

MINUTES
FINANCE & RESOURCES
OVERVIEW AND SCRUTINY COMMITTEE

5 JULY 2022

Present:

Cllr Adeleke	Cllr Sinha
Cllr Chapman	Cllr Sobaan Mahmood
Cllr Cloughton (Vice-Chairman)	Cllr Peter
Cllr Douris (Chairman)	Cllr Symington
Cllr Freedman	Cllr Tindall
Cllr Guest	

Officers:

Nigel Howcutt (Chief Finance Officer)
Ben Trueman (Head of Digital)
Ben Hosier (Head of Commercial Development)
Trudi Angel (Corporate and Democratic Support Officer)

Also in attendance:

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

The meeting started at 7.30 pm.

1. MINUTES

The Chairman advised that the minutes had been circulated and asked if these could be taken as an accurate record.

Councillor Cloughton referred to item 10 on page 18. He wanted to make an amendment regarding the absence due to stress and anxiety and stated that, according to the minutes, he had said it was unsurprising given the pandemic and asked for a deep-dive of the analysis to provide the reasons for the increase, which sounded as though he had already answered his own question. He noted that the Council had undergone significant change recently and they were trying to unscramble what was due to Covid and what was due to changes in the Council. The Secretary had been notified of the proposed amendment.

The Chairman said the proposed amendment would be clarified by the secretary. There were no other comments on the minutes.

The Chairman then asked whether everybody had seen all of the action points and responses.

Councillor Townsend referred to the action point regarding action point part 1 on page 2. He said that an assertion was made that the DBC-owned car parks include the Old School Yard in Tring, but he believed that they are owned by Tring Town Council and raised this point for clarification.

The Chairman asked B Hosier if he agreed with Councillor Townsend's point of clarity. B Hosier replied he did.

Councillor Tindall said he understood that the County Council were reluctant about EV on-street chargers. Councillor Tindall wondered if this had any impact on what the Council were doing about EV chargers. He noted that there were narrow streets throughout the borough and that residents could be disadvantaged if the Council couldn't finish putting in on-street EV chargers in the future when technology allows.

B Hosier replied to Councillor Tindall by saying that, in order for the Council to install EV charger points, they need the landowner's permission and Hertfordshire County Council Highways will not give the Council that permission currently. B Hosier then stated that this is why the decision has been made to place the EVCPs in car parks which are in the Council's ownership, apart from the Old School Yard car park.

The Chairman said he would need to double check whether some of the action points were actually information points and an opportunity to ask further questions. This is something he wanted to take away to think about before the next meeting.

An information point was raised by Councillor Cloughton regarding the question asked about face-to-face customer services in Berkhamsted and Tring, and the fact that they've been reintroduced had been widely advertised. He said he had had a very helpful response from H Peacock, setting out the way in which the services were advertised. He stated that, apart from physical posters being put up at the locations, all the other means of promulgating the change were digital. This had been pointed out to H Peacock, saying that the people who are most likely to want face-to-face meetings in these locations are the people who are least likely to have access to computers, and so before any conclusions are drawn about how heavily these services are used, he suggested that there should be a review of the way in which they were being advertised.

The Chairman noted H Peacock's response and referred Councillor Cloughton back to the comment he made following Councillor Tindall's question.

2. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Arslan and Suqlain Mahmood. Councillor Peter substituted for Councillor Suqlain Mahmood.

The Chairman advised Councillor Chapman would be arriving late to the meeting.

3. DECLARATIONS OF INTEREST

The Chairman asked that any declarations of interest should be addressed as they arise during the meeting.

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

The action points were discussed under agenda item 1 (minutes).

7. PROVISIONAL OUTTURN REPORT

N Howcutt expressed his thanks to his wider finance team for working diligently to produce the provisional financial outturn, and the financial statement for 2021/2022. N Howcutt stated that the Council was, yet again, on course to be one of the first councils in the country to get audited accounts, and that there were only 5% or 6% of councils that do this.

N Howcutt noted that the report in front of members was a provisional outturn which outlines any significant changes from the reports seen throughout the year. The headline is that the Council has a surplus on the general fund at year end of about £565,000; this was predominantly brought about by the year end working around cost related to the general fund and HRA, and that split being more focused on HRA than the general fund. Following discussions with the leader and cabinet members, it had been recommended that the funds were put into a specific earmarked reserve to allow the Council to fund any in-year inflationary pressures that may be suffered given the current economic climate. From N Howcutt's perspective, this seemed a very sensible thing to do, while still working out how the cost of living crisis may impact the various areas. This has also helped them to respond to questions around what the Council was doing to respond to inflation.

N Howcutt noted that there were no other significant points to note regarding the rest of the report, apart from technical changes around capital accounting. N Howcutt stated that the outturn was in line with what was expected. There are pressures this year, some of which relate to things such as the waste service, partly through Covid and partly through development and growth in the borough, which is when there will be increased demand on that service area. In addition to this, other areas that were spoken about during the year, in terms of income collection, for example car parking, some of these issues are expected to carry on into 2022 and 2023, and N Howcutt stated that the quarter 1 report will be coming to members in September.

Councillor Townsend stated that at a previous meeting, he had raised a concern about the general funds being kept flat, and that at the end of the year the Council come up with reserves and the amount of reserve is always equal to the surplus. He said he had previously asked the question, but wanted to ask again, whether it has been confirmed with external auditors that this is appropriate.

N Howcutt responded that, because the Council had been very efficient with the accounts, the external auditors started last Monday and they would be going through the statements, decisions and policies put in place.

In terms of the end of year surplus, N Howcutt stated that it has to go somewhere, and that the only logical place for that to go is into a provision or reserve. In terms of the rationale for why that happens at year end, he stated that some practices are being changed regarding the HRA and general fund recharging, specifically that more quarterly detailed reconciliations will be done, in order to give comfort that the Council is not waiting until year end and that the numbers will be skewed. The largest section is around insurance, so around 90% of that recharge is insurance, and noted that insurance claims take a period of time to go through the system. He then explained that at the end of March, a lot of these insurance costs will not yet have been received which are then passed on to the HRA, and so over the next couple of months, while accounts are being formed, the costs come through and accruals are done. N Howcutt said that this is the reason why you do often see a year-end spring on that HRA recharge. The Council is looking at this and examining how it is accounted for, but the other end is in terms of budget monitoring, and that there has been little or no changes throughout the full period. He stated he was comfortable there is consistent, effective and robust monitoring in place.

Councillor Townsend clarified his question, and stated that the question was one of methodology, specifically whether the external auditor is comfortable with the methodology whereby the reserved amount is about the same figure. He explained he has asked this question persistently for a number of years regarding the methodology used to calculate the reserve amount.

N Howcutt answered that the auditors are aware and agreed with the methodology.

Councillor Adeleke asked a question regarding item 6.5, repairs and maintenance, where there is an underspend. Councillor Adeleke wanted to know if the underspend was as a result of the fact that they were unable to continue maintenance due to circumstances beyond their control. If they had managed to carry out maintenance as planned, would there still be an underspend.

N Howcutt responded that there are 2 points to note, that there is underspend where works have been completed but have costed less than it was thought. Equally, there is overspend, which is the opposite, and then there is also slippage. Slippage is where works have not been undertaken and so the budget has slipped into the next financial year to allow the work to be undertaken.

Councillor Symington asked about filming costs and the CIL (Community Infrastructure Levy) administration. Filming costs made a surplus income of £9,000, which is going to town centre improvements. Councillor Symington wondered if that meets the Council's threshold for what this should be giving off as a surplus, because there are considerable externalities to the community having filming going on. Councillor Symington said, therefore, that to put more back in would be beneficial to residents.

N Howcutt responded that, in terms of filming, this year the Council has been promoting the idea of being a filming Council, and being supportive of that, whilst also taking residents' considerations regarding location, how much filming etc. into account. The filming service has delivered a profit, including all costs put into that, and it was felt that because that filming was, to a certain extent, using commercial assets, that profit from that should be put back into the community.

N Howcutt acknowledged that £9,000 was a small amount, and that the Council would look at how the filming goes in 2022-23, which effectively is year 2 of the filming support mechanism, and it may be that after doing this the Council may decide to use those funds for other items or to come back to members to decide how the funds can be best invested. He said that the small surplus to be put back into the high street is less of a concern in terms of utilisation.

In terms of the CIL admin, it is slightly technical accounting. The Council is only allowed to charge the CIL income that is actually received. A 5% amount is permitted to be taken to one side for admin, costs for which are fairly consistent year-on-year, but income varies. N Howcutt explained that 5% is charged, and if it's under what is needed in the budget, then reserves are drawn upon, and if it's over, the surplus is allocated to reserves. He explained that there was a surplus this year, and that this surplus was going to be put into a CIL reserve.

Councillor Symington asked whether the figure was available for what the admin costs for the CIL were annually. She then stated that she did not have a problem with the

money going back into the community, but the issue is that it is an enormous inconvenience for people who live in that community for a very small amount of money.

N Howcutt stated that was a policy decision that might be better answered by others. The policy was rolled out in 2021/22, in terms of supporting and growing the industry. N Howcutt noted that the area of the country in which they live is a booming area for the filming industry, and stated that the commercial ethos the Council is trying to deliver meant that it was right that the Council should try and tap into some of that business.

The Chairman noted that any location that has filming brings in a host of residual benefits, relative to the short period of inconvenience. He gave the example of Heartbeat or Last of the Summer Wine, and how the filming locations of those programmes had prospered as a result.

Councillor Elliot reiterated that filming provides a fantastic advert for the borough. He gave the example of After Life, that highlighted the old town of Hemel, and that filming was advertising the borough as a fantastic place to live.

The Chairman noted that, on occasion, the film company will leave the area in a slightly better condition than they found it in.

N Howcutt added some detail on the filming process, that an assessment is done on the space being used, and who might be impacted by the use of that space. Payments are made by the filming company directly to businesses or residents who may be affected by the filming process.

The Chairman noted that when filming developments are completed, there will be more sound stages in Hertfordshire than there are in Hollywood. He also highlighted that, on filming credits, you will see that a lot of people working in the films are employed locally, and therefore filming brings employment to the local area. He finished by saying he thought the filming was a cause to rejoice.

Councillor Symington said that she does not have a problem with supporting the filming industry, but that £9,000 is not a lot of money. She advised that one small parish Council received £20,000 from one film, and that money has been put back into their community, but that in the whole borough, only £9,000 has been gained. She felt that the borough should not undersell themselves.

Regarding the question around CIL admin, N Howcutt said he would come back to Councillor Symington with the details on that, but that there is variance year-on-year. N Howcutt then stated that filming is going to be part of a review that is due to take place over the next few months, and that reviewing what the Council is charging for certain filming items is part of that review. **Action.**

Councillor Freedman then asked a question to do with slippages, that there are a number of projects with slippage in both the HRA and the general fund. He made the point that with the devaluation of the pound, and inflation being so high, any slippage is a dangerous thing because future costs will be materially higher than at present. Councillor Freedman said he wanted to make sure that the Council is being more aggressive in preventing slippages than previously, due to increasing costs.

N Howcutt said that Councillor Freedman was right in what he had said, but that equally, holding contractors to rates was difficult. He said the Council were trying to make sure slippage was kept to a minimum, but equally, the Council was trying to work with providers to try and limit cost increases. N Howcutt then stated that the cost to the end of 2021/22 seemed to be similar to the costs at the beginning of 2022/23, so as long as the Council could deliver some of that slippage within a short period of time, there should not be a significant increase in cost. He then explained that the bigger issue is in the larger capital projects which take multiple years, and hoped that current inflation was abnormally high, but that the Council would react to the industry as much as they could.

Councillor Guest made a comment regarding page 23 of the papers, point 1.3. She referred to the surplus of just over £500,000, and that she thought the idea of the money going into reserve was a good idea as Covid has shown us we never know what is down the road. Councillor Guest then asked a question regarding page 25 and the general fund provision plan in the community, where the Council was slightly over budget. Councillor Guest asked how the overspend was going to be factored in.

N Howcutt replied that the surplus was the net of all the over and underspends across the whole Council. Effectively, through underspends in other areas, the Council have funded that pressure in housing and communities. N Howcutt stated that, as part of the outturn, the Council examined how many of the pressures and surpluses were considered to be a baseline going forward, and whether they required a response in the following year's budget. N Howcutt reiterated that the net position for the Council is a £565,000 surplus, and that one of the biggest areas of surplus for the last year was the commercial property portfolio.

Councillor Townsend asked a question regarding the £565,000 surplus. He asked to what extent the Council thinks they are covered with that amount. Was it possible at this stage in the financial year to say how inflation will affect the Council?

The Chairman replied that he suspected these were in-year transfers, whereas if you were considering a policy position, that might come at the time of the budget.

N Howcutt said that in-year decisions will be made on how to use these funds, and that the surplus should be thought of as a short-term 'release valve' to use for areas of pressure. N Howcutt stated that he knew where key pressures would be, which were around arrangements for employee inflation, and around utilities and fuel. He advised

that another area of potential risk was Council tax collection, but that this hasn't materialised as yet. In previous years the budget had been sufficient to cover inflationary increases, but that current times were abnormal, and so the reserve would allow extra funding if required. The Q1 report will give an indication of where pressures are, and therefore whether the reserve is too much, enough, or too little. He suspected the surplus will be more than enough to see the Council through the impact of the cost of living crisis in 2022-2023.

Councillor Symington asked about the £150,000 Dacorum development reserve going towards the Berkhamsted Leisure Centre. Councillor Symington understood that several transfers have already been made to pay for the developments, and that there was going to be a pause between phase 3 and 4, that the development would come back to a scrutiny committee, and that the project was fully financed throughout. Councillor Symington asked where the project was at, and why the Council was paying out £150,000 when the project does not seem to have moved forward.

N Howcutt stated that, at present, the Council requires the additional funds to look at other options on the sites that have come out of the initial investigation work that was done as part of stage 3, and that everything else Councillor Symington said was correct. The period between phases 3 and 4 would give the Council some additional options to look to do work on the leisure centre. Once the funds are spent, that is the point at which the Council would come back to scrutiny groups and cabinet for the medium- and long-term solution for the Berkhamsted Leisure Centre.

Councillor Symington then asked about inflation, and whether N Howcutt could give some details on what the current budget for wage inflation is for this year. Given that the unions have put in for 11%, and Hertfordshire County Council are talking about 4%, what level of wage inflation has the Council already budgeted for and what does each 1% increase over that budget cost the Council.

N Howcutt replied that some of this was under discussion at the moment. The Council currently has 2.5% in its MTFS for 2022/23, which is approximately 0.3% higher than the average for a district Council, and 0.2% higher than the Hertfordshire average. So, the Council is above average in terms of what is in the MTFS. The Council is in discussions at the moment around what is being put in for 2023/24, and are looking at increasing that, and that will come forward in the MTFS in September.

N Howcutt then stated that the Council would be looking at the possibility of putting significantly more in for 2023/24. For every 1% that comes about, the Council is looking at, depending on how it impacts, circa £250,000 for every 1% increase in the pay award. N Howcutt then said there are a lot of technical discussions going on and that he did not foresee that the end pay award will be a standard 5% across the board, that he thought there would be a more targeted approach at those that are on the lower earnings levels. The Council tends to have far less than, if any, of those lower-scale points that may see

those incremental rises. N Howcutt warned that if Councillors hear numbers of 20%, don't assume that that is 20% on Dacorum at the bottom levels, because Dacorum does not generally have many staff on those lower scales. N Howcutt reiterated that it would be wrong to go into any detail, and said Councillors should not forget that last year, unions started at 7.5%.

The Chair had a question regarding page 26, item 6.7. The item talked about the empty homes discount being reduced from 3 months to 1 month and he wanted to know whether any action was being taken to try and mitigate that.

N Howcutt replied action is being taken. In terms of turning around the Council properties, it's high on the radar of the housing and transformation programme. Some of that is around liaising with partners to be able to flip those properties as quickly as possible. The average turnaround time is around 30 days, so it's on track, but there are some properties that exceed that time, and the Council is looking to make improvements in this area. What the Council has done is put additional funds into HRA, to fund part of this in the 2022/23 base budget. Although improvements are expected, the Council will not see the step change until the pressure is moved in its entirety.

Outcome:

The report was noted.

8. COMMERCIAL STRATEGY

Full details can be found in the Part 2 Minutes.

9. WORK PROGRAMME

There were no changes to the work programme.

There being no further business, the Chairman thanked everyone for attending and closed the meeting.

The meeting ended at 9.01 pm.