

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, 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 2024/25 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 – Impact on Income Streams

5. The global economy has been experiencing significant challenges in recent years and this has resulted in higher than projected inflation interest rates and tax levels. 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 discretionary services such as parking, and leisure as a result of household budgets being stretched.
6. The 24/25 budget has projected for the impact of direct inflation on service delivery such as salaries and utilities. If inflation continues to be higher than projected levels, there will be a detrimental impact on service delivery costs in 24/25. The financial monitoring framework in conjunction with service KPI's will 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 (ERR) 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 2024/25 financial year is the first year, post covid, that income streams including commercial rents, garage rental and commercial waste will no longer be supported by draw-downs from the ERR. In 2023/24 the ERR supported these services with a contribution of £895k.

9. Whilst prudent assumptions have been made based on the information currently available, each of these income streams is 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 economic slowdown is more significant than projected. This is particularly important in relation to commercial investment property where the period of covid government policy only ended in October 2022, and the service are still having to deal with the debt incurred throughout the covid period.
10. The Economic Recovery Reserve contains a further £0.2m to mitigate future years' risks that could be drawn down in 2024/25 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 24/25, 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 2024/25 have incorporated staffing costs budgeted on a post by post basis and inflated by 5% for 2024/25. 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 5% applied is above historic levels of salary inflation, with the exception of the 2022/23 and 2023/24 circa 6% average awarded by NJC. The 5% assumption is higher than the regional partner expectations, but will be reviewed as ongoing pay negotiations take place.

Waste Service

12. The largest single service and operational General Fund budget is the waste service and in 2023/24 the service underwent a route optimisation project as part of the ongoing waste transformation programme, to deliver service efficiencies and provide future financial sustainability of the service.
13. The financial performance of the service during 2023/24 has been challenging with the service projected to end the year with a budget expenditure pressure of circa £700k. The service have, and continue to make significant service changes in 2023/24 with the expectation that the service will be able to be delivered within the 2024/25 budget, this is a significant challenge and will be closely monitored and reported.

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** – The car parking fees and charges are being reviewed in 2024/25 with an additional in year income projection of £300k. The proposed charges will be taken through the statutory traffic regulation order process for implementation by November 2024. If alterations are required as part of the traffic regulation order process, it would likely impact the timeline for implementation or the scale of the additional income achieved. As part of the 2024/25 budget proposals a contingency of £180k is allocated to implementation or any support term delays in implementation.

Capital Programme

17. Based on the profile of projects in the proposed General Fund Capital Programme, the Council has no further need in the general fund to externally borrow before 2027/28. 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.
18. 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

19. The reserves statement (Appendix J1) shows a projected net contribution to reserves of £23k. The significant movements in reserves to support the ongoing key corporate strategies specifically are;
 - Climate Change and Sustainability Reserve, £1.16m contribution - To provide additional financial support to the wider Climate and ecological emergency action plan.
 - Dacorum Development Reserve, £1.1m draw down – This includes the ongoing annual support for Hemel Garden Communities £300k, Place restructuring circa £300k and short term Forum tenancy changes £300k.
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. The General Fund Working Balance for 2024/25 is budgeted to be circa 11% of the net cost of services, appendix J2 assesses the rationale for this assessment of need and how it reflects the risks associated with balancing a budget in an uncertain economic climate.

HRA

21. The HRA is not exempt from inflationary cost pressures, in reality the housing services have been hit the hardest by inflation, with some elements of the repairs and maintenance contract being uplifted by circa 30% over the last 2 years. As a result setting a balanced HRA budget is increasingly challenging.
22. The housing service have worked in partnership with the finance team to deliver a revised 30 year HRA business Plan and asset management strategy, that outline the strategy and policies that aim to achieve the strategic housing priorities within the projected medium term HRA fiscal envelope.
23. The HRA includes the Council's highest value contract, and high risk contract, valued at around £25m per year, with Osborne Property Services/Cardo Group for the Total Asset Management of the Council's housing stock.
24. The contract includes the management of responsive repairs, planned repairs and void management. In 2023 the Cardo group purchased Osbornes Property Services and are now the councils contracted operator of these services. The supplier performance under this contract is under constant monitoring to mitigate the financial and operational risks of failure, and in support of this the operator is also under constant financial assessment.

25. This current maintenance contract has been in operation for 10 years and is expected to end in 2025, whilst the service develop and deliver the re procurement of these services in 2024/25.
25. As a result of delays in the HRA capital programme in prior years the 2024/25 HRA capital programme is the largest the HRA has ever set. The majority of these developments have started in 2023/24 or before and the delivery of these proposals developments will require a huge amount of planning and preparation to ensure these budget targets can be achieved.