

Supplementary Committee Agenda



**Epping Forest
District Council**

Cabinet Monday, 8th October, 2007

Place: Council Chamber, Civic Offices, High Street, Epping

Room: Council Chamber

Time: 7.00 pm

Committee Secretary: Gary Woodhall (Research and Democratic Services)
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10. FINANCE & PERFORMANCE MANAGEMENT CABINET COMMITTEE - 24 SEPTEMBER 2007 (Pages 3 - 12)

(Chairman of the Finance & Performance Management Cabinet Committee) To consider the minutes of the meeting held on 24 September 2007 and the recommendations therein (C/061/2007-08).

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EPPING FOREST DISTRICT COUNCIL (C/061/2007-08) COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** Monday, 24 September 2007

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 7.30 - 8.15 pm

Members Present: C Whitbread (Chairman), M Cohen, Mrs D Collins, Mrs A Grigg, Mrs M Sartin and D Stallan

Other Councillors: D Jacobs, Mrs P Smith, Ms S Stavrou, J M Whitehouse

Apologies:

Officers Present: R Palmer (Head of Finance), P Maddock (Assistant Head of Finance), S Tautz (Performance Improvement Manager), J Preston (Head of Planning and Economic Development), J Gilbert (Head of Environmental Services), G Lunnun (Democratic Services Manager) and S Mitchell (PR & Internet Assistant)

29. MINUTES

RESOLVED:

That the minutes of the meeting of the Committee held on 18 June 2007 be taken as read and signed by the Chairman as a correct record.

30. DECLARATIONS OF INTEREST

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

31. ANY OTHER BUSINESS

It was noted that there was no other urgent business for consideration at this meeting.

32. BEST VALUE PERFORMANCE INDICATORS 2006-07 - CUSTOMER SATISFACTION SURVEYS

The Committee considered a report on the Best Value Performance Indicator elements of the statutory "General", Planning and Benefits customer satisfaction surveys for 2006/07.

Members noted that in 2000, the Government had introduced Best Value Performance Indicators that required local authorities to survey residents and service users in relation to customer satisfaction every three years. Surveys had previously been carried out in 2001/02 and 2003/04. The most recent exercise had included a "General" survey focusing on key areas of the Council's corporate performance

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including the environment, waste management, cultural and recreational issues, a Planning survey, a Benefits survey and a Tenants' survey. The Committee noted that the results of the Tenants' survey had already been reported to members.

The Committee was advised that in relation to the "General" survey, the Planning survey and the Benefits survey, the Council had participated in joint arrangements with other authorities in the County in order to secure a basis for benchmarking and comparison.

Members compared the results of the 2006/07 surveys with the Council's results for 2003/04, the national average for 2006/07 and the average of other Essex District authorities for last year (where available). The Committee noted that representatives of the agencies that had conducted the surveys would be making a detailed presentation to members on 18 October 2007, the full report had been published on the Council's website and copies had been placed in the Members' Room.

The Committee noted that the latest surveys had revealed that satisfaction levels had increased or been maintained in a majority of areas. However, the results reflected respondents' views at the time the surveys were undertaken and satisfaction could be adversely affected by negative publicity and perception in relation to both local and national issues. Account was therefore taken of the fact that over the last year the Council had been subject to negative publicity in relation to several high profile waste management and planning issues. Members also noted that in relation to responses regarding complaints these did not reflect formal complaints made in accordance with the Council's Compliments and Complaints Procedure and it was likely, therefore, that many of the responses referred to issues in which clarification had been sought rather than a formal complaint.

Members were advised that since completion of the 2006/07 round of surveys, a number of Essex authorities had expressed interest in repeating some or all of the surveys during 2007/08 and possibly on an annual basis each year between the requirement for the statutory surveys, as a means of gathering interim satisfaction data and tracking performance. It was understood that most of the authorities that were interested in repeating the surveys in 2007/08 required the "General" survey only, although a minority also wished to re-run the Benefits, Planning and Tenants' surveys.

RESOLVED:

- (1) That the Council's results in respect of the Best Value Performance Indicator elements of the statutory "General", Planning and Benefits customer satisfaction surveys for 2006-07 be noted;
- (2) That the arrangements for presentations on the full results of the 2006/07 surveys to be made to members of the Council on 18 October 2007 be noted; and
- (3) That the Council's participation in a repeat of the "General" survey during 2007/08, in order to gather interim satisfaction data and track performance be noted.

33. BUDGET 2008-09 - FINANCIAL ISSUES PAPER

The Committee considered a report regarding a framework for the budget 2008/09 including a number of issues that would affect the Council in the short to medium term.

Members were advised that the following matters represented the greatest areas of current financial uncertainty and risk to the authority:

- (a) internal and external restructuring;
- (b) changes to the statutory Concessionary Fares Scheme;
- (c) future Local Government Finance Settlements;
- (d) capitalisation of pension deficit payments;
- (e) Customer Services Transformation Programme;
- (f) ongoing difficulties with recruitment and retention;
- (g) a new waste service provider and higher recycling targets; and
- (h) restriction on future Council Tax increases.

In relation to internal restructuring, the Head of Finance reported that, subject to approval by full Council, new Directors would be taking up their posts on 1 October 2007. It would be some time before they would be able to establish any additional costs that might be necessary to ensure adequate organisational capacity or any savings that might arise through the merging of sections/functions now duplicated in the new structure. He indicated that some DDF expenditure might be necessary on accommodation and equipment to make sure that each business unit was appropriately located and resourced. Members noted that given this level of complexity and uncertainty the financial forecast currently assumed that once the internal restructuring had been completed it would be cost neutral. The Committee was advised that no assumptions had been built into the four year forecast for any external restructuring which might arise as a result of services either being outsourced or provided jointly with another local authority.

The Committee noted that, if successful, outstanding appeals by bus operators against the changes made to the Concessionary Fares Scheme from 1 April 2006 could increase the costs to local authorities significantly. In addition, on 1 April 2008 further changes are to be made to the statutory scheme in order to provide free travel nationally. The Head of Finance advised that the Government's proposals on how this would be achieved were awaited and that the financial forecast did not include any additional costs for either higher charges for the current scheme or the new scheme.

Members were advised that the Department for Communities and Local Government (DCLG) were currently conducting a consultation on possible changes to the Grant Allocation System from 1 April 2008. Currently it appeared unlikely that there would be wholesale changes to the system and when the figures were released it was hoped that they would cover a three year period. The Committee noted that the four year forecast agreed in February had been on the basis that gross Government grant would increase by 2% per annum and that floor limitations would reduce thereby producing net grant increases of 3.5% for 2008/09 and 2.5% for 2009/10. The Head

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of Finance advised that these assumptions were not felt to be excessive but that members should note that a risk existed in placing reliance on them.

In relation to Pension Fund Deficit Contributions and Capitalisation Directions, the DCLG had advised that there had been a reduction in the overall level of applications for 2007/08 and as a result the forecast had assumed that a direction would be obtained for the full amount sought. If this were not agreed it might be necessary to seek substantial savings elsewhere or significantly increase the Council Tax. The Head of Finance reminded members that the original decision to capitalise Pension Deficit payments had been based on a desire to keep Council Tax as low as possible and help safeguard revenue reserves through the use of capital. Although the exact amount of these payments had still to be determined for the next three years it was proposed that the policy of capitalisation be continued and that in order to facilitate this, £2.5m of useable Capital Receipts had been moved to the Pension Deficit Reserve.

In relation to the Customer Services Transformation Programme, no CSB or DDF amounts had been programmed for this initiative but some £2.2m of expenditure was still included in the Capital Programme. Given the uncertainty over the timing and nature of any Customer Services Transformation Programme, £0.5m had been left in the Programme for 2008/09 with the balance of £1.7m being shown in 2009/10.

In relation to CSB expenditure, members were reminded that the Council's policy was not to rely on the use of balances to provide support, with CSB expenditure being financed only from Government grant and Council Tax income. This meant that effectively the level of Council Tax would dictate the net expenditure on CSB or the CSB would dictate the level of Council Tax. As members had previously indicated that future Council Tax increases should be at or below the increase in the Retail Price Index, assumed to be 2.5% for the near future, it was clear that the former would be the determinate. Members noted that the revised estimate for the current year now showed the CSB total at £17.012m which exceeded funding by £0.353m. These figures indicated a need for CSB net expenditure to be reduced or tax increases to be raised.

The Head of Finance reported that the financial forecast showed that not all DDF funding was currently allocated to schemes and that it was anticipated there would be some £1.3m available at 1 April 2011.

The Head of Finance reported that a revised Capital Programme and a four year forecast were being prepared for the meeting of the Cabinet on 8 October 2007 which would include revised levels of receipts from Council House Sales. In line with established policy, neither other possible capital receipts nor any income that might be generated from them would be included in the estimates prior to completion.

The Head of Finance cautioned that members would need to prioritise carefully the allocation of scarce resources. Any further growth bids would need to be rigorously considered and there was a clear need to seek savings. With the General Fund revenue balance just short of £6.8m there was no need for any short-term emergency measures. However, before the end of the current forecast period it would be necessary to complete the restructuring of the authority in order to ensure that priority services were provided at a sustainable level. If such a review was not conducted and the target savings were not identified, the Authority would breach its target for reserves and be in the dangerous position of having increasing deficit budgets.

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RECOMMENDED:

- (1) That the 2008/09 budget guidelines be set in accordance with the revised four year forecast as follows:
 - (a) the ceiling for CSB net expenditure be no more than £17.314m including net growth;
 - (b) the ceiling for DDF (one-off) expenditure be no more than £186,000;
 - (c) that balances continue to be aligned to the Council's net budget requirement and that balances be allowed to fall no lower than 25% of the net budget requirement;
 - (d) the Council Tax to be increased by no more than the rate of increase in the Retail Price Index;
- (2) That a revised medium term strategy for the period to 2010/11 be developed in accordance with the Appendix attached to these minutes;
- (3) That communication of the revised medium term financial strategy to staff, partners and other stakeholders be undertaken by way of publishing key bullet points in appropriate publications; and
- (4) That the policy of capitalisation of additional pension fund deficit payments be continued for the period 2009/10 to 2011/12.

34. RISK MANAGEMENT

The Committee considered a report proposing amendments to the Corporate Risk scores. The Head of Finance reported that a fully updated version of the Corporate Risk register would be presented to the next meeting on 19 November 2007 reflecting changes to the Top Management Structure from 1 October 2007.

RESOLVED:

That the following amendments to risk ratings be agreed:

Risk No.	Risk Name	Previous Rating	Revised Rating
19	Planning Service does not maintain improved performance.	D2	E2
5	Local Government Re-organisation which is detrimental to the Council and community.	D3	E3
9	Joint Chief Executives - structure by end of three year period.	D3	Delete from register.
12	Gershon - rural changes.	E4	D4

35. AUDIT OF ACCOUNTS - INTERNATIONAL STANDARDS ON AUDITING

The Committee received the Annual Governance Report prepared by the Audit Commission which had been considered by the Audit and Governance Committee on 13 September 2007.

The Head of Finance reported that since the meeting of the Audit and Governance Committee the Council had received confirmation that the accounts had been signed off and that no amendments had been necessary. Members were informed that having taken expert advice, officers firmly believed that the treatment of VAT on the Wickfields transaction had been handled correctly, but confirmation would still be sought from HMRC

RESOLVED:

- (1) That the Annual Governance report providing a summary of the work undertaken by the Audit Commission during the 2006/07 Audit of Accounts be noted; and
- (2) That the Head of Finance and staff in Financial Services be congratulated on completing the accounts within the set timescale.

36. MANAGEMENT REPRESENTATION LETTER

The Committee received a copy of the Management Representation letter sent by the Head of Finance to the Audit Commission in relation to the Audit for the year ended 31 March 2007.

RESOLVED:

That the Management Representation letter be noted.

CHAIRMAN

REVISED GENERAL FUND FOUR YEAR FORECAST 2007/08 - 2010/11

ORIGINAL 2007/08	REVISED FORECAST 2007/08	FORECAST 2008/09	FORECAST 2009/10	FORECAST 2010/11
£'000 NET REVENUE EXPENDITURE	£'000	£'000	£'000	£'000
16,842 Continuing Services Budget	16,842	17,527	18,110	18,556
138 CSB - Growth Items	170	-13	45	37
0 Target saving	-100	-200	-200	-200
16,980 Total C.S.B	16,912	17,314	17,955	18,393
876 One - off Expenditure	1,996	186	13	0
17,856 Total Net Operating Expenditure	18,908	17,500	17,968	18,393
-876 Contribution to/from (-) DDF Balances	-1,996	-186	-13	0
-321 Contribution to/from (-) Balances	-253	-148	-359	-392
16,659 Net Budget Requirement	16,659	17,166	17,596	18,001
FINANCING				
9,350 Government Support (NNDP+RSG)	9,350	9,537	9,728	9,922
-189 RSG Floor Gains/(-Losses)	-189	-58	-12	0
9,161 Total External Funding	9,161	9,479	9,716	9,922
7,498 District Precept	7,498	7,687	7,880	8,078
0 Collection Fund Adjustment	0	0	0	0
To be met from Government 16,659 Grants and Local Tax Payers	16,659	17,166	17,596	18,001
Band D Council Tax	139.50	143.01	146.61	150.30
Percentage Increase %		2.5	2.5	2.5

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REVISED GENERAL FUND FOUR YEAR FORECAST 2007/08 - 2010/11

	REVISED FORECAST 2007/08	FORECAST 2008/09	FORECAST 2009/10	FORECAST 2010/11
REVENUE BALANCES	£'000	£'000	£'000	£'000
Balance B/forward	6,761	6,508	6,360	6,001
Surplus/Deficit(-) for year	-253	-148	-359	-392
Balance C/Forward	6,508	6,360	6,001	5,609
DISTRICT DEVELOPMENT FUND				
Balance B/forward	3,181	1,502	1,316	1,303
Income	317	0	0	0
Transfer Out	-1,996	-186	-13	0
Balance C/Forward	1,502	1,316	1,303	1,303
CAPITAL FUND (inc Cap Receipts)				
Balance B/forward	26,425	25,132	20,595	18,452
New Usable Receipts	7,032	831	819	817
CR Used to Fund Capital Expenditure				
- Transitional Relief Receipts	-1,000	0	0	0
- Other Capital Receipts	-7,325	-5,368	-2,962	-1,141
Balance C/Forward	25,132	20,595	18,452	18,128
TOTAL BALANCES	33,142	28,271	25,756	25,040

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