

Report to Cabinet – 15 January 2024

Report of Finance Scrutiny Committee – 10 January 2024

Present: Councillor Khan (Chair)
Councillor Kloss (Vice Chair)
Councillors Clarke-Taylor, Johnson, Martins, Nembhard, Walford, Watling and Wenham

Also present: Councillor Watkin (Portfolio Holder) and Bell

Officers: Head of Finance
Democratic Services Officer (IS)

27. Financial Monitoring Report – Period 8

The Chief Finance Officer (CFO) delivered her report to the committee.

The Chair thanked the Chief Finance Officer and invited questions from the committee. There were no questions.

RESOLVED –

1. that the Financial Monitoring Report 2023/24 – Period 8, the revenue and capital forecasts for 2023/24 be noted.
2. that the virement requests to Council as set out in Appendix 7 be noted.
3. that there are no recommendations to Cabinet or Council.

28. Financial Planning 2024/25 to 2026/27

The committee received the report of the Chief Finance Officer (CFO). Following this, the Chair reminded the committee of the various recommendations contained within the report.

The officer then responded to questions on the following issues from the committee members and other members in attendance:

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The officer then responded to questions on the following issues from the committee members and other members in attendance:

- A question was asked whether the general fund balance and Economic Impact Reserve would be sufficient now that it was to drop below £2 million; it was noted that a £1 million redundancy fund was to be set up. The CFO explained

that (as set out in her report) the overspend for 2023-24, due to the Veolia contract, two years of high inflation, the staff pay award and increases in temporary housing, all meant that the remainder of the Economic Impact Reserve would need to be used. These inflationary pressures had been built into the future budget.

- The CFO stressed that plans were in place to top the general fund reserve back up to £2 million.
- There was a discussion around various savings that were planned, such as service redesign over the next three years. The CFO reassured the committee that there was a high level of confidence that for 2024-25, it was understood where the necessary savings were to come from and there was a Budget Delivery Group set up to ensure this.
- The CFO stressed that the current level of spending that was built into the Capital Programme was affordable within the current budget setting. However, if interest rates did not fall as expected, then there would need to be decisions made about the affordability of the Capital Programme.
- The Portfolio Holder stressed that there was a clear methodology to the approach of the service redesign. There was not expected to be any effect on frontline operations, although performance might be affected.
- Woodside Sports Village was mentioned as a significant cost and due to the need to protect the revenue budget, delivery of this project was proposed to be delayed.
- Concern was expressed about the cost of the Veolia contract and whether this was giving the council value for money.
- The CFO was asked about key budget risks, particularly the highest likelihood-commercial rents and what assumptions had been made. The CFO stated that it was hoped a balance had been achieved between over optimism and caution and advice had been sought from consultants Lambert, Smith, Hampton Investment Management on appropriate estimates for the impact of lease events including the duration of void periods and tenant incentives. Overall, income from property was expected to increase over the MTFS due to lettings at Watford Business Park.
- It was stressed that occupancy rates across the investment portfolio were generally high.
- In response to a question about the reprofiling of capital receipts, the CFO explained that the majority of these came from selling of sites. A prudent approach was taken as it could take longer than expected to dispose of a site.
- In reply to a question about the growth of the council tax base and the collection rate, the CFO stated that the calculation of tax base took account of growth and the collection rate. 97% was the figure used for collection rate and the underlying tax base must grow from current level in 2023/24 by around 3% to achieve the proposed tax base for 2024/25.
- A good deal of the overspend was linked to inflation and especially temporary housing. The CFO was asked what strategies were used to deal with these issues and she stressed that Watford was in a better place than many local authorities, with a lot of work going on to manage the budget pressures. She explained that there were three strategies: prevention (stopping people entering the service), improved procurement when people were in the service,

and helping people to move on as swiftly as possible into more permanent accommodation.

ACTION: Based on a suggestion from the CFO: a representative from Housing to present a more detailed report on temporary housing to the next meeting.

- In response to a question about the Riverwell reserve and the virement request, the CFO provided details of the reserve, and its purpose to help smooth the timing of income from joint ventures and other commercial activities. She explained that whilst some of the reserve could be repurposed to provide additional funds for affordable housing, this would not be the officer's recommendation, as these funds were being held to manage risk.
- In reply to a question as to whether the Croxley Park reserve, that was meant to last 35 years, would still exist in 5 years, the CFO explained that the 35 years related to the total contribution that had been received. This had been split into two parts, namely revenue and capital and there was a different profile for the use of these amounts.
- The CFO pointed out that the capital, which started at £68 million, was currently at £64 million. She went on to explain about the revenue portion and that whilst (as expected) there was initially more draw down on this fund, the modelling showed that by 2026-27, it should mean that funds could be contributed back to the reserve.
- In response to a question about the effect of the worst-case scenario the committee received reassurance about the measures that could be put in place to mitigate this.

There being no further questions the Chair provided a recap of the recommendations.

RESOLVED –

The Finance Scrutiny Committee has-

1. Considered the draft budget as set out in Attachment 1 – Budget Setting Report and Attachment 3 – Directorate Budget Book 2024/25 to 2026/27.
2. Considered the Capital Strategy for 2024/25, including the Treasury Management Strategy Statement, Prudential Indicators and Minimum Revenue Provision Policy as set out in Attachment 2 – Capital Investment Strategy.
3. Noted the advice provided by the Chief Finance Officer on the robustness of estimates and the adequacy of reserves as set out in Appendix 10 to Attachment 1 – Budget Setting Report.
4. Decided to make no recommendations to Cabinet.