

FINANCE SCRUTINY COMMITTEE

23 November 2020

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

Also present: Councillor Mark Watkin, Councillor Stephen Johnson, Sean
Brew (Lambert Smith Hampton) and Chris Hornung (Lambert
Smith Hampton)

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

14 Apologies for absence

There was a change of membership for this meeting; Councillor Parker replaced Councillor Allen-Williamson.

15 Disclosure of interests

There were no disclosures of interest.

16 Minutes

The minutes of the meeting of Finance Scrutiny Committee held on 10 September 2020 were approved. They would be signed at the Town Hall at a later date.

17 Finance Digest - Period 6 September

The committee received a report of the Finance Manager- Financial Planning and Analysis with the financial position at the end of September 2020.

The Interim Head of Finance introduced the report providing an overview of key points for the committee. The 2020/21 forecast outturn was estimated to be £18.139 million. This gave an unfavourable variance of £0.630 million, when compared to the latest budget of £17.509 million. Variances included additional support for SLM, the non-receipt of expected recycling credits, the

implementation of a new payroll system and a reduction in investment income due to the low Bank of England base rate. This £0.630 million was planned to be funded from earmarked reserves.

Other key points included:

- The expected levels of government funding through the income guarantee scheme was estimated to be £1 million.
- There was a significant underspend on the capital programme largely due to the revised funding model for the multi-storey car park at the Riverwell site.
- Business rates and council tax receipts had not been as affected by the pandemic as anticipated.

Responding to a question, the Interim Head of Finance advised that the council had a good understanding of the additional costs that would be incurred but the impact of the second lockdown was not yet clear.

The committee noted that there were a number of staff vacancies; some were being held vacant to accrue savings while others were filled by agency staff. Apprentices were not being recruited as the support was not available for them. Work was ongoing to explore solutions for some departments as part of the end of the Watford 2020 programme, but no decisions had yet been made.

The committee received an overview of three housing projects that the council was involved in. One was to provide housing assistance to those with no recourse to public funds, the second was for a wraparound scheme with OneYMCA for accommodation and support to those with complex needs and the third was for a project called 'Housing First' with Watford Community Housing. The numbers in temporary accommodation remained stable. The committee welcomed the council's participation in these initiatives.

RESOLVED –

that the 2020/21 Quarter 2 Finance Digest as shown in Annex A was considered and both the revenue and capital forecast outturn positions were noted.

18 **Implications of COVID-19 for funding**

The committee received a report of the Chair proposing that officers be asked to report back to the Finance Scrutiny Committee in relation to a number of questions at the next meeting in January 2021.

The Chair introduced the report. The paper contained questions designed to provide valuable insight for members during the pandemic. It was anticipated that officers were already undertaking work in these areas and he welcomed the committee's input and views. The Chair talked through the questions explaining his rationale and the information he wanted to understand. He acknowledged that it may not yet be possible to provide full answers to all the questions.

In relation to the question on population response, the reports of the recent task group as well as the wider voluntary sector review were noted as pertinent. The changes to the voluntary sector were significant and impacted both well-established and fledgling groups.

Turning to the question on assurance and risk, it was suggested that the response would need to reflect the situation in the short, medium and long term.

Members agreed that the report would be a useful way to provide an overview of the impact of Covid-19. Some committee members felt that the questions would benefit from some amendments to add clarity. The Chair invited the committee to send him any further comments by the following week before the report went to officers. It was noted that officers may also want to contribute to the scope of the questions.

The committee acknowledged that officers were already under significant pressure in responding to the pandemic and considered that high-level responses be requested from senior officers.

RESOLVED –

that, following any additional amendments sent to the Chair, the questions be sent to officers for a report to be brought before the committee on 12 January 2021.

19

Property Investment Board update

The committee received a presentation of the representatives of Lambert Smith Hampton Investment Management (LSHIM), Chris Hornung and Sean Brew, and the Interim Head of Property and Regeneration.

The areas covered in the presentation included:

- The role and objectives of LSHIM as the council's asset managers including how the portfolio had been rebalanced by sector and location to diversify the risk profile.

- LSHIM’s involvement in the acquisition of Croxley Business Park. This was a significant acquisition which, in the current climate, benefitted from a large number of tenants in medical sectors.
- The governance and reporting structures including the role of the Property Investment Board in receiving recommendations on disposals and acquisitions based on additional independent advice.
- LSHIM operated on a collegiate approach working closely with officers and managing the portfolio on a day-to-day basis.
- Data on contracted rents, the largest properties and the largest tenants.
- Performance on acquisitions and sales, capital and income and rent collection levels. Rents were coming in well across the portfolio.
- Recent and current initiatives

The Chair thanked the asset managers for their presentation and invited questions from the committee.

Referring to the significant new asset at Croxley Business Park, the committee were advised that the development was four to five months from completion and there was active interest in the site from local businesses and further afield.

Croxley Business Park had an occupancy level of 87% and there had been a net increase in tenants during lockdown. It was further noted by LSHIM that values on the park remained steady; rental offers had not needed to be reduced.

Considering the long-term impact of the pandemic and the growing trend towards home-working, members asked about the impact on the value of office accommodation. It was recognised that although fewer people would be in the offices, those people needed more space to allow for distancing and hot-desking was no longer an option. Demand was therefore remaining stable. Additionally, Watford’s location as a well-connected suburban centre was appealing to companies looking to reduce their central London accommodation.

The committee agreed that LSHIM and officers should be invited back at a later date to provide an update on other aspects of the work under Part B. An invitation was extended to the committee to visit Croxley Business Park once social distancing restrictions could be lifted.

RESOLVED –

1. that Finance Scrutiny Committee notes the contents of the presentation.
2. that a further item be added to the committee’s work programme to consider the work of the Property Investment Board under Part B.

Chair

The Meeting started at 7.05 pm
and finished at 8.35 pm