

## **BUDGET PANEL**

**28 OCTOBER 2014**

Present: Councillor A Khan (Chair)  
Councillor A Joynes (Vice-Chair)  
Councillors K Collett, S Counter, G Derbyshire, J Dhindsa,  
H Lynch and P Taylor

Also present: Councillor Mark Watkin (Portfolio Holder for Shared Services  
and Democracy and Governance)

Officers: Shared Director of Finance  
Acting Head of Finance  
Regeneration and Property Section Head  
Committee and Scrutiny Officer

### **13 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP**

There was a change of membership for this meeting: Councillor Collett replaced Councillor Greenslade and Councillor Lynch replaced Councillor Aron.

No apologies were received from Councillor Martins.

### **14 DISCLOSURE OF INTERESTS (IF ANY)**

There were no disclosures of interest.

### **15 MINUTES**

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

### **16 FINANCE DIGEST**

The Panel received the latest Finance Digest, which covered the period to the end of September.

#### Detailed Revenue Variances by service areas (Appendix 2)

Councillor Lynch commented on the various references to legal fees for court cases and costs awarded by the courts. She noted, however, that there was no reference to costs being awarded for the housing cases. She asked whether officers were able to advise if the Council had lost those cases.

The Chair noted the variance of £37,000 shown under Partnerships and Performance; he asked for further clarification.

The Shared Director of Finance advised that the requested information would be circulated to the Panel.

### Salary Analysis (Appendix 3)

Councillor Taylor sought clarification on the reason for the variance in the Community and Customer Services' salary budget.

The Shared Director of Finance explained that it was likely that the service had carried out a restructure or a post had been regraded. The funds to cover this increase had been transferred from another budget code for that service.

The Interim Head of Finance confirmed that there had been an underspend on the service's subscription budget and the required amount for the salary variance had been transferred across.

### Key Financial Risk Areas (Appendix 5)

In response to a question from Councillor Taylor about the homelessness net spend, the Shared Director of Finance advised that the Housing Section Head took into account a range of factors when reviewing homelessness cases. For example, Housing officers worked closely with the Housing Benefits Team. She assured the Panel that each case was looked at in the round.

### Detailed Capital Programme (Appendix 7)

Councillor Dhindsa noted the budgets for the allotment upgrades and the Farm Terrace Allotments. He commented that the future of Farm Terrace was currently unknown. He asked for clarification on the expenditure of £6,911 in the current financial year.

The Shared Director of Finance stated that she would circulate the information to the Panel.

Councillor Dhindsa then referred to the ICT programme. He said that the Council appeared to be putting more and more money into ICT. He added that it was frustrating. He asked whether there was a line when the Council would stop putting money into this resource.

The Shared Director of Finance advised that the Council would not stop putting money into ICT. It continually needed to be updated, similar to how a car needed to be maintained. She added that the reason the Council was in the current position with ICT was that it had not been maintained in the past. A proper replacement programme would be put in place. She informed Members that Capita had attended a recent Outsourced Services Scrutiny Panel. The company had been given until December to make significant improvements.

The Portfolio Holder added that the Council was not near the end of the journey with ICT. He agreed that the Council had not spent the money in the past.

Councillor Dhindsa asked if the Panel could be provided with a breakdown of the costs the Council had spent over the last five years.

Councillor Collett responded that the report to Outsourced Services Scrutiny Panel had included a history of funds spent by the authority. Senior Managers from Capita had attended the meeting and had confirmed the company would be covering the costs for some of the outstanding work.

The Shared Director of Finance suggested that Members should read the report produced by the consultants, Actica Consulting Ltd. The report provided a detailed history of ICT. She added that the ICT expenditure was complicated as some of it was shown in the Shared Services budget and some outside of Shared Services. She agreed to provide Members with the Shared Services costs for Watford.

The Chair commented that ICT had been a shambles for a number of years and referred to his time as a member on the Shared Services Joint Committee. ICT needed a focus placed on it.

The Shared Director of Finance reminded Members that the ICT service had not been good prior to Capita being awarded the contract.

In response to a question from Councillor Joynes about the budget for Charter Place, the Shared Director of Finance advised that this was in connection with compensation payments to businesses leaving Charter Place prior to the redevelopment of the site.

#### Capital Variances 2014/15 by scheme (Appendix 8)

Councillor Taylor requested further clarification on the variances for the Health Campus.

The Shared Director of Finance explained that the Health Campus variances related to accounting treatments. She advised that £2 million had been loaned to the West Herts Hospitals NHS Trust to support its required costs for the Health Campus. A contract had been drawn up between the Council and the Health Trust setting out repayment dates.

Councillor Derbyshire commented that he understood the loan to the Health Trust was to cover its contribution towards the cost of the new road. The loan had provided the interim assistance the Health Trust had needed. He also agreed that the contribution to the Local Asset Backed Vehicle (LABV) was not an investment. At the end of the Health Campus development it was hoped that there would be some profit, which would be shared between the groups involved in the scheme.

The Shared Director of Finance stated that the accounting arrangements had been agreed with the auditors.

In response to a question from Councillor Dhindsa, the Regeneration and Property Section Head explained that the Property Review was currently being carried out. The last review had been completed in 2011 and the latest review would bring the original information up to date.

Councillor Collett informed the Panel that a Task Group had been set up and was working with officers on the latest property review.

The Regeneration and Property Section Head advised that the cost of the consultants was less than the amount quoted in Appendix 8. The figure also allowed for some work that may be required as a result of the review. He advised that the Council had sought tenders for the review. He added that part of the review involved benchmarking and the Council needed national expertise to carry out this work.

Following a question from Councillor Lynch regarding the Hurling Club, the Shared Director of Finance informed the Panel that the £600,000 shown in the appendix had been moved into the 2015/16 budget requirements.

#### Council Tax and NNDR Collection Rates (Appendix 12)

Councillor Taylor referred to the collection of Business Rates and asked how the required amounts compared against the benchmark.

The Shared Director of Finance advised the Panel that the Finance Digest would be revamped and would provide more detail. She added that currently the collection rates had shown the Council to be back into the safety net. More details would be reported in the next edition of the Finance Digest.

Councillor Derbyshire referred to the funding analysis shown in Appendix 4. He said that this had shown an initial estimate but the income could vary considerably.

The Shared Director of Finance explained that the £2.331 million was the baseline. When the Period 6 edition of the Finance Digest had been produced it had been estimated that the Council would collect £2.5 million. However, it now appeared that the revenue may be £200,000 less than the original estimate. The amount could be affected by the Valuation Office carrying out re-evaluations.

Councillor Watkin, the Portfolio Holder responsible for Finance, commented that this was one of the most difficult areas of the budget to forecast. The Council had no control over the variations.

The Chair thanked everyone for the good discussion.

## PROPERTY RENTS

The Panel received a report of the Shared Director of Finance and the Regeneration and Property Section Head. The Regeneration and Property Section Head highlighted some of the key elements of the report.

Following a question from Councillor Collett about incentives, the Regeneration and Property Section Head explained that there were various incentives that may be granted. A company could be offered a rent free period for a new tenancy or be given capital contributions towards fitting out the premises. He added that if the Council did not quickly lease premises there would be an impact on business rates.

The Chair referred to the table setting out occupancy rates for units. He said that he had understood that the majority of businesses had moved from Cardiff Road, although the table indicated that there were only three vacant units.

The Regeneration and Property Section Head advised that he would check the accuracy of the information and report back to Members.

The Chair noted the risk matrix, paragraph 7.1 of the report, was incorrect. Councillor Taylor requested further clarification of the final risk in the table and the reference to a disposal strategy.

The Regeneration and Property Section Head informed Members that the Property Review considered how all properties in the Council's portfolio performed, benchmarking them against national criteria. Part of the review looked at how intensively properties were managed. The aim of the disposal strategy would be to consider whether the property portfolio could be improved by replacing properties with more profitable ones. He stated that a report would be presented to Leadership Team in November. With operational properties it would be necessary to consider if there were more effective ways of working with the space available.

The Portfolio Holder suggested that the Council may decide to dispose of those properties which were not high earners. He noted the risk matrix and considered the 'likelihood' should probably be two and not three. Non-performing properties could be a threat to the Council's overall budget.

The Regeneration and Property Section Head said that if the Council did sell some properties it would receive a capital receipt. He did not envisage this being spent immediately and there would be some reduced income received until the receipt was reinvested, however the timing of sales was in the Council's control.

The Portfolio Holder considered it to be a positive position if the Council received a capital receipt from any sale.

The Chair informed the Panel that the Property Task Group would be meeting towards the end of November to discuss the consultant's report. The Task Group would be able to discuss the issues raised at this meeting.

Councillor Derbyshire noted the potential sale of lower performing properties and asked how the Council would consider investing its money, for example in property or financial investments.

The Shared Director of Finance responded that the assumption would be to reinvest in property, as this was currently a better investment. The Council had options where it wished to spend its resources. There was no proposal to ringfence the funds.

Councillor Collett suggested that due to the current housing situation it might be an idea to invest in temporary accommodation.

The Portfolio Holder said that it would be important to reinvest funds which in turn would enable other things to happen.

The Shared Director of Finance stated that from a financial point of view it was important to invest in places with the highest rate of return. This would then enable the Council to do some of the work it wanted to do elsewhere.

The Regeneration and Property Section Head added that the Council could look at regeneration areas.

In response to a question from the Chair, the Regeneration and Property Section Head stated the investment portfolio was worth in the region of £105 million, plus or minus 5% or 10%. The operational portfolio, which included the Town Hall, was in the region of £40 million.

The Chair thanked everyone for their contribution to the discussion.

18

## **DATES OF NEXT MEETINGS**

- Tuesday 2 December 2014
- Thursday 15 January 2015
- Tuesday 24 February 2015

Chair

The Meeting started at 7.00 pm  
and finished at 7.50 pm