

BUDGET PANEL

28 November 2017

Present: Councillor Asif Khan (Chair)
Councillors S Bolton, N Bell, A Dychton, J Fahmy, M Parker,
G Saffery and T Williams

Also present: Councillor M Watkin

Officers: Head of Finance (Shared Services)
Committee and Scrutiny Support Officer

14 Apologies for Absence/Committee Membership

There was a change of membership for this meeting; Councillor Williams replaced Councillor Hofman and Councillor Bolton replaced Councillor Martins.

Apologies were received from Councillor Shah.

15 Disclosure of Interests (if any)

There were no disclosures of interest.

16 Minutes

The minutes of the meeting held on 13 September 2017 were submitted and signed.

17 Finance Digest 2017/18 (Q2)

The Head of Finance introduced the Finance Digest for quarter 2 2017/18. This showed the expected financial position (forecast outturn) for the current financial year, based on the actual performance at the end of Quarter 2 (September 2017) set against the latest budget.

It was reported that the current 2017/18 forecast outturn showed an unfavourable variance of £259,000 when compared to the latest budget. However this was an improving picture over the previous quarter's Finance Digest (Quarter 1 – June 2017).

The Head of Finance advised that the period 8 monitoring report had now been sent to council officers. This would form the basis of budget setting for 2018/19. Panel members noted that the council's agreement to the government's four year financial settlement provided some certainty of funding, however this would reduce to zero by 2019/20.

Looking at the council's actual income to date, the Head of Finance highlighted some of the significant variances (over £50,000). In particular, the panel considered Place Shaping and Performance where as a result of a short timing difference between invoicing/collection and subsequent pay-over to the council by the council's commercial property management company, Lambert Smith Hampton, an unfavourable variance had arisen. Conversely, there had been an increase of £280,000 in planning application fees following approval of a number of large applications in the first half of the year.

There was some discussion about the council's debts over a year old, particularly relating to Watford Bowls Club. The Head of Finance reported that some progress had been made to resolve this on-going dispute.

Budget Panel members were advised that Jude Green had been replaced by Jane Walker as Head of Revenues and Benefits and that the post of benefits manager was being actively recruited.

RESOLVED –

that Budget Panel notes the content of the Finance Digest 2017/18, quarter 2.

18

Training: Council Finances - business rates retention update

The Head of Finance provided an update on business rates retention.

It was reported that no further information had emerged from central government on the 100% retention of business rates other than that the intention was to progress the policy. A recent announcement had confirmed a pilot scheme amongst the London boroughs which would permit 100% retention.

The Department for Communities and Local Government (CLG) had asked for interest in a pooling pilot. All the Hertfordshire authorities had agreed to put themselves forward (in a two-tier system, every authority needed to be committed) and a Memorandum of Understanding had been submitted to CLG for consideration. The pilot had been oversubscribed – partly as a consequence of a 'no detriment' caveat announced by CLG. Authorities were still waiting to see whether Hertfordshire would be named as a pilot area.

If the pilot bid were unsuccessful, it was expected that some of the Hertfordshire local authorities would bid to form a pool as previously. However this was unlikely to be beneficial to Watford Borough Council and careful consideration would need to be given to the possibility should it arise. Indications from CLG suggested that, as a part of the 100% retention scheme, the government would make a decision on the size and membership of any pools going forward.

19

Use of capital receipts for revenue purposes

The Head of Finance discussed the flexible use of capital receipts for revenue expenditure.

Explaining the background, the Head of Finance advised that under the prudential code and the Best Value Accounting Code Of Practice (BVACOP), councils were not generally permitted to use capital receipts to fund revenue expenditure.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Code of Practice (SeRCOP) had since replaced BVACOP. SeRCOP applied to all local authority services throughout the United Kingdom from 1 April 2017 for the preparation of 2017/18 budgets and performance indicators.

Previously, councils could apply for special Secretary of State (SoS) direction to use capital to fund revenue expenditure in circumstances where a longer term benefit could be obtained from the expenditure incurred. This direction would be retrospective, subject to application, and was by no means certain.

Following the spending review in 2016, the SoS CLG issued the offer of an agreed four year settlement for councils. This was combined with guidelines under the regulations which allowed authorities extra flexibility in the use of capital receipts received in the year where they were used for projects constituting qualifying expenditure which transformed services for residents, 'joined up' services with other public sector bodies, or made on-going savings. Examples of how the council might use its capital receipts more flexibly were included in the government's statutory guidance.

It was agreed to send a copy of the guidance to Budget Panel members.

The Head of Finance confirmed that, in order to use capital receipts in this way, the council was required to prepare at least one Flexible Use of Capital Receipts (FCR) Strategy for each financial year. This did not need to be a standalone document and could be included in the annual budget reports.

Any strategy should provide details of each and every project that planned to use flexible capital receipts and the details of savings/benefits/service transformation that would be provided. Any subsequent strategies i.e., from 17/18, should also provide details and updates on the previous projects and the achievement of benefits that had accrued from them.

The strategy would need to be approved by full council.

20 **Dates of Next Meetings**

It was noted that the next meetings would take place on:

- 16 January 2018
- 14 March 2018

Chair

The meeting started at 7.00 pm
and finished at 7.30 pm