

BUDGET PANEL

9 SEPTEMBER 2014

Present: Councillor A Khan (Chair)
Councillor A Joynes (Vice-Chair)
Councillors J Aron, S Counter, G Derbyshire, J Dhindsa,
R Martins and P Taylor

Also present: Councillor Mark Watkin (Portfolio Holder for Shared Services,
Democracy and Governance),
Councillor Jackie Connal, Councillor Mark Hofman and
Councillor Helen Lynch

Officers: Head of Regeneration and Development
Economic Development and Infrastructure Planner
Interim Head of Finance
Finance Manager
Committee and Scrutiny Officer

7 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

Apologies for absence were received from Councillor Greenslade.

8 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

9 MINUTES

The minutes of the meeting held on 9 July 2014 were submitted and signed.

10 WATFORD ECONOMIC GROWTH AND DELIVERY ASSESSMENT

The Economic Development Manager gave a presentation on the key observations from the Watford Economic Growth and Delivery Assessment. He explained about the key employment sectors in Watford, the town's role in the region, commuting data and various comparisons with neighbouring authorities. He spoke about future growth scenarios for Watford and the potential for new jobs in the town. He highlighted key conclusions and the policy implications for the Council.

Following a question from Councillor Watkin, Portfolio Holder, the Economic Development Manager advised that there was a pressure from residential

developers to purchase empty office buildings. He said that it should be noted that many of the sites were held by pensions or hedge funds. He added that if empty sites were redeveloped into residential units, it may be more difficult at a later date to redevelop neighbouring sites for commercial use, as the impact on residential properties would need to be taken into account. He concluded by stating that it was important not to compromise the future business use of Clarendon Road.

In response to a question from the Portfolio Holder about the redevelopment of industrial sites, the Economic Development Manager advised that he was aware some landlords wanted to redevelop premises, but they were unable to carry out any works as the premises were tenanted.

The Economic Development Manager explained that in relation to Watford Business Park and its redevelopment, the Council was working with the owners of Croxley Business Park. It is hoped that by working in partnership, it would give greater opportunities for businesses to be temporarily decanted to the neighbouring Business Park whilst the works were carried out. He commented that he was sure Members were aware of the Council's need to retain Business rates following the introduction of the new retention scheme introduced in 2013.

Councillor Derbyshire referred to the officer's comments about providing incentives to businesses and asked for further clarification.

The Economic Development Manager informed the Panel that in respect of Clarendon Road, officers were responsive to concerns about the viability of new developments. It had been agreed that in some cases it would be possible to incorporate some residential elements in schemes as long as there was no net loss of business space. The future development of sites could lead to increased higher rental levels which may encourage other owners to redevelop their sites. He advised that many of the office premises in Clarendon Road were not fit for modern companies due to their age and internal layout. It was important to ensure that a planning policy framework was in place but with sufficient flexibility to provide a range of options. Any business rates incentives would have an impact on the Council's finances and had to be considered very carefully before being offered as an incentive to businesses.

In response to a question about the British Telecom premises off Exchange Road, the Economic Development Manager advised that for some time planning officers had considered this as a potential redevelopment site. British Telecom had confirmed that the premises were still in use and were an essential part of its estate. It was noted that this could be an expensive site to redevelop as there were numerous cables within and under the site.

The Economic Development Manager said that future developing sectors of the economy may come from the media sector. This was in response to Warner Brothers being located locally. Officers were aware of some interest in this sector as well as positive signals from Watford's emerging pharmaceutical cluster. The economic modelling produced was not exact about the future, but it was envisaged that the majority of Watford's future job growth would be the

expansion of existing sectors such as financial and professional businesses due to the town's close proximity to London.

Councillor Lynch referred to discussions she had had with a business in Queens Road and their concerns about the high business rates.

The Economic Development Manager reminded Members that business rates were not set by the local authority. The Council did have some flexibility it could grant, however this would have an impact on the amount collected and therefore the amount the Council received. A booklet had been produced by the Council providing businesses with advice. He suggested that the company may wish to discuss the matter with their landlord and to ensure they were only paying for those parts of the premises they used.

The Interim Head of Finance informed the Panel that previously the Council did not have any incentives to increase the amount of business rates it collected. Since the introduction of the new scheme it was important for local authorities to try to increase business rates. There were conflicts whether the Council should provide more housing space to increase the amount of Council Tax collected or to increase commercial/industrial space, thereby generating more business rates. Any discretionary relief awarded to businesses would have an effect on the Council's finances.

In response to a question from Councillor Dhindsa about the land near Watford Junction, the Economic Development Manager explained that the redevelopment of the Watford Junction area had been a long standing ambition of the Council, as well as the developers and landowners involved in the scheme. The Council was in discussions with Network Rail and the owners of other sections of land. The redevelopment of the Watford Junction area could be more complex than the Watford Health Campus project. The Council had engaged with Network Rail at the highest level, who were keen to develop underutilised elements of their estate. Croxley Rail Link and the Crossrail project were key factors in the redevelopment. This site was a key gateway to Watford. A major factor in the redevelopment would be the relocation of the concrete batching plant. He stressed that the redevelopment of Watford Junction was still part of the Council's future plans and positive progress was being made.

The Chair noted that a theme in the presentation was about working with neighbouring authorities. He asked whether the Council already worked with neighbouring authorities to develop industrial units.

The Economic Development Manager said that it was essential local authorities worked together. Watford provided a significant number of jobs for the residents of neighbouring authorities. The South West Hertfordshire authorities were working on joint economic development. Watford Borough Council had decided to commission the assessment prior to the joint discussions. The Council wanted to take a lead and protect its economic interests.

The Chair referred to the towns along the M4 corridor, Slough, Reading and Swindon, and how they had developed their economies through the access to

the motorway. He commented that Watford had two major motorways along its boundaries and whether it would be possible to use the same type of link.

The Economic Development Manager explained that the towns along the M4 corridor had developed their plans approximately 10 or 15 years ago. Across Hertfordshire and Essex there were medium size towns all competing for the same business. The Local Enterprise Partnership (LEP) had identified the need for a major new business park in Hertfordshire. The LEP's new strategic economic plan considered growth corridors along the motorways in Hertfordshire.

In response to a question from the Chair about Watford residents' skills, the Economic Development Manager said that it would be necessary to look at how local residents could be enabled to meet the skill requirements. He advised that the Council had chosen its partner for the Health Campus based on local employment criteria. This included advertising jobs locally and providing local apprenticeship opportunities.

The Head of Regeneration and Development added that Watford had a good economic image and it was important it was retained.

The Economic Development Manager informed the Panel that officers would continue to review the assessment and draw conclusions. An economic strategy would be drawn up based on the information and actions would be created.

The Chair thanked the officers for their informative presentation. He requested that the presentation was circulated to those present.

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PERIOD 4: FINANCE DIGEST

The Panel received the latest Finance Digest, which covered the period to the end of July. The Interim Head of Finance advised that officers had tried to make the document more user-friendly. He highlighted some of the key points within the document.

Councillor Derbyshire referred to the new business rates collection scheme. He suggested that the Council needed to ensure it had included a reasonable estimate when calculating the annual budget and council tax requirements.

The Interim Head of Finance responded that when the original budget had been prepared no assumptions had been made about business rates growth. Included within the report was the baseline figure which had been set by central Government. The £4,907,000 shown in the General Fund included the Revenue Support Grant and the re-distributed business rates. In future versions of the reports the business rates would be shown separately.

Councillor Taylor noted the comments about the risk premium linked to SLM and asked whether any of the other external service providers had the same clause in their contracts.

The Interim Head of Finance responded that he was unsure and would report back to the Panel. He noted that the contract with SLM had included two new buildings and the estimated utility costs were unknown at the time.

The Interim Head of Finance confirmed that the additional funds agreed at full Council for the IT investment were from the capital budget, which would be included in the November report to the Panel.

Following questions from the Chair about the loss of commercial rents, the Interim Head of Finance explained that this was a forecast variance for the year and related to reduced rental income from Intu and Cardiff Road. He would provide further information to the Panel.

In response to Councillor Joynes' concerns about the savings connected to the health care contract, the Interim Head of Finance advised that this was due to Human resources re-negotiating the contract with the provider. He would obtain further information and circulate it to the Panel.

The Interim Head of Finance circulated a draft copy of the latest Medium Term Financial Strategy. He highlighted aspects of the strategy. He said that there was a lot of uncertainty about local government funding from 2016 onwards. Officers had made certain assumptions in the report. He added that officers could not comment on whether the Scottish referendum would have any impact on Council funding.

The Portfolio Holder stated that income from business rates was the Council's most valuable area of finance. He reminded Members that appeals or short term changes to business rates had an impact on the Council's income. He advised that these changes were agreed by the Valuation Office and not the Council.

The Interim Head of Finance suggested that one area the Council could focus on was better enforcement. This ensured that the Council received the income it was entitled to.

In response to comments from Councillor Derbyshire about the reserves, the Interim Head of Finance advised that was why the Council aimed to have a balanced budget. It was possible that further savings might be required in the future.

The Chair commented that he considered there to be sufficient reserves. He referred to recent comments made by the Labour Party leader about local councils having greater control over their finances. He added that to enhance the Council's income it might be possible to have a more entrepreneurial approach, for example to build commercial properties elsewhere in the country and then use that income to support its budget.

The Interim Head of Finance advised that some councils had done this but there was an element of risk with that idea. A company would be coming to speak to

officers in October about this area of investment. Officers would be able to report back to the Panel with further information.

The Interim Head of Finance circulated the timetable for the 2015/16 budget. He confirmed that the Council had no plans to borrow in the medium term.

The Chair thanked the officer for the report and responding to Members' questions.

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DATES OF NEXT MEETINGS

- Tuesday 28 October 2014
- Tuesday 2 December 2014
- Thursday 15 January 2015

Chair

The Meeting started at 7.00 pm
and finished at 8.50 pm