

MINUTES OF THE SCRUTINY FINANCE REVIEW GROUP

MONDAY 2nd JULY 2012 AT 6.00 PM

PRESENT: Councillors Burnett, Franks, Hopkins, Pantling and Titmuss

IN ATTENDANCE: Councillors Harris and (for Agenda Item 8) Hinkley and Moles

LBC SUPPORT OFFICERS / ADVISORS:

Dave Kempson – Head of Finance

Sam Davey – Lex Programme Director (substituting for Robin Porter)

Peter Headland – Consultation and Community Engagement Manager

Sue Nelson – Head of Revenues and Customer Service

Clive Jones – Income Manager

Mick Robinson – Democracy and Scrutiny Officer

Action

41. ELECTION OF CHAIR (REF: 1)

Resolved: That Councillor Titmuss be elected Chair of the Finance Review Group for the current Municipal Year.

42. APOLOGIES FOR ABSENCE (REF: 2)

Apologies for absence from the meeting were received on behalf of Councillors Rathore and Stewart.

43. MINUTES (REF: 3.1)

Resolved: That the Minutes of the meeting held on 30th April 2012 be taken as read, approved as a correct record and signed by the Chair.

44. CHAIR'S UPDATE (REF: 6)

There was nothing to report under this item.

45. TRANSFORMING LUTON COMMUNITY DEBATE UPDATES (REF: 7)

The Consultation and Community Engagement Manager advised that Phase 1 of the debate would close on 23rd July. The Citizens' Panel had been surveyed and 100 forms had been received back, which was a good response at this stage. The 'Your Say' web pages were receiving 150 hits/day; this was likely to increase after the Love Luton festival and the debate received more prominence on the Council's website.

A Member commented that in 2011 the consultation had been run by Finance Review Group. This was not happening this time and he enquired if it was intended that the consultation would return to scrutiny in future.

He was advised that this consultation was on the three-year indicative budget. However there was a need to review the scrutiny role with regard to the 2013/14 budget.

The Portfolio Holder with responsibility for Finance advised that decisions had to be taken earlier than in previous years. However he hoped that all information would be shared with scrutiny.

Resolved: That the report (Ref: 7) be noted.

46. LOCAL COUNCIL TAX SUPPORT SCHEME (REF: 8)

The Income Manager gave a presentation on Council Tax Support, which replaces council tax benefits from April 2013. He advised:

- Some parts of the legislation were yet to be finalised.
- If the Council did not have a scheme in place by January 2013, it would have to use the government default scheme.
- The default scheme could only be revised by government; an alternative local scheme could be revised annually by the Council.
- The proposals would be considered by Executive in July 2012 and approved by Council in November 2012.
- Whichever scheme is adopted, it will come into effect on 1st April 2013.
- The present scheme was referred to as a 'benefit'; the new scheme as a 'discount' as the government believed that this would increase take-up. Currently nationally 40% of those eligible did not claim.
- Under the present scheme the Council was reimbursed in full for the cost of council tax benefits, excluding any payments made in error. Under the new scheme, the Council received a fixed grant; this increased the financial risk to the Council. The new funding was fixed for two years. The Council will receive £1.91M less funding, although it was considered that the caseload would increase and the true reduction would be £2.54M.
- Currently there is automatic entitlement to council tax benefit if you are on Job Seekers Allowance, Income Support or Employment Support Allowance; this entitlement will disappear when Universal Credit is launched in October 2013 and each claim will need to be assessed.
- The government has specified that pensioners must be protected from the changes.
- There were currently nearly 14,000 working age claimants in receipt of benefit; the large majority were in properties in council tax bands A-C. A Member commented that 85% of properties in Luton were in bands A-C.
- 76% of households did not currently receive benefits; however 22% of these were classified as 'on the brink of poverty' and could become eligible because of other welfare reforms. This

figure was from a report published very recently and so had not been factored into any calculations. In response to a question, he advised that the cost to the Council would double if all 22% became eligible and claimed.

- In response to a question, he estimated that about 70-85% of claimants were on 100% relief.
- In response to a question he advised that the final scheme could combine elements from several proposals. The recommendation was that final details should be delegated to the relevant Corporate Director in consultation with the Portfolio Holder with responsibility for Finance.
- In response to a question on how a deprived area was defined, officers advised that it was a composite measure but that precise details were not available at the meeting.

The Chair commented that removing exemption from empty properties could lead to deterioration in maintenance standards as landlords may feel pressured to let properties quickly.

The Income Manager commented that this could be an unintended consequence but it might also encourage landlords to let properties more quickly.

Members then considered the alternative options for a new scheme.

Resolved: That the Head of Revenues and Customer Service be requested to advise Executive that Finance Review Group supported Option H (Other service savings and option E) and, separately, Option E (Remove council tax empty home exemptions and create empty home premium).

47. OVERALL PROVISIONAL REVENUE OUTTURN FOR 2011/12 (REF: 9)

The Head of Finance advised that this had been considered by Executive on 18th June 2012. Executive had agreed the recommendations except for the carry-forward requests for Alternative Services Delivery Options for E&R £75,000 and Refuse Collection/Street Cleansing £72,990. Subsequent to the meeting parts of the decision had been called-in.

He also advised:

- The Council had previously been insured through Municipal Mutual of which the Council was part owner; this had been wound up and the business transferred to a commercial insurer. There had been a question about whether the residual body remained liable for asbestos claims; the Supreme Court had now ruled that there was liability. At present it was not possible to calculate the actual liability.
- The Council self-insured against certain risks. The auditors required minimum reserves for this otherwise they would qualify the accounts.
- The Cremator Mercury Emissions Reserve was towards the costs of a new cremator.

- The Reorganisation Reserve was to cover possible redundancy costs.
- The General Reserve was being increased to cover extra risks such as the revisions to council tax benefits and business rates. His professional view is that there was a need for further increases as the safety net for reductions in business rate income was set at 7.5-10% below current income.
- In response to a question, he advised that the Council had total reserves of:

General Fund Earmarked Reserves:	£31.4M including insurance reserve and pensions reserve
Schools funds:	£16M
Capital Grants from government:	£2.1M
HRA ring fencing:	£1.6M
General Fund General reserve:	£7.5M
- The Council had been too prudent in the past when closing the Housing Benefit accounts based on estimates. As a result, when the accounts were closed on actuals this year, there had been a past financial benefit to the Council, increasing the reserves. At the end of 2010/11 the Council had had to create a creditor for £4.2million in relation to Building Schools for the Future by using funds from the reorganisation reserve. As the Government had given the Council a grant for this in 2011/12, it had been possible to reinstate this funding in the reorganisation reserve.
- There had been doubt about whether the Council would receive £4.2M of BSF funding; as a result this had not been included in reserves. This money had now been confirmed and was included in the 2011/12 accounts.

The Head of Finance was asked about what major insurance claims were met by the insurance reserve in 2011/12. The information was not available at the meeting but the Head of Finance undertook to supply the information to members.

DK

A Member asked if the Head of Finance had received any political steer on increasing the reserves.

The Head of Finance responded that his recommendations were based on his professional judgement that the Council needed to review its level of reserves in light of the transfer of financial risks from central government to local government that are occurring from next financial year.

The Portfolio Holder with responsibility for Finance, in attendance, advised that neither he nor his group had given any advice or steer to the finance team.

Resolved: That the report (Ref 8) be noted.

48. FINANCE UPDATES (REF: 10)

The Head of Finance reported that the Chief Accountant, Jean Stevenson, would shortly be leaving the Council.

Resolved: That the Chief Accountant be thanked for her enormous contribution to the work of the Finance Review Group and Members extended their best wishes to her for the future.

49. DRAFT FINANCE REVIEW GROUP SCOPE (REF: 11)

The Democracy and Scrutiny Officer presented proposed revised terms of reference. He advised that the terms of reference had been revised for clarity and to reflect changes in membership.

Resolved: (i) That the revised terms of reference, attached at Appendix A of the report of Head of Citizen Engagement and Strategic Policy (Ref: 11) be approved and referred to the Overview and Scrutiny Board for ratification.

(ii) That authority be delegated to the Head of Citizen Engagement and Strategic Policy to make any necessary final amendments, after consultation with the Chair, and submit the document to the Overview and Scrutiny Board.

50. WORK PROGRAMME AND DATES OF FUTURE MEETINGS (REF: 11)

The Democracy and Scrutiny Officer reported on the draft work programme for 2012-13.

Resolved: (i) That the Democracy and Scrutiny Officer be requested to seek an alternative date for the 9th August 2012 meeting.

(ii) That the work programme be noted.

51. LOCAL GOVERNMENT ACT 1972, PART VA (REF: 13)

Resolved: That, under Section 100A(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting as it is likely that if members of the public were present during consideration of the items remaining there would be disclosure to them of exempt information falling within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended.

52. FINANCE UPDATES (REF: 14)

There was nothing to report under this item.

53. BUSINESS TRANSFORMATION UPDATES (REF: 15)

54. FINANCIAL IMPLICATIONS AND CHALLENGES FOR COUNCIL SERVICES – POLITICAL STRATEGY (REF: 16)

The Portfolio Holder with responsibility for Finance reported to the Group on his views on the outlook for Council services.

Resolved: That the Portfolio Holder be thanked for his report.

The meeting ended at 8.10 p.m.

Date of next meeting: to be confirmed