

FINANCE SCRUTINY COMMITTEE

29 June 2020

Present: Councillor M Turmaine (Chair)
Councillor P Kloss (Vice-Chair)
Councillors D Allen-Williamson, N Bell, A Khan, J Pattinson,
G Saffery, Stanton and D Walford

Officers: Democratic Services Officer (JK)
Interim Head of Finance

1 Training: the role of the Finance Scrutiny Committee

The Interim Head of Finance provided an overview of the role of the Finance Scrutiny Committee.

Following the presentation, the Interim Head of Finance responded to questions from members.

The committee thanked the officer for the presentation.

2 Apologies for absence

No apologies had been received.

3 Disclosure of interests

There were no disclosures of interest.

4 Minutes

The minutes of the meeting of Finance Scrutiny Committee held on 11 March 2020 were approved. They would be signed at the Town Hall at a later date.

5 Financial Outturn 2019/20

The committee received the report of the Interim Head of Finance. The report informed Finance Scrutiny Committee and Cabinet of the revenue and capital outturns for the financial year 2019/20. The committee was asked to review the

recommendations for Cabinet and consider any further recommendations it wished to make in respect of these to Cabinet.

The Interim Head of Finance introduced the report and highlighted the key areas, in particular:

- The revised net revenue budget was £14.961 million and the outturn was £14.045 million; a variance of £0.916 million. After carry-forwards, there was an underspend of £0.192 million to be added to the economic impact reserve.
- Projects requiring funds to be carried forward included Watford 2020 and a sports development programme.
- The capital budget was £42.045 million and expenditure had been £22.081 million. Capital projects did not fit neatly into financial years and delays could occur for a variety of reasons. The remainder would therefore be rephased to 20/21.
- The council's levels of reserves were relatively healthy, having increased to £23 million by the end of 19/20, but some were earmarked for certain expenditure.

It was confirmed to the committee that this report reflected the situation before the onset of Covid19, as lockdown was introduced shortly before the end of the financial year.

RESOLVED –

that the Finance Scrutiny Committee supports the recommendations to Cabinet as set out in the report.

6 **Council Finances - 2020/21 Budget Update**

The committee received a report of the Interim Head of Finance with an update on the council's finances as a result of Covid19.

The Interim Head of Finance introduced the report. This was not part of the usual reporting cycle and reflected the current exceptional circumstances. The report reflected a snapshot in time and the situation was evolving. Key points for the committee to note were:

- The council had had a significant loss in income (£2.3 million) which included the leisure management fee, community asset rents, market rents, CitiPark rent, intu rent holiday, car parking fees and other commercial rent loss.
- Croxley Park had a sinking fund as part of the agreement to cover unexpected drop in rent receipts.

- Covid19 had also resulted in increased expenditure in many areas including; accommodating rough sleepers, additional CSC staff, IT costs and building support costs.
- Some savings had been made including the cancellation of elections and postponing recruitment to certain vacancies.
- The council had received two government grants totalling almost £1 million but these did not recognise the significant loss in income.
- The result was a gap of £1.7 million in the revenue account.

The situation was not yet fully known. Rents for the first quarter of 20/21 would be payable shortly, the leisure centre was also not yet able to reopen, and it remained to be seen how many businesses may go out of business at the end of the furlough scheme.

Additionally, intu had gone into administration; the Watford centre remained open and the council was optimistic that a buyer could be found.

All councils were facing similar pressures and council tax receipts may well be affected. It was noted that councils could not go bankrupt, but could issue Section 114 notices which indicated that they could no longer sustain a budget.

Members discussed the multi-storey car park on the Riverwell development and noted that there had been problems in identifying a suitable developer. It was confirmed that there was no update on this as the negotiations with the Department of Health and West Herts Hospital Trust were ongoing. The council's investment was not at risk.

Following a question about benchmarking, the committee was advised that the council sent a monthly return to the Ministry of Housing, Communities and Local Government to reflect the current situation. The District Councils Network also collated this data but most authorities of a similar scale to Watford had comparable problems. No data was widely available yet but Watford had been congratulated on its response to the crisis and recovery. The Portfolio Holder added that comparisons were difficult to draw and that the government was less sympathetic to councils who had been innovative.

Discussing intu, the committee were advised that a different management company could be brought in as the shops were independent of intu. As the freeholder, the council received £0.8 million a year in rental income from the site and would therefore be a creditor in the worst case scenario. It was not, however, within the gift of the council to direct the outcome of the administration process.

RESOLVED –

that the report and the committee's comments be noted.

7 Finance Scrutiny Committee 2020/21 work programme

The committee received the draft 20/21 work programme. The Democratic Services Officer introduced the report. The work programme had been prepared with finance and included many items which were part of the usual reporting cycle. The Chair had also made some suggestions and the committee were asked to discuss and confirm the work programme.

The Chair introduced his proposals; these were suggestions for the budget which had been introduced in other councils. The committee discussed the proposals and decided that this was not the appropriate time to take them forward. The council was facing significant financial pressures due to Covid19 and was unlikely to be in a position to agree additional expenditure or have resources to develop these ideas further. Additionally, work had begun in the council to progress a number of the suggestions included in the paper. It was considered that there might be an opportunity to reconsider some of the ideas once the finances were in a more stable position.

It was further noted that the work programme was open for new suggestions throughout the year.

RESOLVED –

that the Finance Scrutiny Committee approves the work programme for 2020/21 as set out in the agenda papers.

Chair

The Meeting started at 7.00 pm
and finished at 8.40 pm