

Supplementary Committee Agenda



**Epping Forest
District Council**

Cabinet Monday, 3rd December, 2012

Place: Council Chamber
Civic Offices, High Street, Epping

Time: 7.00 pm

Democratic Services: Gary Woodhall
The Office of the Chief Executive
Tel: 01992 564470
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23. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (non-executive bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

23.a FINANCE AND PERFORMANCE MANAGEMENT CABINET COMMITTEE - 22 NOVEMBER 2012 (Pages 219 - 228)

(Finance & Technology Portfolio Holder) To consider the minutes from the recent meeting of the Finance & Performance Management Cabinet Committee held on 22 November 2012 and any recommendations therein.

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EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** 22 November 2012

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 7.00 - 8.05 pm

Members Present: Ms S Stavrou (Chairman), D Stallan and G Waller

Other Councillors: K Avey and A Lion

Apologies: R Bassett and C Whitbread

Officers Present: R Palmer (Director of Finance and ICT), D Macnab (Deputy Chief Executive), J Gilbert (Director of Environment and Street Scene), A Hall (Director of Housing), P Maddock (Assistant Director (Accountancy)), E Higgins (Insurance & Risk Officer) and G J Woodhall (Democratic Services Officer)

20. DECLARATIONS OF INTEREST

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

21. MINUTES

Resolved:

(1) That the minutes of the meeting held on 20 September 2012 be taken as read and signed by the Chairman as a correct record.

22. FEES AND CHARGES 2013/14

The Assistant Director (Accountancy) presented a report on the fees and charges to be levied by the Council in 2013/14 and what, if any, scope there was to increase particular charges.

The Assistant Director reported that, as part of the budget setting process, the level of fees and charges were considered for the forthcoming financial year. The recent Medium Term Financial Strategy had identified the need for General Fund net savings of £250,000 in 2013/14 and any additional income from Fees and Charges would assist in achieving that target. The Retail Price Index (RPI) in September had been 2.6% and this had been used as a guide for any proposed increase in fees and charges.

The Assistant Director stated that it was proposed to increase the fees and charges within the Office of the Deputy Chief Executive for services such as New Horizons, Sports Development and Lifewalks by 2.6%. Within the Corporate Support Services Directorate, Land Charge income was still uncertain following the introduction of

Local Land Charges (Amendment) Rules in 2010. The charge for a full search was based on the costs incurred to provide the information and the current costs were broadly in line with the fee charged. The Account was in deficit though, mainly due to personal searches now being free of charge. MOT income was subject to a maximum charge set by the Vehicle Operating Service Agency; the Council's fee was currently below this level but it was felt that this had generated additional trade. It was proposed to retain the fees for Hackney Carriage and Private Hire Operators and Vehicle Licences at their current level, whilst other fees within Licensing would be increased where appropriate to recover more of the cost of provision.

The Cabinet Committee noted that the fees for Development Control were set by the Government and a 15% increase had already been announced. The pre-application charges that were applied to major applications were proposed to be left at their current levels as the budgeted income had already been exceeded for this year. The levels of the Building Control fees were felt to be reasonable and the account was expected to break even, so no increase was proposed. Within the Environment & Street Scene Directorate, it was proposed to increase various Environmental Health and Waste Management charges, and particularly for bulk waste collections as the contract price to the Council increased annually. The Council also needed to ensure that a Trade Waste service was available if required. Sita would carry out the collection and a 50p increase for both businesses and schools had been proposed. Car Parking fees had not been included as a separate report on the subject was expected.

Finally, for the Housing Directorate, the Assistant Director informed the Cabinet Committee that the majority of fees and charges had been increased by 2.6%. However, in view of the current economic conditions, the Housing Portfolio Holder had proposed that a number of the housing-related fees and charges be retained at their current levels and these had been highlighted in the attached schedule.

The Portfolio Holder for Safer, Greener and Highways announced that it was being proposed to retain the car parking fees throughout the District at their current levels in 2013/14, for the benefit of residents and traders due to the current economic climate.

In respect of the MOT centre, the Deputy Chief Executive stated that it was located near to a number of car dealerships and had attracted a high level of trade from these up to now. The fee levied by the MOT centre was approximately in line with other nearby centres and the difference would be no more than £5 per test.

The Portfolio Holder for Finance & Technology concluded that careful consideration had been given to the level of fees and charges for 2013/14, and the Finance & Performance Management Scrutiny Panel had broadly supported the proposals at its meeting last week.

Recommended:

- (1) That the use of the September Retail Price Index level (2.6%) as a guide for any proposed increases to the Council's fees and charges for 2013/14 be agreed;
- (2) That the proposed fees and charges for 2013/14, as set out in the Appendices attached to the report, be approved; and
- (3) That the retention of fees and charges in relation to Council-owned car parks at their current levels for 2013/14 be approved.

Reasons for Decision:

To agree the level of fees and charges for 2013/14 as part of the annual budget setting process.

Other Options Considered and Rejected:

In areas where the Council had discretion on the level of fees and charges it could set, there were a number of other possible percentage increases that could be applied, which would help to reduce the level of savings required in order to set an acceptable budget. However, the proposals presented to the Cabinet Committee were considered to be the most appropriate at the current time.

23. VALUE FOR MONEY AND DATA QUALITY STRATEGIES 2010-13 PROGRESS REPORT

The Deputy Chief Executive presented a progress report on the application of the Value for Money and Data Quality Strategies in 2011/12.

The Deputy Chief Executive reminded that Cabinet Committee that, pursuant to the Local Government Act 1999, the Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, having regard to a combination of economy, efficiency and effectiveness. This was often defined as 'Value For Money', and the Council's Value For Money Strategy had set out its overall approach to ensuring the provision of value for money services. The majority of actions contained within the Value For Money Strategy were intended to be completed during 2010/11, and it was not anticipated that further actions would be adopted for the remaining two years of the Strategy. It was not currently considered necessary to identify further specific actions, although progress against outstanding or ongoing actions would be reported at the end of the current year. The Value For Money Strategy itself would be reviewed again in 2012/13.

In addition, as part of the duty to secure continuous improvement, the Council had to ensure that all data and information used to plan and deliver services was accurate, valid, reliable, timely, relevant and complete, in order to inform its decision-making. Performance information was increasingly used for the assessment of local authority performance, and the Council's Data Quality Strategy set out the arrangements for ensuring that the quality of key data met the highest standards. Value For Money and Data Quality had traditionally formed essential components of local authority assessment and inspection frameworks. As with the Value For Money Strategy, the majority of actions contained within the Data Quality Strategy were intended to be completed during 2010/11, and it was not anticipated that further actions would be adopted for the remaining two years of the Strategy. Similarly, it was not currently considered necessary to identify further specific Data Quality actions, although progress against outstanding or ongoing actions would be reported at the end of 2012/13.

The Deputy Chief Executive stated that work would shortly commence on the revision and update of the Value For Money and Data Quality Strategies to take these forward from 2013/14. The Chairman of the Finance & Performance Management Scrutiny Panel commented that there was a lot of detail in the report, and perhaps this data needed to be analysed so that it could be presented as a few simple indicators for comparison and benchmarking purposes.

Resolved:

(1) That the progress made against the Council's Value for Money and Data Quality Strategies during 2011/12 be noted.

Reasons for Decision:

The two Strategies built upon previous work to address issues arising from former assessment and inspection frameworks, and to highlight areas of best practice.

Other Options Considered and Rejected:

None, as failure to identify arrangements for securing and improving Value For Money and Data Quality could mean that opportunities for improvement were lost, and might adversely affect the reputation of the authority.

24. RISK MANAGEMENT - CORPORATE RISK REGISTER

The Senior Finance Officer (Risk & Insurance) presented a report on the quarterly update of the Corporate Risk Register.

The Senior Finance Officer reported that the Corporate Risk Register had been considered by both the Risk Management Group on 25 September and the Corporate Governance Group on 10 October 2012. These reviews had identified some amendments to existing risks on the Corporate Risk Register, but no new risks had been identified. Two risks had been proposed for deletion:

- (i) Risk 16 – Performance Management, as it was felt that this was now sufficiently embedded within the Council; and
- (ii) Risk 31 - London 2012 Olympic Disruption, as the Olympics had now finished.

A further three risks had been proposed for amendment:

- (i) Risk 33 – Reform of Housing Revenue Account, one of the triggers, CLG ignores representation, had been removed;
- (ii) Risk 35 – Budget Reductions, the wording within the Vulnerability had been amended to reflect the requirements of the Medium Term Financial Strategy; and
- (iii) Risk 15 – Sickness Absence, the rating had been reduced from a score of C3 (Significant Likelihood/Marginal Impact) to a score of D3 (Low Likelihood/Marginal Impact).

The Cabinet Committee was requested to consider the revised Corporate Risk Register and whether the tolerance line on the Risk Matrix should be amended.

In response to questions from members of the Cabinet Committee, the Director of Finance & ICT stated that the Triggers and Consequences for Risk 34, Changes to the Benefit System, had incorporated the wider impact of Welfare Reform, and the Action Plan could be revised to incorporate any further wider aspects. The suggested rating of B2 (High Likelihood, Critical Impact) for Risk 3, Potential Difficulty producing the Local Plan to the Timetable, was felt appropriate at the current time. The Cabinet Committee was reminded that the Corporate Risk Register was reviewed every three months. Risk 23, Fraud including Bribery, covered any potential impact from staff transferring to the Department of Work and Pensions to create a single Fraud

Investigation body. A number of options were still being considered by the Government but the staff affected were remaining with the Council for the time being. It was the standard methodology employed by the Council's insurer, Zurich Municipal, to have only four categories for the impact rating of each risk; it was accepted that no risk currently had a rating of either 1 (Catastrophic) or 4 (Negligible).

The Portfolio Holder for Safer, Greener & Highways inquired whether the C2 rating (Significant Likelihood/Critical Impact) for Risk 8, Business Continuity Management, suggested that measures to improve the Council's resilience for Disaster Recovery should have a higher priority than replacing the current telephony system, or whether the rating for this Risk should have a lower likelihood and a higher impact. The Director of Finance & ICT stated that this Risk encompassed all possible Business Continuity events, not just IT related incidents. It was still intended to establish a recovery site of back-up servers at Parsonage Court, but the current telephony system was at the end of its useful life and urgently required replacement. The Chairman added that residents relied heavily on contacting the Council via the telephone, and it was getting increasingly difficult to acquire spares for and maintain the current system. Hence, its replacement had been accorded a higher priority.

Recommended:

1. That Risk 16, Performance Management, be deleted;
2. That Risk 31, London 2012 Olympic Disruption, be deleted;
3. That Risk 33, Reform of Housing Revenue Account, be amended to remove the trigger 'CLG ignores representation';
4. That the Vulnerability for Risk 35, Budget reductions, be amended to reflect the requirements of the current Medium Term Financial Strategy;
5. That the rating for Risk 15, Sickness Absence, be reduced to a score of D3 (Low Likelihood/Marginal Impact);
6. That the current tolerance line on the risk matrix be considered satisfactory and not be amended; and
7. That, incorporating the above agreed changes, the amended Corporate Risk Register be approved.

Reasons for Proposed Decision:

It was essential that the Corporate Risk Register was regularly reviewed and kept up to date.

Other Options Considered and Rejected:

To suggest new risks for inclusion or amendments to the scoring of existing risks.

25. ANNUAL AUDIT LETTER 2011/12

The Director of Finance & ICT presented a report on the Annual Audit Letter, which would be presented to the Audit & Governance Committee at its meeting scheduled for 29 November 2012.

The Director of Finance & ICT stated that the Annual Audit Letter had confirmed the Council's Financial Statements gave a true and fair view of the Council's financial affairs, and that the Annual Governance Statement was not misleading or inconsistent. The significant financial systems were adequate for preparing the Financial Statements and the work of the Internal Audit Unit could also be relied upon. The Council's return for the Whole of Government Accounts to the Department of Communities & Local Government had required some corrections before being returned, and the External Auditors had issued the Council with an unqualified Value for Money conclusion. One deficiency had been identified in the checking undertaken by the Benefits section, but this had now been addressed. It was confirmed that the seven uncorrected misstatements had been reported to the last meeting of the Audit & Governance Committee, and it was agreed that these should remain uncorrected.

Resolved:

(1) That the Annual Audit Letter for 2011/12 produced by the External Auditors be noted.

Reasons for Decision:

To ensure that the Cabinet Committee was aware of any significant issues arising from the annual audit.

Other Options Considered and Rejected:

There were no other options for action as the report was for noting by the Cabinet Committee.

26. TREASURY MANAGEMENT & PRUDENTIAL INDICATORS - MID YEAR REPORT 2012/13

The Director of Finance & ICT presented the mid-year report for Treasury Management and the Prudential Indicators in 2012/13.

The Director reported that the mid-year report for Treasury Management and the Prudential Indicators was a requirement of the CIPFA Code of Practice on Treasury Management. It covered the treasury activity for the first half of the financial year 2012/13. During this period, the Council had re-phased its capital programme with £3.4m moving out of 2012/13 and moving into future years. This would lead to a reduction in the use of Capital Receipts in the current financial year of £1.01million. The Capital Programme for the next five years totalled £86.8million and was fully funded. It was predicted that at the end of 2016/17, there would still be £8.1million available in usable capital receipts and £3.2million in the Major Repairs Reserve.

The Director reminded the Cabinet Committee that the Council had borrowed £185.456million to repay the Government as part of the self-financing of the Housing Revenue Account (HRA). Only 17% of the amount had been borrowed at a variable rate with the remainder borrowed at fixed rates. Any increase in interest rates in the future would be matched by a corresponding increase in the interest earned on the Council's investments. It was anticipated that all borrowing would be repaid upon maturity and all future capital expenditure would be financed through internal resources.

The Cabinet Committee noted that the average net investment position for the first half of the year had been approximately £53.6million. It was confirmed that there had been no breaches of any of the prudential indicators during this period. It was

highlighted that a further dividend from the administrators of Heritable Bank in respect of the Council's investment was not now due until January 2013, not October 2012 as stated in the report. The Council still expected to receive 90% of the deposit it had placed with Heritable Bank. This report would be considered by the Audit and Governance Committee at its meeting scheduled for 29 November 2012.

The Assistant Director (Accountancy) confirmed that all of the Council's current investments were with institutions based in the United Kingdom, most of these were on a relatively short-term basis. One investment had been made with Fife Council in Scotland for a term of three years, but with annual break clauses. The Council expected to receive its investment upon maturity, regardless of the outcome of the Independence vote in Scotland scheduled for the autumn of 2014.

Resolved:

(1) That the management of the risks associated with the Council's Treasury Management function during the first half of 2012/13 be noted.

Reasons for Decision:

To comply with the CIPFA Code of Practice on Treasury Management.

Other Options Considered and Rejected:

None, although the Cabinet Committee could ask for additional information about the CIPFA Code of Practice or the Prudential Indicators.

27. QUARTERLY FINANCIAL MONITORING REPORT - JULY TO SEPTEMBER 2012

The Assistant Director (Accountancy) presented the quarterly Financial Monitoring report for the period April to September 2012, which provided a comparison between the original profiled budgets for the period ended 30 September 2012 and the actual expenditure or income as applicable. The report provided details of the revenue budgets – both the Continuing Services Budget and District Development Fund – as well as the capital budgets, including details of major capital schemes.

The Cabinet Committee noted that the Salaries budget showed an underspend of £265,000 or 2.7%. Investment income levels were below expectation after two quarters and there was no obvious sign of rates improving at the current time. The Council had received 74.5% of its original £2.5million investment placed with the Heritable Bank from the Administrators. A further payment was expected in January 2013, and the Council was expected to receive 90% of its original investment.

Within the Planning & Economic Development Directorate, Development Control income was £27,000 below expectations, and this budget was expected to show a shortfall of approximately £40,000 by the end of the year. However, income from pre-application discussions had already exceeded the full year budget. Building Control income was also down, by £56,000, but expenditure was also down so it was anticipated that the account would still break even by the end of the year.

Within the Corporate Support Services Directorate, income from MOT's carried out by Fleet Operations was £8,000 below expectations. There were some difficulties experienced while the new ramp was being installed, and income for the whole year was expected to be £10,000 below budget. Local Land Charge income was above the original estimate and this suggested that income would exceed the budget for the

year. However, there was still significant uncertainty about charging for these services in the future.

Within the Housing Directorate, the Housing Repairs Fund was showing an underspend of £894,000 but a large proportion of the expenditure was due to be spent during the winter months. This budget would be revised shortly, and there could be a saving realised.

In conclusion, the Assistant Director stated that income was generally a little down on expectations, but expenditure was too. Currently, it seemed unlikely that there would be a significant variance on the estimated addition to the Reserves for the year. The Cabinet Committee was requested to note the Council's financial position as at 30 September 2012.

The Housing Portfolio Holder queried the carry-forward within the Capital Programme of £436,000 into 2013/14 for off-street parking schemes on Council-owned land, as one of the schemes originally identified was not now being implemented. The Director of Finance & ICT responded that the report had been compiled on the basis of the knowledge available at the time, but that the figure would be revised following the consideration of the report on such schemes at the next meeting of the Cabinet.

Resolved:

(1) That the Quarterly Financial Monitoring Report for the period April to September 2012 be noted.

Reasons for Decision:

To monitor the Council's current financial position.

Other Options Considered and Rejected:

No other options were considered as the report monitored the Council's financial position after six months of the financial year.

28. ANY OTHER BUSINESS

Resolved:

(1) That, in accordance with Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules, the Chairman had permitted the following item of urgent business to be considered following the publication of the agenda:

(a) Draft General Fund Lists and Savings Update.

29. DRAFT GENERAL FUND LISTS AND SAVINGS UPDATE

The Assistant Director (Accountancy) presented a report on the draft General Fund Lists and Savings for the 2013/14 budget, which provided the first draft of the Continuing Services Budget (CSB) growth and District Development Fund (DDF) Schedules as well as an update on the budget process for 2013/14 and the savings achieved so far.

The Assistant Director advised the Cabinet Committee that the Council was still at an early stage of the budget preparation process and the figures would be further

refined before the final budget was published. The Medium Term Financial Strategy had identified a requirement for a further £250,000 of savings in 2013/14. So far, £102,000 of savings had been identified from underspent budgets and the potential savings from vacant posts and the Council's revised Car Leasing Scheme had not yet been evaluated. It was acknowledged that the emphasis would be on savings, but some growth in the Continuing Services Budget was inevitable, particularly relating to Pension Deficit payments and the Housing Benefit Administration Grant. The full schedules for the Continuing Services Budget and District Development Fund had been attached to the report as annexes, and represented best estimates at the current time. These would be further refined as the budget setting process continued.

The Housing Portfolio Holder queried the projected loss of income for Hanger 5 at North Weald Airfield of £14,000 for 2013/14. The Assistant Director stated that a rent deal had been negotiated with the tenant to avoid the premises becoming empty and to ensure that the Council received some income. Under the terms of the deal, the tenant would be paying the full rent again by 2014/15.

Resolved:

- (1) That the draft Continuing Services Budget and District Development Fund schedules for 2013/14 be noted; and
- (2) That the savings achieved to date as part of the 2013/14 budget process be noted.

Reasons for Decision:

To monitor the General Fund schedules and savings achieved at this stage of the budget process for 2013/14.

Other Options Considered and Rejected:

No other options were considered at this stage of the process.

CHAIRMAN

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