

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Stronger Council Select Committee **Date:** Monday, 26 September 2022

Place: Council Chamber - Civic Offices **Time:** 7.00 - 7.55 pm

Members Present: Councillors J McIvor (Chairman), S Patel (Vice-Chairman), R Bassett, I Hadley, S Heather, J Jogia, R Morgan, J M Whitehouse and C Nweke

Apologies: R Brookes and S Rackham

Officers Present: A Small (Section 151 Officer), L Kirman (Democratic Services Officer) and R Moreton (Corporate Communications Officer)

Officers Present (Virtually): V Messenger (Democratic Services Officer)

10. WEBCASTING INTRODUCTION

The Chairman reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

11. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Rackham and Brookes.

12. SUBSTITUTE MEMBERS (COUNCIL MINUTE 39 - 23.7.02)

The Committee noted that Councillor C Nweke would substitute for Councillor R Brookes for the duration of this meeting.

13. DECLARATIONS OF INTEREST

Councillor Richard Bassett declared a Non Pecuniary Interest - item 9, Qualis Quarterly Monitoring Report Q3 2021/22 on the agenda by virtue of being a Non-Executive Director of Qualis.

14. NOTES OF PREVIOUS MEETING

That the notes of the meeting held 21 July 2022 were agreed as a correct record.

15. TERMS OF REFERENCE & WORK PROGRAMME

The Select Committee noted their terms of reference and work programme.

16. QUARTER 1 BUDGET MONITORING REPORT 2022/23

The Strategic Director Corporate and Section 151 Officer, A Small, outlined the report which set out the forecast outturn position for the 2022/23 General Fund and Housing Revenue Account, revenue and capital, based on the available information

at 30th June 2022. The report contained the Council's funding position which gave members visibility of the balance sheet impact of the financial projections.

A Small highlighted the current global, national and local economic malaise and the uncertainty this created for the Council. The financial pressures detailed in the report had driven a forecast General Fund revenue expenditure budget overspend of £1.196 million. The current position was dominated by a range of substantial spending pressures, these included:

- The impact of spiralling inflation was driving higher pay demands of at least 5% with a potential overspend of £800,000, this was being offset in the short term by salary savings due to vacant posts,
- The continued delay in finalising the Local Plan had created a negative variance of £711,780 on the forecast income from planning applications, and
- The combined impact of the pace of drawdown from Qualis loans and interest rates for PWLB loans had impacted on the income from the margins generated by the Council with a forecast budget shortfall of £700,526.

There had been a positive variance of £541,000 on recycling income due to an increase in market rate and sale of recyclable materials.

The Committee were advised that the yearend balance would fall to £3.045m, if the forecast spending and funding position was accurate and this was significantly below the Council's formally adopted contingency balance of £4.0 million.

Members were advised that the Housing Revenue Account (HRA) revenue position had a forecast an underspend of £1.513m and faced similar pressures to the General Fund. The HRA Business Plan included the assumed maintenance of a minimum balance of £2.0 million in reserves and this had reduced the ability to make capital contributions by £1.740m, the reconciliation was shown in the report.

Capital spend for the General Fund and HRA had been subdued in Quarter 1, delayed draw down of Qualis loans was the biggest factor in a forecast underspend of £73.072m on the General Fund Capital Programme and delays to the house-building programme being the key factor in the £21.082m underspend for the HRA Capital Programme.

The Committee commended the officers for their excellent work.

The Committee sought confirmation on the financial impact in the delay in Local Plan, Cllr Philip reminded the Committee that timescale for approval of the Local Plan was by the end of this year and suggested that the current economic issues and pressure associated with increased construction costs could impact on development and the number of planning applications received.

The Committee asked if work was being carried out to maximise the revenue generating opportunities? A Small advised that options to maximise income were being considered, this included income generation and efficiencies. Cllr Philip advised that there was a balance to be achieved in raising charges and maintain collection rates. He reminded the Committee that the Council was in a better position this year, the expectation was that the reserves for this year would be approx. £2.5m, but significant improvements were made and the reserves for 2022/23 were £4m.

Resolved

The Select Committee commented and noted the:

- General Fund revenue position at the end of Quarter 1 (30th June 2022) for 2022/23, including proposed actions proposed to improve the position, where significant variances had been identified,
- General Fund capital position at the end of Quarter 1 (30th June 2022) for 2022/23,
- The Housing Revenue Account revenue position at the end of Quarter 1 (30th June 2022) for 2022/23, including actions proposed to ameliorate the position, where significant variances had been identified, and
- The Housing Revenue Account capital position at the end of Quarter 1 (30th June 2022) for 2022/23.

17. FINANCIAL PLANNING FRAMEWORK 2023/24 TO 2027/28

The Strategic Director Corporate and Section 151 Officer, A Small, introduced the report which set out the financial issues the Council needed to consider for Budget setting in 2023/24, and emphasised the General Fund budget had become challenging due to a range of major income, spending and funding pressures, which were mainly beyond the Council's control. He highlighted there would be major financial pressures on staff salaries, energy, contracts and financing costs, and an anticipated significant reduction in the Local Government Settlement as specific grants could be withdrawn by the Government. Further financial risks could exacerbate the problem, including potentially new employer pension contribution rates for the Local Government Pension Scheme (LGPS) as well as the threat to commercial property returns and funding from local taxation receipts as the economic crisis started to affect local communities and businesses. The same financial pressures applied to the Housing Revenue Account (HRA). The Government were consulting on rent caps and this could impact the HRA revenue stream. The capital expenditure programme would be impacted by increased construction costs.

A Small, advised the Committee that achieving a balanced General Fund budget for 2023/24 would be the most difficult financial challenge that the Council had faced in many years, there would need to be a large savings target to balance the budget and work had started on the 2022/23 draft budget. The draft budget options paper would be brought back to the Stronger Council Select Committee for scrutiny in January 2023.

The Committee acknowledged the current changing economic uncertainty, queried when the Local Government Settlement would be announced and asked if there was any joint lobbying of Government by local authorities. The Committee were advised the announcement expected by mid to late December 2022 and it was unlikely there would be a two-year settlement, and Local Government had a strong voice and mechanism were in place to lobby Government and Local Government had a strong voice although current advice indicated there was no additional funding.

The Committee queried what the worst case budget could look like, Cllr Philip suggested there would be clarity over the next couple of months and advised that Cabinet was working with lead officers, initially at a gap of £4m or 25% of budget. He highlighted the pressure in the report and detailed that any decrease in collection rates would have a detrimental impact and difficult decisions would be required.

Resolved:

The Committee

- noted the backdrop to the Financial Planning process for 2023/24 to 2027/28, and
- considered and commented on the proposed approach to Financial Planning for 2023/24 to 2027/28.

18. QUALIS QUARTERLY MONITORING REPORT - Q3 - 2021/22

The Qualis third quarter monitoring report was presented by the Strategic Director Corporate and Section 151 Officer, A Small which covered the period from 1 April 2022 to 30 June 2022. This showed a continuing loss, which was primarily associated with delays in achieving planning consent at Roundhills, and challenges with finding suitable regeneration property to acquire. The Committee were advised that the accrued costs would be removed from the Profit and Loss account thereby reducing the reported accumulated loss, when planning consent was obtained for Roundhills. The Qualis Business Plan had assumed that rental income associated with new acquisitions would have been delivered prior to the end of Quarter 3 however there had been difficulty finding suitable regeneration sites within the District. With these exceptions the position was broadly in line with the target. It was also highlighted that the same financial considerations faced by the Council in relation to the wider economic conditions were faced by Qualis which as a developer had increased construction and borrowing costs. Qualis remained one of the largest contributors to the Council paying over £2m per annum in interest costs which was a key factor in enabling the Council to provide services.

The Committee acknowledged that Qualis faced similar financial challenges to the Council and asked if there were any economies of scale that could be achieved by Qualis working with other third parties? Cllr Philip emphasised that Qualis must remain a separate entity from the Council and detailed that Qualis had driven value from contracts. The Committee also asked if there would be any impact from changes in stamp duty and were advised that this would be difficult to predict due to position in the development sequence however Qualis did ensure that external factors were regularly reviewed and considered.

Resolved:

The Committee considered and commented on the report.

19. DATES OF FUTURE MEETINGS

The Committee notes their future meeting dates.

CHAIRMAN