

## **BUDGET PANEL**

**13 September 2017**

Present: Councillor Asif Khan (Chair)  
Councillors N Bell, A Dychton, J Fahmy, M Parker, G Saffery and  
N Shah

Also present: Councillor Mark Watkin

Officers: Head of Finance (Shared Services)  
Regeneration and Property Section Head  
Committee and Scrutiny Support Officer

### **7 Apologies for Absence/Committee Membership**

Apologies were received from Councillors Hofman and Martins.

### **8 Disclosure of Interests (if any)**

There were no disclosures of interest.

### **9 Minutes**

The minutes of the meeting held on 27 June 2017 were submitted and signed.

### **10 Training: Process for setting the budget for 2018/19 and Medium Term Financial Strategy for 2020/21**

The Head of Finance provided an overview of the process for setting the budget for 2018/19 and Medium Term Financial Strategy for 2020/21.

During and following the presentation, the Head of Finance responded to questions from members.

It was agreed to circulate a copy of presentation to panel members.

### **11 Finance Digest 2017/18 (Q1)**

The Head of Finance introduced the Finance Digest for quarter 1 2017/18. This showed the expected financial position (forecast outturn) for the current

financial year, based on the actual performance at the end of Quarter 1 (June 2017) set against the latest budget.

It was reported that the latest budget of £15.465 million included approved budget carry forwards from 2016/17 and additional agreed spend from reserves. This compared with the budget approved by Council in January 2017 of £14.262 million. The 2017/18 forecast outturn was reported to be £15.851 million, which represented an unfavourable variance of £386,000. The Head of Finance identified two key contributory factors: a net increase in ICT costs for the year of £287,000 and a budget revision to the rental income of £246,000. The ICT variance was expected to change over time and both the eventual figures would be picked up at the budget revision in January and most likely would be managed through reserves.

The panel sought further information about the pressure on ICT against the latest budget. Although it was acknowledged that significant investment was required in this area, the current expenditure forecast raised some concerns. It was noted that ICT was a lead authority shared service between Watford Borough Council and Three Rivers District Council (TRDC) and that an additional increase in costs of £191,200 would be charged to TRDC (subject to confirmation by their Policy and Resources Committee).

The Head of Finance explained that the main issue had been the difficulty of recruiting and retaining skilled staff following the reversion to in-house provision from Capita last year. As a consequence more costly agency staff had been employed. The current internal restructuring as per the new ICT strategy would allow the service to recruit to permanent positions to establish a more sustainable recruitment strategy in the future. The issue was being monitored closely and addressed at a senior level in both authorities.

Panel members questioned the use of expensive agency staff, suggesting that a better approach might be the payment of market force supplement rates for key personnel. It was agreed that ICT costs should continue to be scrutinised closely by the Panel.

The panel raised an additional concern about the net decrease in rental income of £196,200 in Place Shaping and Performance, as detailed in Appendix 1. The Head of Finance explained that this related to erroneous double counting in the revenue income budget for the Charter Place carpark during budget setting. Panel members suggested that the commentary provided at Appendix 1A did not explain this accounting error sufficiently clearly. However, it was noted that an increase in expected planning fees would partially offset this budget error.

There followed a short discussion about the council's capital investment programme, which supported core services. The forecast outturn was estimated to be £42.001 million, £281,000 higher than the latest budget. The Head of Finance reported that this was partly due to a finance management systems upgrade; the replacement of Budget Monitor II (an unsupported budget management system), and the upgrade of the AIM cash posting system (which included payment for a five year maintenance support and licence for the AIM system).

Sections 3.3 and 3.4 of the Finance Digest were highlighted by the Head of Finance. These provided an analysis of the council's key sources of income and had been requested previously by Budget Panel. The additional analysis was welcomed by the panel as an aid to clarification and scrutiny.

In regard to the council's treasury management, the Head of Finance reported that at 0.34% the interest earned on the council's investments was just below the target rate of 0.37%. This was a consequence of holding large amounts of funds on call for property purchases. This had allowed the Council to gain a reputation as a reliable purchaser within the commercial property market.

Panel members were invited to direct any further questions or points of clarification to the Head of Finance.

RESOLVED –

that Budget Panel notes the content of the Finance Digest 2017/18, quarter 1.

## 12 **Exclusion of press and public**

RESOLVED –

that under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business as it is likely, in the view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during consideration of the item there would be disclosure to them of exempt information as defined in Section 100(1) Schedule 12A of the Act for the reasons stated in the report.

## 13 **Presentation on Property Investment Board activities**

A presentation was received from the Regeneration and Property Section Head, who responded to questions from Budget Panel members.

RESOLVED –

that Budget Panel notes the content of the presentation.

Chair

The meeting started at 7.00 pm  
and finished at 8.40 pm