

## APPENDIX M

### Statement by the Chief Finance Officer

1. The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer, in the Council's case, the Chief Finance Officer, must report on:
  - (a) The robustness of the estimates made for the purposes of the budget calculations and;
  - (b) The adequacy of the proposed financial reserves.
2. In recommending the budget to the Council, the Cabinet must take account of the advice of the Chief Finance Officer in respect of the above.
3. For 2023/24 I can advise that the budget presented to Cabinet for referral to Council is robust in its formulation and that the level of reserves and balances are adequate to mitigate the foreseeable risks to the organisation.

### Risks to the budget

4. In formulating my opinion the following key risks have been taken into account.

### Cost of Living Crisis

5. At present the country is experiencing the highest inflation levels for over 30 years, driven by the significant increase in the cost of energy and as of January 2023 inflation is at 10.1%. The impact of this on household spending and behaviours is uncertain but there is a risk that this could impact several council services and income streams such as;
  - Council Tax collection rates
  - Housing Rent Collection
  - Commercial Rent collection, if household spending reduces
  - Demand for services such as parking, and leisure if household budgets are stretched.
6. The 23/24 budget has projected for the impact of direct inflation on service delivery such as salaries and utilities. If inflation continues to be high, above projected levels and hence has a detrimental impact on income collection it would affect the budget in 23/24. There are KPI's in place to monitor and report on the performance of these risk areas on a monthly period and if financial performance slips it will be reported as part of the Corporate Revenue and Performance monitoring processes.

### Post Covid response

7. Within the MTFs set out in November 2020 and updated annually since the council created of an Economic Recovery Reserve to mitigate the forecast financial impact on the local economy and finances of Covid, and enable the continued provision of services throughout 2021 - 2024.
8. The 2023/24 financial year is the final year of draw downs from this reserve and in 2023/24 there is a final draw down of £895k and is primarily driven by loss of income resulting from falling demand for Council services. This draw down provides cover for the following key income streams;

- Investment Property
  - Garage rentals
  - Commercial Waste
9. Whilst prudent loss assumptions have been made based on the information currently available, each of these income streams is still budgeted to make a significant income contribution to the Council's budget next year. As such they should still be considered at risk in case the severity and/or duration of the post pandemic is more significant than expected. This is particularly important in relation to commercial investment property where the period of covid government policy only ended in October 2022.
  10. The Economic Recovery Reserve contains a further £0.2m to mitigate future years' risks that could be drawn down in 2023/24 if the financial impact is more significant than expected. The capacity of the MTFS and the Economic Recovery Reserve to deal with Post Covid outcomes will be kept under constant review over the coming months, and in the event that an increased draw down is required in 23/24, the S151 Officer will reassess the adequacy of future years' provision and report back to Members.

## Key Expenditure Pressures

### Salaries

11. The budget proposals for 2023/24 have incorporated staffing costs budgeted on a post by post basis and inflated by 4% for 2023/24. Dacorum pay scales are set by the National Joint Council (NJC) terms and conditions, the estimated level of annual inflation applied to salaries is subjective, the 4% applied is above historic levels of salary inflation, with the exception of the 2022/23 6% average awarded by NJC. The 4% assumption is in line with the sector and regional partner expectations, but will be reviewed as ongoing pay negotiations take place.

### Waste Service

12. The largest single service and operational GF budget is the waste service and in 2023/24 the service will be undergoing a waste transformation including the implementation of green waste charging and route optimisation. These projects combined are expected to have a £1.6m net beneficial impact on council spend in 2023/24.
13. During the 2022/23 financial year there has been a drop in income received from recyclable products sold and an increase in the cost of waste disposal, both these impacts have been modelled as part of the 2023/24 budget and will be under close scrutiny in 23/24.

### Key income streams

14. In addition to the income streams referred to in paragraphs 5-6, risks to the following income streams have the potential to put additional pressure on the deliverability of next year's budget.
15. **Car Parking Income** has been hit severely and immediately by Covid-related lockdowns. While the 23/24 budget proposals have reduced the income budget by £650k, circa 20% to allow for the current drop in demand the changing parking behaviours of residents is uncertain and this income stream will need to be kept under close review throughout the year.

16. **Treasury Investment Income** The budgeted level of investment income for 2023/24 has increased significantly due to a combination of increased cash balances and increases to interest rates. If cash balances were required to be utilised to support budget delivery or interest rates were to reduce below current treasury advisers projections this return on investment would be at risk.

### Capital Programme

17. Based on the profile of projects in the proposed GF Capital Programme, the Council has no further need to externally borrow before 2024/25. Any future borrowing will have revenue implications for the Council, which, in the context of continued reductions in government grants, will put further pressure on the Council's ability to protect its front-line services. It is increasingly important therefore that slippage and overspends in the Council's Capital Programme are minimised to enable borrowing decisions to be taken on the basis of accurate information. The Capital Programme will be kept under review throughout the year, and risks highlighted to Members as they occur.

### Reserves

18. The 2023/24 budget includes the delivery of the waste transformation project, customer services transformation and the initial proceeds from the commercial agenda. These projects in totality have a net beneficial impact on the councils spending of £2.2m in 2023/24. In addition the macroeconomic challenges and budget pressures discussed in earlier paragraphs lead to a very challenging budget delivery for 2023/24.

19. The reserves statement (Appendix J) shows a projected net contribution to reserves of £2.6m. The significant contributions to reserves have been made to support the ongoing key corporate strategies specifically;

Inflation reserve, £1m -	Provide financial support for unforeseen inflationary pressures in 2023/24
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Savings Efficiency, £1.3 -	An increase of circa £1m to support transformation and efficiency projects.
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20. It is recommended that the Council's current guidelines on the maintenance of Working Balances are retained, i.e. between 5% and 15% of Net Cost of Services on the General Fund, and at not less than 5% of turnover on the HRA. The General Fund Working Balance is forecast to be at the upper end of this parameter in 2023/24, to reflect the risks associated with balancing a budget in an uncertain economic climate.

### HRA

21. The Council's highest value contract, valued at around £25m per year, is with Osborne Property Services for the Total Asset Management of the Council's housing stock. The contract includes the management of responsive repairs, planned repairs and void management. Supplier performance under this contract will continue to be monitored closely to mitigate the financial and operational risks of failure. This current contract is expected to be extended to end in 2025, to allow for a review and re-procurement of these services.

22. The ongoing delivery of the Osborne contract during Covid and post Covid times has been very challenging. The pressures in the construction sector of rising prices, limited skilled resources and high pent up demand are impacting on the performance of contract delivery

and this will require close working between the council and Osbornes to improve this performance.

23. As a result of construction delays in prior years the HRA capital programme in 2023/24 is significant and will require a huge amount of planning and preparation to ensure these budget targets can be achieved.