



BUDGET PANEL

Tuesday, 27th November, 2012

7.00 pm

Town Hall, Watford

Publication date: 19 November 2012

CONTACT

If you require further information or you would like a copy of this agenda in another format, e.g. large print, please contact Sandra Hancock in Legal and Property Services on 01923 278377 or by email to legalanddemocratic@watford.gov.uk .

Welcome to this meeting. We hope you find these notes useful.

ACCESS

Access to the Town Hall after 5.15 pm is via the entrance to the Customer Service Centre from the visitors' car park.

Visitors may park in the staff car park after 4.00 p.m. and before 7.00 a.m. This is a Pay and Display car park; the current charge is £1.50 per visit.

The Committee Rooms are on the first floor of the Town Hall and a lift is available. Induction loops are available in the Committee Rooms and the Council Chamber.

FIRE/EMERGENCY INSTRUCTIONS

In the event of a fire alarm sounding, vacate the building immediately following the instructions given by the Democratic Services Officer.

- Do not use the lifts
- Do not stop to collect personal belongings
- Go to the assembly point at the Pond and wait for further instructions
- Do not re-enter the building until authorised to do so.

MOBILE PHONES

Please ensure that mobile phones are switched off before the start of the meeting.

COMMITTEE MEMBERSHIP

Councillor J Dhindsa (Chair)

Councillor S Rackett (Vice-Chair)

Councillors J Aron, G Derbyshire, S Greenslade, P Jeffree, A Khan, R Martins and P Taylor

AGENDA

PART A - OPEN TO THE PUBLIC

1. **APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP**
2. **DISCLOSURE OF INTERESTS (IF ANY)**
3. **MINUTES**

The minutes of the meeting held on 23 October 2012 to be submitted and signed.
(All minutes are available on the Council's website.)

4. **UNDERSTANDING BUDGETS**

Presentation by the Head of Finance Shared Services which had been deferred at the previous meeting.

5. **REVIEW OF CONTROLLED PARKING ZONE RESERVE** (Pages 1 - 16)

This report reviews the current levels of income received by the parking service and analyses the potential draw on the Parking Reserve by proposed traffic related schemes.

6. **BUDGET UPDATE** (Pages 17 - 22)

This report provides a progress report upon revenue estimate preparation for 2013/2014 and in particular discusses issues associated with how the Council's net expenditure is financed.

7. **SHARED SERVICES REVIEW** (Pages 23 - 30)

This report provides Budget Panel with a report recently considered by the Shared Services Joint Committee.

8. **FINANCE DIGEST** (To Follow)

Report to follow

9. DATES OF NEXT MEETINGS

- Wednesday 26 January 2013
- Tuesday 12 February 2013

Agenda Item 5

Report to: Budget Panel
Date of meeting: 27 November 2012
Report of: Head of Strategic Finance and Head of Planning
Title: Review of Controlled Parking Zone Reserve

1.0 SUMMARY

1.1 This report reviews the current levels of income received by the parking service and analyses the potential draw on the Parking Reserve by proposed traffic related schemes. If traffic related schemes are to be continued to be delivered it will be necessary to increase charges for parking permits. It is not possible to increase charges for Penalty Charge Notices, as these are nationally set.

2.0 RECOMMENDATION

2.1 The Budget Panel are requested to comment to Cabinet regarding the future use of the CPZ Reserve and the need to ensure its solvency through either a reduction/ rephrasing of Projects or an increase in the price of residents' parking permits (or both).

Contact Officer:

For further information on this report please contact: Bernard Clarke or Jane Custance telephone extension 8189 / 8044

3.0 DETAILED PROPOSAL

3.1 Purpose of report

To consider the solvency of the CPZ Reserve and the need to increase charges for residential parking permits.

3.2 Background

Under the 2003 Agency Agreement with the Highway Authority, Hertfordshire County Council, Watford Borough Council manages parking in the Borough. The management function consists of the enforcement service and the introduction of new or revised parking schemes of varying scales. In practice, the Borough has a fairly free hand to manage and develop parking controls in the town with only a very 'light touch' reference back to HCC as part of the traffic order process as new schemes come forward.

3.3 In budgetary terms, funding to maintain the service both in terms of managing the contract for parking enforcement and the development of new schemes is raised from income arising from:-

- Income from on-street bays
- Permit charges in Controlled Parking Zones (CPZs)
- Penalty Charge Notice (PCN) income
- Sundry income from dispensations and other charges.

Originally the income from the Parking Service led to a surplus year on year which has accumulated into the Parking Reserve. In 2009/10 the Reserve was £962,000. It now stands at approx. £575,000 (as at March 2012). In a report to Budget Panel in November 2011 Members were advised that if the current rate of depletion of the Reserve continued, the Reserve would be exhausted by the end of 2013/14. This is still the case.

3.4 Legislation requires that the budgets used for the Parking Service are ring fenced. The uses to which any surpluses generated by these ring fenced budgets are prescribed by legislation. In Watford first call on the surplus has been to maintain the existing service infrastructure (signs, lines, P and D machines etc.) to amend and expand parking controls and to invest in new technology to improve efficiency and the customer experience in relation to contacts with the service. The original legislation required that Civil Parking Enforcement Services were self financing with no General Fund subsidy allowed. More recently the financial guidance has been relaxed to a small degree to allow for exceptional circumstances where break even is not achievable in certain areas. In urban situations such as Watford however, the requirement for self financing of the enforcement service remains.

3.5 The reduction in the level of funds in the reserve has occurred for a number of reasons. The key factors are:

- the level of permit charges which have not been revised in line with inflation for a number of years
- a reduction in the number of PCNs issued
- increased enforcement costs charged to the Council by the Enforcement Contractor and reflecting the increased areas to be enforced.
- Member desire for accelerated delivery of parking schemes which will necessitate increased use of external consultants to supplement the limited level of in house parking resource. (see **Annex A** for list of

schemes and indicative costs)

- 3.6 The above factors and, in particular, the predicted spend on schemes as laid out in Annex A will deplete the Reserve significantly during 2012/13 and 2013/14. The estimated spend for these schemes in 2012/13 is £217,000 whilst schemes committed for 2013/14 are estimated at £169,000. Whilst these figures will be refined as firm fee proposals from the Council's Framework Consultants being engaged to deliver the larger schemes are received, the scale of the total projected spend is not anticipated to change as there is significant pressure from Members to deliver parking schemes to an accelerated programme to meet residents' expectations.
- 3.7 Based on current budget information and the work programme contained in **Annex A**, the level of the Reserve at the end of 2012/13 will be approximately £160,000. If this rate of depletion continues, the Reserve will be exhausted by the end of 2013/14. If the Council wishes to continue delivering new schemes it will need to consider increasing income streams to avoid exhausting the Reserve.
- 3.8 Some increases in off-street car park charges were made in April 2011 which increased income from the Council's directly managed off-street car parks in the short term. This income is accounted for separately however and does not contribute to the Reserve. Observation has indicated that demand has dropped in these car parks and whilst it is not possible to attribute this directly to the increases in charges, it is likely to be a significant factor. Increases in charges for on-street parking bays (which would contribute to the reserve) may well experience similar drops in demand and could as a consequence be self-defeating as a means of increasing income.
- 3.9 Income from Penalty Charge notices is affected by two factors. The first is the level of penalty charge applied. This is specified by Central Government and whilst Local Authorities can opt for either a higher or lower band they have no latitude to set levels independently. Watford in line with most Local Authorities in Hertfordshire has already opted to apply the higher band PCN charges.
- The second factor is the number of PCNs issued. Whilst nationally both inside and outside London PCN levels have generally gone up slightly on the last year, in Watford the number of PCN's issued has been falling consistently over the last few years as levels of compliance with parking regulations in the town continues to improve. There are a number of factors as to why PCN levels in Watford are falling:
- The match day signage has been improved to increase clarity for the motorist so that they observe the restrictions and avoid the issue of a PCN
 - We have increased the hours of enforcement on street to higher than any level before and have more staff deployed more often. This has led to a visible improvement in the level of illegal parking, which consequently results in greater observations of the restrictions and less PCN's being issued.
 - Motorists are well aware of the restrictions across Watford, they also see that they are better patrolled so are less likely to take a risk, which again results in less PCN's

- The provision of an effective enforcement with higher levels of deployment and on street hours has enable us to target problem locations which in turn has enabled us to achieve greater compliance and meet the objectives of the Traffic Management Act.

Year	PCN Income	PCN's Issued
	£	
2006/7	(654,355)	25,800
2007/8	(644,525)	23,041
2008/9	(679,911)	22,925
2009/10	(840,624)	22,363
2010/11	(608,023)	20,274
2011/12	(591,817)	19,806

3.10 The residents' permit charges in Watford have remained unchanged for some years. The Council introduced CPZs in 1997. Since then there has been only one significant increase in permit charges and compared to many other towns in Hertfordshire and surrounding Counties, Watford's charges are one of the lowest (see **Annex B**). Current income from permit sales in Watford is approximately £210k p.a. The table at **Annex C** shows predicted levels of additional income generated if permit charges were increased by 10%, 20% or 30%, assuming continued levels of uptake. (NOTE: match day scheme charges are not put forward for increase as the number of operational days will drop in early 2013 when Saracens leave Vicarage Road Stadium). Although some drop in demand is possible as a result of increase in these charges, demand is likely to be less elastic than for off-street car parks. If, for example, Residents' Parking Permit charges were increased by 30% this would result in an estimated increase in income of £61,500. The Budget Panel are requested to consider (and refer to Cabinet) its views to the extent and degree that parking permits should be increased.

3.11 Members have requested that consideration be given to the introduction of variable rates for permits that seeks to develop a zone by zone financial balance of cost v. income. Permit income is approximately one third of that from PCNs and therefore forms only a relatively small proportion of the total income to the service. A review of the high level parameters that define the current arrangements is currently out to tender and the view of residents on this principle will be tested as part of the review which is programmed to report back to Members towards the middle of 2014. A separate request from members was that the introduction of a free period for parking in on-street bays be tested. A small number of such bays were introduced in Queens Road at the request of Central Ward Members at the end of October 2012. It was agreed by the

Portfolio Holder that these be used as an experiment to assess the impact, particularly in relation to the level of income from on-street pay and display bays generally and this will take place over the next few months. Expansion of the experiment will require assessment of likely financial impact on the Parking Account particularly in light of the contents of this report which highlights the current deteriorating financial position.

3.12 The Service Prioritisation exercise involved an examination of staffing levels in the Parking Service which resulted in reductions in staffing costs arising from rationalisation of posts following the retirement of the Parking Manager in 2011. It is not considered that staffing levels in the Parking Service can be reduced further at this time. Currently however, the Service is investigating how new technology might reduce the revenue cost of delivering the service and improve service levels and flexibility and budget provision has been made to take this forward subject to approval of the business case.

3.13 **Summary**

3.13.1 The CPZ Reserve has reduced from approximately £962k in 2009/10 to £575,000 at the end of 2011/12. If the current rate of depletion continues then the Reserve will be exhausted by the end of 2013/14. Client side costs have already reduced significantly but enforcement costs will almost certainly increase due to the effects of inflation built into the contract which expires in April 2018. Customer resistance reduces the ability for the Council to increase parking charges, PCN tariffs are controlled by central government and income from this stream has been falling consistently due to high levels of compliance. Residents parking permits have not been reviewed for a number of years and Watford's charges are in the lower quartile in comparison with neighbouring authorities. In these circumstances a 30% increase would not appear unreasonable. If the reserve can no longer fund car parking initiatives then this will place a financial burden on the Council's General Fund.

3.14 The Budget Panel are requested to consider the information in this report and to endorse the need for an increase in residents permit charges or reduction in Project work.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 A summarised financial analysis has been attached at **Annex D** and indicates a reasonably consistent level of expenditure and income. Employee costs may come in under budget in 2012/2013 as there is currently a vacancy within the Division which is being filled through an apprenticeship supported resource. The Vinci contract in 2012/2013 showed an increase due to the resolution of a dispute relating to annual inflationary uplifts. As a consequence the 2012/2013 Forecast includes some back payments which will not recur in 2013/2014.

4.1.2 Income levels are stable (albeit significantly lower than previous years). There may be additional income arising out of further CPZ zoning, but it is likely that additional enforcement will eliminate any bonus.

4.1.3 The major area of concern has to be the increasing desire for additional projects (and as detailed at Annex A) which is estimated to require additional expenditure of circa £200k between 2012/2014. This level of activity does need

urgent review.

4.1.4 The Council has worked extremely conscientiously to identify efficiency savings in order to keep within Government Control totals. It would be disturbing if this work were to be undermined should the CPZ Account need to be subsidised from the General Fund.

4.1.5 The CPZ Reserve has been heavily drawn down in recent years and Budget Panel needs to consider the need for all the reviews at Annex A and the cost of parking permit levels which have remained unchanged for a number of years.

4.2 **Legal Issues**

The Head of Legal and Property Services comments that all legal issues have been covered within the report.

4.3 **Equalities**

Should parking permits be increased then the proposal will not be particularly targeting any specific sector of the community.

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall Score
The CPZ Reserve will be in deficit	3	3	9
An increase in permit charges will result in resistance	2	2	4

4.5 **Staffing & Accommodation**

There are no staffing or accommodation implications arising out of this report

Appendices

Annex A Parking Schemes – provisional programme and costings

Annex B Comparative table of permit charges

Annex C Permit Charges

Annex D Summary of Financial Performance

TRAFFIC REGULATION PROJECTS

WARD	SCHEME DETAILS	CURRENT STATUS	Projected spend	
			2012/13	2013/14
CENTRAL WARD	Radlett Road Estate consultation scheme development and implementation. Scheme includes Watford Community Housing Trust land	WBC and Framework	£20,000	£10,000
CPZ REVIEW	Consult on CPZ ' your parking your choice ' across all CPZ area	WBC and Framework	£30,000	£30,000
CALLOWLAND PARKING REVIEW	Parking Review within Ward	WBC and Framework. to write Brief by Autumn 2012	£20,000	£20,000
PARKING SERVICE EQUIPMENT UPGRADE	Investment in new and upgraded software and hardware to enhance service delivery and increase efficiency		£10,000	£20,000
NASCOT WARD	Complete TRO 741 (Grandfield Avenue , Maple Grove area)	WBC	£5,000	nil
	Greenbank Road Holyrood School area		£5,000	
PARK WARD	Cassiobury Estate complete current extension	TRO Completed	£36,000	
	Review bay layouts in Woodland Road and Orchard Close plus other requests to amend CPZ Order	WBC and Framework Contract. Survey work completed, recommendation on way forward imminent.	£10,000	nil
	WBC contribution to HCC for enhancements to Cassiobury Shops/Langley Way		£20,000	
	Zone V amendments			£15,000

WARD	SCHEME DETAILS	CURRENT STATUS	Projected spend	
			2012/13	2013/14
WATFORD BUSINESS PARK	WBC contribution to HCC towards parking management scheme on Watford Business Park		£20,000	£30,000
OXHEY WARD	Implement agreed junction amendments	WBC Layouts agreed with Ward Members, Police and Herts Highways. Statutory process commenced. Completion dependent on expansion of Agency Agreement (expected Nov 2012)	£5,000	
	Progress potential CPZ for Kingsfield Road and Cedar Road	WBC and Framework	£15,000	£10,000
	Progress potential CPZ for The Larches	WBC Petition from resident received seeking permit parking	nil	£15,000
WOODSIDE WARD	Woodside Leisure Centre off street parking places Order amendment	WBC plus Framework	£8,000	
All Wards	Various Roads TRO 742 Orbital Crescent, Lamb Close, Link Road, Tudor Drive, Cow Lane and York Way.	WBC advertise in July 2012.	£10,000	
	TRO for Electric Vehicle Charging Units in car parks	WBC to deliver TRO with HCC		£6,000
	Various Roads 2	Portfolio Holder to prioritise sites from long list of sites.		£10,000
	CPZ Amendment Order TRO 662		£3,000	
	CPZ Amendment Order			£3,000
TOTALS			£217,000	£169,000

This page is intentionally left blank

RESIDENTS PARKING PERMIT CHARGES 2012/13

ANNEX B

TOWN	1 st permit	2 nd permit	3 rd permit	4 th permit
Aylesbury	£50	£100		
Baldock	£84	£84	£84	£84
Basildon	£26	£26	£26	
Bedford	£25	£73	£94	
Bishops S'ford	£35	£70		
Borehamwood	£15	£30	£60	£90
Brentwood	£34	£34		
Bushey	£15	£30	£60	£90
Chelmsford	£23	£23		
Chorleywood	£44	£44		
Dunstable	£50	£70	£90	
Harpenden	£30	£60	£135	
Hemel H'stead	£25	£40		
Hertford	£35	£70		
Hitchen	£84	£84	£84	£84
Letchworth	£84	£84	£84	£84
Luton	£29	£29	£29	
Radlett	£15	£30	£60	£90
Rickmansworth	£50	£100		
Royston	£76	£76	£76	£76
St Albans	£38	£132	£288	
Watford	£20	£40		

This page is intentionally left blank

WATFORD BOROUGH COUNCIL PERMIT CHARGES

	Current charges	+10%	+20%	+30%
standard zone				
First permit	£20	£22	£24	£26
Second permit	£40	£44	£48	£52

Estimated additional income p.a.

% increase in permit charges	Estimated increase in income
10	£20,500
20	£41,000
30	£61,500

Note: Above figures assume no drop in demand for permits as a result of increases in permit charges

This page is intentionally left blank

ANNEX D	2013/2014 Forecast Budget	2012/2013 Forecast	2011/2012 Actual Outturn	2010/2011 Actual Outturn	2009/2010 Actual Outturn	2008/2009 Actual Outturn	2007/2008 Actual Outturn	2006/2007 Actual Outturn	2005/2006 Actual Outturn	2004/2005 Actual Outturn	2003/2004 Actual Outturn	2002/2003 Actual Outturn
Description	£	£	£	£	£	£	£	£	£	£	£	£
Employee (A0000)	261,550	259,020	205,167	243,140	252,642	275,415	321,097	237,284	190,536	0	0	0
Premises (B0000)	94,910	94,770	89,084	99,843	92,337	45,859	44,579	45,288	43,466	50,130	41,120	24,211
Transport (C0000)	2,380	2,380	288	1,724	1,070	2,038	2,422	830	904	0	0	0
Supplies & Services (D0000)	35,690	35,690	14,047	23,270	28,865	22,049	19,930	25,923	23,192	14,500	43,467	10,686
Vinci Contract Costs (E0804)	950,000	975,700	867,044	930,219	821,792	814,438	890,413	720,928	875,336	744,486	687,753	738,648
Other Direct Service Costs	20,000	20,000	12,377	12,626	13,925	53,110	39,385	48,056	44,105	55,791	24,092	36,594
Projects (D1142)	169,000	217,000	84,190	98,769	111,148	59,683	54,609	31,832	26,080	49,357	143,774	71,381
<i>Sub-total Direct Service Costs</i>	<i>1,533,530</i>	<i>1,604,560</i>	<i>1,272,197</i>	<i>1,409,591</i>	<i>1,321,779</i>	<i>1,272,592</i>	<i>1,372,435</i>	<i>1,110,141</i>	<i>1,203,619</i>	<i>914,264</i>	<i>940,206</i>	<i>881,520</i>
Support Services Allocations (Net)	86,520	89,190	87,260	127,088	158,880	28,865	892	33,920	27,720	163,890	164,320	98,450
Total Expenditure	1,620,050	1,693,750	1,359,457	1,536,679	1,480,659	1,301,457	1,373,327	1,144,061	1,231,339	1,078,154	1,104,526	979,970
Income (HDR000 & HDR001/02 Net)	1,333,100	1,333,100	1,393,965	1,464,553	1,624,892	1,476,109	1,482,051	1,285,186	1,524,149	1,199,181	1,101,071	1,001,321
<i>Expenditure Funded From Reserves</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
NET (SURPLUS) / DEFICIT	286,950	360,650	(34,508)	72,126	(144,233)	(174,652)	(108,724)	(141,125)	(292,810)	(121,027)	3,455	(21,351)
CPZ Reserve												
<i>Balance brought forward</i>	<i>162,447</i>	<i>575,237</i>	<i>404,979</i>	<i>962,185</i>	<i>856,234</i>	<i>681,582</i>	<i>572,858</i>	<i>431,733</i>	<i>138,923</i>	<i>17,896</i>	<i>21,351</i>	<i>0</i>
<i>Net surplus / (deficit) for year</i>	<i>(286,950)</i>	<i>(360,650)</i>	<i>34,508</i>	<i>(72,126)</i>	<i>144,233</i>	<i>174,652</i>	<i>108,724</i>	<i>141,125</i>	<i>292,810</i>	<i>121,027</i>	<i>(3,455)</i>	<i>21,351</i>
<i>Capital schemes</i>	<i>(52,140)</i>	<i>(52,140)</i>	<i>(47,860)</i>	<i>(196,210)</i>	<i>(38,282)</i>							
<i>Transfer between GF & CPZ reserve</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(105,260)</i>								
<i>Additional Revenue Projects identified</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>								
<i>Budget Book Items</i>	<i>0</i>	<i>0</i>	<i>183,610</i>	<i>(183,610)</i>								
Balance carried forward	(176,643)	162,447	575,237	404,979	962,185	856,234	681,582	572,858	431,733	138,923	17,896	21,351

This page is intentionally left blank

Agenda Item 6

Report to: Budget Panel
Date of meeting: 27 November 2012
Report of: Head of Strategic Finance
Title: Budget Update

1.0 SUMMARY

1.1 This report provides a progress report upon revenue estimate preparation for 2013/2014 and in particular discusses issues associated with how the Council's net expenditure is financed.

2.0 RECOMMENDATIONS

2.1 The Budget Panel note the current situation..

Contact Officer:

For further information on this report please contact:

Bernard Clarke, Head of Strategic Finance, telephone extension 8189, email bernard.clarke@watford.gov.uk

3.0 INTRODUCTION

3.1 It is customary at this stage in the budget process for the Budget Panel to consider variations to the current year's base budgets for inclusion within detailed estimate preparation for 2013/2014. These variances take the form of growth bids/savings proposals and recommended increases in fees and charges.

3.2 Budget Panel will be aware however that the funding by Central Government of local authorities in 2013/2014 will experience profound changes which include:

- the Chancellor of the Exchequer will announce his Autumn Statement on 5th December and this may well change the overall control totals for local government.
- the introduction of the Business Rates Retention scheme with effect from 1st April 2013 will almost certainly affect the re-distribution of government funding between authorities.
- the anticipated reduction in government support for the local council tax benefit scheme for Watford will not be known
- similarly the allocation of New Homes Bonus (a key component of Watford's receipt of central support) will not be known

3.3 Latest intelligence from the Department of Communities and Local Government (DCLG) suggests that the overall funding package for each local authority will not be announced until 'late December' which is a considerable delay on past years. In these circumstances it would not be sensible to make decisions upon Watford's expenditure estimates without having knowledge of central government support.

3.4 It is the intention therefore to provide sequential reports to Budget Panel's meeting on 16th January 2013 which will ensure all information is available to enable a series of key recommendations be made to Cabinet on 21st January.

3.5 The purpose of this report is to provide the Budget Panel with a greater understanding of how the component parts of the overall funding of services will be calculated and is discussed in subsequent sections of this report.

4.0 CENTRAL GOVERNMENT FUNDING

4.1 As indicated at paragraph 3.3, the different strands of government funding are unlikely to be known until 'late December' and it is anticipated will include:

- Watford's share of Business Rates
- Revenue Support Formula Grant (unless fully reflected within the Business rates allocation)
- New Homes Bonus
- Watford's share of local council tax benefit subsidy
- Homelessness Protection Grant (£281k in 2012/2013)

4.2 The Council has already been notified of the amount it will receive for administering the housing benefit system in 2013/2014. It will be £632,645 compared to £679,971 in 2012/2013 (a reduction of £47k, whereas the revised MTFs had built in a reduction of £21k).

4.3 The announcement of government support in late December will not include one year Council Tax Freeze grant of circa £84k or transitional grant relating to local council tax benefit (circa £26k for Watford).

5.0 COLLECTION FUND

5.1 The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the receipt of all business rate and council tax income. A large proportion of business rate income is paid over to Central Government (and 50% of this income will continue to be paid over in 2013/2014).

5.2 The residual 50% Business rates income and all council tax collected is then divided up as follows:

Watford Borough Council retain	16.52%
Herts County Council receive	73.78%
Herts Police Authority receive	9.70%

5.3 The Collection Fund should, wherever possible, aim to break even but this rarely happens due to the difficulty in forecasting accurately the collection levels of council tax and the subsequent calculation of provision for non payment of council tax. Further it is difficult to anticipate the numbers of new properties coming on line and consequently increasing the council tax base. Watford has, in the past, been cautious regarding the assumptions that affect the Collection Fund and has consistently generated more income at year end compared to its original estimate.

5.4 The table below indicates the level of variance that has occurred:
Collection Fund Surpluses:

Year	Total £k	WBC £k	HCC £k	HPA £k
2008/2009	547	90	406	51
2009/2010	899	148	666	85
2010/2011	1,083	179	799	105
2011/2012	10	2	7	1

These are all Outturn figures.

5.5 For 2011/2012 instead of declaring a surplus it was felt necessary to increase the Provision for Bad Debts by £788k and, as at 31st March 2012, the level of provision for council tax non payment was £2.588m. This should be compared to the gross income from Council Tax in 2011/2012 of £50.811m (an effective 5% provision for write off). This level of provision potentially benefits WBC/ HCC/ and HPA as it insulates them from any future bad news re Council Tax Arrears.

5.6 Budget Panel may be aware that Cabinet (at its meeting on 5th November) resolved that it would recommend to Council that the current national

Local Council Tax Support Scheme be adopted for 2013/2014 (no change to current system). This being subject to further consultation and that an increase in the Council Tax Base would cover any shortfall. It is hoped that Paragraphs 5.4 and 5.5 above provide the necessary evidence that this hope is more than just wishful thinking. In effect, Watford would take a more realistic view of its Council Tax Base in advance of any financial year and would assume a larger level of council tax income as a result. The consequence of this is that the Collection Fund at year end is more likely to be in balance and large future surpluses will be unlikely.

6.0 COUNCIL TAX COLLECTION RATES

- 6.1 The 2012/2013 Budget for the Council has been based upon collecting 97.5% of council tax (this will not all be collected within 2012/2013, but is anticipated to be ultimately collected through arrears recovery). Collection levels are monitored at the end of every month when a like for like comparison with previous years can be made. As at 31st October 2012, 64% of council tax had been collected and is identical to the position in 2011/2012. This is encouraging as there may have been a danger that collection rates would fall reflecting the wider economy.
- 6.2 For 2013/2014, the revised Medium Term Financial Strategy had assumed that collection levels in 2013/2014 would fall and that an ultimate 97% would be achieved. This was also based upon the fact that changes to the local council tax benefit scheme would adversely affect the client base and would result in increased arrears. Cabinet has now resolved there should be no change to the Benefit scheme in 2013/2014 so that particular pressure will not occur.
- 6.3 The collection rates in the current year will continue to be monitored and a recommendation on the collection rate for 2013/2014 will be made to Budget Panel and Cabinet in January 2013.

7.0 FINANCIAL IMPLICATIONS

- 7.1 There are no financial implications arising out of this report.

8.0 LEGAL IMPLICATIONS

- 8.1 The Head of Legal and Property Services comments that there are no legal implications arising out of this report.

9.0 POTENTIAL RISKS

Potential Risk	Likelihood	Impact	Overall Score
That central government funding proves significantly more adverse than anticipated.	2	4	8
That collection levels for council tax reduce alarmingly in the next 16 months.	2	4	8

10.0 EQUALITIES

10.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010 it is important to demonstrate how policies, practices and decisions impact on people with different protected characteristics. It is also important to demonstrate that the Council is not discriminating unlawfully when carrying out any of its functions.

There are no proposals within this report that have direct equality implications.

This page is intentionally left blank

Agenda Item 7

Report to: Budget Panel
Date of meeting: 27th November 2012
Report of: Head of Strategic Finance
Title: Shared Services Review

1.0 SUMMARY

1.1 This report provides the Budget Panel with a report recently considered by the Shared Services Joint Committee.

2.0 RECOMMENDATIONS

2.1 To note the attached report.

Contact Officer:

For further information on this report please contact Bernard Clarke, Head of Strategic Finance, telephone extension 8189, email bernard.clarke@watford.gov.uk

3.0 INTRODUCTION

3.1 The attached report was recently reported to the Shared Services Joint Committee and reviews the financial performance of the four shared services cost centres when compared to the original Business Plan aspirations. All figures quoted cover both Watford and Three Rivers Councils (the split between the two being broadly 60% Watford; 40% Three Rivers).

3.2 It is self evident from the attached figures that two shared services:

- Finance
- Human Resources

are over achieving compared to the original Business Plan whereas:

- ICT
- Revenues and Benefits

have underachieved anticipated savings within the original Business Plan.

3.3 For 2013/2014 onwards, it is anticipated that the ICT service will be outsourced but no decision has yet been taken regarding whether some up front investment will be necessary in order to ensure the ICT service accelerates its current progress. For Revenues and Benefits, the Council's Medium Term Financial Strategy has assumed Watford will experience a £150k additional spending 2013/2014 compared to the 2012/2013 Original Budget. It is likely that the overspend compared to the Business Plan will continue therefore.

3.4 The overall situation for all four cost centres is shown at Paragraph 4.2.2 of the attached report and indicates a combined saving for both Councils of £1.277m (Watford, circa £766k) over the four year period. The saving anticipated within the original Business Plan had been £1.722m..

4.0 FINANCIAL IMPLICATIONS

4.1 These have been included within the report.

5.0 LEGAL IMPLICATIONS

5.1 There are no legal implications arising out of this report.

6.0 POTENTIAL RISKS

Potential Risk	Likelihood	Impact	Overall Score
That the ICT and Revenues and Benefits services continue to overspend.	3	2	6

7.0 EQUALITIES

7.1 There are no equality implications arising out of the period 4 Finance Digest.

Appendices

Shared Services Review

THREE RIVERS & WATFORD SHARED SERVICES JOINT COMMITTEE

Date of meeting: 19 November 2012

PART A

AGENDA ITEM

11

Title: SHARED SERVICES REVIEW

Report of: Director Of Corporate Resources & Governance - Three Rivers D.C.

1. **SUMMARY**

1.1 This report reviews the shared services against the original objectives of improvement in services, resilience and savings, and considers the lessons learnt.

2. **RECOMMENDATIONS**

2.1 That this report be noted.

Contact Officer:

For further information on this report please contact:

David Gardner – Director of Corporate Resources & Governance – Three Rivers D.C.

telephone number: 01923 776611

email: david.gardner@threerivers.gov.uk

Report approved by:

Bernard Clarke – Head of Strategic Finance – Watford B.C.

3. DETAILS

3.1 The Three Rivers Resources Policy and Scrutiny Committee has agreed to investigate, from a Three Rivers perspective, whether the original shared service objectives of resilience, improved services and savings have been achieved and the lessons learned. This report is presented to the Joint Committee for its input and information.

3.2 **Finance**

3.2.1 Improvement in Service

- Accountancy closed and reported the Financial Statements for 2011/12 in advance of the statutory timetable
- Internal Audit have adopted a new service model to provide consultancy and advice
- The Fraud section have exceeded performance targets and extended their service to investigate more types of fraud.

3.2.2 Resilience

- CIPFA benchmarking reports Accountancy Section as having:-
 - Lowest overall cost
 - Lowest staffing cost
 - Fewest staff
- Internal Audit with reduced resources achieved the Audit Plan and met requirements of Grant Thornton for the managed audit service

3.2.3 Savings

- Savings are now running at more than £250k *over and above* the Shared Services business case.

	2009/10	2010/11	2011/12	2012/13
	£000s	£000s	£000s	£000s
Detailed Business Case				
Combined Costs	2,156	2,156	2,156	2,156
Shared Services	1,748	1,748	1,748	1,748
Savings	408	408	408	408
Actuals / Budgets	1,698	1,611	1,533	1,496
Savings against Business Case	458	545	623	660
Additional Savings (+) / Reduced Savings (-)	50	137	215	252

3.3 **Human Resources**

3.3.1 Improvement in Service

- Accuracy rates with payroll increased to 99% and working relationship improved; self service modules introduced; increased fees from client plus tendering for further opportunities;

3.3.2 Resilience

- Harmonisation of specific terms and conditions although more to do; team working embedded with HR Business Partners working across both

Councils.

3.3.3 Savings

Savings have been achieved that are greater than estimated in the original detailed business case:-

	2009/10	2010/11	2011/12	2012/13
	£000s	£000s	£000s	£000s
Detailed Business Case				
Combined Costs	1,226	1,226	1,226	1,226
Shared Services	944	917	917	917
Savings	282	309	309	309
Actuals / Budgets	844	779	695	727
Savings against Business Case	382	447	531	499
Additional Savings (+) / Reduced Savings (-)	100	138	222	190

3.4 **ICT**

3.4.1 Improvement in Service

- Increased technical documentation and knowledge base within the department.

3.4.2 Resilience

- Infrastructure review and improvement plan leading to upgrade of much of the infrastructure at both councils providing increased stability and resilience of ICT Systems.

3.4.3 Savings

- The ICT service has fallen short of the savings estimated in the detailed business case, primarily through the increased costs of employing agency staff and obtaining external assurance of the outsourcing process (Actica).

	2009/10	2010/11	2011/12	2012/13
	£000s	£000s	£000s	£000s
Detailed Business Case				
Combined Costs	1874	1874	1874	1874
Shared Services	1741	1415	1415	1415
Savings	133	459	459	459
Actuals / Budgets	1796	1468	1470	1523
Savings against Business Case	78	406	404	351
Additional Savings (+) / Reduced Savings (-)	-55	-53	-55	-108

3.5 **Revenues & Benefits**

3.5.1 Improvement in Service

- Improved collection rates in Council Tax, Business Rates and Sundry Debts
- Harmonised operating platform leading to further improvements in access

channels, e.g. Self-Service

- More efficient processes for gathering information to support benefit claims, i.e. “triage”

3.5.2 Resilience

- Unified approach to service delivery. Workload is not allocated on authority basis but by demand.
- Greater flexibility of staff available to offer reception facilities at each site.

3.5.3 Savings

The additional costs incurred by the benefits service have been well documented. The service is spending more now than the original estimated combined costs of the two councils:-

	2009/10	2010/11	2011/12	2012/13
	£000s	£000s	£000s	£000s
Detailed Business Case				
Combined Costs	2,722	2,722	2,722	2,722
Shared Services	2,505	2,176	2,176	2,176
Savings	217	546	546	546
Actuals / Budgets	2,869	3,161	2,966	2,955
Savings against Business Case	-147	-439	-244	-233
Additional Savings (+) / Reduced Savings (-)	-364	-985	-790	-779

3.6 ***What lessons have we learnt?***

3.6.1 Nothing stands still

The Economy

Increased demand for benefits has significantly affected that service. The finance department has reacted well to the cost reduction exercise brought about by the government’s austerity measures, other shared services have struggled to cope.

3.6.2 Governance Arrangements

Members should review the Joint Committee arrangements and consider whether a lead authority model might be better. The governance arrangements have made it difficult to harmonise the terms and conditions of staff

3.6.3 Due Diligence

Some surprises

A better understanding of the respective ICT Infrastructures would have enabled the ICT service to start on a better footing.

3.6.4 Difficult to Expand

The shared services set out with the intention of combining with other authorities to increase resilience, improve services and achieve further savings. It has been difficult to find willing partners.

4. IMPLICATIONS

4.1 Policy

4.1.1 The recommendations in this report are within the policies of the Joint Committee, Three Rivers District Council and Watford Borough Council.

4.2 Financial

4.2.1 There are no changes to the budget or the efficiency gains already agreed by the Joint Committee, Three Rivers District Council or Watford Borough Council as a result of this report.

4.2.2 The table below shows the combined impact of all four shared services. The saving to the two councils in the current financial year is £1.3m against the £1.6m estimated in the original detailed business case. This has to be considered in the light of:

- considerable increases in cost to meet addition demand for housing and council tax benefits
- the original detailed business case did not allow for inflation, and whilst pay awards have been pegged, employers pension costs have increased, and pay and grading arrangements have led to some salary drift. Contracts such as for payroll have inflationary increases in-built.

	2009/10	2010/11	2011/12	2012/13
	£000s	£000s	£000s	£000s
Detailed Business Case				
Combined Costs	7,978	7,978	7,978	7,978
Shared Services	6,938	6,256	6,256	6,256
Savings	1,040	1,722	1,722	1,722
Actuals / Budgets	7,207	7,019	6,664	6,701
Savings against Business Case	771	959	1,314	1,277
Additional Savings (+) / Reduced Savings (-)	-269	-763	-408	-445

4.3 Legal Issues (Monitoring Officer)

4.3.1 There are no legal issues associated with this report.

4.4 Risk Management and Health & Safety

4.4.1 There are no risks associated with the decision members are being asked to take (i.e. to note the report).

4.5 Equalities, Staffing, Accommodation, Community Safety, Sustainability & Environment, Communications & Website and Customer Services

4.5.1 None specific.

Appendices

None

Background Papers

No papers were used in the preparation of this report.

This page is intentionally left blank