

BUDGET PANEL

16 JANUARY 2013

Present: 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

Also present: Councillor M Watkin, Portfolio Holder for Finance and Shared
Services
Councillor S Johnson

Officers: Head of Strategic Finance and Shared Services
Head of Finance (Shared Services)
Committee and Scrutiny Officer

34 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

There were no apologies for absence.

35 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

36 MINUTES

The minutes of the meeting held on 27 November 2012 were submitted and signed.

37 DRAFT REVENUE AND CAPITAL ESTIMATES 2013/2016

The Panel received a report of the Head of Strategic Finance and Shared Services incorporating the report and appendices for the Cabinet meeting to be held on 21 January 2013. The Panel was advised that its comments would be forwarded on to Cabinet.

The Head of Strategic Finance and Shared Services explained the details in his report to Cabinet. He advised that it had been a difficult budget to produce due to a number of uncertainties which were covered within the different sections of the report. He also referred to the Capital Programme and asked for Budget Panel's views on the proposed new schemes which Cabinet would consider for inclusion at its meeting on 21 January.

The Chair, Councillor Dhindsa, asked that Members reviewed the report as Budget Panel and not as individual political groups. All parties would be able to make their individual political comments at Council

Growth Additions to Base Budgets (Appendix 3)

Councillor Khan referred to the ICT recharges, recently approved by the Shared Services Joint Committee. He enquired whether they had been included within the report to Cabinet.

The Head of Strategic Finance and Shared Services stated that the transition costs had been included within the Council's Capital Programme but that the one off additional first year revenue costs had not been incorporated at this point in time.

Following a question from Councillor Derbyshire, the Head of Strategic Finance and Shared Services advised that the revenue requirements for Shared Services would be provided to Cabinet once finalised as they were not included in this report.

Fees and Charges (Appendices 4A, 4B and 11)

Councillor Martins noted that in Appendix 4A (Budget Movement Reconciliation) there were no figures for the market in 2013/14. He asked for clarification.

The Head of Strategic Finance and Shared Services explained that currently the market was losing in the region of £200,000 per year. The proposals were for the market to break even. The base estimates before the Panel still provided for the net cost of £200,000. Discussions with a prospective Market Operator would be looking for a break-even position.

Following a question from Councillor Khan, the Head of Strategic Finance and Shared Services informed the Panel that most fees and charges had not changed or had only increased to cover inflation. Trade Waste had a higher increase. This had previously been discussed by Budget Panel and it had been agreed that this service should break even.

Councillor Khan asked whether Trade Waste would still be included in the Council's budget if it were outsourced.

The Head of Strategic Finance and Shared Services advised that details were still being finalised with the two companies applying for the service. The companies had different approaches. It was possible that the service might not be outsourced. The final decision would be made by Cabinet at its meeting in April.

Councillor Jeffree noted the reduction in the charge for street trading consent. He asked whether this was a deliberate policy.

The Head of Strategic Finance and Shared Services said that he would report back to Members as he was unaware of the reason.

Councillor Khan referred to the various licensing fees and asked whether this was the maximum that the Council could charge.

The Head of Strategic Finance and Shared Services confirmed that it was the maximum permissible charge the Council could impose.

Local Council Tax Benefit

Councillor Derbyshire commented that Budget Panel had discussed the forthcoming changes to Council Tax Benefit and that the reduction in Government funding should be covered by changes to the Council Tax Discounts. He asked if this had been taken into account in the budget process as he had not noticed the information in the report. He asked whether the Council would be adopting the default scheme set by the Government.

The Head of Strategic Finance and Shared Services advised that separate reports would be presented to Cabinet at its next meeting. He confirmed that it would incorporate proposals to reduce the discounts for empty properties. The income from this would go towards offsetting the reduction to the Council Tax Base, the analysis of which was shown in Appendix 7. He confirmed that officers were proposing that the Council should adopt the default scheme.

Medium Term Financial Strategy (Appendix 6)

Councillor Taylor asked for an explanation why it was proposed that £0 would be transferred from the New Homes Bonus to the Earmarked Reserves in 2016/17.

The Head of Strategic Finance and Shared Services informed the Panel that at the meeting on 3 December 2012 Cabinet had agreed that the Earmarked Reserve should be built up to £3 million over a period of time. This would be available to support the Health Campus LABV (Local Asset Backed Vehicle). By 2016/17 it was proposed that the reserve would have met the £3 million target.

Following a question from Councillor Khan, the Head of Strategic Finance and Shared Services explained that the New Homes Bonus could be transferred to the reserves or the General Fund; the Council had the option of where it placed that funding.

Councillor Khan said that Watford had a finite space for new homes. He added that he had not noticed the inclusion of the £1.8 million from Capital Shopping Centres in the budget.

The Head of Strategic Finance and Shared Services replied that the £1.8 million would be a guaranteed income, but it would be replacing the commercial rent from Charter Place that the Council already received.

Councillor Khan had noted the loss of £700,000 in rental income due to the economic downturn. He asked whether it was envisaged this would be recouped over coming years.

The Head of Strategic Finance and Shared Services stated that he hoped the income would increase by 2016/17. The reduction in income included the period of time that the 'Peacocks' site in the High Street was empty for several months. In addition to attract companies to rent commercial units it was necessary to offer subsidised rates.

Councillor Rackett commented that the biggest part of the Council's income was the rent received from its property portfolio. He said that it was necessary to carry out some scrutiny on the management of the property portfolio. It should not just be about the income received. He was unsure whether it should be carried out by Budget Panel or a Task Group set up by Overview and Scrutiny Committee.

The Head of Strategic Finance and Shared Services informed the Panel that at the next meeting the main item on the agenda would be Property. He would ask officers to report not just on the Council's aspirations but also on the management of the portfolio.

The Chair felt that Overview and Scrutiny Committee would be the most appropriate committee to consider this item for review.

The Committee and Scrutiny Officer asked Members to complete the Scrutiny Proposal form and she would ensure it was presented to Overview and Scrutiny Committee in March.

Collection Fund

The Chair asked for further information on the Collection Fund.

The Head of Finance Shared Services advised that the most recent estimates showed a surplus of £9,000. It was estimated that at the end of the year there would be a deficit of £9,000.

Reserves Appendices 8 and 8B

Councillor Khan commented that the reserves were very healthy even with the anticipated usage. He acknowledged that reserves were used in 'bad' times and that hopefully during 'good' times revenue would come in. He explained that he was basing his comments on the External Auditor's report which had recently been presented to Audit Committee. In the report the External Auditor had stated the reserves were 'more than adequate'. He had interpreted that to mean that the External Auditor was implying that the reserves should be used. He said that the £1.8 million from Capital Shopping Centres was a good income. He felt the Council should use the £3 million, which was being added to the reserves, for other things.

The Head of Strategic Finance and Shared Services replied that Grant Thornton, the External Auditor, included capital receipts within their comments about reserves. If there were no capital receipts left the Council would have to use its reserves. He added that Grant Thornton had not stated that the £1.8 million was additional income. Finally he advised that he would prefer the Council to be in its current position rather than struggling, as some authorities were in the current climate.

Councillor Taylor referred to the New Homes Bonus. He asked whether it would be more transparent to show that the £3 million had come out of the reserves. He felt it could be misleading if the Council showed a deficit when it had transferred £1 million to the reserves.

The Head of Strategic Finance and Shared Services advised that the New Homes Bonus was shown as a separate line within the Appendix.

The Portfolio Holder, Councillor Watkin, noted that the Head of Strategic Finance and Shared Services had started by saying it had been a difficult budget due to the funding streams. He stated that he would prefer to see the reserves as high as possible as the New Homes Bonus was not a guaranteed funding stream.

Councillor Aron commented that she agreed that the Council should have reserves. These were difficult times and no one knew what the future held. The Council needed to provide a good service for its residents.

Councillor Greenslade asked whether officers felt the Government would intervene if it felt a council's reserves were too high.

The Head of Strategic Finance and Shared Services advised that the Secretary of State regularly referred to local authority reserves. He did not believe that the Government would go to that level of micro-management at each individual council. The reserves were being squeezed by funding cuts and capping.

Capital Programme 2012/2016 (Appendix 10)

Councillor Rackett noted that there were new schemes in the list, including the relocation of the Hurling Club and Farm Terrace Allotments, which actually related to the Health Campus. He felt that these schemes should be incorporated into the Health Campus budget. This would enable Members to see the actual cost of the scheme. He was concerned that the Council was over-committing itself on the project. It was an ambitious and expensive project.

The Head of Strategic Finance and Shared Services confirmed that if Cabinet approved the schemes they would be moved up.

Councillor Taylor asked for details of the £3 million for Redevelopment Opportunities.

The Head of Strategic Finance and Shared Services explained that this was to cover the costs for approved schemes the Council was developing.

General comments

The Chair asked whether the Panel agreed that Council Tax should be frozen.

Councillor Aron commented that she felt the Council had little choice. If it was decided to increase the Council Tax by more than 2% it would be necessary to hold a referendum.

The Head of Strategic Finance and Shared Services said that in his opinion the Council should freeze Council Tax. There was scope to reduce it but he was not recommending it.

RESOLVED –

that Budget Panel's comments be forwarded to Cabinet for its meeting on 21 January 2013.

38

DATE OF NEXT MEETING

It was agreed that the next programmed meeting was too soon and that it should be moved to March.

- Monday 11 March 2013

Chair

The Meeting started at 7.00 pm
and finished at 8.10 pm