

FINANCE SCRUTINY COMMITTEE

12 September 2023

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

Also present: Councillor M Watkin (Portfolio Holder)

Officers: Head of Finance
Democratic Services Officer

8 Apologies for absence

Apologies had been received from Councillors Clarke-Taylor and Nembhard.

9 Disclosure of interests

There were no disclosures of interest.

10 Minutes

The minutes of the meeting of Finance Scrutiny Committee held on 27 June 2023 were signed.

11 Financial Monitoring Report - Quarter 1 2023/24

The Chair highlighted the recommendations contained within the report at paragraph 3.1 and then invited the Head of Finance to present her report to the committee.

The Head of Finance warned the committee that the report set out a very challenging picture, because of persistent high inflation, high interest rates and the cost-of-living crisis and warned of a variance to the revenue budget of £3 million. However, there were allocated reserves for some of the variances, and there were virement requests in appendix 7 which would enable the creation of budgets to reflect the planned use of these reserves.

But there was still a forecast overspend of £1.4 million, which would have to be met from the unallocated reserves, the Economic Impact Reserve, and the General Fund. As a result, the General Fund would fall below the risk assessment level for balances.

There were also mitigation measures available, such as holding open vacancies to deliver savings and the impact of these should be seen in the next monitoring report to the Committee in November.

The Head of Finance also highlighted the cost pressures that were coming from external factors such as temporary accommodation and inflationary pressures, a good deal of which was the forecast staff pay award.

The Head of Finance highlighted the unprecedented level of uncertainty, particularly in relation to the staff pay award and Veolia contract pressures, but pointed out that the reserves were there for the purpose of dealing with such pressures.

The Head of Finance informed the committee that there was a forecast £11 million reduction in spending on the Capital Budget in year. This reduction would help with borrowing costs.

The report summary concluded on a positive note with the delivery of savings being in a strong position in year.

The Chair thanked the Head of Finance and invited questions. The following issues were raised.

- The pressures relating to the Veolia contract had been an issue for some time, the committee asked how this situation could be better managed. The Head of Finance explained that the contract had a fixed and a variable element. Whilst the team were working hard to control the variable element, the underlying costs were linked to indexation that was controlled by the original contract. But conversations were had with all partners on how to reduce costs within the contract.
- There was a discussion around the various cost increases that were responsible for the variance in the budget, especially the sustainable transport budget. This was a budget where earmarked reserves had been set aside to manage the variance, so was not really an overspend.
- The proposal to rephase the Town Hall Quarter and Colosseum into next year's budget was explained as being due to the speed of delivery of these projects. The main contract work was still to be completed and clearly this would occur next year.
- There was a discussion around the reserves, noting they were falling to below risk levels, the Economic Impact Reserve was all used and the

committee asked how these reserves would be restored. It was explained that there were healthy earmarked reserves (Riverwell and Croxley Park). These could be used in the short term to support the position. This was legally allowed, but they would need to be topped up at a later stage.

- There was a discussion around risk and the council's exposure to it. It was pointed out that Watford was not in the top twenty of at-risk councils, and our current debt was manageable. Interest rates were expected to fall somewhat over the next few years and the position was affordable.
- There was a question about how the council could better anticipate pressures for the coming year. The Head of Finance explained that the plan was based on a mid-case scenario. If excessive savings were made, there would be a corresponding cut to services. Conversely, if inadequate savings were made, the council would be exposed to excessive risk. Thus, a mid-case was used. It was accepted that this was not perfect but was the best option.
- The point was made that Watford Council was not a high-risk local authority. The committee noted that, despite the more pessimistic outlook than expected, the council was still in a good position.
- In response to a question, the Head of Finance confirmed that scenario planning was carried out to try and anticipate possible future situations and inform financial planning. But she pointed out that however thorough the planning might be, there were bound to be variances during such a time of extreme uncertainty.
- There was a discussion about how the council was planning carefully, treading the best line between unnecessarily cutting services to preserve reserves and ignoring risks to preserve services. Residents were reassured that Watford was in the best possible position, in a period where some councils had clearly not been as prudent.
- The Head of Finance was asked if we were currently playing out one of the more pessimistic scenarios from last year's predictions. She agreed that this was the case and explained that the pay award was higher than expected and the outturn position at year end was not what had been expected. She added that whilst this was the case, reserves were held to deal with this.
- In reply to a question as to whether the level of our reserves could be allowed to drop slightly to preserve services and take the risk, the Head of Finance explained that that was exactly the discussion that needed to take place, to find the correct balance.
- In reply to a question, the Head of Finance explained the Section 114 procedure, but stressed this was a position we would never want to get into.

ACTION – Head of Finance to provide Councillor Watling with the percentage of revenue that is directed at fly tipping.

RESOLVED –

1. that the Finance Scrutiny Committee notes the Financial Monitoring Report 2023/24 – Quarter 1, and both the revenue and capital forecasts for 2023/24.
2. that the Finance Scrutiny Committee recommends to Cabinet that the scenario building have a mid-point that was slightly more pessimistic to reduce risk.
3. that the Finance Scrutiny Committee have a regular consideration as to lessons we could learn from previous financial scenarios.

12 **Budget Planning Framework 2024/25**

The committee received the report of the Head of Finance, who explained that this report was brought every year to set out the timetable for setting the budget. The committee were given the basic highlights of the report, including certain assumptions that had been made to complete the report.

In response to a question about how much effort was put in to raise income, the Head of Finance pointed out that councils were not allowed to invest purely for income. But Watford Business Park and other schemes raised income, plus the fees and charges also contributed. Following on from that, the committee were advised that external consultants and the Property investment Board met regularly to ensure continued income generation from investment property. The council had also looked at what other councils were doing to see if there were learning points or ideas to generate income. Shared services were also mentioned as another saving measure.

RESOLVED –

that the Finance Scrutiny Committee notes the 2023/24 Budget Planning Framework, outline timetable at Appendix 1 and Budget Principles at Appendix 2.

13 **Annual Review of Fees and Charges**

The committee received a presentation by the Head of Finance. The reasoning behind raising some fees and charges from 1 January 2024 was explained as

being necessary to meet increased costs. Several exceptions were detailed such as:

- Garden waste collection – annual subscription runs from September to August.
- Leisure – SLM set these charges and there were contracts in place, so these would change later in the year.
- Hackney and Private Hire – fell under the remit of Licensing.
- Market Traders – outside of this.
- Planning fees – fell under central government legislation but would be reviewed in the autumn.

In response to a question about the issue of two increases in the same twelve-month period, the Head of Finance explained that these proposed changes would be fully debated at Council in October. It was also pointed out that many of these charges were purchased as a one-off, so a customer would not see two price increases. Members of the public were also used to seeing prices change regularly, so this would not be seen as unusual.

The Head of Finance also explained that whether future years would see fees and charges being reviewed in January, had yet to be determined.

There followed a discussion about the rephrasing of the charges where some of the committee members were unhappy with the changes and others saw the reasoning and agreed with it. There was clear concern that the estimated additional income of £30,000 for 2023/24 as a result of raising charges on 1 January rather than 1 April was only small compared with the £1.4 million gap in the budget.

In response to a question about bulky waste charging, the contract fee was approximately half of the cost to make the collection. This was subsidised. There could be a risk that charging the full cost of collection would increase fly tipping.

The point was made that every subsidised service was every member of the community paying for a small number to benefit from the service.

The Chair expressed his disquiet at the earlier increase in January 2024, citing parking increases and burial cost increases as being of particular concern and asked that this was minuted.

RESOLVED –

1. that the Finance Scrutiny Committee has considered the draft Charging Policy for 2024/25 at Appendix 1 and provided comments to Cabinet and Council.
2. that the Finance Scrutiny Committee has considered the proposed Fees and Charges for introduction from 1 January 2024 and 1 September 2024 and provided comments to Cabinet and Council.

Chair

The Meeting started at 7.00 pm
and finished at 8.30 pm