

BUDGET PANEL

11 SEPTEMBER 2012

Present: Councillor J Dhindsa (Chair)
Councillor S Rackett (Vice-Chair)
Councillors J Aron (For minute numbers 11 to 16), G Derbyshire
(For minute numbers 11 to 16), S Greenslade, P Jeffree,
A Khan, R Martins 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 Finance (Shared Services)
Finance Manager
Partnerships and Performance Section Head
Committee and Scrutiny Officer

8 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

Councillor Derbyshire sent apologies, advising that he would be late as he had a prior appointment.

9 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

10 MINUTES

The minutes of the meeting held on 12 June 2012 were submitted and signed.

11 REVIEW OF THE CORPORATE RECHARGE SYSTEM

The Panel received a report of the Head of Strategic Finance and a presentation explaining the background and current system for recharging support costs to individual service cost centres.

The Finance Manager provided the presentation which included two examples of the recharge process. It was noted that if a service were to be outsourced, the recharge support costs would be shared between the remaining council-run services. This could lead to questioning as to whether the levels of staffing in

the relevant support services were still appropriate for the remainder of the council-run services.

Following a question from the Vice-Chair, Councillor Rackett, the Finance Manager explained that the recharge was calculated on historical information. For example, officers were currently calculating the recharge support costs for the 2013/14 budget. The estimates were then reviewed once the final accounts were closed. He advised that the legal department completed time sheets recording the support they gave to other services. Other support services calculated the charge in other ways; Human Resources calculated the recharge based on the number of people within a service; IT calculated it by the number of computers in each service.

Following a question from Councillor Khan, the Finance Manager advised that if a service were outsourced then the support services' functions were likely to be carried out by the new service provider. This would mean that either the support charges to those services remaining with the Council would be increased or there would be a review of the support service and possibly the reduction in the number of staff within that support service.

The Finance Manager commented that as yet there had been no recalculation of support charges should IT be outsourced.

The Head of Strategic Finance provided an example. He explained that if Waste Services were to be outsourced there would be an overall reduction in the need for support services as much of this work would be carried out by the outsourced supplier. In the case of the HR support service it had been estimated that there could be a reduction of up to two people from the section.

The Chair asked whether the Council could incur additional costs due to redundancy costs for any staff who were no longer required.

The Head of Strategic Finance advised that it was in the interest of staff to be TUPE'd to the outsource provider. Should they not transfer then there may not be the work within their original department and they would be made redundant.

Councillor Watkin, Portfolio Holder for Finance and Shared Services, referred to a previous review of recycling costs and comparisons with other authorities. This had been made difficult as it was not possible to compare like for like costs. He had noted that the Finance Manager had referred to the CIPFA Code of Practice and a standard approach for all authorities. He asked whether this was the case. He felt that in smaller organisations it would become more difficult to redistribute costs amongst the remaining services.

The Finance Manager advised that there would be a loss in the economy of scale. He explained that in the case of Human Resources it would be providing a service to fewer people.

Following a question from Councillor Khan regarding the distribution of recharge costs for shared services, the Finance Manager explained that the recharge

costs for ICT went into the shared services account; it was then divided on a percentage basis between the two authorities. The share given to Watford Borough Council went into the Watford client account.

The Head of Strategic Finance advised that if a different type of arrangement were in place, for example the lead authority model, the lead authority for a service would charge the other authority who was using the service.

The Chair thanked the officers for the presentation.

RESOLVED –

that Budget Panel notes the current processes.

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LOCALISATION OF COUNCIL TAX SUPPORT

The Panel received a report of the Head of Strategic Finance which provided an update on progress in devising a local scheme to provide support to Council Tax payers. It also outlined the consultation process.

The Partnerships and Performance Section Head informed the Panel that the Council had sent out 3,700 letters about the consultation to working aged people in receipt of benefits and organisations across the town had also been informed of the consultation. People had been offered the opportunity to receive the survey online or in paper format. They had also been offered face-to-face meetings and briefing sessions. She had received a number of telephone calls enquiring about the survey. The survey was being carried out between 15 August 2012 and 8 October. To date there had been 168 responses and the majority of these had been completed online. Three-quarters of those people responding had said that different options should be considered to achieve the saving needed rather than an across the board reduction. The most popular option so far was to lower the level of savings a person was able to hold. The option causing the most concern was if the support was capped at the Band D Council Tax level. Most people supported changing the exemptions relating to second homes and empty homes.

The Partnerships and Performance Section Head advised that it was proposed the final consultation and the scheme would be presented to Budget Panel prior to its submission to Cabinet.

The Partnerships and Performance Section Head confirmed that the survey had not been sent out to pensioners in receipt of council tax benefit who would be impacted following the introduction of the scheme. It would have been sent to those of working age who had working age family members living with them.

Following a question about the voluntary sector, the Partnerships and Performance Section Head replied that the survey had been sent to the Council for Voluntary Services (CVS) and it had been requested that the organisation forward it to the voluntary sector. She added that she had not yet received a

response from the CVS. There was further work to be carried out in this sector of the community to ensure that they had the opportunity to respond.

Councillor Derbyshire cautioned that officers needed to be careful when they said that the Council Tax Support scheme would not affect pensioners. Not all pensioners received Council Tax Benefit. If Council Tax had to subsidise the support scheme then pensioners would be affected. Officers needed to make it clear that they were referring to those pensioners in receipt of Council Tax benefit.

Councillor Derbyshire also questioned whether, with such a low response rate, the survey results could be considered as being representative.

Councillor Derbyshire said that his third point was that it would be useful to know how many household were in receipt of Council Tax Benefit. He felt that those who were not in receipt of Council Tax support would have a different view to those receiving benefits.

The Partnerships and Performance Section Head thanked the Councillor for his comments. When the survey was finished officers would be able to do an analysis of the responses. She added that she was not surprised that there was not a high response rate from the mail-out, as this was a more vulnerable section of the community. Many of those contacting the office only wanted to know how the new scheme would affect them. It would be possible to do some more focused work if Members felt that that would be useful.

Councillor Meerabux commented that he was concerned that there were a number of different interest groups, each with their own views.

The Partnerships and Performance Section Head explained that the scheme would be developed by Revenues and Benefits and different groups were identified. It was necessary to find the required savings. It would be difficult for some people. Following a question from Councillor Greenslade, the Partnerships and Performance Section Head confirmed that all registered social housing providers had been contacted.

Councillor Khan noted that the response rate was approximately 4%. He asked whether there was a breakdown of responses by socio-economic groups. He questioned what actions would be taken to target the different groups.

The Partnerships and Performance Section Head responded that survey was only half way through. Officers had noted there appeared to be a lot of interest but people had chosen not to complete the survey. It would be possible to contact people again to remind them.

Councillor Khan noted that some people might have a vested interest. He asked whether officers were aware if property developers were completing the survey regarding empty second homes.

The Partnerships and Performance Section Head advised that officers were able to obtain the IP address for each response. The survey would only allow one response per computer. She said that the situation would be monitored.

Councillor Rackett said that when the Panel reviewed the results of the consultation, it would be necessary to consider the options which would cause the least harm.

The Chair confirmed that Budget Panel would review the results in October prior to the report being forwarded to Cabinet in November. Budget Panel would be able to make its recommendations to that Cabinet meeting.

The Partnerships and Performance Section Head informed Members that the Council Tax Support scheme needed to be in place by January otherwise the Council would have a scheme imposed on it.

The Portfolio Holder cautioned that the Council had to find the required savings. If all the options were made part of the scheme it would be close to meeting the savings. If any options were not included it might mean there had to be an increase in Council Tax.

Councillor Khan asked what actions the County Council was taking to meet the short fall. He also questioned whether the systems would be in place in time for the start date.

The Head of Strategic Finance suggested that the County Council was hoping that District Councils would find the shortfall in funding. The majority of Watford's options affected the Council Tax base and would benefit the County Council.

Following a question from the Chair, Councillor Watkin said that he could not comment on the County Council's view.

With regard to Councillor Khan's second question, the Head of Strategic Finance advised that the software changes would be organised by CAPITA, the Council's software provider for this service.

Councillor Jeffree also referred to this matter and the potential risks identified in the officer's report.

The Head of Strategic Finance explained that the worst case scenario was highlighted in the Potential Risks implications in the report. Officers hoped that the best case scenario would actually happen.

The Partnerships and Performance Section Head said that the next report would address the questions about the software.

The Chair thanked the officers for the presentation.

RESOLVED –

that a report be presented to the next meeting providing further feedback on the results of the survey.

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INCOME POLICY REVIEW

The Panel received a report of the Head of Strategic Finance setting out income charging policy considerations.

The Head of Strategic Finance outlined the background to the current charging policy. He advised that the report contained three examples of policies which he considered to be good examples from the responses he received. He said that he would welcome Members' views on commercial sponsorship.

The Vice-Chair commented that he considered the Watford policy to be fairly non-existent. He welcomed the principles in the report and said that it was good starting point. He noted that there was no logic how sports charges were applied. There were also other examples.

Councillor Derbyshire said that it was not an easy task to get an overarching framework. It was necessary to know the true cost of the service being provided. Appendix 1 to the report appeared to set out reasonable principles.

Councillor Khan said that it was fair that if someone was on a low income they should pay a reduced charge. He asked whether it would be possible to offer a service to other authorities. He also referred to the cost of burials in Watford. Although there was a higher charge if someone lived outside the Borough, the cost was still lower than London Boroughs. If the charges were on a par with neighbouring authorities there would be no impact on local people.

The Head of Strategic Finance responded that with regard to the cost of burials, these had been doubled two years ago. The biggest rival to the cemeteries was the West Herts Crematorium, which made a profit.

Following a comment by the Chair about charging for waste services, the Portfolio Holder advised that the domestic refuse service was a statutory function. The Council was able to charge for collecting large items. Following on from the comments about the cemeteries, the Portfolio Holder advised that a Task Group had looked at the fees and had established the real cost. The Task Group had then made recommendations about the charging structure.

Councillor Jeffree stated that this was an interesting topic for discussion but it was difficult when Members did not know details of the discretionary services provided by the Council. He said it would be useful to see a list of services and then it would be possible to map them against the charging strategy shown in paragraph 7.3.1 of the officer's report. Other services the Council could provide could also be considered. He suggested this was brought to a future meeting.

Councillor Martins agreed the information in the report was a good starting point. Members needed to understand the cost base and then policy decisions could be made. Members might consider that some services could charge commercial rates. Selling the Council's own services to others, for example planning advice, would have implications on resources but it could be looked at from a commercial view.

Councillor Meerabux considered that the issue of sponsorship could be explored further.

The Head of Strategic Finance informed the Panel that recently a company had wanted to sponsor the litterbins in the town. There had been a suggestion that commercial advertisements could be included in the Council's literature, but it had been decided that the Council would retain its independence.

Councillor Khan suggested that there were other council-run activities which could be sponsored, for example the fireworks in Cassiobury Park and the Christmas lights in the Town Centre.

The Chair thanked everyone for the interesting debate.

RESOLVED –

1. the categorisation of charges referred to at paragraph 7.3.1 of the report be agreed and that officers seek to classify current fees and charges accordingly.
2. that officers present a further report to Budget Panel at its November meeting setting out details of the discretionary and statutory council services to enable the Panel to map the service to the charging criteria.

14

SUMMARY OF THE FINANCIAL OUTTURN 2011/2012

The Panel received a report of the Head of Strategic Finance informing Members of the revenue and capital outturns for 2011/2012 which would be reported to Cabinet on 17 September 2012.

Councillor Derbyshire noted the carried forward under spend amounts and said that this always concerned him.

Councillor Khan asked whether investigations were carried out why under spending had occurred.

The Head of Strategic Finance advised that there had to be acceptable reasons for an under spend being carried forward. He explained about the carried forward amount for repairs. It was agreed that this could be carried forward as it was necessary to have funds available should any emergency repairs need to be carried out.

Following a question from Councillor Derbyshire about the reserves, the Head of Strategic Finance said that due to a series of favourable outcomes, which were set out in the report, it had been possible to transfer a larger sum into the General Fund reserves. The level of reserves would be reviewed further at the October meeting.

The Vice-Chair referred to Multi Storey Car Park Reserve. He said that it was clear that there were insufficient reserves.

The Head of Strategic Finance advised that the current car park contract would be reviewed and that, as part of that process, this reserve would also be reviewed.

The Vice-Chair said that he did not want to see an increase of parking charges, possibly by 300%, without the ability to get people into the town by other methods. It would also affect the retail trade.

The Head of Strategic Finance acknowledged the Vice-Chair's comments.

Councillor Khan asked whether it would be possible to use the £287,000 proposed for the Capital Fund Reserve to reduce Council Tax or indeed the £1.2m increase in reserves.

The Head of Strategic Finance responded that either could be used for that purpose. In the case of the increase in reserves, this would reduce Council Tax by 15%, but it would only be relevant for one year. The following year Council Tax would have to be increased.

Following a question about the Housing Benefit Subsidy Reserve, the Head of Finance Shared Services explained it had been practice to retain the balance on account with the Department of Works and Pensions (DWP) in general debtors rather than a personal account. For 2011/12 the opening balance was transferred from general debtors. The increase in transfer from the revenue account to the housing benefit subsidy reserve was the opening balance on the personal account.

The Head of Strategic Finance added that it was prudent to maintain this reserve in case it was needed for the 'claw back' of subsidy by the DWP.

Councillor Meerabux asked whether there was any reserve which covered the Council if it broke commercial contracts, for example legal obligations.

The Head of Strategic Finance explained that there was no specific reserve which covered contractual disputes. Reserves were set up for specific areas but there was some flexibility.

The Chair suggested that further debate was reserved for the next meeting. He asked whether reserves could be used to pay for a council service rather than charging customers for that service.

The Head of Strategic Finance responded that certain reserves were for specific schemes. The general revenue reserve could be used to pay for services but if it were an ongoing service then it would need to be repeated the following year or the service would need to make up the difference.

RESOLVED –

1. that the revenue outturn as summarised at Appendix 1 to the report, supplementary notes at Appendices 1A to 1G and an over spend of £251,000 has occurred before end of year final account adjustments be noted.
2. that specific unspent budgets have been carried forward to 2012/2013 in the sum of £301,337 and as detailed in Appendix 1E be noted.
3. that the Reserves statements at Appendices 1F and 1G and due to end of year adjustments the overall level of reserves has increased by £1,230,408 (Appendix 1F) be noted. The Panel's comments regarding the increase of the Capital Fund Reserve by £287,000 with a compensating reduction to the Economic Impact Reserve to be noted.
4. that the capital outturn as detailed at Appendix 2 and the Council's present and future holding of capital receipts is virtually fully committed be noted.

15 **FINANCE DIGEST 2012/2013: PERIOD 4 (END OF JULY)**

The Panel received a report of the Head of Strategic Finance including the Finance Digest for period 4 and setting out the reported budgetary variances as at the end of July 2012.

RESOLVED –

that the Finance Digest as at the end of period 4 be noted.

16 **DATES OF NEXT MEETINGS**

- Tuesday 23 October 2012
- Tuesday 27 November 2012
- Wednesday 16 January 2013

Chair

The Meeting started at 6.30 pm
and finished at 8.45 pm