

FINANCE PANEL (PANEL OF THE SCRUTINY COMMITTEE)

Thursday 6 July 2017

COUNCILLORS PRESENT: Councillors Fry, Simmons, Taylor and Landell Mills.

OFFICERS PRESENT: Andrew Brown (Scrutiny Officer), Nigel Kennedy (Head of Financial Services), Anna Winship (Management Accountancy Manager) and Paul Wilding (Programme Manager Revenue & Benefits)

49. APOLOGIES

There were no apologies.

50. DECLARATIONS OF INTEREST

None.

51. ELECTION OF CHAIR FOR THE 2017/18 COUNCIL YEAR

Councillor James Fry was elected chair for the 2017/18 Council year.

52. COUNCIL TAX REDUCTION SCHEME FOR 2018/19

The Revenue and Benefits Programme Manager introduced the report. He said that significant reductions in a range of benefits are making it harder and harder for people to live in the city. Responsibility for supporting low income working age households with Council Tax was passed to local authorities from the Department for Work and Pensions in 2013 with 10% of the funding removed. The devolved funding was subsequently subsumed into the Revenue Support Grant, which is on course to reduce to zero in April 2019. The Council is one of only 37 local authorities to maintain a local Council Tax Reduction (CTR) scheme that provides the same level of support as the Council Tax Benefit it replaced. CTR currently costs the Council £1.2m and this figure will rise to at least £1.8m in April 2019 when the Council bears the full cost of the scheme (this is already built into the Council's Medium Term Financial Plan). The Panel note that the cost of the scheme is likely to increase in the event of an economic downturn.

The Panel note that the cost of the scheme is shared between the precepting authorities and that the total notional income foregone by these authorities will be in the region of £11m by 2019. The Panel received assurances that the County Council and Thames Valley Police were fully involved in the original detailed design of the scheme and are aware of the direction of travel. The Panel heard that the Council has a duty to consult with the other precepting authorities and wants to work with them but those authorities have no veto or recourse to challenge the Council's scheme if they are consulted.

The Panel voiced support for the Council's CTR scheme and the principle of supporting the lowest income households in the city with a full Council Tax reduction rather than billing those who genuinely can't afford to pay. This approach contributes to wider Council aims such as homelessness prevention.

The Panel noted the difficulty in ensuring a worthwhile response to consultation on the options. The reasons for favouring options that continue the CTR scheme will need to be explained carefully, as the apparent savings from scrapping the scheme may appeal to residents who see this as a way in which to cut Council spending.

The Panel considered the merits of the various options for changing the scheme and made the following observations:

- Option 1: Introducing a banded scheme that is calibrated to income for Universal Credit recipients and provides the greatest level of support to households with the lowest incomes seems very sensible. While this option would add costs in the short term it would over time simplify administration and release efficiency savings as Universal Credit is rolled out more widely. The Council would retain flexibility to adjust the income parameters in future years should it wish to do so.
- Option 2: This is a stand alone cost-saving option that is not linked to Housing Benefit.
- Options 3-7 & 9: These options would align the scheme with Housing Benefit. None of the options directly complement each other but each option would help to simplify the scheme and reduce administrative costs over time.
- Option 8: While limiting the number of dependent children within the CTR calculation to 2 for new claimants would also align the scheme with Housing Benefit, the Panel feel this would be punitive and ethically wrong.
- Option 10: Introducing a minimum charge is a stand-alone option that would significantly reduce the cost of the scheme to the precepting authorities (with the County Council being the biggest beneficiary). The potential saving to the City Council would be partially offset by a lower collection rate and the need for additional resources to recover charges from low income households. The Panel feel this option is objectionable as it would be unduly harsh on the lowest income households currently in receipt of 100% support. However, the Panel think it would be prudent not to take this option off the table altogether for future years, with the provisos that it should only be seriously considered in extremis and that further work would need to be undertaken on identifying and costing protections for certain groups. The Panel concluded that consulting on Option 10 as an option that is 'not preferred' (with reasons that should be explained) would have some merit and would present consultees with more of a choice.
- Option 11: Capping the cost of the scheme at the current level would release some savings but there is no clear proposal for how this would be achieved in practice. A cap is likely to be difficult to implement and onerous to administer.
- Option 12: The do nothing option would be revenue neutral but it would not enable the Council to realise efficiency savings linked to the wider roll

out of Universal Credit. It is likely that (all things being equal), the cost of the scheme would continue to rise in the years beyond the Medium Term Financial Plan due to Council Tax bills increasing in those years.

The Panel agreed to recommendations to the City Executive Board on 18 July 2017 that the Council:

1. Consults on option 1 and perhaps makes it clear that this is a 'preferred option', giving reasons.
2. Consults on options 2-7 & 9 as options that could form part of a package of measures to simplify the administration of the scheme and/or reduce costs.
3. Does not consult on Option 8.
4. Consults on Option 10, 11 and 12 making it clear that these are not the Council's preferred options, giving reasons.

53. BUDGET MONITORING - QUARTER 4

The Head of Financial Services introduced the report. He said that the City Executive Board agreed the recommendations in June. He highlighted that 78% of the original capital budget agreed in February 2016 had been spent although the capital programme had been monitored monthly and adjusted during the year. The reasons for the variances were given on page 43. He also advised that there was one red risk on the corporate risk register which related to the governance of new Council-owned companies.

In response to a question, the Head of Financial Services confirmed that the £220k that had been transferred to the capital financing reserve was not earmarked and was a relatively small sum in the context of a £60m capital programme.

The Panel asked what the latest situation was regarding cladding on tower blocks in light of the Grenfell disaster and how any additional costs would be met. The Head of Financial Services said that it was unclear whether government would provide additional funding to local authorities so it would be a case of looking at reserves generally. The Council was quantifying what the precise cost of removing cladding from two tower blocks would be but a figure of £1.6m had appeared in the press. By the next Panel meeting the situation would be clearer.

The Panel asked for a comment on the red risk and the Head of Financial Services said that there was lots of work to do such as creating client side monitoring arrangements for the trading company. The housing company was more established but was still finding its way. The Council's internal auditors would be reviewing company governance arrangements in the coming months.

The Panel noted the report and responses.

54. WORK PLAN

The Panel asked for a briefing on the Discretionary Business Rates Relief Scheme report, which would be presented to the City Executive Board in August. The Head of Financial Services explained that the Council had been allocated grant funding over 4 years for a local scheme to offset some of the impacts of the national Business Rates revaluation, with an initial £480k reducing down to £18k per year. The Council was proposing to fund 70% of any Business Rates increase greater than 12.5% for those premises with a rateable value of more than £200k. The Council would ensure that it would not exceed the grant allocation because doing so would result in a direct cost to the Council.

The Panel agreed:

- Not to look at the Discretionary Business Rates Relief Scheme if it goes to CEB in August.
- Not to look at Building Control as this had been considered in some depth by Audit and Governance.
- To invite experts in monitoring social value to a future meeting.

55. NOTES OF PREVIOUS MEETING

Noted.

56. FUTURE MEETING DATES

The Panel agreed to move the date of their next meeting from 11 September 2017 to 4 September 2017.

The meeting started at 6.00 pm and ended at 7.10 pm