

Budget Panel

27 June 2017

Present: Councillor Asif Khan (Chair)
Councillor M Hofman (Vice Chair)
Councillors N Bell, D Barks, P Kent, Ahsan Khan and G Saffery

Officers: Head of Finance
Committee and Scrutiny Support Officer (JK)

5. Financial outturn 2016/17

The Panel received the report of the Director of Finance. The report informed Budget Panel and Cabinet of the revenue and capital outturns for the financial year 2016/17.

The net revenue outturn was £17.304 million, a favourable variance, compared to the January revision of the budget, of £3,000. An additional £411,000 over what had been budgeted had gone to the reserves. Accrued income of £284,000 from the Riverwell project was included in this figure as well as £75,000 additional parking income. Income from parking schemes was ringfenced to be spent on car parking expenditure and was added to the CPZ reserve. There had also been £52,000 for the Community Infrastructure Levy reserve.

The report contained details of the carry forwards which amounted to almost £900,000. These were for projects which were not yet completed in 2016/17 and carrying forward the unspent budget would avoid the projects incurring budget pressures in the current financial year. These were proposed by Leadership Team, ratified by Budget Panel and agreed by Cabinet.

The capital budget had been revised to £48.725 million in January of which £15.917 million had been re-phased into the later years of the Medium Term Financial Strategy. The outturn was an unfavourable variance of £219,000 which was funded by additional grants and transfers from reserves.

The procedures for challenging and agreeing carry forwards were outlined and strict rules were in place governing these. The re-phasing of the capital programme also required confirmation. The amount in question was a concern but capital re-phasing was quite common for most councils. One beneficial outcome of this was additional funds available to invest in the

short-term.

The revenue outturn was broken down by service and there was a change to how recharges for support services were represented as compared to previous years. This gave a clearer view of how each service was spending their budgets. Part of the variance between the original and the revised budgets could be accounted for by the inclusion of last year's carry forwards.

A suggestion was made that the Finance Digest, like the Statement of Accounts, could include a glossary of terms.

The panel discussed how the council was performing in its project management and the impact on the budgets. There could be a tendency amongst officers and councillors to underestimate the time and resources required to complete a project. The level of resources needed for gaining the requisite legal and financial advice as well as procurement processes needed sufficient consideration in project plans and budgets. The council's project management in this area was improving and more realism was important. The various boards which oversaw and scrutinised the projects were discussed. These boards included a finance projects officer who had input on the project budgets and profiling. The impact of the resulting carry forwards was that there were additional funds to invest but clear guidance needed to be given about when the funds were required for the project. This could be more problematic when borrowing was involved but this was not the case at Watford at this time.

All project managers were required to complete business cases which was scrutinised by Programme Management Board and Finance. Officers did consider the lessons learned from previous projects which formed part of the project plan. It was noted that the salaries offered by the private sector had a negative impact on staff retention particularly in relation to project managers.

Responding to a query about the outturn variance in the budget of Corporate Strategy and Client Services, it was explained that the council had demonstrated that the leisure contractor were required to pay the council an enhanced management fee due to the contractor making a saving on business rates. This was a one-off windfall.

Considering an underspend on temporary accommodation, it was explained that the pressure had been identified and the budget had been increased by £450,000 in January. The outturn was measured against that position and the service had reviewed ways of working. Efficiencies had been found which

had had a positive impact on the eventual outturn.

Members discussed the challenges the council faced in procurement, particularly for large projects. It was noted that due to the significant number of building projects taking place in the area, there was competition for construction contractors. The processes the council followed for procurement was briefly outlined.

There was a question about who oversaw the tree planting budget; the Head of Finance agreed to provide information to the Panel.

Following a suggestion about working with the Chamber of Commerce to hold a 'Meet the buyer' event. It was agreed that this idea should be passed to the Procurement Manager.

It was noted that the Decent Homes Assistant budget was underused. Following a discussion by the Panel about the importance of this budget, the Head of Finance agreed to provide further information.

The issue was raised of how councils were permitted to use capital reserves for revenue spend. Under the current four-year settlement, capitalisation direction was permitted when in-year capital receipts could be made available for service transformation and digitisation projects. Although the capital balance was around £20 million, most would be utilised on other projects. It was agreed that this topic would be discussed on a future agenda – see work programme

The panel discussed the structure of the council's pension fund which was part of the Hertfordshire County Council scheme. A question was raised about whether the council could theoretically withdraw from that scheme and manage its own pension assets. A number of potential issues were identified including managing deficits, the council's liabilities under the scheme and the skillset required to manage pension funds.

Following a case where a resident, whose council tax was in arrears, was not permitted to pay in cash, the issue was considered by the panel. The council did not accept cash as a means of payment as it was too expensive to handle and process. This decision had been taken by councillors. However, exceptions could be made when arrears were being addressed and the method of payment agreed in advance. It was possible for residents to use cash to make a transfer to the council at their bank and/or the post office, although charges may apply. Direct debit was the preferred method of payment as card payments also incurred charges. The Head of Finance

agreed to speak to the Customer Service Section Head to ensure that staff were advised on how to deal with issues in this area.

RESOLVED –

- that Budget Panel agrees the recommendations to Cabinet as set out in the report.
- that the actions requested be undertaken