

FINANCE SCRUTINY COMMITTEE

7 March 2022

Present: Councillor Turmaine (Chair)
Councillor Kloss (Vice-Chair)
Councillors Clarke-Taylor, Khan, Martins, Stanton, Walford

Officers: Head of Finance
Democratic Services Officer (OE)

30 Apologies for absence

Apologies were received from Councillor Parker and Councillor G Saffery.

31 Disclosure of interests

There were no disclosures of interest.

32 Minutes

The minutes of the meeting of Finance Scrutiny Committee held on 10 January 2022 were approved and signed.

33 Finance Digest - Period 10

The committee received a report of the Head of Finance with the financial position at the end of January 2022.

The Head of Finance introduced the report. It was said that this report is the first one since the budget had been reset at Budget Council on 24 January 2022.

Key points were as follows:

- There were no significant variations; there was now a variance of £57,000 against the budget.
- The total forecast now stood at £15.1 million including overspend. The overspend would be funded by earmarked reserves at year end.
- The executive summary contained in the report was more detailed and sought to provide additional clarity.

- The Head of Finance noted that the main point to draw attention to was that the Economic Impact Reserve was being used as intended. The Economic Impact Reserve served to help manage short term fluctuations that arose from challenges in the economic environment. At the beginning of the year, the aforementioned reserve stood at £3.0 million and would be £1.3million remaining at year end which would be available in future years.
- In total there were £39 million in earmarked reserves available at the beginning of the year.
 - There were to be drawdowns from the Collection Fund Reserves which stood at £18.1 million. The funding related to business rates income which had fluctuated in recent years. The council had received government funding for that, which had been put into the reserves, to be used when needed in the current year and to smooth out the position on business rates collection fund in future years.
- The capital report showed future slippage of £3.1 million which would be rephrased over the Medium Term Financial Strategy (MTFS).
- Overall spend remained at £174 million across the MTFS; there would be no reduction of expenditure.
- The Head of Finance drew attention to a page missing from Appendix 3 and noted that it showed £1 million moving to the next year of the Riverwell project.
- With regards to staff vacancies, the housing department were continually recruiting for new Housing Officers.
- There was no major change on budgetary risks.
 - There was a continuing risk on the SLM leisure contract going into the new year as there was uncertainty over whether there would pressure on the new year's income. The £350,000 that had been set aside for this year had not been used and would likely be available to be carried over to the next year.
- The Pay Award had now been 1.75% which would to cost of £205,000 to the council. This cost had been built in for future years but not for the current year and this would subsequently create an additional pressure. This would be built into the outturn report at the start of the new financial year.

In response to a question from the Chair, the Head of Finance explained that the most significant capital programme variances related to joint venture projects and it is difficult to predict the exact timing for when future funding will be needed. Funding was usually drawn down at the last available opportunity to prevent incurrence of unnecessary interest payments within the joint venture. A

more detailed update on joint ventures would be brought to the committee in June.

Councillor Khan asked a number of questions including the difference between the costs listed for 'Watford Junction Masterplan' and 'Public Transport (Watford Junction)' and what funding was being funnelled in Sustainable Transport, namely whether any funding will be received from the County. The Head of Finance said these questions would need to be referred back to the relevant team members to provide more details.

With regards to staffing, Councillor Khan asked about how much the 17.2 Full Time Employee (FTEs) vacancies represented in terms of the budget and whether the vacancies were having an effect on service delivery. The Head of Finance said the specific details about the representation in the budget would need to be checked with the relevant staff members, however where there were vacancies, the underspend had been incorporated into the budget. With regards to service delivery, there was no awareness of an impact on the service delivery, however this could be checked more thoroughly in the Performance Report and brought to the next meeting as part of the outturn report with links to KPIs where relevant.

Councillor Khan also asked whether given the fact the vacancies are often covered by expensive agency staff, there had been an impact on the staffing budget. The Head of Finance explained that the Budget had been reset in January and the numbers continued within the report did not relate to the staffing budget. There would be a need to check the papers presented at Budget Council for details on any variances.

In response to Councillor Khan's question about the Additional Restrictions Grant, the Head of Finance explained that the amount left would need to be spent by 31 March 2022 and there were plans to do so.

Councillor Watkin suggested that it would be good to have a report with details on the various grants the council had received and updates on how they had been spent. The Chair informed the committee that there had been a prior conversation about this and a report would be brought to the committee at a later date.

Councillor Watkin also asked about the risk register and any foreseen impact of the conflict in the Ukraine. The Head of Finance said that the risk register will need to be reviewed in light of the conflict in Ukraine. The main impact that was foreseeable, was the increase in day-to-day running costs due to the impact of the conflict on energy supplies. There was also the potential risk of an impact on

service delivery due to potential incoming refugees, however it was too early to say for certain what the role would be for local authorities.

RESOLVED –

1. That the 2021/22 Period 10 Finance Digest as shown in Appendix 1, be considered and note both the revenue and capital forecast outturn positions.
2. That the committee comments be given to Cabinet/Council.

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Update on Levelling Up White Paper

The committee received a presentation from the Head of Finance on the government's Levelling Up White Paper.

Key points:

- The government had introduced a White Paper that was said to be a '21st century recipe for a new Industrial Revolution'.
- The plan represented a large shift in power to leaders at the local level by 2030.
- The plan included 5 underpinning pillars and 12 missions that spanned multiple areas of living and were to be put in place by law.
- There was also a proposed devolution framework with 3 tiers and 4 guiding principles.
- There were a number of funding streams including the UK Shared Prosperity Fund which was designed to replace EU funding after Brexit. This would be £2.6 billion in the first year and then £1.5 billion a year by 2024/25. Other funding streams included the Levelling Up Fund, Community Renewal Fund, Community Ownership Fund, the Multiple Numeracy Programme and the Towns Fund.
- There was also a Funding Simplification Project designed to simplify the disparate funding landscape, so that local leaders can better support economic growth.

The Chair asked whether the target date of 2030 was realistic and achievable. The Head of Finance said that this was dependent on how the plans are received by local authorities across the nation. If there was a high number of local authorities interested in pursuing a devolution deal, there may be a longer wait to achieve the goals set in the White Paper.

There was further discussion within the committee, with various questions over whether this proposal would make the intended difference and whether the model proposed was optimal for Watford.

Councillor Martins also asked whether there would be the appropriate funding to research, plan and implement decisions and whether local authorities would be given the appropriate level of power. The Head of Finance informed the committee that in-depth detail had yet to be provided by central government.

Chair

The Meeting started at 7.05 pm
and finished at 7.45 pm