

BUDGET PANEL

23 OCTOBER 2012

Present: Councillor J Dhindsa (Chair)
Councillors J Aron, G Derbyshire, S Greenslade, P Jeffree,
A Khan and P Taylor

Also present: Councillor Mark Watkin, Portfolio Holder for Finance and
Shared Services
Councillor Malcolm Meerabux

Officers: Head of Strategic Finance and Shared Services
Head of Revenues and Benefits (Shared Services)
Partnerships and Performance Section Head
Committee and Scrutiny Support Officer (RW)

17 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

Apologies were received from Councillors Rackett and Martins.

18 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

19 MINUTES

The minutes of the meeting held on 11 September 2012 were submitted and signed.

20 UNDERSTANDING BUDGETS

The Head of Strategic Finance explained that it was not possible to present the slides on understanding budgets at the current meeting. He suggested that this item be postponed until the following meeting.

RESOLVED –

that the item on Understanding Budget be postponed until the meeting on Tuesday 27 November 2012.

21 MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2012/2017

The Panel received a report of the Head of Strategic Finance explaining the Medium Term Financial Strategy (MTFS). He advised that there was a degree of uncertainty with regard to the following year's financial status: a considerable number of changes proposed by Central Government would need to be factored into the budget. At the present time, however, insufficient information had been provided and, consequently, the impact of these changes was unclear.

The Head of Strategic Finance counselled that the Panel would need to consider Revenue and Capital Outturns for 2011 / 2012, identified pressures during 2012 / 2013 and future years, Council's progress in meeting efficiency targets and the forecast net expenditure. Income streams which needed consideration were: Central Government funding, the Council Tax base and collection levels and levels of reserves and balances.

In response to a question from Councillor Jeffree, the Head of Strategic Finance advised that the £84,000 Grant for the Council Tax freeze was not reflected within the MTFS as shown at Appendix 1. The figures within the projections indicated a previous year's freeze grant which had been guaranteed for a four year period.

Councillor Jeffree suggested that income could be generated through various Council departments; for example, Human Resources could also serve other authorities. The Head of Strategic Finance advised however, that whilst this was laudable it would only generate small additional income as, being part of Shared Services, only 60% of any saving would accrue to WBC.

Councillor Derbyshire stated that he was not in favour of deficit revenue budgets and suggested that, in extremis, the reserves be used as a short term measure to ease any deficit in the budget.

Following an enquiry from Councillor Khan, the Head of Strategic Finance advised that income was mainly derived from:

- Trade Waste including Recycle credits
- Car parking charges - this did not include Controlled Parking Zones (CPZ)
- Planning and Building Control Fees
- Land Charges fees (although this might not be available in the future)
- Leisure Centres

The Head of Strategic Finance said that a fuller explanation of revenue would be provided to Members of the Panel and that a report on fees and charges and CPZ income would be available prior to the meeting on 27 November.

ACTION: Head of Strategic Finance

In reply to a further question from Councillor Khan, the Head of Strategic Finance advised that income from Commercial rents had fallen from £7 million to a current figure of £6 million. It was anticipated that the regeneration of Charter Place would lead to an increase in revenue eventually. He added that vacant retail units in Charter Place and the lack of a tenant in the former 'Woolworth' shop had decreased the income stream.

Councillor Khan then asked whether additional income generation had been considered.

The Head of Strategic Finance replied that a number of schemes were currently being investigated:

- It was anticipated that an increase in revenue would be accrued from ground rent from sites in Ascot Road
- Capital Shopping Centres (CSC) was anticipated to rescind the management of car parks which, it was hoped, would lead to an income increase
- Income would ensue from the Health Campus in the form of rents, an increase in the Council Tax base and the New Homes Bonus.
- An increase in rent had recently been negotiated with the West Herts Golf Club

Referring to the New Homes Bonus, Councillor Derbyshire noted that this initiative would make a significant difference to the Council's financial situation which would otherwise be rather squeezed.

The Chair asked how the £13 million reserves could be used. He suggested that this could contribute to a reduction in business rates/rents.

The Head of Strategic Finance, however, counselled that business rates was a contentious issue at this time as the Government was likely to assume too high a 'target' for the Council to achieve. He advised that it would be unwise to support businesses against this background.

Councillor Khan noted that the General Reserves stood at just under £8.5 million; he asked whether this could be used to fund the overspend. The Chair agreed that it would be sensible to consider using the reserves.

Councillor Taylor noted the figure for growth in public sector pay rising by 1% in the coming year and asked whether this was a somewhat conservative forecast.

The Head of Strategic Finance replied that 3% was probably a better estimate but the MTFs reflected Government strictures on the subject. If 3% were unaffordable then the Council would need to consider increasing the current 1% vacancy assumption to compensate.

Councillor Meerabux noted that some categories in the General Reserves were accorded relatively large amounts. He asked whether any changes could be made within these headings.

The Head of Strategic Finance said that the Economic Impact classification was a fairly recent inclusion which, it was anticipated, would be the first call upon any budget shortfalls. With regard to the Housing Benefit Subsidy, he advised that this was intended to cover against possible errors in the Council's grant return to Government.

Councillor Khan informed the meeting that he understood that £6 million would be the optimum reserve figure. If this were correct, he advised, then this could fund a cut in Council Tax since the reserves currently amounted to £8.5 million.

RESOLVED –

that Budget Panel's comments be noted.

22

LOCALISATION OF COUNCIL TAX SUPPORT - UPDATE ON CONSULTATION

The Partnership and Performance Section Head gave a presentation on feedback from the consultation on Local Council Tax Support. She explained that those invited to participate had included working-age recipients of Council Tax Benefit. She added that reminder letters had been sent to this target group, which had increased the number of respondents; there had been 433 replies which was considered to be a good response per head of population.

The Partnership and Performance Section Head referred to the report and noted the options for changing the current discounts as presented in the survey and responses and comments received from participants. She then drew the Panel's attention to the options for changing the exemptions.

The Head of Revenues and Benefits advised that the results of the survey were clear. He said that the Department of Communities and Local Government (DCLG) had just announced a transitional (one year) grant which would be available subject to certain criteria. He noted, however, that if the Council's proposed scheme (as outlined in the report) were substantially different from the criteria now set out by the DCLG a further consultation would be required.

Councillor Derbyshire observed that 4% of possible respondents had taken part; it was evident that the preferred option was to make changes to the exemptions. Councillor Derbyshire agreed that this would be a wise move as this should maintain the current level of collection. He said, however, that financial validation of the proposal should be a requirement.

In reply to a question from Councillor Jeffree, the Head of Revenues and Benefits advised that savings made by changing current discounts would equate to:

Option 1:	£24,000
Option 2:	£60,000
Option 3:	£310,000

Councillor Khan considered that the optimum choice would be to change the exemptions as detailed in Options 4 to 7. He believed that Option 2 (to make non-dependent deductions) would affect many families and would not be a good choice.

The Head of Revenues and Benefits countered that this option had been the preference of 62% of the respondents. He felt that it was imperative that the outcome of the survey should be evaluated. He noted that Equalities issues would also be considered as the local scheme was developed.

The Head of Strategic Finance pointed out that it was important that consideration be given to the transitional grant. He advised that options 1 to 3 be examined, possible shortfalls noted and due weight be accorded to how the situation could be improved in the following year. He informed the Panel that a report would be presented to Cabinet for the 5 November meeting to present information on what the transitional grant might mean for Watford.

Councillor Aron asked whether, in the event that Options 4 to 7 were implemented, this would mean that levels of support would in no cases be reduced by more than 17%.

The Partnership and Performance Section Head agreed to circulate figures which would explain these calculations.

ACTION: Partnership and Performance Section Head

Councillor Derbyshire agreed that Options 4 to 7 would be the optimum choice but that a financial assessment was necessary before a firm decision could be made.

The Portfolio Holder for Finance and Shared Services advised that changing exemptions would reduce the impact of current discounts for recipients.

RESOLVED –

1. that the Panel notes the findings of the consultation
2. that the options for changing exemptions be presented to Cabinet

23

FINANCE DIGEST 2012/2013: PERIOD 6 (END OF SEPTEMBER)

The Panel received a report of the Head of Strategic Finance informing on budgetary variance as at the end of September 2012. This represented the half year position.

The Head of Strategic Finance reported a £166, 000 overspend; this was wholly due to forecast overspends within ICT and Revenues and Benefits. The predicted overspend in ICT had amounted to £48,000 associated with maternity cover, a high percentage of agency staff and consultancy assistance. Overspends in Revenues and Benefits were similarly due to additional staffing and agency staff required to deal with an exceptionally high volume of backlogged casework.

In response to a query from Councillor Aron, the Head of Strategic Finance advised that the volume of claimants had increased dramatically due to the current economic climate. He added that staffing levels may have been set too low at the start of the Shared Services initiative, and that this was being reviewed in tandem with performance data.

The Portfolio Holder for Finance and Shared Services advised that staffing levels had been assessed at the setting up of the new joint service based on an expected level of productivity. This improved productivity had not been achieved and the increase in levels of new claims had exacerbated the situation. Following a recent review by senior management, however, performance on processing new benefit claims had improved dramatically; management of changes of circumstance, by an outside agency, had not been so effective but this had been addressed and he was confident that the backlog would be cleared.

In response to a question from Councillor Aron with regard to Universal Credit, he advised that no-one was sure how this scheme would be operated. He explained that because of this uncertainty over work required to be done by District Council staff under Universal Credit it had been considered unwise to recruit staff as they might need to be let go in the near future.

Replying to questions from the Chair, the Portfolio Holder said that during the previous 18 months considerable improvements in processing had been made and that the backlog would definitely be cleared.

Councillor Khan noted that the Head of Strategic Finance had mentioned that certain initial Service Prioritisation projects had not been taken forward. He asked for a full list of these projects.

The Partnership and Performance Section Head agreed that this information could be forwarded to Members of the Panel.

Councillor Derbyshire informed the meeting that the Government was producing a 'league table' of speed of processing both new claims and changes in circumstances. The statistics would be collated from returns to the Department of Work and Pensions and the report would be published in November 2012.

The Chair thanked Members and officers for their work and for the good and productive discussion.

RESOLVED –

that the report be noted

- Tuesday 27 November 2012
- Wednesday 16 January 2013
- Tuesday 12 February 2013

Items on the agenda would include Training, the CPZ accounts, Income charges, growth, savings and new capital projects.

Chair

The Meeting started at 7.00 pm
and finished at 9.00 pm