and have been made is around maximising current income from services and assets. Work has included a Business Case to scrutinise additional income from fees and charges, that resulted in net additional income in the 23-24 budget; work ongoing to install electric vehicle charge points in the Council's car parks that should generate additional income for the Council, and a Business Case that has resulted in proposals currently being explored for revised parking tariffs and charging policy throughout the Borough. The parking tariff Business Case proposals could make an important annual contribution to the MTFs from 2024-25 onwards, if the set of proposals approved for public consultation by Cabinet in September 2023 were to be implemented as currently planned.

Further reviews of how the Council can continue to maximise income from assets and services will be undertaken as part of the Strategy's ongoing work programme, to contribute to the MTFs in the shorter and medium term.

7.9 Transformation Strategy

The Council's transformation strategy, Future Dacorum, is now in delivery phase. The strategy centres on the customer, with a clear ambition to be more efficient and effective across all Council activity. This will deliver better services for our residents and businesses and will also allow us to face the financial and economic challenges of the medium term in the best possible way. Much work has been completed to get our basics right. These are the foundations upon which we will launch an extensive programme of service re-design. This will allow us to digitise and automate our high-volume activity, freeing up resource to focus on complex work where most value can be added. In turn it will allow the strategic Leadership Team and members to make informed decisions about how and where best to use resources including savings and re-investment options.

7.10 Place Strategies

7.11 Dacorum Place Strategies are still under development and the programme includes;

- Hemel Place Strategy
- Hemel Hempstead Town Centre Vision
- Hemel Old Town Place Programme
- Berkhamsted Place Strategy
- Tring Place Strategy

The Place Strategies cover all aspects of what makes great places within Dacorum, and how they should be developed further, based on plans for their future, the key issues that exist in each, and local needs. They are informed by community participation and engagement and will guide the shape and content of projects and initiatives in each location.

Since 2021, considerable progress has been made. In Hemel Hempstead, a partnership Hemel Place Board has been formed, chaired by Bob Lane OBE, with membership from public agencies, major businesses and the voluntary and community sector. A draft Hemel Place Strategy is in preparation and completion is expected by the end of 2023/24. Extensive public engagement has taken place to help shape the Place Strategy and, in the summer of 2022, the Hemel Place Story was launched alongside new distinctive branding for Hemel Hempstead.

The Strategy recognises the ambitions of Hemel as a place of growth and investment and major expansion through Hemel Garden Communities, ambitious regeneration in the town centre and Apsley canalside, and a new strategy for Maylands Business Park through the new masterplan, for which work commenced in September 2023. A new town centre vision was approved by the Council in July 2023.

Hemel Old Town is the subject of a corporate Place working team to address current issues within this distinctive and historic part of the town, and has been running since 2021. There are two major community meetings each year where residents and businesses are engaged on progress within the Old Town and are a touchpoint for new and emerging issues and ideas.

Work has begun on Place Strategies for both Berkhamsted and Tring, with the Town Councils engaged to lead on these, with input and support from the Borough Council.

7.12 Housing Strategy 2024 - 2029

7.13 The housing strategy 2024 – 29 is currently being consulted upon, it is a key strategy for the Council. Ensuring we can deliver good homes is considered essential because housing is the key foundation for a good life. A stable and affordable home is a basic requirement for good health, education and employment.

- 7.14 This strategy supports corporate aims of the Council and its partners to do their utmost to make sure that everyone in Dacorum can access suitable warm, safe, secure housing, in an attractive, welcoming community where people from all backgrounds feel at home.
- 7.15 The aims of the strategy are to ensure we become a sector leading resident focused social landlord, who works with others to deliver much needed affordable new homes, to ensure current homes are of a decent standard, help tackle the climate crisis and to meet the diverse needs of local residents.
- 7.16 This strategy will be formally adopted by the Council in 2024 and the associated financial investment is planned for within the developing HRA business plan and the Council's wider medium term financial plan.

8.0 Emerging Risks and Opportunities

- 8.1 The MTFS assumptions are kept under constant review by officers and Members and will be kept up-to-date on an ongoing basis. The robustness of the assumptions in a constantly changing economic environment requires careful scrutiny to ensure that the MTFS remains sustainable.
- 8.2 The nature of future financial planning means there is uncertainty in assumptions made, and the longer the time frame for assumptions the greater the risk/opportunity around the accuracy of those assumptions. In recent years, global economists, the investment sector and governments have made assumptions on interest rates, inflation and government funding that have all required frequent revisions.
- 8.3 The MTFS includes several key proposals/changes these include:

Income assumptions

- 8.4 It is assumed that the Council's current income from discretionary services, for example commercial property, garage rentals and garden waste collection will be maintained in 2024/25. The current high borrowing and inflation rates, accompanied by the wider economic downturn is having a negative impact on the volume of planning applications received by the Council and the in-year forecast is showing a shortfall of circa £600k, hence the MTFS has assumed a reduction in future planning income of £600k.

Service Planning

- 8.5 The annual service planning review and horizon scanning process was undertaken in the spring of 2023 and the MTFS has included circa £600k of growth across the Council to support ongoing service delivery and service improvements, with significant investment being made to support the Digital and People strategies.

Parking Review

- 8.6 As part of work undertaken through the Council's Commercial Strategy, there is a car parking policy and tariff review underway and the MTFS assumes that the final approved approach will deliver circa £660k of additional annual car parking income, with circa £500k assumed in 24/25, which will offset some of the reductions in car parking income that have resulted since the pandemic.

Garden Waste Service

- 8.7 The roll out of the new chargeable garden waste service in 2023 was hugely successful and achieved a subscription level of circa 70%, exceeding 23/24 budgeted projections by circa 30% and hence producing an additional income of circa £700k. It is assumed that the current subscription levels will be maintained in the medium term.

Treasury Management

- 8.8 The 2023/24 treasury management function is delivering greater financial returns than budgeted for in 23/24.

8.9 The combination of higher interest rates and larger cash balances to invest have resulted in significant investment returns in 23/24. At present, the projected spend in the 23/24-24/25 capital programme will result in significantly lower cash balances to invest in future years and hence this trend is not expected to be maintained in 24/25. If current capital spend levels are not achieved and interest rates remain high, as projected by the financial markets, there is the potential for treasury to achieve a greater short term investment return than the budgeted £1m investment return in 24/25. At present the MTFs assumes current treasury returns of circa £1m will be achieved.

9.0 General Fund Medium-Term Savings

9.1 Based on the assumptions in the MTFs strategy, the total Savings Requirement in the period 2023-2028 is £4.4m, of which £1.7m has already been identified. This leaves a residual savings requirement of £2.7m.

9.2 The Council has a four-year savings plan which recognises that the delivery of savings opportunities has grown increasingly complex in recent years and these opportunities require a longer lead-in time to ensure successful delivery. As a result of this, the Total Savings Requirement comprises three elements which reflect the fact that the Council has a number of initiatives already underway to deliver savings in future years. The table below provides a breakdown of the savings requirement, and is followed by a brief explanation of each element.

Table 2: Medium Term Financial Savings Requirement.

		2024/25	2025/26	2026/27	2027/28
	Total Savings Requirement	£1,600k	£1,190k	£900k	£720k
a.	Savings identified, and delivered.	£800k			
b.	Savings Identified, but still to be delivered	£800k	£110k	£30k	£0k
	Total Savings Requirement	£0k	£1,080k	£870k	£720k

a. **Savings Proposals Identified and delivered** – Planned savings projects already delivered for future years prior to the MTFs review. In this case, the additional savings created by the increased subscriptions of garden waste is the bulk of these savings.

b. **'Savings identified but still to be delivered'** – refers to those savings initiatives already identified by budget holders as deliverable in future years. These savings, particularly the £800k identified for 2024/25, is considered a risk as the size of the savings are significant and the timeline for delivery is limited. Any slippage in delivery for these projects impacts the 25/26 budget.

9.3 Plans for the delivery of future savings for 2025 onwards are being developed, as part of the development and delivery of the key corporate strategies (summarised in section 7) and a revised 2023 corporate plan. As outlined in section 4 above, there are 4 key corporate strategies which will contribute to delivery of future efficiencies and/or income generation.

10. Key Risks

10.1 In addition to the funding risks and emerging risks highlighted in earlier sections of this report, the following section outlines some of the key sector wide risks. These risks are monitored and members are kept updated on any potential implications.

Discretionary Income Generating Services

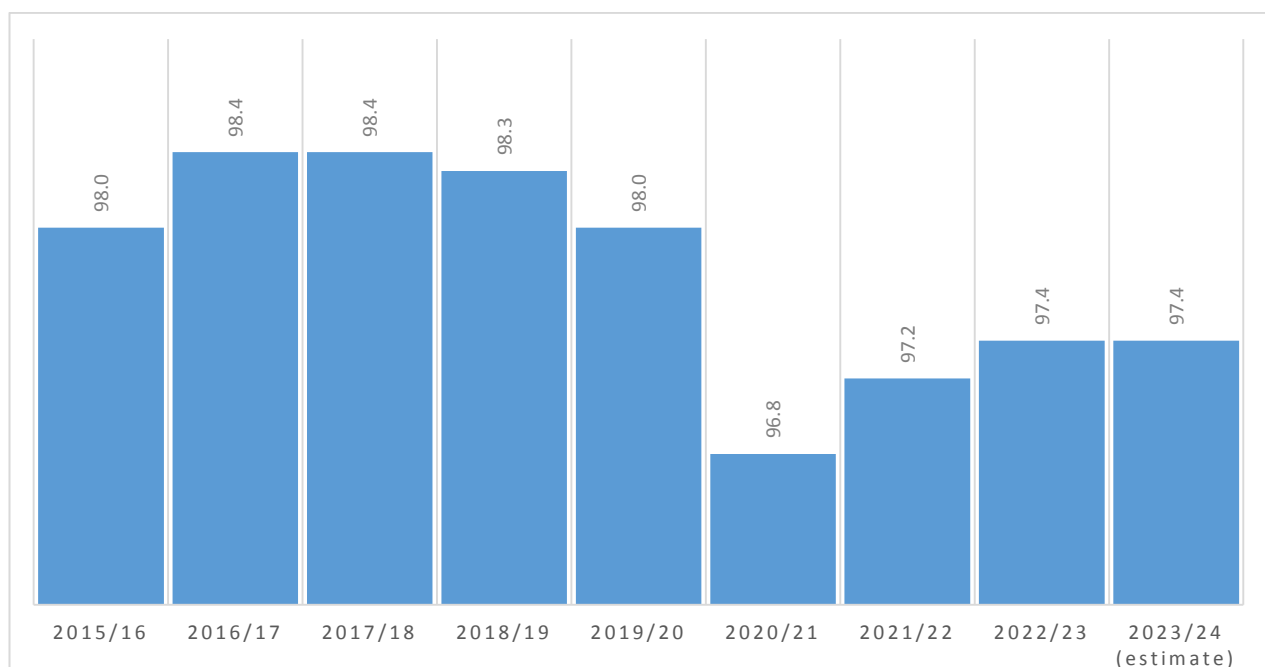
10.2 The Council collects circa £19m from charges for services and almost all of this income is for discretionary services that residents could choose to not purchase. These services could well be impacted by a more difficult economic environment where residents are spending less. These

income streams include garage rental, car parking, planning services and other discretionary services.

Council Tax Collection

- 10.3 The Council collects circa £126 million of council tax on behalf of its preceptors of which we retain circa £14m to fund the baseline budget to fund essential core Council services. As household budgets become more challenging, the financially vulnerable in Dacorum may need to choose which bills to pay. Council Tax could be perceived as less essential than utilities, food and clothing. If the council tax collection rates fall, this will impact the ongoing funding to the Council in the medium term and would lead to further future funding pressures.
- 10.4 The collection rate for Dacorum council tax has historically been set at 99.4%, but recent events and performance suggest that this should be revised. The reported collection rate of 99.4% assumes a year end collection rate of 98.4% and a 1% increase created from collection of arrears.

The following chart shows the impact of the pandemic and subsequent economic issues on the year-end collection rate. There was a significant drop in 2020/21 and it does not yet show signs of returning to the previously expected level.



- 10.5 In light of this, the MTFS assumes a collection rate in the tax base calculation is set at 98.5%, this would be made up of circa 97.5% in year collection rate and 1% collection of arrears. This is a reduction of 0.9% year on year.
- 10.6 The collection of council tax is monitored through the monthly performance monitoring framework and presented to members quarterly.

Borrowing Costs

- 10.7 The MTFS at present has no General Fund requirement to externally borrow in 2023/24, with a small amount of borrowing potentially required in 24/25. These borrowing needs will be met by internal borrowing and monitored as part of the treasury management service.
- 10.8 If a need arises to borrow for investment or to support the strategic objectives, the current interest rate increases have had a significant impact on the current cost of borrowing. At present PWLB 50 year loans have an interest rate of 6%, which is more than double the rate at the same time last year, and would mean for every £1m the Council borrows it will incur annual interest charges of £60k p.a.

11.0 General Fund Working Balances and Earmarked Reserves

- 11.1 The Council's Reserves Strategy is integral to the MTFs because it demonstrates how the Council augments its annual ongoing running costs with plans to finance specific items of one-off expenditure over the medium-term. The Strategy is reviewed annually, and was most recently approved by Council within the 2023/24 Budget Report, in February 2023.
- 11.2 The Council holds two types of reserve. These are:
- a. **Working balances**, which are required as a contingency against unforeseen events and to ensure that the Council has sufficient funds available to meet its cash flow requirements. The Local Government Act 2003 requires the S151 Officer to report on the adequacy of financial reserves when setting the General Fund budget requirement for the year. This requirement was met within Appendix N of the Budget Report to Cabinet in February 2023.
 - b. **Earmarked reserves**, which are funds approved by Members to finance specific items of future expenditure. The Council's Financial Regulations dictate that Earmarked Reserves can be created only by Member approval, and that all subsequent transfers to and from those reserves also require Member approval.
- 11.3 In accordance with best practice, the General Fund Working Balance is maintained at a level between 5% and 15% of Net Service Expenditure.
- 11.4 As part of the annual CFO statement in the budget report in February 2023 the Chief Finance Officer (S151) is required to report on the adequacy of the proposed financial reserves. At that point in time the CFO confirmed that the level of reserves and balances are adequate to mitigate the foreseeable risks to the organisation, and reaffirms at this point in time that position is unchanged.

12. Housing Revenue Account (HRA)

- 12.1 The HRA Business Plan is the financial strategy for the delivery of the Council's housing objectives over a thirty year period. This long-term perspective is necessary to ensure sound investment decisions; both in terms of the Council's new build programme and in maintaining existing homes.
- 12.2 A revised HRA business plan is presently being developed and this will be presented to members early in the New Year with the HRA 24/25 budget proposed presented for formal approval alongside the General Fund budgets in February.

13. Capital Resources

- 13.1 Capital expenditure is defined as expenditure incurred on the acquisition, or creation, of assets needed to provide services for a period in excess of one year; such as houses, vehicles, public buildings, play areas, ICT, etc.
- 13.2 Capital grants and borrowing can only be spent on capital items and cannot be used to support revenue budgets. However, it should be noted that revenue funds can be used to support capital expenditure. Under the Local Government Act 2003, each council can determine how much it can borrow within prudential limits. All borrowings must be financed from the total available resources of the Council.

Flexible use of capital receipts

- 13.3 Within the 2016 Settlement, Government provided new flexibility for local authorities to use capital receipts from the sale of property, plant and equipment to support upfront revenue expenditure on transformational projects that will deliver ongoing efficiency savings. Councils can

only use capital receipts from sales made since the date of this announcement, and cannot use existing capital balances for revenue spending. The Council retains the ability to make use of this facility in future. On completion of the transformation programme, depending on the details, there is likely to be the option to support this programme through flexible use of capital receipts.

Capital Spending Plans 2023/24 to 2027/28

13.4 The Council's approved General Fund Capital Programme for the current and future years is summarised below:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
Planned Capital Expenditure	11.8	35.6	19.8	3.6	3.1

13.5 The Council's Capital Programme is currently fully funded until 2024, the only borrowing being the balance of a portfolio of loans taken in May 2015. The balance is structured over a portfolio of 16 remaining loans, valued in total at £6.4m, with one maturing each year. The loan was taken from the Public Works Loan Board (PWLB), at favourable rates, around 60 basis points above gilts, and resulted in an average initial interest rate of 3.04%.

13.6 The Council is required to pay off an element of borrowing each year through a revenue charge, the Minimum Revenue Provision (MRP). The Council's Treasury Management Strategy, approved by Cabinet in February 2023, sets out the Council's policy to, at a minimum, pay off the debt over the life of the asset associated with the borrowing. This policy has been applied to the MTFs forecasts.

13.7 The full impact of borrowing costs of the current Capital Programme on the Council's revenue budgets is reflected in the forecasts included in this strategy. However, the Council continues to examine the potential for further investment in a number of capital projects. The costs associated with these projects have yet to be finalised, and thus, at this stage, there is no provision for their funding within the MTFs. The implications of further borrowing will be considered as part of any decision to progress with these initiatives.

13.8 The financing of the Capital Programme will continue to be supported through the following prioritisation of funds: firstly, appropriate application of grant funding; secondly, use of contributions and capital receipts generated from the sale of Council assets; and, thirdly, through undertaking prudential borrowing.

13.9 The approved General Fund Capital Programme is financed as follows:

Table 3: General Fund Capital Funding.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
Capital Receipts and Reserves	10.5	12.1	2.3	2.8	2.4
Borrowing	0	22.4	16.7	0.0	0.0
Grants and Contributions	1.3	1.1	0.8	0.7	0.7
Total	11.8	35.6	19.8	3.5	3.1

14. Conclusion

14.1 The committee are asked to review the proposed MTFs and feedback where appropriate prior to submission to October cabinet for approval.

APPENDIX A - GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY

	Approved 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28
	£000	£000	£000	£000	£000
Service Expenditure & Income					
Employees	30,340	31,496	32,635	34,080	35,208
Premises	5,461	5,762	5,935	6,072	6,213
Transport	1,929	2,101	2,192	2,287	2,387
Supplies & Services	8,427	9,156	9,393	9,848	10,341
Third-Parties	831	836	841	857	875
Transfer Payments	47,146	47,146	47,146	47,146	47,146
Capital Charges & Bad Debts	4,922	4,928	4,935	4,941	4,948
Income	(71,553)	(73,059)	(74,236)	(74,583)	(74,936)
Recharge to HRA	(6,115)	(6,298)	(6,487)	(6,682)	(6,882)
Cumulative Savings	0	0	3	(1,099)	(1,984)
Net Cost Of Services	21,388	22,069	22,356	22,869	23,316
Less:					
Interest Receipts	(755)	(1,101)	(1,278)	(1,488)	(1,488)
Interest Payments & MRP	741	804	801	801	801
Reversal of Capital Charges	(4,802)	(4,802)	(4,802)	(4,802)	(4,802)
Net movement to/(from) Earmarked Reserves	2,639	(416)	289	343	343
Budget Requirement General Fund	19,210	16,553	17,366	17,723	18,169
Parish Precepts	1,234	1,270	1,321	1,374	1,429
Budget Requirement Including Parishes	20,444	17,824	18,687	19,096	19,598
Funded by:					
Business Rates Retained	(3,067)	(2,900)	(2,900)	(2,900)	(2,900)
Revenue Support Grant	0	400	1,000	1,000	1,000
New Homes Bonus	(721)	0	0	0	0
Other Government Grants	(972)	(1,100)	(100)	(100)	(100)
Council Tax (Surplus)/Deficit	0	0	0	0	0
Business Rates (Surplus)/Deficit	(1,111)	783	0	0	0
Net Expenditure before Council Tax	14,573	15,007	16,687	17,097	17,598
Demand on the Collection Fund	(14,574)	(15,007)	(15,607)	(16,227)	(16,877)
General Fund Balance B/Fwd	(2,502)	(2,502)	(2,502)	(2,502)	(2,502)
In year use	0	0	0	0	0
General Fund Balance C/Fwd	(2,502)	(2,502)	(2,502)	(2,502)	(2,502)
Total Savings Requirement		1,600	1,190	900	720
of which,					
Savings identified, and already delivered		(800)	0	0	0
Savings identified, but still to be delivered		(800)	(110)	(30)	0
Savings still to be identified		(0)	1,080	870	720

General Fund Reserves Summary	Balance as at 31/03/2023 £'000	Net Reserve Movement 2023/24 £'000	Balance as at 31/03/2024 £'000	Net Reserve Movement 2024/25 £'000	Balance as at 31/03/2025 £'000	Net Reserve Movement 2025/26 £'000	Balance as at 31/03/2026 £'000	Net Reserve Movement 2026/27 £'000	Balance as at 31/03/2027 £'000	Net Reserve Movement 2027/28 £'000	Balance as at 31/03/2028 £'000
Civic Buildings Major Repairs Reserve	60		60		60		60		60		60
Earmarked Grants Reserve	44		44		44		44		44		44
Management of Change Reserve	725	(123)	602		602		602		602		602
Technology Reserve	741	(12)	729		729		729		729		729
Savings Efficiencies Reserve	881	870	1,751	200	1,951	200	2,151	200	2,351	200	2,551
On Street Car Parking Reserve	148	40	188	40	228	40	268	40	308	40	348
Local Development Framework Reserve	408	(80)	328	(130)	198		198		198		198
Dacorum Development Reserve	3,497	409	3,906	(629)	3,277	(54)	3,223		3,223		3,223
Climate Change and Sustainability Reserve	167	(50)	117		117		117		117		117
Litigation Reserve	317		317		317		317		317		317
Vehicle Replacement Reserve	0	25	25	25	50	25	75	25	100	25	125
Invest to Save Reserve	42	(20)	22		22		22		22		22
Youth Provision Reserve	44		44		44		44		44		44
Election Reserve	81	(81)	0	40	40	40	80	40	120	40	160
Uninsured Loss Reserve	360		360		360		360		360		360
Training & Development Reserve	54	(54)	0		0		0		0		0
Housing Conditions Survey Reserve	91	15	106	15	121	15	136	15	151	15	166
Funding Equalisation Reserve	7,199	1,111	8,310		8,310		8,310		8,310		8,310
Pensions Reserves	2,054	600	2,654		2,654		2,654		2,654		2,654
Maylands Plus Reserve	46	23	69	23	92	23	115	23	138	23	161
Covid 19 Hardship Fund	133		133		133		133		133		133
Economic Recovery Reserve	1,082	(895)	187		187		187		187		187
Inflationary Pressures Reserve	298	750	1,048		1,048		1,048		1,048		1,048
Leisure Reserve	330		330		330		330		330		330
Suitable Alternative Natural Greenspace (SANG)	153		153		153		153		153		153
Total Earmarked Reserves	18,955	2,528	21,483	(416)	21,067	289	21,356	343	21,699	343	22,042
Working Balance	2,502		2,502		2,502		2,502		2,502		2,502
Total General Fund Reserves	21,457	2,528	23,985	(416)	23,569	289	23,858	343	24,201	343	24,544

Agenda Item 8

Clerk: Trudi Angel (x2224)

Finance and Resources Overview & Scrutiny Committee Work Programme 2023/2024

Meeting Date	Report Deadline	Items	Contact Details	Background information
7 November 2023	27 October 2023	Action Points (from previous meeting)	Democratic Services Trudi.angel@dacorum.gov.uk	
		Q2 Corporate & Commercial Performance Reports: <ul style="list-style-type: none"> ○ Finance and Resources ○ Legal and Democratic Services ○ Commercial Development Services 	Strategic Director, Corporate and Commercial Catherine.silvadoonayre@dacorum.gov.uk Chief Finance Officer Nigel.howcutt@dacorum.gov.uk Assistant Director, Legal & Democratic Services Mark.brookes@dacorum.gov.uk Head of Commercial Development Ben.Hosier@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Budget Monitoring Report	Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Q2 People and Transformation Performance Report	Strategic Director, People and Transformation Aidan.wilkie@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Legal Shared Service	Assistant Director, Legal & Democratic Services Mark.brookes@dacorum.gov.uk	

6 December 2023	27 November 2023	Joint Budget	Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	<i>To review and scrutinise the draft budget proposals for 24-25</i>
9 January 2024	28 December 2023	Action Points (from previous meeting)	Democratic Services Trudi.angel@dacorum.gov.uk	
7 February 2024	29 January 2024	Joint Budget	Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	<i>To review and scrutinise the draft budget proposals for 24-25</i>
5 March 2024	23 February 2024	Action Points (from previous meeting)	Democratic Services Trudi.angel@dacorum.gov.uk	
		Q3 Corporate & Commercial Performance Reports: <ul style="list-style-type: none"> ○ Finance and Resources ○ Legal and Democratic Services ○ Commercial 	Strategic Director, Corporate and Commercial Catherine.silvadoonayre@dacorum.gov.uk Chief Finance Officer Nigel.howcutt@dacorum.gov.uk Assistant Director, Legal &	<i>To review and scrutinise quarterly performance</i>

	Development Services	Democratic Services Mark.brookes@dacorum.gov.uk Head of Commercial Development Ben.Hosier@dacorum.gov.uk	
	Budget Monitoring Report	Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
	Q3 People and Transformation Performance Report	Strategic Director, People and Transformation Aidan.wilkie@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>