

BUDGET PANEL

25 OCTOBER 2011

Present: Councillor J Dhindsa (Chair)
Councillor T Poole (Vice-Chair)
Councillors J Aron, S Counter (for minute numbers 22 to 28),
G Derbyshire, R Martins (for minute numbers 20 to 25),
M Meerabux, S Rackett (for minute numbers 20 to 26) and
M Watkin (for minute numbers 23 to 28)

Also present: Councillor Andy Wylie (Portfolio Holder for Finance and
Shared Services (for minute numbers 20 to 25)),
Councillor Stephen Johnson (for minute numbers 20 to 25)
and Councillor Andrew Mortimer (for minute numbers 20 to
25)

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

20 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

There was a change of membership for this meeting: Councillor Aron replaced Councillor Greenslade.

21 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

22 MINUTES

The minutes of the meeting held on 20 September 2011 were submitted and signed.

23 HOUSING VALUE FOR MONEY PROGRESS REPORT

The Panel was informed that this item had been withdrawn from the agenda. The consultation on the proposals had commenced that day. A report would be presented at the next meeting.

LOCAL GOVERNMENT RESOURCE REVIEW: BUSINESS RATES RETENTION CONSULTATION

The Panel received a report of the Head of Strategic Finance setting out information about the significant changes to the financing of local government, which were due to commence from 1 April 2013. The Head of Strategic Finance circulated a copy of his email response to the Department of Communities and Local Government (DCLG).

The Head of Strategic Finance explained the current system of financing local government. He advised that Watford Borough Council collected approximately £60 million and received £6 million back from the Government. He explained the new procedures which were currently being circulated by DCLG for consultation.

The Head of Strategic Finance said that one issue which might affect Watford was the proposal that the New Homes Bonus should be absorbed into the overall financing scheme. The New Homes Bonus was about the increase in housing supply in the Borough. He felt there may be a conflict in that land was a finite resource and priorities might be geared to housing or business but not necessarily both. It was important that transparency remained and that the specific grant for the New Homes Bonus should continue. In 2012/13 the Council was expecting to receive about £1 million for the New Homes Bonus, however, the exact figure would not be known until the Revenue Support Grant settlement had been announced. The announcement would be at the end of November.

A Member stated that the officer's report had clearly stated the difficulties for some local authorities to review the technical papers. He referred to the re-distribution of the Business Rates and said that areas like Watford should receive some benefit as there were cost implications to the council. The scheme should be designed to benefit authorities.

Another Member said that in principle the scheme was a good idea and may benefit Watford. It was clear that Watford had a vital business sector as a substantial number of Watford residents worked in Watford. In order to support growth he felt it was important to consider incentives for businesses. PR was important. Watford needed to sell itself to encourage businesses to move to Watford.

The Member said that he was concerned about the methodology in the way the income would be apportioned between two tier authorities (77% County, 23% District). He did not feel the County Council's economic development initiatives justified such a high percentage. There needed to be a fairer apportionment.

The Head of Strategic Finance accepted this point but felt there was a possibility that Watford would be a loser in the new system and that would mean under the proposed apportionments that the County Council would lose the most. It was a two edged sword. He referred Members to the East of England assessments and said that Watford might find itself in receipt of safety net protection. By comparison, the New Homes Bonus was currently split at a ratio of 80% to

District Councils and 20% to County Councils and this needed to be kept separate from the Business Rates Retention scheme.

The Member cautioned that Watford had started from a high base and the low growth over the last few years did not necessarily mean that Watford was doing badly. There were other indicators to measure Watford's performance, for example low unemployment. VAT registrations showed that Watford was in fact doing well. Watford Borough Council needed to be positive and build on its opportunities.

The Chair said that Watford had lost a number of big companies in the past, for example Rolls Royce, Scammells and Dickinsons. The retail sector had increased. He asked officers for a report at a future meeting to explain how the current economic state of the country might affect business rates. It was possible that more businesses might close down in 2012.

A Councillor commented that land was a finite resource and Watford was a small highly congested town. He felt that business growth was limited and there was little flexibility for incentives. He asked whether Watford had the capacity to be able to respond.

The Head of Strategic Finance responded that there was a surfeit of empty office accommodation. One piece of good news for the town was that KPMG was moving its staff from St Albans to the Watford office. If the empty accommodation, the new premises at the Health Campus, Watford Junction, the Western Gateway and Charter Place were optimised this would have an impact on the business rates generated. There were opportunities within Watford, but he acknowledged there were no green field sites. The town needed to make the best of the space and brownfield sites available.

In response to a Member's question about the calculation for business rates payable, the Head of Strategic Finance advised that he would circulate the information to Members.

A Member asked for clarification regarding any growth income and whether the Council was able to retain it.

The Head of Strategic Finance explained that a base level would be set and any incremental growth or loss would affect the Council's base position and hence the level of business rates it would receive back from the Government.

One Member said that it was important that the allocated money should stay in Watford and not be top-sliced by the Government. This point needed to be made strongly. He suggested that there was potential for more income to be generated by the New Homes Bonus than business rates and this needed to be protected.

A Member asked whether it would be possible to work with other authorities and pool resources.

The Head of Strategic Finance suggested that those local authorities that had seen a large growth in business rates would not necessarily wish to join an authority with a lower growth rate.

The Vice-Chair said that councils were used to the current system and it had never been questioned. He accepted the principle put forward and that the money was collected and spread to help other authorities. He added that the Government should not keep any of the money collected in. He asked whether under the new proposals there was more opportunity for the Government to keep some of the money. He felt this was negating the localism agenda.

The Head of Strategic Finance explained that the previous Government had top sliced the Business Rates and then given it back to local authorities by way of specific grant to be spent on Central Government priorities. The current proposals were supposed to change this and give authorities total freedom on how they spent the money. Top slicing negated this aim and he expected more schemes and grants to emerge at a later date, again to be spent on the Government's agenda.

The Partnerships and Performance Section Head informed the Panel that a temporary post had been designated at the Watford Chamber of Commerce. The officer had been tasked to retain and bring in new businesses to Watford. He set up networks for different types of businesses, for example the pharmaceuticals industry and the hospitality sector.

A Member said that the Economic Development Manager position would become a very important post within the Council.

The Chair thanked the officer for this report.

RESOLVED –

1. that the content, effect and Watford's response to this Government Consultation Paper be noted.

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SERVICE PRIORITISATION REVIEW

The Panel received a report of the Partnerships and Performance Section Head updating Members on the savings achieved to date and income generation against projected targets. The Panel was asked to comment on the three proposals outlined in paragraph 3.2.1 of the report which would be considered by Cabinet at its next meeting.

Proposal 11 – Reduce frequency of the disability awareness course for taxi drivers

This proposal had been absorbed into proposal 10 which was expected to deliver savings in Service Prioritisation Year 2.

The Panel had no comments about this proposal.

Proposal 64 – Close Church Street and Subway public conveniences

The Panel was informed that the proposal to be considered by Cabinet was not to close the Subway public convenience.

One Member said that it was necessary to consider how much it would cost to keep the public convenience open for the public, including the capital costs to maintain it in future years.

Other Members who referred to the Subway public convenience said that it was right that the toilets should remain open and the Council should continue to find the funding for them.

One Member said that the footfall through the subway had increased exponentially over the last 18 months. For example, West Herts College had expanded and there were more students passing through the subway during term time. The Colosseum had since opened and performances would be taking place more regularly and its audiences were likely to be parking in the Gade car park. The evening footfall would be higher.

Another Member said that the Council wanted to improve the Town Centre and it was therefore not an option to close these toilets.

The Portfolio Holder agreed that the Subway public conveniences were needed.

Proposal 72 – Introduce charge of £150 for installation of disabled bays

The new proposal was that this charge would not be introduced and the income generation would be reduced by £43,000 per year.

One Member said that he felt the suggested income would not have been as high as estimated. The Partnerships and Performance Section Head agreed that when charges were set it was difficult to judge the impact.

The Member said that the need for a disabled parking bay was less of a personal choice than other services that incurred a charge.

The Portfolio Holder explained that the disabled parking bays were costly to provide. The Council had to arrange for the bays to be painted on to the road. When they were no longer required the paint had to be burnt off. Disabled drivers were able to obtain an 'A' board which could be placed in the road. In 2010/11 budget Panel had asked the Executive to find out how much it cost to provide these spaces and then make a charge.

A Member said that he had listened to the Portfolio Holder's comments but he felt that there should be some charge for provision of the bays. It should not be assumed that if someone was disabled they could not afford the charge. If a person were unable to afford the charge it was possible there were grants they

could apply for. He added that there were costs involved and therefore it was not unfair to charge for the service.

The Chair commented that he was in favour of this change.

A Member commented that disabled parking bays were not a luxury but a necessity. The bays enabled the disabled person to park near their home.

The Portfolio Holder said that it was necessary to consider the practicalities. It was possible that a parking bay was put in for a disabled person and then a very short while after it had to be removed. It was also important to consider whether there were other ways the service could be provided. In respect of disabled bays it was possible to obtain an 'A' board to place in the road.

One Member commented that he had not seen the 'A' boards the Portfolio Holder had mentioned. He felt that if they were regularly used it might constitute an obstruction. He suggested it might be preferable to charge a smaller amount.

Other comments

A Member commented that some charges, for example leisure activities, were less price sensitive and they were a matter of choice for people.

The Member also referred to the cut in civic expenditure (reference 60 in Appendix B to the report) which had not happened.

The Partnerships and Performance Section Head explained that this had been added as an area to explore; whether to reduce the number or to charge for some civic events. An estimated saving figure had been set but because it was not a definite proposal it had not been added to the savings total.

Another Councillor referred to the projected shortfall in the Avenue Car Park income. He was surprised that it had not met expectations. He questioned whether there had been an error in the estimated calculations. He regularly passed the car park and it was well used during the day by college students and staff and people working in the town.

The Head of Strategic Finance replied that officers had been surprised at the low level of income from the car park. The estimated level of income had been put forward by the Head of Service and had been discussed at three different Leadership Team meetings, but it was clearly not going to be met. It was now accepted that there should be greater scrutiny of forecast increases in income.

The Member asked if officers could provide the audited figures.

The Portfolio Holder said that it had been assumed there would be an income of £238,000 from the car park. It was necessary to be realistic that this was not going to be achieved. The Council needed to be realistic about any revenue estimates.

The Chair asked for clarification regarding the parking charges and confirmation that they were ring fenced for parking services.

The Portfolio Holder advised that the regulations relating to parking zones were different to those for London. The money raised from penalties and charges could only be spent on parking services and other limited transport schemes. The Council had always managed to budget to a net nil figure. Any shortfall had to be met from the Parking Revenue Reserve, which was where any surplus funds were added. He said that fewer penalty tickets were being issued. The levels of fines were set by Central Government and this was the majority of the income. Pay and display income was the next highest income followed by the fees for permits. The Civil Enforcement Officers were not set targets they had to meet. Recent legislation had made it illegal to incentivise officers. Officers' performance was monitored. As part of the next budget cycle it would be necessary to consider whether there should be an increase in permit charges for Controlled Parking Zones and Match Day Parking Zones.

The Chair commented that he was aware that in one year there had been a surplus of £900,000. As people became used to parking schemes they were more careful where they parked. He thought it would be difficult to predict how many fines would be issued.

A Member commented that the reduction to the cost of floral and bedding displays was penny pinching. He said that in the current economic climate it was the responsibility of the Council to make the town as attractive as possible. He asked for information about the lower profile areas.

The Partnerships and Performance Section Head replied that she would take back the Member's comments and circulate the response to the Panel.

The Portfolio Holder added that the saving had already been made, as it was a Year 1 saving.

Another Councillor said that she did not necessarily agree with the first Member's comments about the flowers. She felt it was important to ask residents which services they preferred.

A Member said that the Council should be more realistic in generating income; it could be more aggressive in some cases. He added that there were mechanisms in place to help those on low income.

The Portfolio Holder responded that it was necessary to consider when setting any fee or charge whether there was any other way the service could be provided. It was necessary to investigate whether an increase in charges was outweighed by the possible income.

A Member commented that some Council services provided to residents should be subsidised. All services had to be paid for from the Council's Revenue Support Grant and Council Tax income, for example there was no charge for collecting residents' refuse. There were other services which were not used by

everyone. It was necessary to strike a balance and consideration given to whether those services were subsidised or part subsidised.

A Member cautioned that if there were any further variations to the savings it would increase the variance. He said that a challenge was being set for Leadership Team and Cabinet to ensure the Council lived within its means.

Following a Member's question about the reference to Section 106 funds (reference 68 in Appendix B to the report), the Partnerships and Performance Section Head explained that the figure was an amount above the base income for Section 106 agreements.

The Chair asked whether there were any other areas that could cover the expected variance.

The Head of Strategic Finance advised that the savings to date had been a big achievement. The Leadership Team and Portfolio Holders were investigating ways to identify further savings. There was currently £5 million in non-earmarked reserves and the use of reserves would help for a short while. It was important to make sure the shortfall was not escalated over the next two or three years.

A Member commented that he usually agreed with the Head of Strategic Finance regarding the use of reserves. They should only be used as a last resort. Some of the items would only be one off items and not appear again in future years.

With regard to the variances, a Member asked for an explanation related to the two largest amounts which appeared to be in Planning and Legal and Property Services.

The Partnerships and Performance Section Head explained that the variance for Planning mainly related to the Avenue Car Park income. The Legal and Property amount related to the non-closure of the Subway public convenience.

The Portfolio Holder referred Members to the cemeteries' variance. He explained that there was a net cost to the Council of £450,000 per year and it received an income of £218,000. He added that as the cemetery became fuller it was necessary to carry out more hand digging. This cost the Council more. A scrutiny had taken place last year. The provision of a cemetery cost all councils more than they acquired in fees.

RESOLVED –

1. that the update against service prioritisation proposals (Appendix A of the report) and the exceptions (Appendix B) as discussed in the report be noted.
2. that Budget Panel's comments on the proposed changes outlined in paragraph 3.2.1 of the report, as set out in the minutes, be circulated to Cabinet.

FINANCE DIGEST 2011/2012: PERIOD 6

The Panel received a report of the Head of Strategic Finance setting out the reported budget variances as at the end of September 2011.

A Member noted that the original budget had been revised and there had been a net increase to the General Fund.

The Head of Finance Shared Services advised that this had been explained in the first section of the Finance Digest, paragraph 1.2 and largely related to a carry forward provision.

The Portfolio Holder said that the situation was currently stable. It was still important to keep a check on expenditure. Officers and the Executive would continue to look at areas where further savings could be made, including the smaller items, for example telephone costs. All expenditure however large or small came from the Council Tax payers. The Council would provide services at a reasonable cost.

Following a Member's request for clarification about the Shared Services variance, the Head of Finance Shared Services explained that this had been due to increased costs incurred by Revenues and Benefits and ICT.

A Member assured the Councillor that there were three Watford Members appointed to the Three Rivers and Watford Shared Services Joint Committee. The Members were aware of the problems and were monitoring the services.

The Portfolio Holder explained that Revenues and Benefits included the benefits administration for Housing and Council Tax Benefit. The benefit caseload had continued to increase. There were currently 380 outstanding cases. Discussions were taking place to consider extending SERCO's contract for continued help with the caseload. Members were concerned that the increased number of cases were dealt with quickly. There were more Watford applications which would affect the amount the Council had to contribute towards costs. The Portfolio Holder reminded the Panel that if they were aware of any urgent cases they should contact the Head of Revenues and Benefits.

The Chair thanked officers for the report.

RESOLVED –

1. that the report be noted.

INCOME POLICY

The Panel received a report of the Head of Strategic Finance setting out the Council's current income policy. The Head of Strategic Finance advised that the Panel would be receiving a report about trade waste at its next meeting.

A Member said that he felt the parking meter charges should not be increased as they were quite high.

The Portfolio Holder responded that there had been various increases to the meter charges. There was information which indicated that people tried to avoid parking at meters. Schemes needed to be considered which were relevant to individual areas. For example an option for Market Street might be to introduce a 30 minutes free parking period. It was necessary to introduce a consistent parking policy for the Town Centre. Previously the parking meter rates encouraged people to feed the meters.

Another Member referred to the recently announced inflation increase. He said that, in principle, costs should increase at the same rate, however, it was necessary to be looked at in the context of the current economy. For example, pay increases were less than the rate of inflation.

The Portfolio Holder asked the Panel for their views regarding Appendix 2 to the report, Council Fees and Charges Concession Policy – April 2011.

One member said that this was an excellent policy. Appendix 1, however, was where he had identified difficulties.

Another Councillor stated that he had looked at both appendices. Paragraph 3 in the Fees and Charges Policy (Appendix 1) needed to be changed to reflect Appendix 2. It should relate to income-based benefits. He did not feel that all pensioners should receive discounts. He explained that many pensioners were in receipt of reasonable contribution based pensions.

The Head of Strategic Finance informed the Panel that the policy set out in Appendix 1 of the report had not been reviewed last year. It would be amended so that it was in line with the concession policy.

The Portfolio Holder thanked the Panel for their views.

RESOLVED –

1. that Budget Panel's comments be noted.

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DATES OF NEXT MEETINGS

- Tuesday 29 November 2011
- Wednesday 11 January 2012
- Wednesday 8 February 2012

Chair

The Meeting started at 7.00 pm
and finished at 9.00 pm