

## **FINANCE SCRUTINY COMMITTEE**

**10 September 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

Also present: Councillor M Watkin (Portfolio Holder for Finance)

Officers: Interim Head of Finance  
Interim Head of Property  
Section Head – Financial Planning and Analysis  
Democratic Services Officer (AG)

### **8 Apologies for absence**

There were no apologies for absence.

### **9 Disclosure of interests**

There were no disclosures of interest.

### **10 Minutes**

The minutes of the meeting of Finance Scrutiny Committee held on 29 June 2020 were approved. They would be signed at the Town Hall at a later date.

### **11 Finance Digest - Period 4 July**

The committee received the report of the Section Head – Financial Planning and Analysis. The report informed the Finance Scrutiny Committee of the Council's 2020/21 financial position at the end of July 2020 (Period 4). The Section Head – Financial Planning and Analysis introduced the report and advised that this was the first financial digest in the current financial year. He advised how the digest compared the latest budget for 2020/21 approved by Council on 14 July, which took account of the impact the Covid-19 pandemic had on finances, with the forecast outturn.

The Section Head – Financial Planning and Analysis highlighted the key areas, in particular he explained:

- That the 2020/21 forecast outturn was estimated to be £17.452m. This gave a favourable variance of £0.057m, when compared to the latest budget of £17.509m.
- How the Covid-19 pandemic had resulted in a significant loss of income to the council from the leisure provider SLM and of the financial support being provided to them by WBC; which would be recovered in due course. This position reflected similar circumstances with other councils across the country.
- The impact of the national pay award of 2.75% for council staff as compared to an award of 2.00% that had been anticipated.
- The government's income guarantee scheme with estimated funding of £1m being provided to the Council; and to be received in three instalments.
- That the figure of 11% of staff vacancies may seem a little high. However, some positions were being filled by consultants and temporary staff. In other instances positions were being left open so as to make savings.
- That Council reserves were in a healthy position with only £3.5m being utilised out of the total reserves of £22m.
- In terms of capital, services were forecasting an outturn position of £125.293m resulting in a variance of £1.005m which would be funded from the enterprise grant.
- The financial risks appertaining to the Covid-19 pandemic including issues relating to temporary accommodation, council tax revenues, business rates and commercial rents. The impact of interest rates being reduced from 0.25% to 0.10% on short term investments was also explained.

The Section Head – Financial Planning and Analysis concluded that the council was able to meet the Covid-19 commitments but with further variances possible dependent on how the pandemic developed.

The committee thanked the Section Head – Financial Planning and Analysis for the comprehensive report and discussed issues in relation to commercial income, capital investments and temporary housing. In response to a question from members, the Section Head – Financial Planning and Analysis advised that monies being provided to Hart Homes would be repaid and with interest being charged.

Members discussed the impact of unemployment on the economy and how council tax revenues may be effected. In response to a related question from members, the Section Head – Financial Planning and Analysis provided reassurance that the council's recovery fund could be used to help mitigate any negative consequences. The Interim Head of Finance added that government support was available to some unemployed people to help with council tax bills.

Members talked about the impact on hospitality and retail as a result of the Covid-19 pandemic. The Section Head – Financial Planning and Analysis advised that the council was concerned about the implications for the High Street; with work being undertaken with Intu and the BID to encourage footfall and to promote the town. Councillor Watkin, as portfolio holder, agreed to inquire of other district councils as to what initiatives may be being undertaken elsewhere.

RESOLVED –

1. to consider the 2020/21 Finance Digest as shown in Annex A, and note both the revenue and capital forecast outturn positions.
2. make any recommendations to Cabinet/Council.

## 12 **Financial Planning - budget setting process**

The committee received a report of the Section Head – Financial Planning and Analysis to inform the Committee of the process of how the Council would determine its three-year medium-term financial strategy (MTFS) for 2021-2024, the related service plans, and the allocation of financial resources to achieve them. The Section Head – Financial Planning and Analysis introduced the report explaining that this was the first time the budget setting process had been outlined to the committee.

The Section Head – Financial Planning and Analysis highlighted the key areas in the report and in particular he advised members of:

- The timeline in preparing the MTFS and how this supported the council's strategic aims.
- How the Council plan fed in to the development of costed and sustainable service plans and the staff appraisal process.
- The role of the Director of Finance and the new income streams coming in to the council.
- How financial impacts, such as inflation, staff costs, growth in services and savings were included.
- How service fees and charges were determined.
- The establishments and salary build spreadsheets and budget responsibilities.
- How the government's spending review would inform funding arrangements for next year; with the Covid-19 pandemic potentially leading to a requirement for further savings.

The Chair thanked the Section Head Financial Planning and Analysis for the very helpful and informative report.

RESOLVED –

to consider and note the 2020/21 financial planning - budget setting process as shown in Appendix 1.

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### **Croxley Park Update**

The committee received the report of the Interim Head of Property providing an update on performance of the Croxley Business Park over the past year. The Interim Head of Property introduced the report explaining that this had gone before Cabinet on 7 September.

The Interim Property Manager highlighted key areas and in particular explained:

- The history of the council acquiring a 40 year head lease in the park; with the Council having the option to acquire the park at the end of the term.
- That the council received the full passing rental income from occupational tenants in return for paying a rent of £9.2m per annum index linked annually to RPI. As the RPI was currently at 1% as opposed to an anticipated 2.5% this created headroom for rental for tenants.
- That Columbia Threadneedle Investments, the vendors of the park, made a payment of £92m to the Council to cover rent top ups and planned and preventative maintenance.
- That despite Covid-19, the Park had had a success in attracting three new tenants (the businesses all new to Watford) in the last four months. This reduced the vacancy rate from 17% to 12% and was an encouraging sign.
- That the impact of Covid-19 had resulted in requests for rental concessions; and with two companies at the Park going in to administration. There was an expectation to negotiate packages to defer rental payments albeit monies had to be paid in the financial year.
- That Grant Thornton had prepared a new financial model to enable accurate forecasting and scenario planning of the Park; which would be operational in Q3 of this financial year.
- That the property managers Workman, and the Councils financial advisors Lambert Smith Hampton Investment Management (LSHIM), monitored aged debt at the Park. This had reduced to £500k with an expectation that it would reduce further.
- The quarterly monitoring process of the Park by the Council's Property Investment Board; with LSHIM being a member. This process had indicated that the Park was on track in relation to the financial assumptions made during acquisition; with the levels of rent in the original model still accurate.
- That the main risk around the Park was the level of rental income to be achieved following the development of Building 1; this was unknown at

present. Marketing would take place towards the end of the year. However, the £92m payment did allow for a level of vacancies.

- That the performance of the Park in the last year had been encouraging and the Grant Thornton model would be of great assistance going forward in producing additional metrics and reports to the Council.

Members thanked the Interim Property Manager for the report and were reassured that matters were on track in the Park. They discussed vacancy rates, debt issues and matters in relation to maintenance.

In response to a related question, the Interim Property Manager clarified that £68m of the monies provided by Columbia Threadneedle was for maintenance in order to keep properties in a lettable condition over the forty year period. The expectation was that through investment these monies would increase over time and cover these costs. In response to a further question, the Interim Head of Property explained that some of the shortfall in revenue was likely to be made up by tenants; but with much depending on developments over the next few months.

Members discussed the issue of occupiers reflecting on whether they would continue to need the quantum of office space in the future and the impact this may have on the Park. In response to a question on this aspect, the Interim Head of property advised that rolling leases with serviced operators were shorter in nature but with normal provisions applying. The Interim Head of Finance undertook to provide members with information on the number of occupiers located in the Park with rolling leases.

In conclusion, members considered the Park to be a good and resilient investment. They ended by discussing the business opportunities provided by companies through the letting of office space.

RESOLVED –

that Finance Scrutiny Committee notes the contents of this report.

Chair  
Finance Scrutiny  
Committee

The Meeting started at 7.05 pm  
and finished at 8.23 pm

