MEDIUM TERM FINANCIAL STRATEGY

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DACORUM BOROUGH COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2022/23–25/26

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1. Introduction

1.1 The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document for the provision of General Fund services. (The Housing Revenue Account has a separate thirty-year business plan, and is not considered within this MTFS.) In detailing the financial implications of the Corporate Plan over a five-year period, the MTFS provides a reference point for corporate decision-making and ensures that the Council is able to optimise the balance between financial resources and delivery of priorities.

1.2 Ordinarily, the MTFS is reported to Cabinet for approval each July, immediately prior to the start of the annual budget-setting process for the following year. This ensures that each year's budget can be set within the context of the Council's medium-term sustainability rather than being viewed in isolation, one year at a time.

1.3 However, in each of the last two years the MTFS has been reported to Cabinet after July. In 2020 it was reported in October to enable a more evidence-based strategic response to the emerging risks presented by Covid; and, in 2021 in September to accommodate a new service planning process which is intended to deliver a more service-driven MTFS in future years.

1.4 In order to forecast the Council's future financial position, the MTFS contains a number of assumptions, the bases of which are detailed throughout the Strategy. It should be noted that these assumptions are subject to change. The Corporate Director (Finance & Operations) will report back to Cabinet as a matter of urgency if there are changes to key assumptions in the Strategy that threaten the sustainability of the approved MTFS.

2. Recommendations

2.1 The MTFS makes the following recommendations for approval by Council. It is recommended that:

2.1.1 The financial projections within the 5-year Medium Term Financial Strategy be noted, and the Strategy approved;

2.1.2 A General Fund savings target of c£1.3m be approved for the 2022/23 budget-setting process;

2.1.3 A total 4-year General Fund savings target of £2.8m, of which £1.9m is still to be identified, be approved for the duration of the MTFS;

2.1.4 The Corporate Director (Finance & Operations) works with the Council's Senior Leadership Team and Portfolio Holders to deliver options that will achieve the saving targets identified within the strategy;

2.1.5 The Financial Planning Framework is approved to support the budget-setting process for 2022/23; and,

2.1.6 The Corporate Director (Finance & Operations) be requested to revise the Medium Term Financial Strategy and re-present to Cabinet and Council for approval if material changes to forecasts are required following future Government announcements.

3. Financial Planning Framework

3.1 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.

January – July	Budget Holders develop Service Plans, in consultation with Portfolio Holders, covering the following year and the medium-term period. These plans include revenue and capital bids, and highlight new income and efficiency proposals and budgetary pressures.
July – September	The final 2020/21 audited accounts are approved by Audit Committee in September 2021. The updated MTFS is reported to Cabinet and Council, identifying the fiscal environment within which the Council must operate over the medium-term, and setting the financial context for the following year's budget. Updated Service Plans and budgetary implications are reviewed by the Chief Officers' Group (COG) and the Budget Review Group, advised by the Corporate Director (Finance & Operations).
October	Final proposals agreed by COG and the Budget Review Group.
December	Draft budget proposals presented to Joint Overview & Scrutiny Committee, for Members' scrutiny. 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 Councils.
January	Feedback from November Joint OSC is considered and incorporated within final budget proposal presented to a second Joint OSC meeting.
February	Final budget report presented to Cabinet for recommendation to Council. Council considers the recommendations of Cabinet for approval.
April	The new financial year begins, and the approved budget is then assessed under the in-year budget performance monitoring process.

4. Managing the implications of Covid 19

4.1 In October 2020, Council approved a two-pronged MTFS designed to meet the twin medium-term challenges of:

- Supporting our communities and services through the impact of Covid; and,
- Ensuring retained focus on delivering sustainable services into the medium-term

4.2 In essence, the strategy is to treat Covid-driven financial pressures as a time-limited threat and to fund them through reserves, thereby enabling the Council to retain focus on the underlying challenge of remaining sustainability into the medium-term. The detailed rationale behind this strategy is provided in the MTFS reported to Cabinet in October 2020 (Agenda for Cabinet on Tuesday, 20th October, 2020, 7.30 pm (dacorum.gov.uk)), and was approved by Full Council in November 2020.

4.3 An Economic Recovery Reserve, containing £7.5m, was approved by Full Council in February 2021 to fund the forecast Covid-related pressures over the medium-term. The first robustness test for the reserve came at year-end 2020/21. The forecast pressure for 2020/21 was £3.5m and the actual reserve draw down was £2.5m, leaving an additional £1m in the reserve over and above what had previously been forecast as required in future years.

4.4 However, additional Covid-related pressures have emerged since the creation of the reserve, which substantially offset the underspend in 2020/21. Primarily these relate to ongoing support payments to the Council's leisure provider (in addition to the income foregone), and ongoing cost pressures relating to waste collection caused by the need for additional rounds as a result of parking congestion and access issues due to increased home working.

4.4 The impact of Covid on the Council's services is complex and it's inevitable that some areas of pressure will be greater than forecast and some less. The key message at this stage is that the total call on the Economic Recovery Reserve by the end of the current year is expected to be £5m as originally forecast, albeit the split between years has changed.

4.5 The impact of Covid on the Council's finances over the medium-term remains far from certain. It will ultimately depend on the intensity of future outbreaks and the policy responses of government designed to contain the national impact, as well as the impact of ongoing behavioural change on the Council's income streams. At this stage there is no data to suggest that the provision the Council has made through the Economic Recovery Reserve is insufficient, or that it is overly prudent. It is recommended that the reserve be maintained at the current level, and remains under continuous monitoring to ensure it remains appropriately funded.

5. Review of the Council's primary funding streams

5.1 The Council receives the majority of its funding from Central Government through two avenues: Settlement Funding Assessment and New Homes Bonus. Updates are provided in the paragraphs below.

Settlement Funding Assessment (SFA)

5.2 The most recent formal indication of Government's assessment of DBC's funding requirement was in 2019/20, the final year of the four-year funding deal, which set

DBC need at c£2m (comprising £3m Business Rates netted off against £1m negative RSG). Until further Dacorum-specific modelling is provided, this is the baseline funding position which provides the context for Council's future funding assumptions.

5.3 At the time the four-year deal concluded in April 2020, Government's intention was that it would lead into another multi-year funding deal for the local government sector driven by a newly updated model for assessing each council's level of 'need' – the *Fair Funding Review* (FFR).

5.4 The FFR was subsequently delayed, and, rather than the anticipated multi-year deal starting in 2020, councils instead had the previous year's funding rolled forward for a second year. This was intended by Government to be an interim one-year arrangement. However, in April 2020 Government announced that as a result of the Covid response there would be a further delay to the FFR implementation, and again funding was rolled forward into April 2021 at the same level as the previous year.

5.5 As yet, there has been no formal confirmation of government funding arrangements for 2022/23. This version of the MTFS assumes a reduction of c£700k against Government's last stated assessment of DBC's need, followed by similar amounts in each of the following two years. This reflects the expected outcome of the FFR, which, based on previous Government announcements, is likely to see financial support for district councils reduce significantly as more funding is diverted to councils responsible for social care provision.

5.6 The Provisional Settlement which will set out government funding for councils for the year beginning April 2022 is currently scheduled for December 2021. The closer this date draws without an update from Government, the greater the possibility that the FFR will again be delayed and the current year's funding rolled forward into 22/23.

5.7 If a roll forward happens, and the baseline funding position of £2m is repeated next year, then DBC will receive £700k more than is currently modelled into the MTFS. In this case, it is likely that DBC will still suffer the same reductions, they will merely be delayed until the FFR is implemented, probably the following year. On this basis it is prudent to assume that the reduction will happen next year – if it does, then the Council is prepared for it, and if it doesn't then the Council will have a one-off benefit of £700k that can be used to fund future one-off expenditure.

5.8 In addition to the possibility of the baseline £2m being rolled forward, there is also a possibility that 'negative-RSG' will again be suspended, in which case the Council would receive an additional funding benefit of £1m. This eventuality is less likely than the roll forward of the baseline position, given that it would mean receiving £1m more than what Government has already advised is their assessment of DBC need.

5.9 It is recommended that DBC continues the strategy adopted in each of the last two years, i.e. assuming that negative RSG will be implemented next year. If it is not, and the Council receives the additional £1m, it could be used for future one-off expenditure.

5.10 Confirmation of the funding allocation for 2022/23 is expected in December 2021. Any additional information given at that time regarding future years' funding will be reported to Members as part of the budget-setting process.

New Homes Bonus

5.11 New Homes Bonus (NHB) is 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 taxbase. 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.

5.12 Based on information provided in the 2020/21 Settlement, the NHB payment forecast in 2022/23 will be the final one received before Government brings the scheme to an end. The assumed amount is based on housing numbers already delivered in previous years and is not therefore expected to be subject to material amendment. Members will be updated on any information related to the possible future of the NHB scheme following the December Settlement.

5.13 The MTFS recommends a continuation of the Council's previous strategy regarding NHB, i.e. that it is contributed to reserves for future one-off expenditure rather than being built into the baseline budgets and the Council becoming reliant on it for the ongoing delivery of its services. This means that if the NHB scheme is withdrawn or dramatically restricted at short notice, the Council will not immediately face additional revenue savings pressures.

Council Tax

5.14 Within the new FFR allocation model, Dacorum is likely to be considered to have an above average ability to raise revenues locally because its taxbase (number of Band D properties multiplied by Band D Council Tax level) is around the 15th largest of the 200 district councils. Depending on how this is factored into the new model, it is likely that, relative to other district councils, this will reduce the amount of funding granted to Dacorum in future years.

5.15 Furthermore, Government has made clear that the new allocation mechanism will assume 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.

5.16 Under current legislation, district councils are permitted to increase Council Tax by the higher of £5 or 1.99% per Band D without triggering a referendum, with an associated cost estimated at £80k. For the reasons given in paragraphs 5.14 and 5.15, this MTFS assumes an annual Council Tax increase of the maximum currently permissible, i.e. £5 per Band D.

5.17 In recent years, the Local Government Finance Settlement (usually announced in December of each year), has granted additional freedoms to increase Council Tax to higher levels, e.g. 2.99% or £5 without triggering a referendum. If additional options were to be offered again, it is recommended that the Council revisits the current assumptions and takes steps to keep pace with Government's underlying assumptions on sustainability.

Significant funding risks

5.18 The MTFS will be kept under constant review by the S151 Officer and Members will be kept up-to-date on the ongoing robustness of assumptions as more information emerges. The following are key funding risks to the Council's medium-term position, which are not yet modelled into the MTFS. (See Section 8 of this report for more on future service-related pressures):

- Future years' impact of Covid is worse than currently forecast

Prudent assumptions have been used in the model but the unprecedented situation means the actual impact could be higher than forecast. Existing savings targets equate to 10% of Net Cost of Services and the Council would struggle to increase these further whilst still continuing to protect frontline services. Earmarked reserves are the ultimate back-stop, but while further erosion of reserves may keep the Council afloat it would significantly impact the capacity to deliver planned future ambitions.

- Government funding is less than the baseline assumed in this model

This is considered unlikely, but if it were to happen an alternative plan would be reported to Members as part of the budget-setting process. Forecast funding in future years continues to anticipate significant funding reductions as a result of the FFR. There is a possibility of increased funding of around £1m next year if Government continues to suspend negative RSG, as it has in the previous two years.

6. Review of other MTFS assumptions

Update of General Fund budget assumptions based on 2020/21 outturn

6.1 The basic principle of the MTFS model is to extrapolate the current year's approved budget, in this case 2020/21, over the next four years. The extrapolation process is adjusted for assumptions on government grant, inflation, changes in demand for services, changing legislation, and probable risks and opportunities.

6.2 The 2020/21 outturn was presented to the Audit Committee at its meeting of 8 September. A fundamental part of the outturn analysis is to focus on those areas where there were over- or under-spends in order to identify whether the budget assumptions could be updated in order to improve the accuracy of the MTFS. Budgetary assumptions for 2022/23 have been updated where appropriate.

Update of MTFS assumptions based on other information

6.3 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 analysis will be undertaken as new information becomes available.

	Note	2022/23	2023/24	2024/25	2025/26
Income					
Council Tax	1	3.45%	3.39%	3.33%	3.28%
Revenue Support Grant	2	(£1.73m)	(£2.33m)	(£3.2m)	(£3.2m)
Baseline Funding	3	2%	2%	2%	2%
Fees & Charges	4	0.76%	0.76%	0.76%	0.76%

Expenditure					
Pay settlement	5	2.5%	2.5%	2.5%	2.5%
Pay: contract increments	6	0.5%	0.5%	0.5%	0.5%
Utilities	7	5%	5%	5%	5%
Fuel	8	5%	5%	5%	5%
Supplies & Services	9	2%	2%	2%	2%

Notes:

1. Increase by £5 per Band D and 1% increase in tax base
2. Based on the assumption that RSG will continue to reduce by amounts along broadly historical trends to the point, in 2024/25, where Government funding ends
3. An inflationary increase of 2% per annum
4. Inflation assumptions from OBR on *controllable* income from fees and charges
5. Based on inflationary assumptions from the OBR
6. Based on actual increments due and historical staff turnover rates
7. Based on historical trend analysis and recent proposed unit cost changes
8. Based on historical trend analysis and recent proposed unit cost changes
9. Inflation assumptions from Office of Budget Responsibility (OBR)

Growth

6.4 Growth is defined as an increase in the expenditure, or the net expenditure, budgets of the Council. In the event that essential or unavoidable growth is required within a Service area, a business case outlining the requirements should be produced by the relevant Group Manager and Assistant Director, and be signed off by the Director and S151 Officer, before being submitted for consideration by the Budget Review Group.

6.5 Growth in the income generating capacity of a particular service does not mean that the additional income automatically accrues to that service. All Council income, unless stated otherwise by statute, is considered corporate income and is used to finance the provision of all General Fund services. All requests from budget holders to retain additional income budget in order to finance increased expenditure are subject to the growth process outlined above.

6.6 If, during the budget-setting process, a budget holder reduces the cost of providing one of their services, the resultant saving does not automatically become available to them to finance the expansion of an alternative service area. All savings made across services constitute a contribution to the Council’s corporate budgetary position. Any expansion of a Service area constitutes growth, which necessitates a separate growth bid.

Fees and Charges Strategy

6.7 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 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.

6.8 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.

6.9 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.

6.10 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.

6.11 Increases for the annual review of fees and charges have been included in the MTFS projections based on the percentages set out in paragraph 6.3**.**

General Fund Working Balances and Earmarked Reserves

6.12 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 2021/22 Budget Report, in February 2021.

6.13 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 2021.

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.

6.14 In accordance with best practice, the General Fund Working Balance is maintained at a level between 5% and 15% of Net Service Expenditure.

7. General Fund medium-term savings requirements

7.1 Based on the assumptions detailed throughout this Strategy, and the need to maintain the desired level of General Fund Working Balances, the Total Savings Requirement over the life of this MTFS is £2.8m**.**

7.2 The Council has a three-year savings plan in recognition of the fact that the more easily deliverable savings opportunities have already been taken and that future initiatives are likely to be more complicated and have a longer lead-in period. As a result of this, the Total Savings Requirement comprises two 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.

		2022/23	**2023/24**	**2024/25**	**2024/25**
a.	Savings identified, but still to be delivered	£580k	£130k	£180k	
b.	Savings still to be identified	£690k	£700k	£1m	(£470k)
	Total Savings Requirement	**£1.27m**	**£830k**	**£1.18m**	**(£470k)**

a. **'Savings identified but still to be delivered'** – refers to those savings initiatives already identified by budget holders as deliverable in future years. These savings were largely contractual, including increases to the leisure management fee and as a result of Covid are not now forecast to materialise as planned. They have however been left in this table to show that the underlying benefit remains within the Council's baseline and they are expected in the future. The temporary off-setting pressure is within the income figure of Appendix A.

To mitigate the risk of delayed delivery of savings within this category, and a consequent last minute increase in savings targets, the Finance Team scrutinises budget holders' progress against these initiatives on a monthly basis. Updates are reported to Senior Leadership Team each month, as well as formally to Members of OSCs and Cabinet as part of the quarterly Budget Monitoring reports.

b. **'Savings still to be identified'** – refers to additional initiatives that must be put in place prior to April 2022 in order to meet the Total Savings Requirement. These initiatives will be identified through the annual budget-setting process detailed within the Financial Planning Framework in paragraph 3.1.

8. Key Budget Risks

8.1 In addition to the funding risks highlighted in paragraph 5.18 of this report, the following section outlines some of the material financial risks facing DBC over the medium-term that are currently emerging and have not yet been incorporated within the MTFS. These risks will be monitored and Members kept updated on the implications for the MTFS.

Car Parking income

8.2 As at the end of July, a budget shortfall of £470k is forecast for the year 2021/22. While usage is showing signs of recovery following the relaxing of restrictions, footfall remains down and there may be a longer lasting impact on income as a result of behavioural changes to work and shopping patterns. The current assumption is that the impact on next year's budget may be in the region of £200k (c7%). This situation will be closely monitored over coming months and reported back to Members.

Pressures on the Refuse service

8.3 A study is currently underway to run a route optimisation of the refuse service to ensure there is sufficient capacity to accommodate recent growth as well as planned growth in the short-, to medium-term. The likelihood is that there will be a requirement to add further rounds, with each round equating to c£150k per annum in revenue running costs. There is further pressure on staff retention and agency backfill as a result of the HGV driver shortage. At the time of writing, the Council is seeing an increase in the numbers of staff leaving and an increase of c30% - 40% in the hourly rate of agency staff. The Council is working with neighbouring councils and unions to identify the most effective solution to address this risk.

Increase to employer's National Insurance Contributions

8.4 Based on early calculations, the recent policy announcement relating to social care is expected to result in an additional revenue pressure to the Council in excess of £200k.

Borrowing

8.5 The assumed revenue implications of borrowing to finance the Council's Capital Programme are based on current Public Works Loan Board (PWLB) rates. The uncertainty over public finances following Government's various Covid support packages may affect public borrowing over the medium-term, and/or the rates at which the PWLB makes funds available to local authorities. Borrowing rates are kept under review and any potential impacts on the Council's MTFS or Capital programme will be reported back to Members.

Staffing pressures

8.6 In common with other local authorities within Hertfordshire, the Council has in recent years faced challenges in the recruitment of staff with professional qualifications e.g. within Finance, Legal, Building Control, Planning, and Environmental Health. In the short-term this can cause a revenue pressure as the Council is forced to increase its use of (more costly) agency staff in order to maintain service provision. Council officers continue to work with neighbouring authorities to identify a strategic solution to future recruitment needs.

8.7 Any increase in pay levels greater than the inflationary assumptions assumed in this MTFS would result in additional financial pressure on the council. An additional increase of 1% in pay would result in an annual budgetary pressure of c£200k.

9 Commercial Programme development

9.1 The continued risks and pressures to the Council's MTFS demonstrate that there is a pressing need to find more ways to increase the Council's budget capacity. The Council is now moving from a position of protecting finite resources to one where it can generate significant additional income. This will mean it can more robustly deal with future pressures and deliver its ambitions for Dacorum by generating more of its own income. There is a pressing need to expand the resources available to the Council, not to further reduce them. In order to do this, the Council must develop a Commercial Strategy and programme and create capacity through commercial activity to deliver significant income targets year on year.

9.2 A new, more commercially focused and innovative approach will be developed which will add significant and measurable value to the delivery of the Council's overarching aims within the Corporate Plan. Regular service review and planning within departments and teams will provide opportunities for staff to reflect on the guiding principles in a new Commercial Strategy and will give rise to the development of proposals that could meet key objectives.

9.3 Commercial opportunities have not yet been fully developed at the Council, which is why additional capacity in this area is needed. It is envisaged that a commercial programme could include income generation through a wholly owned housing development company and subsequent development programme, through the implementation of the emerging garage strategy, through additional income from filming opportunities in the borough, a review of service charging arrangements and through the delivery of services to third parties, such as commercial waste, CCTV and green burials. It is also expected that a more commercial approach to the procurement of goods and services will drive further efficiencies for the Council.

9.4 In order to support the development of a robust programme of commercial activity, the Council will be procuring external support to develop a Commercial Strategy and approach, to identify the range and scale of commercial opportunity and to help the Council develop initial business cases as part of a new Commercial Programme. The emerging Commercial programme and business cases will then inform the approach to developing the next iteration of the MTFS. A Corporate Commercial Board will be established to oversee the development of the Council's Commercial Strategy and Programme. Once initial business cases have been approved, they will be developed into Full Business Cases for consideration through a Member approval process. There will then be a clear focus on delivery to ensure that the programme delivers its income targets.

10 Corporate Plan and Service Planning

10.1 During 2020/21 the Council has refreshed its service planning process in readiness for the 2022/23 financial year. This process has combined the corporate drive for improvements, which will enable the council to be fit for the future, with ideas from services in order to create one overarching coherent programme over the longer term.

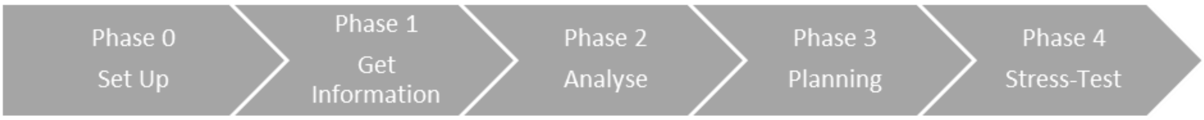
10.2 The design principles driving the work on service planning included:

- Putting residents, businesses and communities at the heart of our thinking

- Ensuring that we deliver services in the most efficient and effective way and looking outside the Council to see what ‘best in class’ are doing
- Providing space to think ‘Team Dacorum’ – what could we do differently across the Council that we’ve not been able to before now?
- The Corporate Plan will drive everything that we do
- A three-year time horizon, clearly integrated with Medium Term Financial Strategy
- Thinking deliberately widely and laterally – what else could the Council do (including new capital or revenue income streams) and then prioritising / deprioritising activities

10.3 Between April and July 2021, all 16 service areas within the Council undertook a series of facilitated workshops and activities. This process involved 89 group managers and team leaders and it was supported by officers from the Transformation and Finance teams.

10.4 The service planning process included a number of phases which were completed by each service within a 6-week time period:



10.5 The key emerging themes and priorities that emerged across all the service plans included:

Customer Focus - There is a programme of work needed to develop a framework for our customer focus agenda. We need to understand what activities really matter and add value for our customers.

Digitisation – Most of the current cost of delivering services relates to staffing. Further efficiencies could be achieved if there are improvements to the business systems supporting the teams. This includes supporting mobile working and making better use of business intelligence and analytics so services can be better planned and targeted.

Robotic Process Automation (RPA) - There was a recognition that being able to automate low level processes through the use of RPA (robots) would improve team efficiencies.

Performance and Service Improvements – There were a range of specific ideas related to individual services to provide continuous improvement to the delivery of services.

Becoming more commercially minded – A range of early income-generating opportunities were identified, some were based on sourcing, some on service enhancements, and some looked at the provision of new services.

10.6 There was also a recognition of the journey that the Council is on to build the leadership and culture within the Council in order to develop “Team Dacorum” – this will enhance how all parts of the Council work together to deliver the corporate priorities and focus on customer service excellence.

10.7 In order for the right outcomes for the Council to be delivered, there needs to be a clear line of sight between the Council's commitments in its Corporate Plan, how they will be delivered through the Service Plans, and how the Council will measure the outcome of the plans against a set of key performance targets and measures. The Council also has an ambitious place shaping agenda, a commitment to reaching zero carbon, a renewed focus on delivering excellent services to its residents and businesses and a requirement for a more commercial approach to be adopted and all these priorities have been considered as part of each service plan.

10.8 This new approach to service planning will be built on over the coming 12 months to ensure that it is fully embedded into the Council and that the line of sight from the corporate plan priorities, through to delivery, as set out above, is clear and owned by the services themselves. Future MTFS development will be informed by both the Corporate Service Plans and the Commercial Programme.

11. Housing Revenue Account (HRA)

11.1 The HRA Business Plan plans delivery of the Council's housing objectives over a thirty-year period. The long-term perspective is necessary to ensure sound investment decisions both in terms of the Council's new build programme and in maintaining existing stock.

11.2 The Business Plan is kept constantly under review, and is presented for Members' approval at least annually.

12. Capital Resources

12.1 Capital expenditure is defined as expenditure incurred on the acquisition or creation of assets needed to provide services for in excess of one year, such as houses, vehicles, public buildings, play areas, ICT, etc.

12.2 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

12.3 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.

Capital Spending Plans 2021/22 to 2025/26

12.4 The Council's approved General Fund Capital Programme for the current and future years was approved by Council in February 2021, and is summarised below:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Planned Capital Expenditure	**9.5**	**25.5**	**29.3**	**9.3**	**2.2**

General Fund

12.5 The Council's Capital Programme is currently fully funded until 2022, following borrowing of £19.4m taken in May 2015. The loan is structured over a portfolio of 24 remaining loans, 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 2.98%.

12.6 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 2021, 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.

12.7 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.

12.8 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 revenue contributions and capital receipts generated from the sale of Council assets; and, thirdly, through undertaking prudential borrowing.

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

	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**
	£m	**£m**	**£m**	**£m**	**£m**
Capital Receipts and Reserves	7.3	10.5	27.7	0	0
Capital 141 Receipts	0.8	0.3	0	0	0
Borrowing	0	13.9	0.9	8.5	1.5
Grants and Contributions	1.0	0.7	0.7	0.7	0.7
Revenue Contributions	0.4	0	0	0	0
Total	**9.5**	**25.3**	**29.5**	**9.2**	**2.2**