

## **BUDGET PANEL**

**11 MARCH 2013**

Present: Councillor J Dhindsa (Chair)  
Councillor S Rackett (Vice-Chair)  
Councillors J Aron, G Derbyshire, P Jeffree, A Khan and  
P Taylor

Also present: Councillor Mark Watkin (Portfolio Holder for Finance and  
Shared Services)  
Councillor Nigel Bell (for minute numbers 42 to 45)

Officers: Head of Strategic Finance and Shared Services  
Head of Legal and Property Services  
Property Section Head  
Committee and Scrutiny Officer

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

Apologies for absence were received from Councillors Greenslade and Martins.

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

There were no disclosures of interest.

### **41 MINUTES**

The minutes of the meeting held on 16 January 2013 were submitted and signed.

### **42 UPDATE ON PROPERTY**

The Panel received a report of the Head of Legal and Property Services providing a follow up to the briefing given to Budget Panel in November 2011. The Head of Legal and Property Services highlighted the current work being carried out by the service.

#### Charter Place

The Chair asked how the current income from Charter Place would be protected following the transfer of the site to Intu.

The Property Section Head advised that Intu, the new name for Capital Shopping Centres, would pay a fixed rent of £1.8 million. This would be more than the current rental income. The income would be protected during the redevelopment phase.

Following a further question from the Chair, the Property Section Head advised that he did not have the exact current vacancy levels. The Team had managed Charter Place, having been aware of the redevelopment of the site for a number of years. Gradually more units would become vacant in order for it to be ready for redevelopment. Tenants were being kept informed. One or two tenants had served their break notices as they did not want to be part of the new development. Currently there were a number of short term leases with retailers ranging from national companies to local traders. When the site was transferred to Intu the Council would receive one payment for the whole of the site rather than a number of payments from each shop tenant. The rent would be paid quarterly.

The Head of Strategic Finance and Shared Services advised that the extra income would not show in the Council's accounts until the site had been transferred.

Following questions from Councillor Rackett, the Property Section Head confirmed that the Council's total rental income from its property portfolio was approximately £6 million and that Charter Place was one part of that.

In response to a question from Councillor Taylor regarding future rental payments after the redevelopment, the Property Section Head advised that the base rent stayed the same and was not linked to inflation. There was a 7% top up, which covered long term growth.

With regard to tenants who owed rent to the Council, the Property Section Head advised the portfolio was proactively managed. Each unit was considered individually depending on a range of circumstances. In some circumstances it was better to allow a tenant to remain, even when there were arrears, rather than seek possession, especially if there were no other prospective tenants showing an interest in the property. This avoided the Council having to pay empty property rates in addition to getting no income.

Following a request from Councillor Khan, the Head of Legal and Property Services advised that she would provide Members with the list of assets held by the Council.

### Ascot Road

Following two questions from the Chair, the Property Section Head advised that the capital receipt from Morrisons would be in the region of £3 million. There was the possibility of receipts from other parts of the land. The timescale for the development of other parts of the site were in the region of two to three years. Usually the demand for premises dictated the timing of the development. A bid

had been submitted to the Local Enterprise Partnership for funding to help with pump priming the regeneration of the other parts of the land.

The Head of Legal and Property Services advised that the proposals for a school had been included. Planning permission had been granted.

Councillor Bell asked about the warehouse site and the progress that had taken place.

The Property Section Head advised that discussions were ongoing and it was hoped a commercial deal would be reached with the lessee. The Council did have the option to compulsory purchase any required land.

The Chair suggested that residential units could be built on large stores such as Morrisons and Tescos. The residential accommodation would be useful for staff employed by the stores.

The Head of Legal and Property Services advised that this was a matter more pertinent to the Local Development Framework than the work of the Property Team.

#### Watford Health Campus

Councillor Derbyshire referred to the comments in the report regarding a potential compulsory purchase order for the site. He had understood that the Council held the freehold for much of the land.

The Head of Legal and Property Services advised that there were other freeholders of land on the overall site of the project. The Council intended to compulsory purchase its own land to enable old covenants to be removed, as they restricted development. Negotiations were also taking place with the hospital for a compulsory purchase order on its land, again to remove any restrictive covenants. She stated that it was a very complex issue.

The Chair commented that there had been numerous meetings about the Health Campus. He referred to the Cabinet meeting and the comments made by Professor Hanahoe. He asked when people would begin to see the financial details. He also questioned when the justification for the inclusion of Farm Terrace allotments would be explained.

The Head of Strategic Finance and Shared Services responded that originally financial close was due to be the end of March, however this had now slipped to the end of April. This information would not include the allotment site. It would show whether the scheme was viable without using the allotments. There would be a separate process to show the financial viability if the allotments were to be included and what would be placed on that land. The latest masterplan for the scheme showed part of the hospital being developed on half of the allotment site.

Councillor Derbyshire noted that at the Cabinet meeting the Chairman of the Hospital Trust had said that the scheme would be viable without the allotment, but this was not the preferred option. The Chairman had said that he wanted to retain the flexibility for the hospital.

### Croxley Rail Link

The Chair asked whether the Croxley Rail Link scheme would involve any compulsory purchase orders and if it did which landowners would be affected.

The Head of Legal and Property Services advised that the County Council was the project sponsor for this scheme. The Secretary of State's decision about the scheme had not yet been announced. She confirmed that the Council did own some of the land, hence its involvement. Cabinet had previously agreed to transfer some land. There were no costs involved for the Borough Council.

The Chair enquired about the Metropolitan Station. The Head of Legal and Property Services explained that the Mayor of London was responsible for the decision. .

Councillor Derbyshire believed that Mayor Johnson was likely to wait for the Secretary of State's report.

Councillor Khan asked for details of the value of the land the Borough Council would be handing over to the County Council.

The Property Section Head stated that they would be small parcels of land that would facilitate the construction of the scheme. The Council would not lose any income.

The Head of Legal and Property Services added that the details were included in the confidential report to Cabinet. It had been done as part of the Council's contribution towards Croxley Rail Link.

### Waste, streetcare, parks and open spaces service redesign

The Chair questioned whether the Council would be able to retrieve its assets if the services were outsourced and it then went wrong.

The Property Section Head explained that the outsourced company would lease the premises. If the contract were terminated then the lease would also be terminated. He added that the commercial rent due for the property would form part of the contract with the external provider.

The Head of Strategic Finance and Shared Services added that the Council would still retain ownership of the vehicles.

In relation to the Parks and Open Spaces service redesign, the Head of Legal and Property Services said that only the operational buildings would be included within the contracts.

## Community Centres

The Chair asked how the maintenance of buildings was monitored.

The Head of Legal and Property Services advised that the premises had been leased on internal repair only leases. The Borough Council was still responsible for the external maintenance. The one exception was Leavesden Green which had been leased to the Housing Trust on a full repairing lease. In the past the Council had leased premises to third sector groups on full repairing leases, but the groups were often unable to maintain the upkeep.

The Head of Legal and Property Services added that the Service Level Agreements specified the use for each of the centres. Community Services had been involved in the development of the agreements.

Councillor Khan said that in his ward, Leggatts, there was some confusion over the ownership of the scout hut. The Housing Trust had said that it did not own the site and the Council stated that it had been transferred to the Housing Trust.

The Head of Legal and Property Services explained that if the Council was the freeholder then the organisation should have a lease. The lease would set out the repairing requirements. She asked the Councillor to contact the officers with further details and they would be able to investigate the matter. When the Council had transferred stock to the Housing Trust a list of properties had been compiled. The Housing Trust would have taken over any leases with organisations within those premises.

Councillor Bell asked whether the Council had taken on board the problems which had arisen with Age UK.

The Head of Legal and Property Services advised that the lease with Age UK had commenced in the 1960s. In recent years when the Council had agreed any new leases or renewals with the third sector internal repairing leases were agreed. The level of rent was charged according to lease type. There were still some leases which could not be reviewed due to the length of the original lease. For example, the lease for the Exchange Road property, used by Age UK, did not expire for another 30 or 40 years.

The Portfolio Holder, Councillor Watkin, asked whether the Council had any rights to inspect the premises in order to ensure the properties were up to standard.

The Property Section Head explained that the Community Centre leases had been compiled to include an annual inspection clause, enabling the Council to ensure the premises were being kept in good order. The Head of Legal and Property Services added that when the centres were let the leases contained a condition schedule which identified the condition of the premises at the date of the completion of the lease.

### Rent to Mortgage portfolio

Following a question from the Chair about the number of properties, the Property Section Head advised that there had been 12 properties. One of the properties had been sold and another one was in the hands of solicitors. There were 10 remaining. The registered occupiers were the freeholders of the properties. Whilst the occupier paid their mortgage they were secure. They were given rights to purchase the premises at a discounted rate. The Council would continue to ask them if they wished to purchase the Council's interest in the property. The Council could approach the Housing Trust and enquire if it wished to purchase the Council's interest or pass to auction. He stressed that the residents were secure whilst paying their mortgage.

In response to a question from Councillor Khan, the Head of Legal and Property Services explained that the properties had been sold before the Council had envisaged the transfer of housing stock to the Housing Trust. It was a form of shared ownership.

### Arrears of commercial rents

The Chair asked about the number of commercial rent arrears that would be written off.

The Property Section Head responded that the level of income was good. Any write offs tended to be from the retail portfolio. Once Charter Place had been transferred to Intu, he did not envisage there would be any significant write offs. The Business Park properties had geared leases, which related to a percentage of the income. There were no large write offs expected on the Business Park. Rents were paid quarterly.

Following a question from Councillor Bell about the level of occupancy at the Business Park, the Property Section Head advised that it was necessary to consider the state of the premises. The Council was looking at pump prime investment for regeneration. It required intense asset management to regear premises. A number of considerations needed to be balanced, including job creation. He later added that other funding streams would be investigated to support the regeneration. It would take a few years to make any significant changes to the Business Park.

Councillor Bell asked the Head of Legal and Property Services whether she considered that there were the right staffing levels in the Property Team or if it would be outsourced or combined with other authorities.

The Head of Legal and Property Services responded that once the current workload had been completed, the service would be market tested in order to see what the private sector could offer. The internal service would be benchmarked. There had been some external support for some of the major projects.

The Chair thanked the Head of Legal and Property Services and Property Section Head for attending the meeting and responding to Members' questions.

RESOLVED –

that the report be noted.

**43 FINANCE DIGEST**

The Panel received a report of the Head of Strategic Finance and Shared Services incorporating the latest edition of the Finance Digest as at the end of January (period 10).

Councillor Rackett referred to his amendment to Council regarding discretionary rate relief. He noted that the Borough Council did offer this relief to businesses. He suggested that the Panel should be given a briefing on discretionary rates relief, including how the rules were applied and whether it was possible to increase the fund.

RESOLVED –

1. that the Finance Digest as at the end of period 10 be noted.
2. that Budget Panel receives a briefing on discretionary rates relief in the new Municipal Year.

**44 WORK PROGRAMME 2012/13**

The Panel received the latest version of the work programme for 2012/13. Members were asked to note the programme and put forward suggestion for the new Municipal Year.

The Committee and Scrutiny Officer advised that she would include the suggestion agreed on the previous item. Councillor Rackett asked that all Members were invited to attend the meeting when discretionary rates relief was discussed.

The Chair commented that as part of the discussion about the Controlled Parking Zones the Panel had asked for a breakdown of income.

Councillor Rackett confirmed that this information had been presented to the Outsourced Services Scrutiny Panel. The Committee and Scrutiny Officer agreed to circulate the information to the Panel.

Councillor Khan suggested that the Panel might wish to look at rents received for properties owned by the Council.

Councillor Rackett advised that he had put forward a scrutiny suggestion to review the Property Service and that information could be pursued as part of that review. It could include investigation into rent holidays and whether they were applied fairly.

The Committee and Scrutiny Officer confirmed that the scrutiny suggestion would be included on the agenda for Overview and Scrutiny Committee. The agenda would include the response from the Head of Legal and Property Services, who had advised that the service would be unable to support a review at the current time due to the current workload, which had been highlighted earlier in the meeting. Overview and Scrutiny Committee would be given all the information and would need to decide whether it wanted to set up a Task Group.

The Chair stated that he felt the Panel had worked fairly through the year. It had made recommendations to Cabinet which had been accepted. He thanked Members for their contributions and the lively debates that had taken place.

RESOLVED –

that the work programme be updated according to Budget Panel's suggestions.

45

#### **ANNUAL SCRUTINY REPORT 2012/13**

Members received a copy of Budget Panel's contribution to the 2011/12 Annual Scrutiny Report.

The Committee and Scrutiny Officer advised that the extract had been included as an example and asked whether Members had any suggestion regarding the format. She assured Members that they would be provided with a draft of Budget Panel's contribution prior to it being included in the final report, which would be presented to Council in July.

RESOLVED –

that the draft of Budget Panel's contribution to the Annual Scrutiny Report 2012/13 be circulated to the Panel Members prior to publication.

Chair

The Meeting started at 7.00 pm  
and finished at 8.20 pm