

## **FINANCE SCRUTINY COMMITTEE**

**27 June 2023**

Present: Councillor A Khan (Chair)  
Councillor P Kloss (Vice-Chair)  
Councillors K Clarke-Taylor, R Martins, L Nembhard, K Rodrigues,  
D Walford and R Wenham

Also present: Councillor M Watkin (Portfolio Holder)

Officers: Head of Finance  
Head of Revenues and Benefits  
Democratic Services Officer (IS)

### **1 Apologies for absence**

There were no apologies for absence.

### **2 Disclosure of interests**

There were no disclosures of interest.

### **3 Minutes**

The minutes of the meeting of Finance Scrutiny Committee held on 6 March 2023 were signed.

### **4 Training: the role of finance scrutiny**

The committee received a presentation of the Head of Finance. Following the presentation, the officer responded to questions.

### **5 Financial Monitoring Report - Year End 2022/23**

The committee received the report of the Head of Finance. The report informed the committee of the revenue and capital year-end position for the financial year 2022-23 and the variations on the agreed budget, which was agreed at Council in January. The committee was asked to review the recommendations for Cabinet and make any further comments.

The Head of Finance introduced the report and highlighted the key areas, in particular:

- Overspend on year-end revenue budget of £401,000, funded from the economic impact reserve.
- Financial challenges faced by the council during the year, especially inflation.
- Pay award negotiations, which were likely to be drawn out and likely to result in an award that will be higher than the currently allocated budget.
- Projected inflationary pressure for 2023-24 related to the Veolia contract.
- The 7% allowed for inflation would be insufficient to deal with the inflation in 2022-23 in addition to the projected inflation for 2023-24.
- The amount of uncertainty was stressed in relation to forecasting income and expenditure in 2023/24 and financial planning for 2024/25 onwards,
- Several capital budgets asking to be rephased including in relation to Watford Business Park and Town Hall Quarter.
- There was a net underspend on the capital programme.
- The additional budget for the Town Hall Quarter of £2.4 million, was highlighted and this was to be funded by the Community Infrastructure Levy (CIL) subject to agreement by Council.
- Despite a heavier drawdown on the economic impact reserve than expected, the situation remained positive with the general fund remaining at the risk assessed level of £2 million and £1 million remaining in the economic impact reserve.

The Chair reminded the committee of the recommendations contained within the report, to allow their questions to be directed.

There was a question about an underspend in housing services of £363,000, due to an additional grant. The Head of Finance explained that there were several grants for that service. The grant from government was ring fenced and had to be spent within the financial year. Therefore, this grant was prioritised to be spent ahead of the council's own base budget.

In response to a question about the council's exposure due to the Veolia contract in 2023-24 from 2022-23, the Head of Finance explained that the additional inflation element was approximately £600,000. There was income from recycling gate fees which often cycled between profit and loss. Currently the situation is around £70,000 per month of budget pressure, but that could quickly move to a profit situation.

In response to a question about the budget pay award and asking how much each additional one percent would cost the council, the Head of Finance stated this would be approximately £100,000.

There was a question regarding income budgets. The Head of Finance confirmed that revised income profiles had been factored into the 2023-24 budget as part of the review of fees and charges.

There was a question concerning the capital budget of 2023-24, where grants are not received and how these were funded, and through fixed or variable interest rates. If this was the case, there was a further question if the increase in the base rate might affect the council's position and the viability of associated schemes.

The Head of Finance explained that the council's external debt had been increased in 2022-23 by £20.3 million and that currently the council had approximately £80 million of external debt\*. Therefore, there was a significant risk associated with the cost of external borrowing in a high interest rate environment. The Council does not have variable rate loans but does have to refinance existing borrowing and raise additional borrowing during 2023/24.

In response to a question about unexpected increased costs for a project, the Head of Finance replied that it was expected that costs projections might vary on a project as the scheme progresses through the design and tender process. Business cases were in place to ensure the most efficient use of council funds.

The Chair asked about the detail of the rephasing requests, and the Head of Finance explained that the Watford Business Park was just under £2 million and £3.361 million for the Town Hall Quarter. However, the full breakdown of the rephasing requests were not in the report.

There followed a short discussion about the levels of risk for 2023-24.

Responding to question about £2.4 million being added to the Town Hall Quarter budget, the Head of Finance assured the members that this had to go before Council to comply with the CIL governance arrangements; but also, because it was a change of budget requiring approval. Some of the increase in budget was because of inflation. It was noted that this increase would not have been as significant if the application for the levelling up grant had been successful.

There was question about capital financing costs in the revenue budget, and this was approximately £3.8 million including the element for repayment of borrowing and the interest payable.

**ACTION** – Head of Finance to circulate the full rephasing details to the members.

**RESOLVED** –

that the Finance Scrutiny Committee supports the below recommendations to Cabinet as set out in the report:

To consider and note the 2022/23 revenue year end position as summarised at Paragraph 4.3.1 and set out at Appendix 1.

To consider and note the 2022/23 capital year end position as summarised at Paragraph 4.4.1 and shown in detail in Appendix 4.

To note the request to rephase capital budgets of £10.526m into 2023/24 onwards and the revised capital investment programme of £58.441m for 2023/24, £15.452m for 2024/25 and £8.054m for 2025/26 which will be recommended onto Council for approval.

To note that Council will be recommended to agree the use of £2.400m funding from the Community Infrastructure Levy to fund the delivery of the Colosseum project within the Town Hall Quarter Programme.

\*The Head of Finance originally stated the level of external debt was £65 million, but upon checking, she realised the correct figure was £80 million.

## 6 **Debt Management Process**

The committee received a presentation by the Head of Revenues and Benefits which covered the process for billing, collection and recovery for council tax and business rates.

More specifically, the presentation ran through the following processes:

- Billing, both annual and adjustment.
- Method for instalments and payments.
- How this is administrated.
- Collection process, including reminders.
- Escalation of response for non-payment, including liability orders, attachment of earnings, use of enforcement agents to obtain compliance.
- Enforcement action.
- Further recovery, including charging orders, bankruptcy, and committal proceedings.
- Identification of persons classed as vulnerable and ways to assist and support them.

Throughout the presentation, the Head of Revenues and Benefits stressed that throughout the various processes and their escalation, every effort was made to engage with the debtor. This effort was continued at every stage and de-escalation would occur if at any stage the debtor engaged and made efforts to pay.

Following the presentation, the officer responded to several questions, in particular the committee were interested in further detail about vulnerable people and there was some concern about the use of enforcement agents.

RESOLVED –

that the Finance Scrutiny Committee notes the presentation.

## 7 **2023-24 Work Programme**

The committee received a draft work programme which had been devised by officers in consultation with the Chair.

The Chair introduced the report noting that there were several standing items reflecting the financial reporting cycles. The work programme provided an outline and it was for the committee to direct its focus. It was intended to be a flexible document and could be reviewed throughout the year. Further suggestions could be made to the Chair and/or Democratic Services.

RESOLVED –

that the work programme be agreed as drafted and kept under review.

Chair

The Meeting started at 7.00 pm  
and finished at 8.40 pm