

BUDGET PANEL

11 JANUARY 2012

Present: Councillor J Dhindsa (Chair)
Councillor T Poole (Vice-Chair)
Councillors S Counter, G Derbyshire, S Greenslade, R Martins,
M Meerabux, S Rackett and M Watkin

Also present: Councillor A Wylie (Portfolio Holder for Finance and Shared
Services),
Councillor N Bell, Councillor S Johnson, Councillor A Khan
and Councillor A Mortimer

Officers: Head of Strategic Finance
Head of Finance
Head of Planning
Committee and Scrutiny Officer

40 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

There were no apologies for absence.

41 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

42 MINUTES

The minutes of the meeting held on 29 November 2011 were submitted and signed.

43 REVIEW OF CONTROLLED PARKING ZONE

The Panel received a report of the Heads of Planning and Strategic Finance which followed on from the previous report presented to Budget Panel in November. It asked Members to consider increasing charges for parking permits. The Panel's comments would be presented to Cabinet at its meeting on 16 January.

A Member informed the Panel that following receipt of the report he had approached officers for other scenarios. He advised that if the first permit was increased to £25 from £20, this would raise £21,740 additional income. If the second permit was raised from £30 to £60, this would raise an approximate

additional income of £28,000. This would total approximately £50,000. He added that there were other scenarios which would provide additional income. He cautioned that the Council needed to be careful how the additional income was spent.

A Councillor, who was not a member of the Budget Panel, questioned where the reserves had been spent. He said that two or three years ago there was over £900,000 in the reserves. He asked where £500,000 had been spent. He also questioned why officers had not raised this problem before. Residents were now expected to face heavy increases.

A Member stated that he had asked for quantifiable data regarding the cost of the Cassiobury parking scheme and what lessons had been learnt from its introduction. He said that the cost of the scheme could have had an impact on other areas which needed schemes and the schemes could be delayed.

A Member said that he had listened to the Head of Planning and read the report. It was clear there was a downward trend in the net income. He stated that it was important that the basic principle of this budget was adhered to. The operation of the Controlled Parking Zones and other parking restrictions should be cost neutral and not subsidised by Council Tax. He did not agree that charges should be increased by an average of 40%. He questioned whether there was any need for an increase in the proposed budget. He had noted that the CPZ Reserve was still in surplus and had not been fully depleted. The income had decreased considerably over the last few years. He was not convinced that this was only because people were more compliant. He suggested that the contract with Vinci should be reviewed and put on a performance basis.

Councillor Derbyshire moved that –

“Resolved:

1. The Panel endorses Council policy that the operation of CPZs and other parking restrictions in Watford should be cost neutral and without subsidy, with the costs being met from fines, pay and display income and permit fees.
2. The Panel recommends that for 2012/13 the charges for CPZ resident permits should remain unchanged.
3. The Panel recommends that the parking management agreement with Vinci should be reviewed at the earliest opportunity, with consideration being given to it becoming performance based.”

The Chair invited the Head of Planning to respond to the points raised by the Councillors.

The Head of Planning responded that the reserves had been used to make up for the shortfall in income. Funds had been used to pay for new CPZ schemes; the replacement of the Match Day Parking signage which the Council had been required to carry out in order for them to be legal and the ongoing cost of

replacing the pay and display machines. In addition the payments to Vinci had to increase in line with the Retail Price Index (RPI).

The Head of Planning advised that information and the business case for the Cassiobury parking scheme had been presented to Cabinet. Officers had tried to reduce the cost of the scheme by reducing the number of pay and display machines. Officers had not envisaged there would be a significant profit from the scheme but it did not have an impact on the reserves. There were no significant extra costs for the scheme. The Parking Service had reviewed the Civil Enforcement Officers' beats and there had been no increase in staff.

The Head of Planning stated that she agreed the parking scheme had to be cost neutral; this was included in current Government guidance and not legislation as in the past. She said that it was a shortsighted policy if it was necessary to continue to use the reserves. She added that a difficult decision would need to be made when the reserve was exhausted. If there were no increases in charges it would not be possible to deliver new schemes requested by residents or Councillors. With regard to Vinci's contract, this had been re-tendered in 2008 and the company had been set Key Performance Indicators. A portion of the fee paid to the company was based on it having met the performance indicators. There was a break clause in the contract which was possible from next year. The Council was not able to re-negotiate the contract until 2018.

The Head of Planning commented that it was acknowledged that a fall in income from Penalty Charge Notices indicated that a scheme was successful; yellow signs and lines were clear and people understood them. There had been no change in the number of Civil Enforcement Officers and resources had not declined. The only way the Council could increase the income from these notices was if it took a harder line. The Council, however, wanted to be seen as firm but fair.

The Head of Planning added that permit charges had not increased since 2005 and residents received good value for money. She said that it was fairer to increase the income from those residents who benefited from the service.

The Chair said that in his ward 95% of it had a Controlled Parking Zone and other parts of it had Match Day Parking. He agreed that the scheme should not be subsidised by Council Tax. He commented that other wards did not take up the same number of permits as purchased in his ward. This had been discussed at the previous meeting. He had not seen any statistics which indicated how many permits were purchased in individual wards. He said that in his ward the majority of permit holders would have to pay a 50% increase. Residents would have to pay an increase of approximately 90% since they first purchased their permits.

The Chair noted that the cost of the contract with Vinci had gone down but then it had increased. He said that it was necessary to review the contract as soon as it was possible.

A Member referred to the proposed expenditure as shown in Appendix 1 of the report. The projected cost of the new projects had been incorporated into the budget. The balance to be carried forward at the end of 2012/13 had been calculated after the costs of the proposed projects had been taken into account. The break clause in the contract with Vinci could be used as a lever to carry out a review.

The Head of Strategic Finance informed the Panel that the projects referred to in Appendix 1 were those put forward by officers. If residents requested further schemes it would be necessary to use additional reserves. He added that the cost of the contract was linked to the RPI. The 2012/13 charge was based on the RPI as at September 2011, when it had increased by 5.6%.

A Member stated that the finance report provided limited information. It included detailed expenditure costs but not how the income had been accrued. There had been an increase in the number of people affected by parking schemes but there was no indication whether there was an increase in permit charge income. He endorsed Councillor Derbyshire's motion to review the Vinci contract.

A Member commented that Central Ward accounted for approximately 30% of the permit charges and 40% or 45% of the income from penalty notices. It was necessary to look at the whole of the Borough. He felt that a £10 increase for the first permit was a burden for residents. He said that if it was necessary to pay for the proposed schemes from the permit charges, it would be necessary to charge in excess of £100. He did not believe that the reduction in income was only due to people being more careful where they parked. He noted that the number of Civil Enforcement Officers had not changed, however, there had been an increase in the areas with parking schemes and zones had been extended. He questioned whether there was a resource issue. He acknowledged the comparisons with other authorities but stated that Watford would do what it wanted to do. He did not feel there was any justification for burdening Central Ward residents with an increase.

The Member referred to the employee related costs shown in Appendix 1. He felt that when the contract was reviewed this also needed to be investigated.

The Head of Planning informed the Panel that parking enforcement was contracted out to Vinci. She advised that not all of the Council's employees were responsible for managing the contract. The Parking Services Manager managed the contract on behalf of Watford Borough Council, Dacorum Borough Council and Three Rivers District Council. Other officers dealt with the challenges to penalty charge notices, appeals and answered general parking related queries. Based on the number of challenges received, each officer had a workload of 1,400 cases each year. The Technical Monitoring Officer post had been deleted. The service tried to keep running costs as low as possible in order that they were not passed on to the customer.

A Member commented that he was concerned about income flows. He asked officers whether they had any information that the extended Cassiobury scheme would have a positive impact.

A Councillor, who was not a member of the Panel, noted the 50% increase. He said that residents in part of his ward might want a parking scheme introduced. This proposed increase would be too much of a burden for residents. He thought that there might be a decrease in demand for permits and some areas might ask for schemes to be removed. He added that he would prefer a complete freeze on the charges.

A Member said that he was concerned that performance related pay might be introduced. The Civil Enforcement Officers would then be looking for the slightest misdemeanour. The current flexibility allowed for a sense of justice.

The Portfolio Holder informed the Panel that it was not possible to incentivise wardens. This Council had never introduced that type of scheme and it was now illegal to do so. If Members were aware that this was happening they should report it to the Council. The Portfolio Holder referred to the budget book which indicated that 50% of the income was achieved from fines and the remainder was from permits and parking fees. The income from parking permits was decreasing.

The Portfolio Holder explained that Cabinet wanted to ensure the reserve was kept in balance. It was necessary to look ahead. The Executive was not happy with the increase recommended in the report, particularly in the current economic climate. He advised that Budget Panel's recommendation would have a material impact on Cabinet's decision. An increase in permit charges would be a significant rise for residents. The only other possible suggestion would be to increase pay and display charges but that would have an effect on health of Watford's economy.

The Chair asked Councillor Derbyshire to read out his motion.

On being put to the Panel the motion was AGREED.

RESOLVED –

1. The Panel endorses Council policy that the operation of CPZs and other parking restrictions in Watford should be cost neutral and without subsidy, with the costs being met from fines, pay and display income and permit fees.
2. The Panel recommends that for 2012/13 the charges for CPZ resident permits should remain unchanged.
3. The Panel recommends that the parking management agreement with Vinci should be reviewed at the earliest opportunity, with consideration being given to it becoming performance based.

DRAFT REVENUE AND CAPITAL ESTIMATES FOR 2012/2015

The Panel received a report of the Head of Strategic Finance incorporating the draft report and appendices which would be presented to Cabinet at its meeting on 16 January. A final version of the report and amended Appendices 7A, 7B, 8A and 8B were circulated to Budget Panel prior to the meeting.

The Head of Strategic Finance referred Members to the Revenue Support Grant settlement which was the same as the figures indicated by the Secretary of State the previous year. It was also confirmed that the Council would receive £1,516,000 New Homes Bonus. It would be necessary to discuss how this should or could be spent.

The Head of Strategic Finance advised that Members had not been provided with the complete Budget Book as the majority of budgets would remain unchanged. Budget Panel and Cabinet had, throughout the year, continued to monitor the proposed savings identified through the Service prioritisation process. Cabinet had approved amendments as required. Appendix 3 attached to the Cabinet report showed a further shortfall in the Service Prioritisation process of £165,000 in 2012/2014. This had not previously been reported but was being drawn to Members' attention through this report. Members were asked to comment on the shortfall.

Following a Member's question about the shortfall the Head of Strategic Finance advised that this was explained in Appendix 3. Each item needed to be considered individually.

A Member referred to the saving projection related to Licensing. He said that it was necessary to consider the implications for the Town Centre. It was important to support businesses and tackle anti-social behaviour. He asked whether officers had investigated raising all achievable revenue from pubs and clubs.

The Head of Strategic Finance explained that this information had been supplied by the Head of Environmental Services. It would be possible to find out more detail and circulate it to Budget Panel.

The Portfolio Holder added that the Head of Service had not yet reported to Corporate Management Board. The Board would either confirm the service's proposals or ask for amendments.

Another Member said that he was also frustrated that the Council was unable to raise income from the pubs and clubs. Councils should be able to charge appropriate fees to cover costs for policing and other required services.

A Member informed the Panel that the Licensing Committee had recently been informed about new legislation which was passing through Parliament. If agreed it would enable local authorities to raise income through a late night levy. If it were considered for introduction it would also be important to look at the impact on businesses in the town.

The Head of Strategic Finance then referred Members to revenue growth additions to the base budget as shown in Appendix 4.

A Member said that it was difficult to question the growth items as the Head of Service was not present. In total they were a considerable amount when compared to the revenue. He questioned the requirement for additional temporary staff in the Property Team.

A Councillor, who was not a member of the Panel, asked whether the backlog in Revenues and Benefits would have an impact on next year's budget.

The Portfolio Holder advised that there would be an impact and a growth bid had been submitted. The Head of Service was re-organising the scanning team. The anticipated savings for next year's budget would not be achieved. In the following years it was not know what impact the Universal Credit would have on the service. With regard to the bid from the Parks Team, there had been a number of tree related problems across the country. It was clear that a safety audit needed to be carried out on the trees in public areas. Usually the Council was reactive in its approach but it was necessary to ensure that everything was in order and there were no potential problems for the future.

The Head of Strategic Finance asked the Panel to consider Appendix 5 which related to fees and charges. This appendix showed the potential changes to the income compared to the original predictions for 2011/12 and the predicted income for 2012/13. Full details of fees and charges for 2012/13 were included at Appendix 12. He stated that the Panel had already decided to recommend that there was no increase in permit charges. The appendix had reflected an average increase of 40%. This would be changed if agreed by Cabinet. The schedule of fees and charges at Appendix 12 had been looked at in detail by the Leadership Team. Officers had acknowledged the economic impact on residents.

Following a question from the Chair about the increase of 31% for cricket pitches, the Head of Strategic Finance confirmed that this related to the booking fee. The Portfolio Holder clarified that this related to indoor cricket pitches under SLM management. For outdoor cricket pitches (under direct Council control) there was to be no increase in charges in 2012/2013

A Member commented that the whole issue of fees and charges was an important area for the Panel to address. He noted the increase of 7.14% for some of the 50+ sessions, however there had been no increase in the hire of football pitches which would involve a number of people. It was necessary for fairness to be taken into consideration and that there was a more consistent policy.

The Head of Strategic Finance referred Members to the Council's Concessions Policy for fees and charges.

A Councillor, who was not a member of Budget Panel, said that the charge to remove graffiti was due to increase by 200%. The licence for pet shops would increase by 3% whereas there was no increase for a sex shop licence. This did not seem right when the Council wanted to be a family friendly place.

The Portfolio Holder explained that some licensing charges were statutory and the Council was unable to change the charges until instructed by the Government. The graffiti removal fee was charged for domestic and commercial premises. Households could apply for concessions.

A Member enquired whether the leisure charges were compared to other leisure providers.

The Head of Strategic Finance suggested that the Panel could carry out a detailed review at a future meeting. Members might request SLM to attend and explain the basis for the charges and whether they were compared to other premises the company had elsewhere in the country.

Another Member commented that SLM managed the leisure centres on behalf of the Council. The contract should allow for some discussion regarding the charges.

The Head of Strategic Finance confirmed that the Council had some say on the core charges but was unable to withhold charges if they were deemed reasonable. The Council had to compensate the company for any loss of income it is withheld its permission unreasonably. For example when the Council had said that it did not want footballers playing on the inner area at Woodside upgraded athletics track, it had to compensate the company for the loss of income as a result.

The Head of Strategic Finance then asked Members to consider the savings identified for the Base Budget and shown in detail at Appendix 6. There were no comments. He then asked Members to look at Appendix 7B, the revised Medium Term Financial Strategy. A 1% inflation rate had been assumed. An increase in fuel and utility costs had been estimated. The assumption was that Council Tax would again be frozen. The New Homes Bonus had helped the budget. In 2012/13 it was estimated that there would be a surplus that could be added to the reserves and would help to counteract the withdrawal from reserves in 2011/2012. The report highlighted risks.

The Chair asked for confirmation that, if the Council were to increase Council Tax the Council would not receive the Government grant of £204,688. It was confirmed that this was correct.

The Head of Strategic Finance further explained that local authorities had been informed that they were unable to increase Council Tax by more than 3.5% unless they held a referendum asking their local residents.

A Member said that he was aware that a number of councils had looked at the longer-term impact. If local authorities became reliant on the Council Tax freeze grant it could lead to bigger cuts in service when it stopped.

Following a Councillor's question about the New Homes Bonus, the Head of Strategic Finance advised that this grant was not ring fenced. It was based on the Council's past achievements. He referred to paragraphs 10.5 and 10.6 in the updated version of the Cabinet report.

One Member said that one area which concerned him was the 'Council Roadmap: Efficiencies'. This would be a huge challenge. He added that Overview and Scrutiny Committee would be considering the implications for future services.

A Member commented that the New Homes Bonus indicated that the Government recognised the Council had worked on achieving the regional target for new affordable homes. The grant was not necessarily to pay for new homes but reflected the increase in population and should be spread across all services.

The Head of Strategic Finance then referred to the section on reserves shown in Appendix 8A and 8B. He informed the Panel that the actual figure for the Car Parking Zones Reserve should read £486,000. The major risks had been highlighted.

Following a Member's question regarding ring-fenced reserves, the Head of Strategic Finance explained that some reserves could not be used but there were some that could be moved or changed. For example the Housing Benefit subsidy Reserve could be reduced if Members were so minded. The Council was responsible for the structural repairs to the two leisure centres and it was therefore prudent to retain the Leisure – Structural Maintenance Reserve.

The Portfolio Holder added that Audit Committee received reports about the level of reserves. The Audit statement stated that the reserve levels were adequate and not excessive.

The Head of Strategic Finance then asked the Panel to review the Capital Programme set out in Appendix 11. He confirmed that the Croyley Rail Link had been approved by Cabinet. New schemes requiring approval were shown on the second page. It was a modest list. Some of the proposals were for future provision, for example the 2014/15 proposal for replacement kerbside vehicles. The Council wanted to make provision to ensure that there was capital funding.

Following a Member's comments about the cost of the pole vault beds replacements, the Head of Strategic Finance advised that only part of the original estimate had been required. The Portfolio Holder confirmed that this related to the restoration of the beds. The Council secured 50% government grant funding towards the overall cost.

A Councillor questioned the quoted cost of the cultural quarter. The Head of Strategic Finance explained that this was the initial estimate. Some of the

overall budget had already been spent. It was difficult to assess at the present time if this amount would be too much or too little. This was the current provision for the scheme.

A Member noted the £2,000,000 contribution towards the Croxley Rail Link. He asked whether this was funded by Section 106 funds or the Council's contribution.

The Portfolio Holder replied that it was the Council's contribution towards the cost of the scheme and did not relate to Section 106 monies.

The Head of Strategic Finance referred the Panel to the Budget Panel report and asked Members to ensure that they were satisfied that they had made all their comments known.

RESOLVED –

- that the Central Government Funding support as detailed at Appendix 1 of the Cabinet report be noted.
- that the base budgets as summarised at Appendix 2 of the Cabinet report be noted.
- that the shortfall in service prioritisation savings of £165,000 as detailed at Appendix 3 of the Cabinet report be noted.
- that the Panel is concerned about the additional growth at Appendix 4 of the Cabinet report, in particular the additional temporary staff required for the Property Team.
- that Budget Panel's comments about the Controlled Parking Zones fees and charges be taken into account as discussed in the previous item and the recommendation to freeze the charge.
- that Budget Panel reviews fees and charges in more detail at a future meeting.
- that the additional savings reductions of £333,350 as detailed at Appendix 6 of the Cabinet report be noted.
- that the Medium Term Financial Strategy at Appendix 7A of the Cabinet report be noted.
- that Budget Panel agrees the Medium Term Financial Strategy at Appendix 7B of the Cabinet report and in so doing accept:
 - that Council Tax will be frozen in 2012/13 in order to receive additional government grant of £204,688.
 - that all the New Homes Bonus Grant of £1,516,000 in 2012/13 should be earmarked to support existing council expenditures / initiatives and should not be set aside to meet any additional growth at the present time.
 - that the profiled use of reserves as detailed within Section 11 of the Cabinet report be agreed.
- that the revised capital programme as detailed at Appendix 11 of the Cabinet report be agreed.

45 **FINANCE DIGEST: PERIOD 8**

The Panel received a report of the Head of Strategic Finance including the latest Finance Digest as at the end of period 8.

Members referred to the negative variance for Legal and Property Services. The Head of Strategic Finance advised that the full details were included in Table 2 in the Appendix.

RESOLVED –

that the Finance Digest as at the end of period 8 be noted.

46 **DATE OF NEXT MEETING**

- Wednesday 8 February 2012

Chair

The Meeting started at 7.00 pm
and finished at 9.20 pm