

## Extract from Finance Scrutiny Committee to Cabinet

### Finance Scrutiny Committee

27 June 2022

Present: Councillor Turmaine (Chair)  
Councillors Clarke-Taylor, Jeffree, Khan, Martins, Nembhard, G Saffery, Stanton and Wenham

Also present: Councillor Watkin (Portfolio Holder for Finance)

Officers: Head of Finance  
Senior Democratic Services Officer

#### 5. **Financial outturn 2021/22 (Q4)**

The committee received the report of the Head of Finance. The report informed the committee of the revenue and capital outturns for the financial year 2021/22 and provided an update on the reserves position. The committee was asked to review the recommendations for Cabinet and make any further comments.

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

- There was a revenue underspend of £1.4 million with carry forward requests totalling about £1.4 million, which had resulted in a small underspend of £0.046 million which was proposed to be sent to the economic impact reserve.
- Part of this was an underspend in Community and Environmental Services totalling £0.35 million as support for the leisure provider. This was sustainable without additional support in-year and a report to Cabinet was forthcoming.
- Additional grant funding had been received for Housing and the resulting underspend would also be carried forward.
- The rephasing of some projects as part of the renewal fund had resulted in further carry forwards into the new financial year.
- There had been a significant variance in the capital budgets due to requests for re-phasing.
- There was an overspend in relation to Croxley Park which would be covered by the earmarked reserve for planned property maintenance.
- The major schemes to be rephased were Hart Homes, Riverwell, Woodside Sports Village and the Town Hall Quarter.
- Levels of reserves had fallen from £39.5 million to £27 million. This was primarily due to the planned draw down from business rates reserve to offset the impact of Covid on the levels of business rates.

The committee discussed the carry-forwards and asked for more detail about how these were justified. It was noted that in the majority of cases it was because an

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agreed policy objective had not yet been met. Reviews of requests were made by Leadership Board and Portfolio Holders and were challenged.

Members asked about the impact on revenue accounts of reprofiling of major capital projects which spanned several years. Where the projects were funded by borrowing; this would have a positive impact on revenue budget in the short term as it would reduce the level of borrowing and interest payments. The schemes highlighted were not invest-to-save schemes where delays would impact the achievement of savings in the revenue budget. There would be further rephasing of Riverwell and Hart Homes but these were typical of the delivery of these types of projects.

The committee considered the impact of how projects were managed and the need to carry forward funding. The joint ventures were being delivered in partnership and there were a variety of external factors that could impact the project delivery timing. When budgets were included in the capital programme, broad assumptions were made about timing but further due diligence was undertaken to ensure more robust cost projections during projects. Good project management would mean the figures would be updated over time. There were also firm deadlines that needed to be met in the projects.

Turning to the rephasing of the Woodside Sports Village, it was highlighted that the budget was over £8 million but the spend was £0.556 million, giving a variance of £7.8 million which was significant. The impact on the financial statements was considerable if the financial forecasting was not accurate enough. The officer advised that the project was still in the planning stage and construction had not yet commenced. She undertook to provide further information about this specific project for the committee.

The Portfolio Holder commented that the council had become much stronger in project management in recent years. Woodside was a very complex project and involved working with a number of groups. It was important to ensure that expenditure was not undertaken until it was clear that the right approach was being taken.

It was further noted that budget oversight was undertaken as part of the day to day project management but the committee only received budgetary updates on a quarterly basis.

Discussing the impact of the inflationary environment on capital projects, the committee was informed that this was less of a risk to the joint ventures as increased costs could be partially offset by the performance of the housing market and therefore the income that would be achieved by the joint ventures. An exercise was being undertaken to understand the inflation risk for each project within the capital programme and the sustainability of the contractors and sub-contractors.

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RESOLVED –

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

Action – Head of Finance