

Supplementary Committee Agenda



**Epping Forest
District Council**

Finance and Performance Management Cabinet Committee Monday, 14th June, 2010

Place: Committee Room 1
Civic Offices, High Street, Epping

Time: 6.30 pm

Democratic Services: Gary Woodhall
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10. SUNDRY DEBTS PERFORMANCE MONITORING (Pages 3 - 6)

(Director of Finance & ICT) To consider the attached report (FCC-005-2010/11).

11. MEDIUM TERM FINANCIAL STRATEGY - EFFECT OF RECENT GOVERNMENT ANNOUNCEMENTS (Pages 7 - 10)

(Director of Finance & ICT) To consider the attached report (FCC-006-2010/11).

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Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report Reference: FCC-005-2010/11.

Date of meeting: 14 June 2010.

Portfolio: Finance and Economic Development.

Subject: Sundry Debtors Performance Indicators.

Responsible Officer: Edward Higgins (01992 564606).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

To note the performance of the sundry debt function.

Executive Summary:

The report shows that collection of sundry debts remains effective.

Reasons for Proposed Decisions:

To keep Members informed of performance.

Other Options for Action:

Members could request further information, although officers propose another report following receipt of the outcome of the CIPFA benchmarking questionnaire later in the year.

Report:

1. This report follows the approval of the Sundry Debt and Income Policy by Cabinet on 19 April 2010, when some part year performance data was provided. The 2009/10 year end figures are now available and are presented here for Members to note.

2. Aged debt analysis for 2008/09 can be seen in table 1 and for 2009/10 in table 2. These tables show that whilst there has been an increase in overall debt outstanding this is due to new debts issued close to the end of the financial year, as the percentage of outstanding debt less than 30 days old has increased from 39% to 52%. In monetary terms, the value of debts outstanding for more than 60 days has reduced from £1,432,763 to £1,160,392.

Days	0-30	31-60	61-180	181-365	366-1825	Over 1825	Total
Amount £	1,041,363	192,846	295,124	217,668	683,716	236,255	2,666,972
% of total	39%	7.2%	11.1%	8.2%	25.6%	8.9%	100%

Days	0-30	31-60	61-180	181-365	366-1825	Over 1825	Total
Amount £	1,483,805	210,260	103,005	101,854	684,519	271,014	2,854,457
% of total	52%	7.4%	3.6%	3.6%	23.9%	9.5%	100%

3. Table 3 shows a number of performance indicators. The value of debts collected within 42 and 60 days within 2009/10 show improvement over 2008/09, this should be seen as very encouraging in light of the continued downturn in the national economy.

		2008/09	2009/10
Value of invoices issued		£7,894,202	£7,933,541
Level of debt as at 31 st March		£2,666,972	£2,854,727
Level of irrecoverable debt provision as at 31 st March		£1,219,293	£1,163,911
Value of debts written off in year		£29,115	£105,393
Percentage of debt collected in 42 days (42 days represents the number of days before legal may be involved)	By number	68.25%	58.22%
	By value	58.77%	60.21%
Percentage of debts collected in 60 days	By number	77.37%	68.65%
	By value	68.56%	71.40%

4. Officers are preparing sundry debt collection data for the CIPFA benchmarking Club. Table 4 shows an extract of data requested by CIPFA as part of the benchmarking questionnaire.

Sample week dates	Number of invoices	Value of £'000	Number cleared %	Value cleared %
27/04/09 – 01/05/09	45	137	89	98
07/09/09 – 11/09/09	36	59	94	99
23/11/09 – 27/11/09	48	34	92	97

5. A further report is proposed following receipt of the outcome of the CIPFA benchmarking questionnaire. The outcome will allow comparison of performance with other contributing authorities.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

There may be an impact on Legal services if the number of cases referred to legal increases due to none payment of invoice.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

Risk Management:

If the sundry debt performance was not monitored collection rates might deteriorate.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council’s general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A

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Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report Reference: FCC-006-2010/11.

Date of meeting: 14 June 2010.

Portfolio: Finance and Economic Development.

Subject: Effect of Post Election Announcements.

Responsible Officer: Bob Palmer (01992 564279).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) To note the effect on the assumptions contained in the Medium Term Financial Strategy of:

- (a) the financial outturns for revenue and capital for 2009/10;**
- (b) recent announcements by the new Government; and**
- (c) anticipated future announcements.**

Executive Summary:

It is now more than four months since the Medium Term Financial Strategy (MTFS), approved by Council in February, was prepared. During this period there have been a number of economic and political developments and given the significance of some of these it is appropriate to report on their implications.

Reasons for Proposed Decisions:

To ensure that Members are kept upto date on the Council's overall financial position.

Other Options for Action:

The report is for noting, no specific actions are proposed.

Report:

Financial Outturns

1. The draft revenue and capital outturn reports were included earlier on the agenda. However, in terms of setting the context it is worth summarising the predicted and actual balances as at 31 March 2010.

	General Fund £'000	DDF £'000	Capital Receipts £'000	Major Repairs £'000
Predicted	7,598	2,828	20,108	5,194
Actual	8,299	4,041	21,091	5,730
Improvement	701	1,213	983	536
Improvement net of c/f's	701	690	163	536

2. The combined outturns mean there are £1.4 million more in revenue balances and £0.7million more in capital balances than had been anticipated. However, these results have not reduced future budgets and so the need for ongoing savings remains.

Recent Announcements

3. The new government has stated that Council Tax increases will not be allowed in 2011/12 and probably 2012/13. In constructing the MTFs it had been assumed that Council Tax would increase by 2.5%. The effect over the forecast period is shown in the table below:

	2011/12 £'000	2012/13 £'000	2013/14 £'000
Council Tax - MTFs	8,289	8,495	8,705
Council Tax - amended	8,089	8,089	8,289
Reduced Income	200	406	416
CSB Reduction needed	200	206	10

4. The Government has also announced a saving of £1.165 billion from reducing grants to local authorities. This saving is made up of reductions in grants from:

Communities and Local Government	£537m
Department for Education	£311m
Department of Transport	£309m
DEFRA	£8m

5. The Local Government Association is currently discussing with the Government exactly which grants will be cut. Until a more specific announcement is made the impact cannot be calculated, although at this stage it appears that the District Development Fund is more likely to be hit than the CSB. At this stage the main formula grants have not been reduced.

Future Announcements

6. Further announcements are expected both as part of the Budget on 22 June and as part of a Comprehensive Spending Review (CSR). The most important announcement will be the level of reductions in formula grant over the life of the CSR. As part of the MTFs it had been assumed that formula grant would reduce by 10% over the period, with a 5% reduction in 2011/12 followed by reductions of 3% and then 2% in subsequent years. The reduction of 10% was felt to be a prudent estimate but it now appears that a reduction of 15% is more likely. If this reduction was to be implemented with a 5% cut in each year of the CSR the effect over the forecast period is shown below:

	2011/12 £'000	2012/13 £'000	2013/14 £'000
Formula Grant - MTFs	8,944	8,676	8,502
Formula Grant - amended	8,944	8,497	8,072
Reduced Income		179	430
CSB Reduction needed		179	251

7. Another key announcement will be how the Government wants to proceed with reform of the Housing Revenue Account (HRA). At the last meeting of this Committee Members decided that the voluntary offer currently being consulted on should be rejected because of the unfairness of the offer made to this Council relative to others and the detrimental effect on the General Fund (GF). Responses to the consultation have to be made by 6 July so it will be some time before the Government has evaluated the responses and formulated its own position.

8. The financial modelling necessary to evaluate the HRA offer highlighted that the HRA would remain viable without the income from commercial properties. The possibility of transferring these assets from the HRA to the GF is still being explored and a full report will be made to a subsequent Cabinet. Whilst the GF would have to compensate the HRA for any assets transferred, it still appears that the GF would benefit by approximately £0.5 million per year.

9. Initial discussions with Communities and Local Government have produced the following response:

“The proposal to transfer HRA shops to the General Fund seems a reasonable and simple course of action - the council would need to resolve formally that the properties are no longer required for HRA purposes and provide a list to the Secretary of State, of the numbers and street addresses of the properties to be transferred under S19(2) of the Housing Act 1985. Information on the affect of the transfer on the council's HRA CFR can be found in Chapter 7 of the Manual. Please note that these provisions do not relate to the transfer of housing stock; only land, commercial buildings and other assets no longer required for HRA purposes. Please liaise with Sally Hunt here, on arrangements for gaining the Secretary of State's consent.”

Summary

10. The Council is in a better financial position than had been anticipated but this is more than matched by the increase in the financial difficulties that lie ahead. It is clear that additional CSB savings on top of those in the MTFS will be needed and this is illustrated below:

	2011/12 £'000	2012/13 £'000	2013/14 £'000
Existing MTFS saving	600	400	200
Saving for Council Tax	200	206	10
Saving for Grant		179	251
New target saving	800	785	461

11. Subject to further investigation, and the ultimate agreement of the Secretary of State, it may be possible to off set some of the additional savings set out above through the transfer of commercial properties from the HRA to the GF.

12. It should be emphasised that the scenario set out above is one of a range of possible outcomes. The figures will be updated and a revised MTFS prepared for the Financial Issues Paper which will be presented to the next meeting of this Committee.

Resource Implications:

The Council needs to make more substantial reductions in the CSB than had been previously anticipated. At this stage it is not possible to make precise predictions but the previous combined CSB savings target of £1.2 million is likely to increase to above £2 million.

Legal and Governance Implications:

None.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

Budget reports made in setting the 2009/10 Council Tax and Budget.

Impact Assessments:

Risk Management

Prompt and effective action to reduce the net CSB will lessen the risk of sudden less well thought out reductions later in the budget cycle.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council’s general equality duties, reveal any potentially adverse equality implications? No

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