

## **BUDGET PANEL**

**10 SEPTEMBER 2013**

Present: Councillor J Dhindsa (Chair)  
Councillor S Rackett (Vice-Chair) (for minute numbers 9 to 15)  
Councillors J Aron, S Counter (for minute numbers 9 to 13),  
S Greenslade, P Jeffree, R Martins, P Taylor and M Turmaine

Also present: Councillor M Watkin (Portfolio Holder for Shared Services  
and Democracy and Governance)  
Councillor M Meerabux

Officers: Shared Director of Finance  
Head of Finance (Shared Services)  
Head of Revenues and Benefits (Shared Services)  
Committee and Scrutiny Officer

### **9 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP**

There was a change of membership for this meeting: Councillor Jeffree replaced Councillor Derbyshire.

### **10 DISCLOSURE OF INTERESTS (IF ANY)**

There were no disclosures of interest.

### **11 MINUTES**

The minutes of the meeting held on 10 July 2013 were submitted and signed.

### **12 REVENUES AND BENEFITS FINANCE**

The Panel received a report of the Head of Revenues and Benefits which provided an overview of the financial aspects of the Revenues and Benefits service. The report made particular reference to Benefit Subsidy, Council Tax and Business Rates collection information.

#### Benefit Subsidy

Councillor Jeffree commented that the report was interesting but he was concerned that the Council always appeared to be at risk if a mistake was made. He accepted that there would be penalties if the Council made a mistake. He asked whether the Council was able to claim recompense from outside

contractors if they were found to have made mistakes when processing claims. He also enquired if there were any other ways to mitigate against mistakes happening.

The Head of Revenues and Benefits advised that any overpayment carried an element of risk. The Council had the power to recover any overpayment from the Applicant. With regard to the contract with the current contractor, it did not contain a penalty clause related to mistakes. A previous contract had contained a clause which reduced the amount the Council paid for the service if there was a degree of inaccuracy by that contractor. This arrangement had been offered by the company to promote their service to the Council. The current contractor was acting on behalf of the Council. The majority of overpayments could be attributed to delays in processing changes.

Following a question from Councillor Counter about technical overpayments, the Head of Revenues and Benefits explained that the Council Tax bills were reduced by the Council Tax Benefit for the duration of that bill. Following a change in the Council Taxpayers circumstances, for example when they were no longer responsible for Council Tax at that property, the bill was apportioned and the Council Tax Benefit was calculated for the relevant period of time. He assured Members that the Council did not lose out in these cases.

Councillor Martins said that the overpayment cost to the Council was unsustainable. He asked what measures needed to be put in place to reduce the cost.

The Chair commented that he was aware that the Housing Benefits overpayments raised in 2010/11 was £1.9 million and then in 2012/13 the figure was over £3 million.

The Head of Revenues and Benefits informed the Panel that overpayments were caused by people forgetting to advise the Council of changes in their circumstances. The service was currently working on developing an automatic link with the Department of Works and Pensions. This link would enable the Council to receive automatic updates on changes to pensions and benefits details. A further reason for the increase in overpayments was that rents had increased over time and therefore the level of overpayment would increase.

The Chair considered the response was unacceptable. He asked for the officer's opinion on the level of overpayments expected for the current year. He felt too many mistakes were made.

The Shared Director of Finance advised that some errors had been created due to the delays in processing the change in circumstance cases. She was working with the team to reduce the timescales. It was important to ensure the backlog was cleared and then the service could consider how it could improve the processes for new change of circumstance applications. Benefit regulations were constantly changing. The service would need to review the processes and how any unnecessary steps could be removed. The benefit software had been updated, which meant officers had fewer key strokes to make when processing

applications. The number of days for processing claims had reduced but there were still more improvements to be made.

The Head of Revenues and Benefits informed the Panel that when officers sought to recover the overpayment, there was a maximum amount that could be recovered from a claimant's current Housing Benefit. The Council took other steps to recover the overpayment, which, if it had been as a result of fraudulent activity, could include an application for assets to be seized.

The Portfolio Holder highlighted the last paragraph of 4.4 in the report. This showed that in 2012/13 the Council had recovered £1.9 million of overpaid Housing Benefit which offset the overpayments related to that year and other years.

The Vice-Chair requested that at the next meeting the Panel was provided with comparative data.

In response to a Member's question, the Head of Revenues and Benefits advised that the Council did not receive 100% of the rent allowances paid out, as explained in paragraph 4.2 of the report. For example, there were certain types of accommodation which the Council would only receive a proportion back through the subsidy. In addition overpayments created by the speed of changes to cases affected this. The faster changes were processed the lower the overpayment would be.

With regard to mitigation measures, the Head of Revenues and Benefits informed the Panel that officers were using diary tools to act as reminders to contact people direct about changes. In those cases where people were identified as having a large capital, they were asked to repay the overpayment over a shorter term than the £10.80 per week applicable from Housing Benefit payments.

The Head of Revenues and Benefits confirmed that the subsidy rates were set by Central Government. If overpayments were kept below a certain level the Council could receive 100% of the subsidy. Councils were then penalised the higher the overpayment level.

Councillor Taylor asked whether there was any data that showed the backlog of cases was reducing and whether the service was at the national average level of completing claims.

The Shared Director of Finance responded that the backlog was monitored on a daily basis. The new claims were at about the national average level; however the change in circumstance applications were above the national average but were moving in the right direction.

#### Council Tax and Non-Domestic Rates – Collection rates

The Chair commented that there had been a significant amount of media coverage regarding bailiffs and the tactics they used. He asked what control the

Council had over the bailiffs it used and whether there was any extra help available for residents.

The Head of Revenues and Benefits explained that the Council worked with two bailiff companies and each one acted as an agent for the Council. The bailiffs had to abide by legislation. The companies had taken steps to create good working relationships with the local Citizens Advice Bureaus. Council staff had shadowed the bailiffs whilst following up on cases in order to see how they worked. The bailiffs worked to the Council's instructions. If they identified vulnerable cases they were instructed to contact Council officers for advice on the next steps to be taken. Applications were processed as quickly as possible, but if people encountered problems the Council could make payments direct to the landlord rather than the claimant. If the Housing Benefit was insufficient, those claimants affected by the benefit cap or 'bedroom tax' could apply for discretionary housing payments.

The Vice-Chair noted that before the bailiffs were given cases, a summons was issued. He noted £100 was added to the debt. He asked whether officers were able to reconsider the costs and make a judgement call if a person usually made regular payments.

The Head of Revenues and Benefits responded that it was possible to put limits on the amounts charged. Prior to the summons being issued there would have been a bill, reminder and final notice issued. The £100 charge covered the Council's costs and the charge levied by the court. Officers were able to use a degree of flexibility regarding the charges and each case was considered individually. Officers would take into account the history of the payer and whether they maintained arrangements.

Councillor Martins asked how sensitive officers were to individuals' circumstances when the bailiffs were sent. He suggested the Council needed to use reasonable measures and to consider the person's history. He asked what criteria was considered before the case was passed to the bailiff.

The Head of Revenues and Benefits explained that once the Council had obtained the Liability Order a letter was sent to all individuals informing them that the order had been granted. They were given 14 days to contact the Council and discuss payment. The Council had contacted people three or four times prior to the case being passed to the bailiff.

In response to a question about patterns in the outstanding non-domestic rates debts, the Head of Revenues and Benefits advised that he had looked at the cases and no trends had emerged. Some of the cases related to disputes about the rateable value and in these cases the Council took the view that it was better to wait until a decision had been made.

Councillor Counter asked whether officers had considered contacting people on their mobile phone when payments were not being received. She added that she was aware of people who did not open their letters.

The Head of Revenues and Benefits stated that the Council did not have the resources to contact each case where payments had not been made. The Shared Director of Finance acknowledged that there were different ways to manage arrears. Sending text messages to people had been recognised as a good method for some people.

Councillor Meerabux stated that he had listened to the discussion and noted that the service was working in a changing environment. This in turn put pressures on the system. There were changes for customers to get used to. He had sympathy for the staff.

The Chair spoke about the cost of using agency staff and commented that he felt it would probably be better to employ permanent staff instead.

The Committee and Scrutiny Officer informed the Panel that Overview and Scrutiny Committee regularly monitored the performance statistics related to Housing Benefit. The Head of Revenues and Benefits had regularly attended the Scrutiny Committee to report on the service's progress in reducing the backlog. The reports and minutes of these meetings were available on the Council's website. She added that Revenues and Benefits was a shared service with Three Rivers District Council and any decisions were made by the Shared Services Joint Committee. She reminded the Panel that all Watford Councillors were informed when the Joint Committee's decision had been published and they were able to call-in any decisions which they were not satisfied with.

The Chair said that he acknowledged there was ample reporting being undertaken, but he was concerned that the service was not making improvements at a sufficient rate.

**RESOLVED –**

1. that a report be presented to the next Budget Panel reporting on comparative data with other authorities.
2. that the Panel's comments be noted.

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## **NON DOMESTIC RATES - REVIEW OF DISCRETIONARY RATE RELIEF**

The Panel received a report of the Revenues Manager setting out information about the various types of relief available to businesses to help them with their business rates.

The Shared Director of Finance explained which relief was mandatory and which the Council had no control over and those awards which the Council had discretion to grant.

Following a concern from the Vice-Chair about Empty Property Relief, the Shared Director of Finance advised that this relief was only applicable for three months, following that period the charge reverted to the full amount unless other

discounts applied. She added that local authorities were aware of scams carried out by property owners to try to avoid having to pay business rates. She informed Members that those premises where the business had gone into administration or receivership, the Council was unable to collect any charges due for the premises.

In response to a question from Councillor Jeffree about the cost to the Council, the Shared Director of Finance stated that since April 2013 different relief cost the Council different amounts. The funding rules for business rates had changed from April. The Council only needed to forward 40% to Central Government in respect of any income over and above the baseline figure. If the Council collected less than the baseline figure there was a cost to the Council.

The Chair suggested that the new Business Rates regime could be added to the work programme as a training session.

Councillor Turmaine asked a number of questions related to business rates, including whether information about empty properties in the High Street was accessible.

The Shared Director of Finance informed the Panel that if a charity occupied premises the mandatory 80% relief would apply. The Council had no discretion over this award. A charity could then apply for the discretionary top up relief. Sports Clubs were also entitled to apply for relief. The Shared Director of Finance advised that she would ensure that a list of empty properties was circulated to the Panel.

The Policy and Guidelines attached to the report were the basis which revenues staff used to grant relief.

The Chair asked whether the Council should have a policy setting out which businesses would be able to receive discretionary relief. He also questioned whether the Council should have a policy encouraging local businesses and local charities rather than national companies and organisations.

Councillor Martins suggested that the general principle of the Chair's suggestion was a good idea.

Councillor Meerabux commented that many residents wondered whether the Council provided flexibility to support businesses. He referred to Brent Cross Shopping Centre which provided free parking for visitors. He suggested it was important to look at the long term aspects for the town.

The Shared Director of Finance responded that business rates was just one aspect that could be built into a package for businesses; however, this was not the best support mechanism. Support for businesses might include how to manage a business. There was a range of support mechanisms other than business rates relief that could be built into a support package.

The Vice-Chair noted that the Council had not awarded any Hardship relief over the last four years. He asked if Members could be informed whether any other Hertfordshire authorities awarded this relief.

The Vice-Chair commented that he was concerned about secondary retail locations and local shopping areas. These areas were part of the sustainability of local neighbourhoods. A policy or package could be developed for these areas.

The Chair added that two areas within his ward would benefit from help, for example allowing people up to 20 minutes free parking.

The Shared Director of Finance agreed that there was a range of benefits that could be included.

Councillor Turmaine confirmed that the Council had an Economic Development Unit which provided support to businesses.

The Portfolio Holder said that he wanted to air a note of caution. The Council provided the infrastructure for businesses. If it was seen to selectively support small local business, where would it stop. People needed to be able to run a sustainable business. The Council's role was to spend money to enable all businesses to flourish.

Councillor Aron agreed with the Portfolio Holder. She said that she would be anxious if the Council started singling out small individual businesses against national businesses. She would not want any businesses to be discouraged from coming to Watford. She wanted Watford to be a vibrant town.

The Vice-Chair stated that St Albans Road had lost several national businesses, but small local businesses had opened which meant the money was kept in the local area. National or international companies had a percentage of the profits sent outside the area. In the case of local businesses 100% of the profits were returned to the local area.

RESOLVED –

1. that the Panel be provided with details of empty properties within the Town Centre.
2. that the Panel's comments be noted.

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## **REVISED MEDIUM TERM FINANCIAL STRATEGY 2013 / 2018**

The Panel received a report of the Shared Director of Finance which provided an overview of the financial issues affecting the Council up to March 2018.

The Shared Director of Finance highlighted the sections which had been updated since the Panel's meeting in July. She advised Members that no

assumptions had currently been made about the collection of business rates and whether it would be over or below the baseline. She added that the Business Rate Grant changes shown in Appendix 1 to the report reflected the changes happening within Watford. She informed Members that business rates were key to the Council's financial position.

Councillor Taylor referred to the New Homes Bonus. He noted that it appeared to stop by 2017/18. Councillor Turmaine asked whether the New Homes Bonus had any impact on the number of properties developed in Watford.

The Shared Director of Finance advised this was not a definite end date, but one that she had anticipated might happen. It may still be in operation after that date.

The Portfolio Holder responded to Councillor Turmaine's question. He said that the New Homes Bonus was unlikely to have an impact on the number of properties developed in Watford. Watford was seen as a good place to build new residential developments. The bonus was critical for the Council and its budget.

The Chair commented on the infrastructure of the town and the lack of sufficient schools and doctors' surgeries. The Council, however, still allowed more houses to be built.

The Portfolio Holder reminded the Chair that the infrastructure references he had mentioned were not the responsibility of this Council. The Council was unable to refuse a planning application if the relevant infrastructure was not in place.

Councillor Greenslade questioned whether the target of 97% for the Council Tax collection rate was reasonable.

The Shared Director of Finance said that in her opinion the collection rate was low compared to similar authorities. One inference could be that there was insufficient recovery action taken. She felt that the collection rate could be increased.

Councillor Meerabux commented that in his opinion he considered 97% a reasonable figure. He felt it was difficult to draw comparisons as Watford's population was continuously changing.

The Shared Director of Finance reiterated that Watford's collection rate was low compared to similar towns to Watford.

RESOLVED –

that the Panel's comments be noted.



**FINANCE DIGEST**

The Panel received the latest edition of the Finance Digest. The Shared Director of Finance advised that the current prediction that there would be a slight underspend but this was likely to change by the end of the year.

The Head of Finance Shared Services referred the Panel to Table 1 in the digest. This set out the variances as at the end of July. This showed that there was only one variance which had arisen during July. This related to Watford's share of the cost of IT services and was seen as an invest to save. This would be funded from the relevant reserve.

Following a question from Councillor Taylor about the Revenues and Benefits review, the Shared Director of Finance explained that there were ongoing discussions with the service about ways it could improve. Some minor changes had already been put in place.

RESOLVED –

that the Finance Digest (Period 4) be noted.

**WORK PROGRAMME AND TRAINING**

The Panel received a copy of the latest version of Budget Panel's work programme. The Committee and Scrutiny Officer advised that following Members' earlier discussions a further item needed to be added to the programme for October, 'Revenues and Benefits follow up'. It was agreed that the analysis of commercial rents would be moved to November.

The Panel also discussed its training requirements. The Committee and Scrutiny Officer reminded Members that Welwyn Hatfield Borough Council had extended two training sessions on Local Government Finance to all Councillors across the County. If Members were interested in attending either of the sessions they would need to contact her the following day so that she could inform the Committee Manager at Welwyn Hatfield Borough Council.

Members agreed that a training session should be held at the start of the next meeting related to a basic guide to Local Government finance. In November the training session should be on Business Rates since April 2013.

RESOLVED –

that the work programme be updated to incorporate the changes to the programme and the training sessions.

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## **DATES OF NEXT MEETINGS**

- Tuesday 29 October 2013
- Tuesday 26 November 2013
- Wednesday 15 January 2014

Chair

The Meeting started at 7.00 pm  
and finished at 8.40 pm