

MINUTES
FINANCE & RESOURCES
OVERVIEW AND SCRUTINY COMMITTEE

3 OCTOBER 2023

Present:

Councillor Freedman (Chair)	Councillor Patterson
Councillor Capozzi	Councillor Hannell
Councillor Gale	Councillor Pound
Councillor Reynolds	Councillor Elliot (Vice-Chair)
Councillor Santamaria	Councillor Stevens
Councillor Adeleke	Councillor A Williams
Councillor Stewart	Councillor Wyatt-Lowe

Officers:

Nigel Howcutt (Chief Finance Officer)
Trudi Angel (Democratic Support Officer)

Also in attendance:

Councillor Sally Symington - Portfolio Holder for Corporate and Commercial (Virtually)
Councillor Ron Tindall - Leader of the Council

The meeting started at 7.30 pm.

1. MINUTES

The minutes of the previous meeting held on 5 September 2023 were approved as an accurate record and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Cox, S Hobson and Guest. Councillor Patterson, Stevens and Wyatt-Lowe were substitutions.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

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 Chair thanked the officers for providing responses to all the action points and it was confirmed there were no matters to be discussed.

7. MEDIUM TERM FINANCIAL STRATEGY

N Howcutt presented the medium term financial strategy (MTFS) noting that it aimed to outline the financial position of the Council for the next 3-5 years. Core assumptions will be taken into next year's budget setting and it relied heavily on economic and political forecasts. The strategy's principle of continuing to protect frontline services, to be more efficient as an organisation and to continue to work towards medium-term sustainability are maintained, and the MTFS will remain under close review. The major challenges to the MTFS are macro-economic factors, government funding assumptions and Transformation strategies. N Howcutt outlined the economic challenges faced from 2021-23, particularly noting the impact of the pandemic. Medium-term assumptions included a level of prudence and uncertainty, and it was assumed that the 2.99% prerogative on council tax will be maximised and the government funding for 2024-25 baseline follows 2023-24 levels, with pay settlement levels in line with assumptions on public sector pay.

N Howcutt advised that the strategy assumed a reduction on government funding given government debt and the Council will therefore need to work with other income streams to maintain its financial position. Over the next 5 years, the Council has a savings requirement of £4.4m, of which £1.7m has been identified to date. There is a balanced budget for next year with significant increases in income, including from the green bin collection charge, though there are challenges for subsequent years. On reserves, N Howcutt advised that the Council was in a healthy position and that it had used around £5m of reserves from 2019-2023 to cover Covid pressures and post-pandemic recovery. These reserves were funded through the NHB (New Homes Bonus), one-off grant installments and the freezing of negative RSG (Revenue Support Grant). Going forward, the Council's reserves remained healthy and static, though there were no allocations to reserves in the medium-term and therefore reserves must be carefully allocated.

The Chair noted that the MTFS looked to the next 3-5 years and asked N Howcutt, in his role as S151 officer, if the plan can reasonably protect frontline services over this period, given all the future uncertainties and risks.

N Howcutt advised that the MTFS does not contain any significant changes to service delivery and there was over £1m growth for service provision. The challenge will be for

years 3-5 and how services can be delivered efficiently, which will require prioritisation and assessing how to deliver services more effectively. N Howcutt confirmed that nothing in the MTFs would impact frontline service immediately as there were no significant reductions in spend or changes to the services areas.

Councillor Santamaria referred to the use of other funding streams and asked if the Council expected most of these to come from the private sector.

N Howcutt advised that the Commercial Strategy focused on maximising the use of Council assets and any income streams, which can be the selling of services, expanding services or maximising the use of under-utilised assets. N Howcutt noted that 12 IBCs (initial business cases) were looked at in terms of the commercial programme and that some are being implemented. The focus will be for the Council to achieve its own income streams and there were no plans for further government funding or private finance initiatives in the MTFs.

Councillor Santamaria referred to point 3 on page 33 of the report and asked if the risk regarding the business rates safety net was for businesses or the Council.

N Howcutt confirmed that all business had to pay business rates and rates increased significantly by 27% in 2023 through the revaluation process, compared to a national average of 7%. The expectation was that a number of businesses would appeal these increases. This was likely to result in the Council collecting less than the government expected and therefore the MTFs assumes that only 95% of government baseline business rates will be collected.

Councillor Santamaria referred to page 28 of the report and asked for an explanation of the savings made in the context of the strategy.

N Howcutt advised that most of the Council's savings were through income generation rather than making actual savings.

Councillor Wyatt-Lowe commented on paragraph 1.7 regarding the Council moving away from self-sufficiency and being less reliant on government funding. Councillor Wyatt-Lowe suggested it contradicted the statement that the Council will be focusing on its own income streams and asked if moving away from self-sufficiency was the correct way forward.

N Howcutt explained that the Council's drive for self-sufficiency over the last 5 years had slipped due to the pressures of Covid and cost of living. It was stated that finding £2.5m of savings or income generation by October, given that there was a new administration in May, was not achievable and whilst moving away from self-sufficiency to rely on government funding was a higher-risk model, it was the model that 99% of local authorities are using. N Howcutt advised that the administration was ensuring all

government grant funding was being spent on services for residents rather than being put into reserves. N Howcutt stated that the move was a necessity given the financial pressures created by inflation, the additional £1m for salaries, the extra £500,000 on supplies and services, and around £600,000 less planning income due to the wider economic environment and the pressures caused by the planning moratorium. The Council was not expecting government funding to increase and was therefore looking at other income generation that can be achieved.

Councillor Wyatt-Lowe asked for clarification regarding the statement 'This approach means that the Council is more reliant on government funding.'

N Howcutt advised that they are assuming that government funding will continue at a low level and that they are therefore reliant on government funding, which they were not previously reliant on in the medium term financial plan.

Councillor Wyatt-Lowe commented on paragraph 11.4 regarding the CFO's (Chief Finance Officer) statement that as of February 2023 reserves and balances were adequate to mitigate for foreseeable risks and that this remains unchanged at this point in time. Councillor Wyatt-Lowe asked if the point in time was February or September 2023.

N Howcutt stated that the comment made in the report reaffirms that the position in February 2023 remains unchanged as of now in September 2023.

Councillor Capozzi referred to paragraph 1.7 and the statement that the Council is moving away from the previous drive from self-sufficiency. Councillor Capozzi suggested that the statement could be interpreted that the Council was self-sufficient and that it could be re-worded to clarify that the move towards self-sufficiency was being postponed.

Action: To reword statement regarding self-sufficiency (N Howcutt).

Councillor Stewart referred to the assumptions on page 22 of the report and asked if any analysis could be carried out on utilities expenditure.

N Howcutt stated that fees and charges had historically risen by 2% on average. The 2% had been kept in the medium term due to the uncertain economic climate and the impact of the cost of living crisis on demand for these service areas was a key issue. For supplies and services, budgets have been frozen in previous years on the assumption that these services areas can get greater value for money through procurement activities. N Howcutt confirmed that all fees and charges will be included in the 2024-25 budget and the rationale of allocations will be shown in more detail.

Councillor Stewart noted the General Fund reserve position and asked if this could be provided for the HRA (Housing Revenue Account).

N Howcutt advised that the MTFs was entirely General Fund and that the housing business plan would come to members later in the calendar year to be approved as part of the budget cycle. This would show the HRA budget information, the 30-year plan for housing delivery and the reserves.

Councillor Williams noted the table at the top of page 19 of the report was blank. N Howcutt apologised and said this would be recirculated to members.

Action: To recirculate the missing table on page 19 of report (T Angel).

Councillor Williams commented on the drive for self-sufficiency and suggested that they were performing a U-turn given the change in policy. He also said if negative RSG was rolled out it would impact Dacorum's planning

N Howcutt agreed that the assumptions in the MTFs had changed to a model that assumed at least £2.9m of ongoing government funding. The likelihood is that if a future government implemented negative RSG post 2024-25 it would have to be gradual. N Howcutt stated that if the government introduced negative RSG and that funding would reduce from £2.9m to -£1m then there would be a collapse of local authorities and it was therefore unlikely to be brought in.

Councillor Elliot commented on the New Homes Bonus and asked what this could be replaced by.

N Howcutt advised that the government announced the final year of the New Homes Bonus for 2023-24 and this was a grant that the Council received on the number of homes it built above a certain level. There had been no announcement on the new vehicle that will replace the NHB, though the Council was asked last week for its housing growth numbers. The government may roll the NHB into 2024-25, which may bring in additional income, though there had been no update for the last 10 months so the picture remained uncertain.

The Chair asked if a prudent approach was therefore being taken regarding the New Homes Bonus. Yes, N Howcutt advised the assumption was that it will not continue and that no further income will be received.

Councillor Adeleke commented on reserves and asked if there was a change in approach due to economic factors or the change in administration.

N Howcutt advised that the wider economic impacts were significant for the sector with pay inflation of 6%, which was 3% above the council tax threshold. There had also been

pressures from car parking and planning as well as inflationary impacts on suppliers and services, which have introduced costs that the Council has not seen before. The Council was therefore looking to utilise the government funding it receives to support service areas, otherwise it would need to cut services to bring itself into a budget that allows for self-sufficiency.

Councillor Tindall advised that the new administration had not yet considered a change in strategy and he thanked the officers for continuing to run a prudent budget. He noted the current economic uncertainty and that they should therefore look to avoid changing strategy until things improved to ensure that the service delivery continued for residents. Councillor Tindall confirmed that the new administration will be looking at the Corporate Plan for the next five years and this will take place over autumn/winter.

Councillor Capozzi commented on section 5 and the statement in paragraph 5.2 that core baseline funding for Dacorum was projected to be £4m in 2024-25. Cllr Capozzi then looked to paragraph 5.4 that states that the MTFS assumes a core funding of £2.9m.

N Howcutt clarified that paragraph 5.2 referred to 2024-25 and 5.4 referred to beyond this period, and a £1m reduction was assumed from 2025-26 in core funding. N Howcutt stated that the wording could be made clearer.

Action: To clarify the years referred to in paragraphs 5.2 and 5.4 (N Howcutt).

Councillor Patterson referred to paragraph 6.2, noting that fees and charges change from 5% to 2% and asked if this could be explained.

N Howcutt advised that charges had been raised historically by 2% and that they look to increase them by 5% in 2024-25 due to current inflationary levels and interest costs, which they then expect to reduce by 2025-26.

Councillor Stevens referred to paragraph 13.9 and asked if a line could be included in table 3 to indicate the capital repayments in the years.

N Howcutt advised that the table showed the funding of the capital programme and that whilst repayments will be made, these would be very small as there was only £6m of General Fund debt. N Howcutt confirmed that repayments could be included if required.

The Chair thanked the officers for the report and confirmed that it would be referred to Cabinet following the suggested minor amendments.

8. WORK PROGRAMME

There were no changes to the work programme.

The meeting ended at 8.21 pm.