

BUDGET PANEL

20 SEPTEMBER 2011

Present: Councillor J Dhindsa (Chair)
Councillor T Poole (Vice-Chair)
Councillors I Brown, S Counter, G Derbyshire, M Meerabux,
F Qureshi and S Rackett

Also present: Councillor Asif Khan
Councillor Andy Wylie (Portfolio Holder for Finance and
Shared Services)

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

10 TRAINING - UNDERSTANDING BUDGETS

The Head of Strategic Finance provided a training session on 'Understanding Budgets'. He discussed expenditure and income and explained about budget preparation, the Medium Term Financial Strategy and reserves.

11 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

Apologies for absence had been received from Councillor Greenslade.

There were further changes of membership: Councillor I Brown replaced Councillor Watkin and Councillor Qureshi replaced Councillor Martin for this meeting.

12 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

13 MINUTES

The minutes of the meeting held on 22 June 2011 were submitted and signed subject to the following amendment –

Minute number 5 – Corporate Process Improvement Programme

Page 5 – paragraph 2 the word 'weeks' should have been 'months'. The paragraph therefore should read –

'The Chair was concerned that the Council would be spending £10,000 per month over the next six months to make savings.'

SUMMARY OF THE FINANCIAL OUTTURN 2010/2011

The Panel received a report of the Head of Strategic Finance informing Members of the revenue and capital outturns for 2010/2011. He advised that the Statement of Accounts for 2010/2011 would be presented to Audit Committee on Thursday 29 September 2011. The Head of Strategic Finance outlined some of the key points contained in the report.

The Chair asked if there had been a percentage increase in the level of reserves.

The Head of Strategic Finance responded that the Council had increased reserves in 2010/2011 but drawn down on its reserves in the previous year.

The Portfolio Holder added that the level of reserves went up and down depending on circumstances. Fortunately the reserves were beginning to build up again. The level of usable reserves could vary between £1.5 and £5 million. The reserves should not be completely depleted.

Following a further question from the Chair, the Portfolio Holder advised that each local authority's levels of reserves were available on the government's website. It was not easy to compare authorities as different circumstances affected the level, for example whether a local authority had its own housing stock.

A Member referred to refurbishment costs for the Age Concern UK building, which had been reported in the local press.

The Head of Strategic Finance replied that the refurbishment cost had not been anticipated when the lease expired. The original estimated cost had been reduced. The lease had been an older style one which was a full repairing lease. Work was now being carried out to look at the structure of leases. The works at the Age UK building had now been carried out and funded from the repairs and maintenance budget. Any unexpected costs taken from this budget affected other planned works.

The Portfolio Holder informed Members of a case where a lessee had left a premises and it had been necessary to spend £300,000 to clear the land. The money to pay this charge had had to be taken from the reserves. With a property portfolio it was possible to suddenly be faced with large bills.

A Member referred to the 2010/11 unspent budget which had been carried forward to 2011/12. He said that the default position should be that if it were unspent it should not be carried forward, but counted as savings. He asked for assurance that there was good justification for the money being carried forward.

The Head of Strategic Finance explained that Leadership Team had reviewed each case. Many had been for one-off projects, for example the project management training, which was ongoing.

The Member then referred to the report's comments about revenues and benefits. He informed the Panel that the Three Rivers and Watford Shared Services Joint Committee was closely monitoring this service. The Joint Committee would not allow the situation to get out of control as it had in the previous year. The Joint Committee had been given an assurance at the last meeting that the situation was under control. He added that Members were right to raise concerns, but said that Members could be assured that the three Watford representatives on the Committee would be monitoring the situation.

The Chair said that he had had a number of residents contacting him about Housing Benefit problems. He commented that the closure of the telephone lines one day a week affected residents. He asked when the problems would be resolved.

The Portfolio Holder responded that the service had been given until late December to resolve the situation. He said that the service was currently handling far more queries and change in circumstance applications than the team had been set up to process. Staff needed to be able to process applications without interruption from telephone calls. SERCO had been employed to carry out evaluations on outstanding cases. New cases were continually being received. A large number of the outstanding cases were awaiting further information from applicants. It was proposed that the Customer Service Centres at both Watford and Three Rivers would be trained and able to handle some of the enquiries at reception, for example accepting additional documentation. There was currently half the number of outstanding cases than a year ago. The Three Rivers and Watford Shared Services Joint Committee was very concerned about the problem and was continually monitoring the statistics.

The Portfolio Holder advised Members that if they were aware of housing benefit applicants who had problems, they should contact the Head of Revenues and Benefits. There were processes which could be put in place to urgently assess an application.

A Member confirmed that as a representative on the Joint Committee, the recent report had shown progress was being made and the backlog was decreasing.

A further Member commented that there was great concern about housing benefits. He referred to an individual case he had been involved with, which had required further investigation. He acknowledged the work being carried out by SERCO but the company needed to be quicker.

The Chair commented that in light of job cuts the situation would not get any better. He had noted that there were proposed cuts of £150,000 in the housing service budget. He suggested the Council could use reserves to cover this cut.

A Member referred to paragraph 9.2 in the report, the second bullet point, and commented that Full Council approved the Council's budget. There had been a

significant addition to the budget from the reserves. He asked for clarification of the protocol in place, as Full Council had no involvement.

The Head of Strategic Finance explained that during 2010/11 specific grants had been agreed and changes made through the year. Each time a requested was made to use reserves it was not reported to Council, however, it was included in the Finance Digest which was distributed to all Members.

RESOLVED –

1. that the revenue outturn of £16,327,000 (before the use of reserves, balances and provisions) as summarised at Appendix 1 of the report be noted.
2. that Budget Panel notes that certain unspent budgets have been carried forward into 2011/2012 in the sum of £349,700 and as detailed at Appendix 5A of the report.
3. that Budget Panel notes that the Department for Communities and Local Government has approved the closure of the Council's Housing Revenue Account and that the balance of £1,310,000 be transferred to a newly created 'Development Sites Decontamination Reserve' (Appendix 5 of the report refers).
4. that Budget Panel notes that the Housing Benefit Subsidy provision is now no longer required and that a residual balance of £367,000 should be transferred to a newly created 'Housing Benefit Subsidy Reserve' (Appendix 5 of the report refers).
5. that Budget Panel notes that the VAT refund of £1,122,000 should be transferred to the four funds detailed at Appendix 5 of the report and that, as a consequence, a new 'Insurance Fund' has been created.
6. that the capital outturn as detailed at Appendix 6 of the report be noted.

15

FINANCE DIGEST 2011/2012: PERIOD 4 (END OF JULY)

The Panel received a report of the Head of Strategic Finance setting out the reported budgetary variances as at the end of July 2011. The Head of Strategic Finance reported that the next Finance Digest to be considered by the Panel would be period 6 and this would be more informative than the current edition.

Following a Member's question, the Head of Strategic Finance explained that the figure in the column headed 'Agreed Budget Change' was the underspend carried forward from 2010/11 which was due to be spent in the current year.

The Portfolio Holder added that the column headed 'Variance @ Period 3' referred to predicted overspend for the current financial year.

Following a Member's request for an explanation of the potential risks, (paragraph 6 in the report), the Head of Strategic Finance advised that this was his assessment of the use of unplanned reserves. He added that if the use of reserves continued there would be a point when the reserves ran out. Through budget monitor, officers and Members were able to not only identify overspending but to do something to resolve the situation.

RESOLVED –

1. that Budget Panel notes the Finance Digest as at the end of period 4.

16

REVISED MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2010/2015

The Panel received a report of the Head of Strategic Finance setting out the revised Medium Term Financial Strategy (MTFS) which had been reported to Cabinet at its meeting on 25 July 2011. The Head of Strategic Finance highlighted some of the key points in the revised strategy.

A Member referred to the Council Tax Freeze Grant. He asked whether it was correct that the Council would need to find a way to cover the loss of the grant in the financial year 2015/16. He also enquired whether there was any indication that the Council would receive a similar amount for the next financial year, 2012/13.

The Head of Strategic Finance confirmed that the grant was for four years and after that time the Council would need to fill the gap. The Council had assumed the grant would be available next year. The strategy had made the assumption there would be no increase in Council Tax.

The Member said that the Panel would be looking at fees and charges at a forthcoming meeting. He considered the Panel needed to debate the different ways the gap could be plugged. An increase in Council Tax affected all residents. Fees and charges were for optional activities. This might be the only way to increase the Council's income. He suggested looking at a similar timeframe as the MTFS, until 2015. The Panel could consider which fees should not be increased and others increased as the market was able to bear it.

A Member noted that the Council's property was 100% occupied. He commented that the Council appeared to be attracting a different profile of clients. He mentioned that Poundland was moving into the premises adjacent to Peacocks. He said the Council needed to be careful how it promoted the High Street.

The Head of Strategic Finance responded that the Charter Place developer would hope there was a slightly better retail offer. He asked Members to consider whether it was preferable to have an empty unit or to have the unit occupied and the Council receiving an income.

A Member commented that it was hoped there would be a good retail mix, including shops such as Poundland and up market shops.

A Member said that he was concerned at the depleting levels of savings and reserves. The Council needed to be careful otherwise it would need to apply for a loan and would no longer be debt-free. The use of reserves needed serious consideration regarding the impact in the long-term.

The Member noted that in 2012/13 an assumption had been made that there would be no increase in Council Tax. He asked whether officers had assumed there would be some incentive from government to not increase Council Tax. If the grant was not offered, he enquired whether the Council should increase Council Tax by a minimal amount.

The Head of Strategic Finance informed the Panel that Appendix 1A of the report had been prepared on the basis that an inducement to keep a freeze would be made (but that this grant would in fact be top sliced from grant due to be received anyway).

The Member said that he acknowledged the Council would need to accept it if offered, as the Council would be in a worse position if it were rejected.

The Portfolio Holder commented that in the future Councils would probably need to consider merging with others in order to keep the costs down. He was aware the Secretary of State for the Department of Communities and Local Government was not considering carrying out a re-organisation of local government. The Portfolio Holder stressed that the Council could not rely on its reserves to cover any overspend.

RESOLVED –

1. that the report be noted.

17

COST OF CONSULTANTS / AGENCY

The Panel received a report of the Head of Strategic Finance setting out the use of consultants and agency staff for the year 2010/2011 and the first four months of 2011/2012. The Head of Strategic Finance apologised for the delay in circulating the report to the Panel.

Following a Member's question the Head of Strategic Finance explained an example of the savings achieved by one of the consultants. There had been an issue about the cost of the scanning contract for several years. The service did not have the capacity to carry out the review. This one saving had covered the cost of the consultant.

The Portfolio Holder said that it was difficult for a small district council to get the right people at the right price. The consultants employed provided a good job on a short-term contract. Clear objectives were set. Permanent staff were able to learn from the consultants by working along side them. Consultants were only used when there was a specific role for them. He welcomed Budget Panel's

review of the use of consultants and felt it might be useful as a standing item each year.

A Member said that he felt there might be resentment by staff when consultants were employed and it confused the public. Having spent £334,000, he asked what value had been achieved.

The Portfolio Holder replied that the Council did not have the staff with the relevant skills to carry out some aspects and it was necessary to obtain specialist advice. It was far more cost effective to employ a consultant on a short-term contract than to go through a recruitment exercise and incur the additional pension costs for a permanent officer. He added that some staff may resent the use of consultants. Consultants, however, were employed as and when needed for specialist advice. A clear message was provided to staff that they did not need to fear the loss of their job due to the employment of a consultant.

A Member said that the report highlighted value for money for Council Taxpayers.

Another Member stated that the report was clear and it had been useful that consultants and agency staff had been shown separately. She had noted that the cost of agency staff had been contained within services staffing budgets. She said that it might be helpful to add a further column setting out how much had been saved. Members would then be able to identify those cases where there were more savings than the cost of the consultant.

The Head of Strategic Finance commented that he understood Members' concerns. He referred to the work carried out by the consultant during service prioritisation. This had been carried out between August and January and had identified £3 million in savings. The Finance Service did not have the capacity to carry out this work at the time.

In response to a Member's reference to the outsourcing of some benefit work, the Portfolio Holder explained that the Shared Services Joint Committee had discussed this. The revenues part of the contract had been terminated and all staff had been moved to the benefits processing.

The Portfolio Holder then referred to the level of agency staff. He advised that it was difficult for all local authorities to acquire benefit staff.

The Chair said that there were certain areas consultants needed to be used. Agency staff were trained by permanent staff and then they left. He was aware of cases where agency staff had given applicants the wrong information. He stated that the Opposition wanted to see a reduction.

The Portfolio Holder responded that Watford did not use consultants as much as some other authorities. He said the Chair had made a good point about the use of agency benefit staff. This had been the reason the service had moved away from using them. The permanent staff were unable to spend time on their work

whilst they were training agency staff and the authority was then in a worse position. The Head of Revenues and Benefits was keen not to use agency staff.

The Chair thanked the Head of Strategic Finance for the report.

18 **BUDGET PANEL WORK PROGRAMME 2011/12**

The Panel received a report of the Legal and Democratic Section Head including the latest work programme for Budget Panel.

RESOLVED –

1. that the updated work programme for 2011/12 be agreed.

19 **DATES OF NEXT MEETINGS**

- Tuesday 25 October 2011
- Tuesday 29 November 2011
- Wednesday 11 January 2012

Chair

The Meeting started at 7.00 pm
and finished at 9.00 pm