

## FINANCE SCRUTINY COMMITTEE

12 January 2021

Present: Councillor M Turmaine (Chair)  
Councillor P Kloss (Vice-Chair)  
Councillors D Allen-Williamson, N Bell, A Khan, J Pattinson,  
G Saffery (for minute numbers 23 and 24), B Stanton and  
D Walford

Also present: Councillor Watkin (Portfolio Holder for Resources and  
Customer Services)

Officers: Democratic Services Officer (JK)  
(Shared Services) Director of Finance  
Interim Head of Finance  
Democratic Services Officer (JK)

### 20 **Apologies for absence**

There were no apologies for absence.

### 21 **Disclosure of interests**

There were no disclosures of interest.

### 22 **Minutes**

The minutes of the meeting of Finance Scrutiny Committee held on 23 November 2020 were approved. They would be signed at a later date.

### 23 **Finance Digest - Period 8**

The committee received a report of the Finance Manager- Financial Planning and Analysis with the financial position at the end of November 2020.

The Director of Finance introduced the report. A variance was forecast of £0.194 million in the revenue budget after accounting for additional government support and the income guarantee scheme for the impact of Covid 19.

A significant variance was anticipated in the capital budget, this was largely due to changes to how the multi-storey car park at the Riverwell site would be

delivered. There were also changes to the phasing of schemes at Riverwell and Hart Homes.

An analysis of the position in relation to the impact of Covid 19, as requested at the last committee meeting, was included at the end of the report. A full response was also appended to the minutes. The key points were that £1.526 million had been received in grant funding as well as funding through the income guarantee scheme for 75% of losses. For 2021/22 the Government would provide additional funding of £0.471 million and would extend the income guarantee scheme into the first quarter. The council had undertaken significant work to mitigate the impact of Covid 19 on residents. To date, £20.5 million had been paid out to local businesses as a result of various grant schemes.

It was projected that the budget would move back into surplus during the Medium Term Financial Strategy period. The reserves remained at prudent levels. Commercial income had held up better than forecast with rent collections in line with normal expectations.

Following a question, it was confirmed that grant funding received from the government was a general grant to support costs and did not have to be used for any particular expenditure. There had also been some cost savings as the Big Events had not taken place which had mitigated some of the impact of Covid 19.

Discussing the noteworthy significant variances, it was reported that over £1 million had been provided to support SLM and the leisure contract. There had also been loss of parking income and a reduction in income from the county council due to increased recycling levels under the Alternative Funding Model which would continue into next year. Additional income had been received following rent reviews. Changes to the capital programme had also resulted in lower borrowing costs.

RESOLVED –

that the 2020/21 Period 8 Finance Digest, as shown in Annex A, was considered and both the revenue and capital forecast outturn positions were noted.

24

## **Financial Planning**

The committee received a report of the Director of Finance with details of service level expenditure, funding and council tax levels for the medium term 2021/22 to 2023/24, including the use of reserves and the 2021/22 Council Tax calculations.

The Director of Finance introduced the report and noted that the updated version of the papers was on the website. The key points to note, beyond those highlighted in the Finance Digest, were that overall there was a budget gap of £0.477 million, there had been savings in borrowing costs and the Demand Responsive Transport underspend was carried forward. There were also minor changes including to business rates, staff costs, changes in savings from the Watford 2020 programme and realignment of budgets.

The £0.471 million grant from the government would be incorporated into the renewal fund for Covid support or recovery, as appropriate. Covid 19 had also had a significant impact on the council tax base which had seen a reduction for the first time due to the number of council tax support payments and an increase in single person discounts. While there would be some government support in 2021/22, and potentially beyond, to reflect this, it was anticipated that levels would take some time to normalise, in part due to delays experienced in some forthcoming developments.

The reserves were in a sustainable position with a lower use of reserves than planned. The budget gap to be funded from reserves was £0.477 million over three years.

While there was not a significant change in expenditure in the coming year, it was noted that there was further investment planned in the capital programme for Market Street, Queens Road and St Albans Road.

Responding to a question about car park charges, officers advised that further losses were anticipated in quarter 1 of 2021/22 to be covered by income guarantee scheme which was considered the most reliable basis for the budget in this regard. Additionally the extension to CPZ vouchers and the suspension of other parking fees had been accounted for in next year's income.

It was noted that the Labour group intended to provide a fuller response to budget proposals at the meeting of Full Council on 26 January 2021.

RESOLVED –

1. that the budget (Attachment 1) as laid out in the report, including:
  - the base budget for 2021/22
  - the Capital Investment Programme 2020-24were considered.
2. that the schedule of fees and charges and the income charging policy (Attachment 2) were considered.

3. that the capital strategy for 2021/22, including the Treasury Management policy (Attachment 3) were considered.
4. that the advice provided by the Director of Finance on the robustness of estimates and the adequacy of reserves was noted.
5. that the indicative budgets for 2022/23 and 2023/24 were noted.
6. That the comments of Finance Scrutiny Committee be forwarded to Cabinet.

Chair

The Meeting started at 7.05 pm  
and finished at 7.40 pm

<b>DOCUMENT:</b>	<b>FSC IMPLICATIONS OF COVID-19 FOR FUNDING</b>
<b>DATE:</b>	<b>THURSDAY SEPTEMBER 10 2020</b>

**Introduction:**

The Covid-19 coronavirus pandemic has had an enormous impact on the economy and the finances for local government. Officers in Watford have prepared helpful and informative documentation for Financial Scrutiny Committee, Cabinet and Council regarding the impact of Covid-19 on the council's finances.

The latest report, considered by the committee at today's meeting, poses some questions that are worth consideration and this brief paper proposes to the committee that officers report back on them at the next FSC on 23<sup>rd</sup> November 2020.

<b><u>Area</u></b>	<b><u>Query</u></b>
Financial resilience	<p>Loss of income and the need to partially meet expenditure impacted by or related to Covid-19 from reserves can only be a short term measure.</p> <p>What is the plan for replenishing reserves, if national government grants do not meet all the costs of Covid-19 at WBC or finances are further complicated by the operation of the collection fund?</p>
	<p>The Council has received grant funding of £1.526M to meet the costs of Covid-19 in 2020/21 which is coupled with the Government's income guarantee of 75% of any loss in fees and charges and non-commercial income. The overall financial impact of Covid-19 is currently forecast to be £194k in the Period 8 Finance Digest.</p> <p>For 2021/22 the Government has provided additional funding of £471k in relation to covid-19 and confirmed that it will extend the income guarantee scheme into the first quarter of 2021/22.</p> <p>There are a number of mitigating measures in place to guarantee 75% of taxation losses due to the pandemic and to spread any deficit on the collection fund over three years. Additional s.31 grant has also been provided for 2021/22 to offset the increase in council tax support worth £188k to WBC.</p> <p>The MTFs as set out in the FSC report shows reserves being maintained at a prudent level and contributions to reserves in future years.</p>

Impact on our residents	Do we understand the impact on our residents and what costs have been incurred by WBC in supporting those residents, as a result of the Covid-19 pandemic?
	<p>There have been four main strands to Watford’s response to support residents:</p> <ul style="list-style-type: none"> <li>• Watford Helps has supported the most vulnerable in our community ensuring that those residents who have received support from the council and its partners at Watford and Three Rivers Trust continued to be supported after lockdown. This included specific focus on the mental health and wellbeing of those having experienced bereavement, isolation or financial hardship as a result of the crisis and work to address the issue of digital isolation.</li> <li>• Watford Together –providing a real focus for the community by introducing a range of online and digital activities, events and resources.</li> <li>• One Watford –this project sought to harness the positive partnership working established in the community-wide response to the Covid-19 crisis. It seeks to ensure that key partners have a clear and shared purpose to maintain community safety and social cohesion.</li> <li>• Rough Sleepers and Homelessness</li> </ul> <p>The costs of these initiatives have been included within the regular Finance digests.</p> <p>For residents of working age in receipt of Council Tax Relief we have paid out an additional £150 relief to their council tax bills, for many removing the requirement to pay council tax in 2020/21. We have also been making payments of £500 to those in receipt of income support related benefits whilst required to self isolate.</p> <p>In terms of business:</p> <p>Back in March 2020 we had the Small Business, Retail, Hospitality &amp; Leisure grant. These grants were either £10,000 or £25,000 depending in the rateable value of the property. WBC paid out £16,520,000 to 1235 businesses.</p> <p>At this time there was also the Discretionary Scheme where WBC assisted businesses a further 285 businesses with grants totalling £826,000. These grants were for businesses who did not pay business rates but had fixed rental costs i.e. in shared offices</p> <p>To date under the LRSO Open and Closed schemes we have applied grants to 595 business. 499 of these businesses have</p>

	<p>applied for their grant and we have paid out a total of £1,821,739 so far. We are currently proactively chasing those businesses that have not made an application. These grant payments cover the period up to 5 January 2021.</p> <p>Last week we were advised by the Government that rather than making fortnightly grants payments to eligible businesses we can now make a 6 week LRSg payment to take us up the middle of February 2021. This week we will therefore pay each eligible business a 6 week grant for the period 5 January 2021 to 16 February 2021. This 6 week top up grant will total £1,299,286 bringing the total paid out under the LRSg to £3,121,025.</p> <p>The Government also announced a one-off lock-down grant of up to £9k to closed businesses. We are waiting for guidance to be made available before we pay these grants but expect to make them to all eligible businesses shortly after the guidance has been received. There will be no need for an application process as the grants will be paid to all those businesses we are currently paying under the LRSg Closed scheme.</p> <p>We opened up a 2 week application window which closed on 18 December 2020. 75 applications were received and of those 37 grant payments were made totalling £52,000.</p> <p>The direct grant payments to residents and businesses have been funded by the Government.</p> <p>Additionally to support businesses we reviewed earmarked reserves to create a £1.2M Renewal Fund to support Watford's Recovery from Covid.</p>
Population response	Do we understand the financial implications of how people and volunteers have responded to Covid-19 in the community and what that may mean for our finances?
	See above
Assurance and risk	What levels of assurance are there in terms of the impact of Covid-19 on the council's finances and what it means if grants are insufficient or ring-fenced in such a way that prevents the money from being used where it is needed?
	This has been reported throughout within the Finance Digest.

<p>Impact on income streams</p>	<p>Covid-19 must be having an impact on many of WBC's direct income streams; from parking income receipts and filming to risks from future income streams owing to collection rates or the economic security of business rates and rents.</p> <p>What does the modelling tell us about the future projections and the implications for council expenditure?</p>
	<p>Watford's income levels have been reported throughout the pandemic within the Finance Digest. Income levels are expected to recover as we emerge from Covid. Commercial income levels have held up far better than originally forecast.</p> <p>For 2021/22 we have forecast some falls in planning income beyond the pandemic which have been offset by continuing to hold posts vacant until such time as income levels should recover. We are aware that the variable element of the Intu rental may be at risk for the first part of 2021/22 but this is taken into account in the proposed MTFS.</p>