

Supplementary Committee Agenda



**Epping Forest
District Council**

Cabinet Monday, 6th February, 2006

Place: Civic Offices, High Street, Epping

Room: Council Chamber

Time: 7.00 pm

Committee Secretary: Gary Woodhall (Research and Democratic Services)
Email: gwoodhall@eppingforestdc.gov.uk Tel:01992 564470

11. FINANCE AND PERFORMANCE MANAGEMENT CABINET COMMITTEE - 31 JANUARY 2006 (Pages 3 - 10)

(Chairman of the Finance and Performance Management Cabinet Committee) To consider the minutes of the meeting held on 31 January 2006 and the recommendations therein. (C/122/2005/06).

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Report to the Cabinet

Report reference: C/122/2005-06.

Date of meeting: 6 February 2006.



**Epping Forest
District Council**

Portfolio: Finance and Performance Management.

**Subject: Finance and Performance Management Cabinet Committee Minutes –
31 January 2006.**

Officer contact for further information: Graham Lunnun (01992 – 56 4244).

Democratic Services Officer: Gary Woodhall (01992 – 56 4470).

Recommendations/Decisions Required:

That the Cabinet considers any recommendations contained within the minutes from the Finance and Performance Management Cabinet Committee meeting held on 31 January 2006.

Report:

1. Minutes of the Finance and Performance Management Cabinet Committee meeting held on 31 January 2006 are attached to this report, and will be presented to the Cabinet by the Chairman of the Finance and Performance Management Cabinet Committee.

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EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** Tuesday, 31 January 2006

Place: Civic Offices, High Street, Epping **Time:** 6.20 - 7.32 pm

Members Present: D Jacobs, Mrs C Pond and C Whitbread

Other Councillors: Mrs D Collins, R Glozier, Mrs A Haigh and M Heavens

Apologies: J Knapman (Chairman) and S Barnes

Officers Present: J Akerman (Chief Internal Auditor), J Gilbert (Head of Environmental Services), P Haywood (Joint Chief Executive), G Lunnun (Democratic Services Manager), D Macnab (Head of Leisure Services), P Maddock (Assistant Head of Finance), M Merrick (Chief Works Officer) and R Palmer (Head of Finance)

38. CHAIRMAN

RESOLVED:

That Councillor D Jacobs be appointed Chairman of the meeting.

39. MINUTES

RESOLVED:

That the minutes of the meeting of the Committee held on 12 December 2005 be taken as read and signed by the Chairman as a correct record.

40. DECLARATIONS OF INTEREST

No declarations of interest were made pursuant to the Council's Code of Conduct.

41. ANY OTHER BUSINESS

It was reported that there was no urgent business for consideration at the meeting.

42. INTERNAL AUDIT - MONITORING REPORT - OCTOBER/DECEMBER 2005 AND WORK PLAN - JANUARY/MARCH 2006

The Committee considered a report which summarised the work undertaken by the Internal Audit Unit between October and December 2005. The report also contained the work plan for the fourth quarter of the current financial year and a status report on previous audit recommendations.

Members noted that the Audit Assistant post had continued to be held vacant in order to provide some budget flexibility to meet the cost of specialist auditors for specific pieces of work. The Auditor who had been on maternity leave had now returned to

work on a part-time basis, resulting in 4.5 fulltime equivalent staff being available for the final quarter of 2005/06. Sickness during the third quarter had amounted to 9 days and the average level of sickness per member of staff over the last 12 months had been 7.6 days. Members noted that sickness continued to be monitored in accordance with the Council's Managing Absence Procedure.

During the quarter, audit reports had been issued in respect of the following:-

- (a) Treasury Management;
- (b) Housing Benefits;
- (c) Payroll;
- (d) Housing Rents;
- (e) Freedom of Information;
- (f) Cash Offices
- (g) Grant Awards - follow up
- (h) Budgetary Control - follow up
- (i) Recruitment and Selection - follow up.

In addition, systems audits of the Council's Capital Expenditure System and Works Unit had been substantially completed by 31 December, but the reports had not been finalised. Members were advised that the main conclusions from the systems audits undertaken indicated that systems were generally operating satisfactorily in those areas and no significant errors or control issues had been identified.

The Committee was advised that in addition to systems audits, there had been a high incidence of audit investigations during the third quarter. The time taken on investigations had totalled 65 days, although it had been possible to link some of the work with planned audits in order to reduce the impact of this work on the achievement of the Audit Plan. Members considered the key findings from the investigations into:

- (a) Environmental Services (Licensing) - theft of cash
- (b) Works Unit - attendance and timekeeping;
- (c) Leisure Services (Waltham Abbey Swimming Pool) - theft of cash; and
- (d) Leisure Services - Internet Abuse.

Attention was drawn to a summary monitoring the follow up of audits carried out in 2004/05 as an aid to ensuring timely and adequate follow up both by Internal Audit and Service Management. Members noted that the majority of the recommended actions for system improvement arising from a previous investigation had now been implemented. Consideration was given to the residual list of planned improvements.

Members noted that a "user friendly" summary of the Council's Financial Regulations had been published on the Council's Intranet in order to help raise awareness and understanding. This had followed four sessions of finance awareness training

provided to 90 managers and other staff with financial responsibilities across the Council. The Committee noted that the report on the status of Section 106 Agreements was the main outstanding issue and this was due to be completed by the end of March 2006.

The Committee was advised that the majority of the audits of the Council's main financial systems had been completed by the end of the third quarter. In recognition that audit coverage was also required within Council services other than Finance, the Audit Plan for the fourth quarter covered a full range of Service areas. A consultant had continued to undertake contract systems audit work but this had been on a reduced scale to previous years.

Attention was drawn to a schedule setting out the current status of the planned audits in the current year's Audit Plan as approved in April 2005. Whilst the majority of the planned audits would be completed by 31 March, a small number would slip to 2006/2007 or not be carried out due to changed circumstances. Members noted the justification for these decisions.

The Committee considered the Unit's performance in relation to the Local Performance Indicator targets for 2005/06.

RECOMMENDED:

- (1) That the reports issued and significant findings between October and December 2005 be noted;
- (2) That the Audit Follow Up Status report and System Improvement Schedule be noted;
- (3) That the Work Plan for January to March 2006 be noted; and
- (4) That the 2005/06 Audit Plan Status Report be noted.

43. COUNCIL BUDGETS 2006/07

The Head of Finance presented a report on the current position of the draft budget 2006/07 which was to be considered by the Cabinet at its meeting on 6 February 2006 together with the recommendations of this Committee arising from its meeting held on 11 January 2006.

The Committee noted that the final Local Government Finance Settlement had been published earlier in the day and had resulted in this Council being awarded an additional £2,000 in grant for 2006/07 and an additional £12,000 in 2007/08.

Members considered a list of proposed CSB changes for next year. The largest item was £582,000 for the costs of increasing the benefits of the Concessionary Bus Fare Scheme to fare paid from half fare. It had been feared that the Government would use this change as an opportunity to reduce floor funding and that this Council would be facing a substantial increase in costs not matched by increased Government support. However, it now appeared that the additional funding included in the Council's settlement for this change exceeded the estimates of the Council's consultants administering the Scheme. The other significant item of CSB growth was £139,000 for additional refuse and recycling costs. No CSB growth had been built into the budgets for the Customer Services Transformation Programme and it was anticipated that the Project Board would report to the Cabinet in March 2006 and that at that time a supplementary estimate for 2006/07 might be requested.

CSB savings fell into two categories. The first group comprised savings from cost reductions including a £152,000 saving following the externalisation of the management of the Council's Leisure facilities, this was in addition to a saving of £51,000 included in the 2005/06 revised estimates. Secondly, a saving of £130,000 had been made in support service costs following the transfer of the Highways Agency back to the County Council and the change in Leisure Centre Management. Further savings were anticipated in both Environmental Services and Leisure Services administration but the timing and amounts of savings were still unclear. The other category of CSB savings covered the areas where income had been increased. The most significant increase in income had been an additional £50,000 of court costs income from Council Tax recovery work.

Members considered a list of DDF items which amounted to £1.490 million net expenditure, offset by transfers of approximately £659,000. The largest cost item was £513,000 for the set-up costs of the alternative management of Leisure facilities.

The Head of Finance reported that it was now clear from the updated four year forecast that an increase in District Council Tax of 2.46% was affordable.

Members were reminded that the longer term guidelines covering the period to March 2010 provided for the level of General Fund revenue balances to be maintained within a range of approximately £3.5 million to £4 million but at no lower level than 25% of net budget requirement whichever was the higher. Current projections showed this guideline would not be breached by 2009/10, by which time reserves would still be over £5.4 million and 25% of net budget requirement would be £4.4 million. The longer-term guidelines also provided for future levels of CSB net expenditure to be financed predominately from external funding from Government and Council Tax with support from revenue balances being gradually phased out. The out-turn 2004/05 had added £1.026 million to reserves and in addition to that net increases in reserves of £361,000 and £481,000 for 2005/06 and 2006/07 respectively were anticipated. This would give a peak in reserves of £6.33 million at 31 March 2007, which would be 38.3% of the 2007/08 net budget requirement. Given that the guideline of reserves at 25% of net budget requirement would be exceeded by some £2.2 million at that point it would be appropriate to revise the guideline and consider deficit budgets in the three years 2007/08 to 2009/10.

In relation to the 2006/07 General Fund budget, the main item still to be resolved concerned potential additional claims for reimbursement from the Council's waste contractor, South Herts Waste Management. Additional funds had been included in the budget for enhancements to the recycling and refuse services but further funds might be required on confirmation of the status of the claims from the contractor. The other major area of uncertainty was whether the Office of the Deputy Prime Minister would provide a capitalisation direction to cover the pension deficit payments for 2006/07. A capitalisation direction had been obtained for 2005/06 but it was necessary to apply for each year separately.

The Committee noted that the Capital Programme was based on the expenditure previously agreed by the Cabinet at its meeting on 19 December 2005. There were some additional capital proposals being raised, including additional funding for the Loughton Town Centre Enhancement, but there had not been sufficient certainty around these issues to include them at this stage. The most significant new item in the Capital Programme approved by the Cabinet on 19 December 2005 had been the addition of some £2.24 million for the Customer Services Transformation Programme.

Attention was drawn to the estimated position on Capital Receipts for the next four years. Even with a substantial Capital Programme, which exceeded £48 million over five years, it was anticipated that the Council would still have £8.8 million of usable capital receipt balances at the end of the period. In accordance with normal practice no account had been taken of any disposal proceeds unless the matters had been completed.

The Head of Finance reported that the balance on the Housing Revenue Account as at 31 March 2007 was expected to £5 million. The guideline rent was expected to increase by 8.02% to £64.92 in 2006/07. The Council had in recent years set its average rent at or below its "limit rent" thereby maximising income without incurring subsidy penalties. The average rent increase for 2006/07 was expected to be 6%. Members noted the estimated balances for the Housing Repairs Fund and the Major Repairs Reserve.

The Head of Finance presented his report on the robustness of the estimates for the purposes of the budget and the adequacy of reserves. He pointed out that the Local Government Act 2003 required members to have regard to his report when determining the Council's budget requirement for 2006/07 and that where his advice was not accepted there was a requirement that this should be formally recorded within the minutes of the Council meeting. He drew attention to his conclusions.

The attention of the Committee was also drawn to the need to consider the Council's Prudential Indicators and Treasury Management Strategy for 2006/07. Members noted that the current limit on funds invested for over 364 days was £10 million and it was proposed to increase this limit to £15 million. This change was intended to give the Treasury Management staff sufficient flexibility to act quickly if a large capital receipt arose, rather than having to invest the funds at less favourable rates while a change to the policy was sought.

RECOMMENDED:

- (1) That Council's 2006/07 General Fund budgets be noted and that further consideration be given to these budgets at the meeting of the Cabinet on 6 February 2006;
- (2) That the 2006/07 Housing Revenue Account budget including the revised revenue estimates for 2005/06 be agreed;
- (3) That the intention to apply rent increases and decreases for 2006/07 in accordance with the Government's Rent Reforms and the Council's Approved Rent Strategy be noted;
- (4) That the increase in deficiency payments to the Pension Fund again be capitalised in accordance with the Capitalisation Direction request made to the Office of the Deputy Prime Minister;
- (5) That the Council's Prudential Indicators and Treasury Management Strategy for 2006/07 be agreed; and
- (6) That the Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2006/07 Budgets and the adequacy of the reserves be noted.

CHAIRMAN

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