

BUDGET PANEL

9 JULY 2014

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

Officers: Shared Director of Finance
Committee and Scrutiny Officer

1 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

Apologies for absence were received from Councillors Greenslade and Martins.

2 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

3 MINUTES

The minutes of the meeting held on 26 February 2014 were submitted and signed.

4 FINANCIAL OUTTURN FOR 2013/14

The Panel received a report of the Director of Finance that provided details of the revenue and capital outturns for 2013/14.

The Director of Finance explained to the Panel the differences with the outturn report and the last Financial Digest available to Members. She advised that the carry forward requests set out in Appendix 1E to the report would not have been included in the Digest as it would have been hoped to have completed the work in 2013/14. The largest carry forward request was to cover the cost of the property review which was currently in progress.

Appendix 1D set out the variances in employee costs for the year. The Director of Finance informed Members that the largest figure was in the Corporate Strategy and Client Service department. The variance was due to the original budget incorporating the salary costs for those staff who were later transferred to Veolia. She stressed that this would not have been the overall saving to the Council as there would be a similar figure elsewhere in the budget to cover the Council's costs to Veolia for providing the outsourced services.

Appendix 1F provided a summary of the reserves from the original balance on 31 March 2013 to the balance as at 31 March 2014. The Director of Finance stated that the final balance included the New Homes Bonus which had been transferred into its specific reserve, which was originally anticipated to be used to fund the capital programme, but due to a review of the Capital Programme in the year this was no longer required during the year. It also included the National Non-Domestic Rates (NNDR) Collection Fund Reserve which had been set up to retain the grant paid by the Government, under the new business rate regime, as the Council was in a safety net position. Due to the way in which business rates were accounted for most of this would be released during 2014/15.

Councillor Derbyshire considered there to be a substantial surplus in the accounts. He questioned whether the increase in reserves had been due to the transfer of a surplus in the income and expenditure account.

The Director of Finance advised that the full income and expenditure was set out in the Statement of Accounts. The Council had an underspend of £1.972 million in 2013/14 and the details of the variances were highlighted in Appendix 1B of the report. She added that the Statement of Accounts showed the incomes and expenditure of the Council and incorporated the technical accounting processes which had to be included. The Explanatory Foreword provided an explanation of the financial information in the remainder of the report.

The Director of Finance informed the Panel that the Finance Digest provided a regular update on the Council's net budget, including income from services but not government grants. When reviewing the reserves there had been a small financial transfer to the overall reserves. The New Homes Bonus and the NNDR Collection Fund were not included. She reminded Members that the NNDR grant was given to the Council by the Government as a top up in funding due to the shortfall from the expected 2013/14 income from NNDR.

In response to a further question from Councillor Derbyshire, the Director of Finance advised that reconciliation took place between the Finance Digest and the Statement of Accounts. It was agreed that the reconciliation would be circulated to Budget Panel and Audit Committee.

Following a request from the Chair the Director of Finance outlined the increases to the reserves other than the New Homes Bonus and NNDR Collection Fund. She advised that generally they were earmarked reserves for specific future spending requirements, for example the Pension Funding Reserve and the Car Parking Zones Reserve. A total of £3,049,000 had been used during 2013/14.

Councillor Taylor requested clarification on the increase shown for the relocation of the Hurling Club. The Director of Finance advised that this would have been reported to Members. She would circulate the information to Budget Panel.

The Chair asked for further explanation about the variance in employee costs that related to the Veolia contract, set out in Appendix 1D of the report.

The Director of Finance informed the Panel that the Council set its 2013/14 budget in January 2013. At that stage the Council was considering outsourcing its waste and recycling services to an external provider but no decision had been made. The budget was set once a year and was not changed during the financial year. In comparing the original budget with the outturn it showed a difference of £3.8 million. The budget had been removed from the staff line and then put into the charges to the Council for the service provided by Veolia.

The Chair noted the increase in the Development Control planning income shown in Appendix 1B. He also referred to the income variance from the Harlequin. He felt that the number of empty shops in the centre was having an impact on the Council's income.

The Director of Finance advised that the level of occupancy in the shopping centre had not been the same as originally envisaged as when the original budget had been set. The Finance Digest reported to Budget Panel earlier in the year had anticipated a downturn in income of approximately £500,000. At some point there had been a change and the outturn had not been as bad as the earlier forecast.

The Chair asked whether it would be possible to see a monthly breakdown of the rental income. This would provide Members with an opportunity to see the income at different points during the year. He felt that if Watford's economy grew then income would grow as well.

The Director of Finance said that Intu was a specialist retail area. The Council had its income profile from the company. She stressed that the information may not represent a true picture of the retail sector in the remainder of the town.

Councillor Derbyshire noted the increased revenue from Charter Place. The Director of Finance advised that part of the increase was due to the changes in the arrangements with Intu.

Councillor Joynes referred to the use of agency staff in Shared Services, particularly Revenues and Benefits which had been due to the proposed introduction of Universal Credit. She asked whether permanent staff were being recruited.

The Director of Finance advised that previously it had been decided that it would be difficult to recruit permanent staff due to the introduction of Universal Credit. This view had now changed and the aim was to reduce the reliance on agency staff and recruit to permanent posts. In the future when Universal Credit was introduced the staff would either be TUPE'd over to the Department for Works and Pensions or remain with the service and work on the Council Tax Support scheme.

Councillor Joynes welcomed this news and said that the staff must feel better as a permanent team.

Councillor Dhindsa asked for a breakdown of the cost of agency staff as it was likely to cost more than permanent staff. In addition he enquired about the position of Head of Service.

The Director of Finance responded that it was not necessarily more expensive to use agency staff. She informed the Panel that the Interim Head of Revenues and Benefits had been recruited to the permanent position following an open recruitment process.

In response to a question from the Chair about the increased cost for ICT, the Director of Finance explained that this related to increased contract costs for Year 1 compared to future monthly payments. The Council had not been aware of the front loading of costs when the original budget had been set. It was not in addition to the overall costs of the contract, just the profiling of the payments.

Councillor Taylor referred to the carry forward request of £85,000 for the property review. He asked why this was being carried out.

The Director of Finance advised that the aim was to consider if the Council was making the best use of its investment and if not how it might be improved.

The Committee and Scrutiny Officer informed the Panel that the Property Task Group would be reviewing the interim report before it was presented to Cabinet in September. The Task Group's comments would be presented to Cabinet. The Task Group's meeting would be held on 29 July and all members were welcome to attend.

Councillor Aron asked about funding availability for any possible suggestions contained within the report.

The Director of Finance responded that there was no allocated funding within the current budget. If additional was required then it would be necessary to report to Full Council setting out the requirements. An example might be the requirement to spend money to generate future income.

The Committee and Scrutiny Officer informed the Panel that the minutes of the meeting would be provided to Cabinet to show the Panel's views about the financial outturn.

RESOLVED –

that Budget Panel agrees the recommendations to Cabinet as set out in the report.

5

WORK PROGRAMME

The Committee and Scrutiny Officer asked the Panel to consider items it might wish to have included on the work programme for the remainder of the year.

She also suggested that Members might wish to put forward training proposals for the programme.

The Chair informed the Panel that he had attended a very informative finance training session organised by the Local Government Information Unit. He said that he would thoroughly recommend the course. He suggested the Panel might wish to scrutinise the economic impact in the area. He was aware that other local authorities were entrepreneurial and generated income from outside the scope of the services they provided. He suggested that Watford could look at other alternatives.

The Director of Finance stated that Watford already did quite a few different things, for example the arrangements with Intu and the scheme at the Health Campus development. It was recognised that growth was key to future funding. The Localism Act allowed local authorities to do anything it wanted to do. The commercial arm of an authority was able to financially support the council in its statutory role.

The Chair suggested that the Council's Economic Development Officer be invited to provide the Panel with a presentation on the economic development of Watford. The subject could cover the following areas –

- Where are we?
- Council strategies
- Potential opportunities

The Chair noted that in other local authority areas, there were examples of a council renting out its art work and another one providing building control services to other local authorities.

RESOLVED –

1. that Members inform the Chair, Director of Finance and Committee and Scrutiny Officer of any suggested items for the work programme.
2. that the work programme be updated to include an item on the economic impact on Watford and the actions being taken by the Council.

6 DATES OF NEXT MEETINGS

- Tuesday 9 September 2014
- Tuesday 28 October 2014
- Tuesday 2 December 2014

Chair

The Meeting started at 7.00 pm
and finished at 8.05 pm