

Supplementary Committee Agenda



Epping Forest District Council

Cabinet Monday, 31st January, 2011

Place: Council Chamber
Civic Offices, High Street, Epping

Time: 7.00 pm

Democratic Services: Gary Woodhall (The Office of the Chief Executive)
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8. FINANCE & PERFORMANCE MANAGEMENT CABINET COMMITTEE - 17 JANUARY 2011 (Pages 171 - 198)

(Finance & Performance Management Portfolio Holder) To consider the minutes from the recent meeting of the Finance & Performance Management Cabinet Committee held on 17 January 2011 and any recommendations therein.

Also attached is a revised version of the Key Objectives for 2011/12 following the meeting of the Cabinet Committee.

14. JOINTLY FUNDED POLICE COMMUNITY SUPPORT OFFICER POSTS (Pages 199 - 204)

(Safer & Greener Portfolio Holder) To consider the attached report (C-058-2010/11).

19. COUNCIL BUDGETS 2011/12 (Pages 205 - 212)

Attached is the Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2011/12 budgets and the adequacy of the reserves, to be considered in conjunction with the principal budget report previously circulated.

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EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance **Date:** 17 January 2011
Management Cabinet Committee

Place: Council Chamber, Civic Offices, **Time:** 7.00 - 10.45 pm
High Street, Epping

Members Present: C Whitbread (Chairman), R Bassett, Mrs D Collins, Mrs P Smith, D Stallan and Ms S Stavrou

Other Councillors: G Mohindra, K Angold-Stephens, W Breare-Hall, Ms J Hart, D Jacobs, D C Johnson, B Judd, Mrs C Pond, B Rolfe, Mrs M Sartin, Mrs J Sutcliffe, Mrs L Wagland, Ms S Watson, J M Whitehouse and D Wixley

Apologies: None.

Officers Present: D Macnab (Acting Chief Executive), J Gilbert (Director of Environment and Street Scene), A Hall (Director of Housing), C O'Boyle (Director of Corporate Support Services), R Palmer (Director of Finance and ICT), J Preston (Director of Planning and Economic Development), J Chandler (Assistant Director (Community Services and Customer Relations)), R Pavey (Assistant Director (Revenues)), M Tipping (Assistant Director (Facilities Management & Emergency Planning)), J Twinn (Assistant Director (Benefits)), T Carne (Public Relations and Marketing Officer), E Higgins (Insurance & Risk Officer), B Moldon (Principal Accountant), R Sharp (Principal Accountant), S Tautz (Performance Improvement Manager), A Hendry (Democratic Services Officer) and G J Woodhall (Democratic Services Officer)

33. WEBCASTING INTRODUCTION

The Chairman announced that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

34. DECLARATIONS OF INTEREST

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

35. MINUTES

RESOLVED:

(1) That the minutes of the meeting held on 22 November 2010 be taken as read and signed by the Chairman as a correct record.

36. DETAILED DIRECTORATE BUDGETS 2011/12

The Assistant Director (Accountancy) presented the draft General Fund and Housing Revenue Account (HRA) Budgets for the financial year 2011/12. The budgets had

been presented by Directorate, with accompanying notes highlighting areas where significant changes had occurred. The majority of savings had been found from budgets that had been traditionally underspent in previous years. They were presented to the Cabinet Committee to consider and make recommendations prior to the budget being formally set during February 2011.

(a) Office of the Chief Executive

The Acting Chief Executive reported that the original estimate for 2010/11 had been expenditure of £3.226million, with a probable outturn of £3.157million. The current draft estimate for 2011/12 was £3.061million, which represented a saving of £165,000 due primarily to an overall reduction in recharges to this budget for central overheads. No Continuing Services Budget (CSB) growth had been identified for 2011/12; a District Development Fund (DDF) item had been included for the Referendum on the General Election Voting System, but full re-imbursement of the costs was expected from the Government.

The position for the individual cost centres within the Office of the Chief Executive, in comparison to 2010/11, was as follows:

- Corporate Activities £192,000 reduction in expenditure;
- Elections £20,000 reduction in expenditure;
- Member Activities £95,000 increase in expenditure;
- Voluntary Sector Support £18,000 reduction in expenditure;
- Other Activities £30,000 reduction in expenditure; and
- Support Services £35,000 reduction in expenditure.

The Cabinet Committee felt that £166,010 was a high cost for Electoral Registration; It was agreed that some benchmarking would be performed to compare the Council's costs for Electoral Registration with other Councils of a similar size for the budget setting process in 2012/13.

The Cabinet Committee also queried the £237,490 budget provision for Grants to Voluntary Organisations. It was explained that these Grants could not be moved from the CSB to DDF as many Grants were agreed for a three-year period and therefore were not a one-off cost. It was acknowledged that working with the voluntary sector was a fundamental role for the Council, and that the Council's Grants were generous in comparison to others, but the Council was under pressure to make savings in all areas of its budget. Other assistance could be offered by the Council to Voluntary Sector Organisations, such as accommodation, rather than funding them directly. It was agreed that Voluntary Sector Grants would be another area that would be reviewed as part of the budget setting process for 2012/13.

(b) Corporate Support Services

The Director of Corporate Support Services reported that the original estimate for 2010/11 had been net income of £319,000, with a probable outturn of £203,000 net income. The current estimate for 2011/12 was net income of £1.711million, due primarily to the movement of additional net income of £1.392million from the transfer of Non-Housing assets comprising shops, public houses and a petrol station to the General Fund.

The position for the individual costs centres within the Directorate, in comparison to 2010/11, was as follows:

- Land & Property £1.395million increase in net income;
- Other Activities £7,000 reduction in expenditure;
- Regulatory Services £20,000 reduction in expenditure;

- Legal & Admin Services £174,000 reduction in expenditure;
- Accommodation Services £133,000 increase in expenditure; and
- Other Support Services £47,000 increase in expenditure.

The Director added that the reduced figures currently under discussion for the Planned Maintenance Programme would be used for the relevant property budgets when it had been agreed. The £56,000 allocation for Support Services at the Brooker Road Industrial Estate was felt to be expensive in comparison to the Council's other properties. It was highlighted that Support Service charges for each holding were primarily derived from the time spent by Estates & Valuations Officers on each particular property. The Director undertook to provide a further detailed breakdown of these costs for members of the Cabinet Committee. The Acting Chief Executive highlighted the results of an external review of the Estates & Valuations service, which had stated that the Council was obtaining good value for money given the size and diversity of the property portfolio. The Legal & Estates Portfolio Holder acknowledged that a more efficient method of dealing with queries from Councillors on behalf of tenants had to be implemented, and that this would be examined after the budget process had been completed.

The Director further reported that the operation of the Reprographics Section had been reviewed following a recent report by Internal Audit. As the majority of the Section's costs were fixed, it was now being more extensively advertised internally to generate more business, and modern technology was being utilised to further reduce costs. The Cabinet Committee felt that this was another area to be reviewed during the 2012/13 budget setting process.

The Acting Chief Executive reminded the Cabinet Committee that £94,000 allocated for Council Asset Rationalisation would be predominantly spent on the potential development of the Langston Road Depot, for which the likely returns had been previously reported.

(c) Office of the Deputy Chief Executive

The Acting Chief Executive reported that the original estimate for 2010/11 had been expenditure of £1.703million, with a probable outturn of £1.658million. The current estimate for 2011/12 was £1.627million, which represented a saving of £76,000. This had included savings of £100,000 from the recent Leisure & Wellbeing Portfolio Holder report to Cabinet on 6 December 2010, a further saving of £33,000 from identifying underspends based on the averaging of the last three years actuals, and new income of £17,000 from the new all-weather pitch at Townmead in Waltham Abbey. The North Weald Airfield Strategy Action Plan and redevelopment of Limes Farm Hall were the main DDF items.

The position for the individual cost centres within the Office of the Deputy Chief Executive, in comparison to 2010/11, was as follows:

- Arts & Museum £39,000 reduction in expenditure;
- Sports Development etc £57,000 reduction in expenditure;
- Other Activities £20,000 increase in expenditure; and
- Support & Trading Services £20,000 reduction in expenditure.

The Acting Chief Executive explained that the 10% increase in the Public Relations budget had been due to the appointment of a temporary fixed term Website Officer, but this was currently being treated as DDF rather than CSB. Although Sports Development and Community Development were both listed with small increases, both sections were being actively reviewed, in particular with respect to the provision for young people. The Council actively encouraged compliments and complaints from

the public, and a full-time Officer was employed to deal with any received. It was regarded as a support service under the CIPFA guidance, hence there were no direct employee costs listed.

(d) Environment & Street Scene

The Director of Environment & Street Scene reported that the original estimate for 2010/11 was £10.226million, with a probable outturn of £10.076million. The current estimate for 2011/12 was £10.104million, which represented a saving of £122,000. The main CSB item for 2011/12 was the reduction in the Leisure Management fees following the Cabinet's decision to provide capital investment in exchange for a reduction in management fees. Whilst the main DDF items related to the Avoided Disposal payment, which was expected to stop by March 2012.

The position for the individual cost centres within the Directorate, in comparison to 2010/11, was as follows:

- Environmental Health £38,000 reduction in expenditure;
- Waste Management £188,000 increase in expenditure;
- Highways £10,000 increase in expenditure;
- Off-Street Parking £114,000 reduction in expenditure;
- Land Drainage & Sewerage £57,000 reduction in expenditure;
- Safer Communities £4,000 increase in expenditure;
- Leisure Facilities £11,000 reduction in expenditure;
- Parks & Grounds No change;
- North Weald Airfield £104,000 increase in net income; and
- Support & Trading Services £29,000 increase in expenditure.

The Director asked the Committee to note that a significant proportion of the increases in Waste Management and Safer Communities was related to changes in the way that government grants were accounted for, and that these increases would not generate any increases in Council Tax. The final report of the Intensification Study for North Weald Airfield, to be considered by the Cabinet at its meeting on 7 March 2011, would separate the income received from the Airfield into the Market and other rents, and the costs between Aviation activities and the Market. Pollution Control was a statutory duty for the Council and the staff supporting this function was classified as a support service under the CIPFA guidance. Of the Pollution Control Support Service allocation of £183,990 for 2011/12, approximately £110,000 was employee related. As a general point, the Cabinet Committee requested a full analysis of all employee costs within the Support Service allocation for cost centres.

It was explained to the Cabinet Committee that the income derived from the Council's Leisure Centres did not cover the operating costs, thus the Council's Leisure Contract provider retained all the income and the Council paid a management fee to cover the difference. This management fee was subject to an annual inflation based uplift as part of the contract. However, if the income generated exceeded a prescribed level, then the Council was entitled to a share of that excess. The Leisure Centre at Loughton was the most modern and efficient, therefore it required the lowest management fee expenditure. The £53,600 Support Service allocation for the Loughton Leisure Centre primarily met the cost of the contract monitoring performed by the Council and landlord maintenance responsibilities.

The £473,390 allocation for Neighbourhoods and Rapid Response dealt with noise complaints, fly tipping and out of hours services, plus a few other environmental nuisance services including the Rapid Response Vehicle.

(e) Finance & ICT

The Director of Finance & ICT reported that the original estimate for 2010/11 was £2.543million, with a probable outturn of £2.411million. The current estimate for 2011/12 was £1.711million, which represented a saving of £832,000. This included savings of £629,000 due to the transfer of Concessionary Fares to Essex County Council from 1 April 2011, £75,000 from an increase of 0.5% on the Salary Vacancy Allowance, and an overall reduction of £133,000 in unallocated recharges for central overheads. CSB items in 2011/12 included a saving of £10,000 for a decrease of 0.1% in pension contributions, and £24,000 for general Directorate savings from postage and stationery and Essex Procurement Hub costs.

The position for the individual cost centres within the Directorate, in comparison to 2010/11, was as follows:

- Housing Benefits £57,000 reduction in expenditure;
- Local Taxation £20,000 increase in expenditure;
- Other Activities £795,000 reduction in expenditure (includes Concessionary Fares);
- Finance Support Services £61,000 increase in expenditure; and
- ICT Support Services £143,000 increase in expenditure.

In response to queries from the Members present, the Director added that the Vacancy Allowance had been increased to give a more realistic position, but that no amendments had been made in respect of the proposed Recruitment Freeze. Under current legislation, the District Council was the collection authority for Council Tax and therefore could not recharge the County Council and Parish or Town Councils for collecting their precepts. The Cabinet had recently approved a new ICT Equipment Replacement Policy, which was now being implemented. This would reduce the Council's costs by replacing old servers with new, more energy efficient servers that used less electricity. The proposed budget of £579,000 for Telephones was considered a high cost, and it was agreed that this area should be reviewed during the 2012/13 budget setting process. The savings generated from being a member of the Essex Procurement Hub had been reflected within the individual budgets for each Directorate. It was requested that a paragraph be added to the principal Budget report highlighting the total savings gained from membership of the Hub, and the Director agreed to present a report to the next meeting of the Cabinet Committee outlining the total savings in detail.

(f) Housing General Fund

The Director of Housing reported that the original estimate for 2010/11 was £1.49million, with a probable outturn of £1.613million. The current estimate for 2011/12 was £1.886million, which represented an increase of £396,000. This included capital expenditure of £379,000 and an increase of £17,000 for Direct Services.

The position for the individual cost centres within the Directorate, in comparison to 2010/11, was as follows:

- Private Sector Housing £261,000 increase in expenditure, of which £219,000 was capital expenditure;
- Homelessness £5,000 reduction in expenditure; and
- Other Activities £140,000 increase in expenditure, of which £160,000 was capital expenditure.

The Director added that an additional allocation had not been made for the expected extra work in respect of Homelessness in 2011/12, as the grant received from the

Government had been increased. A report on this matter would be considered at the next scheduled meeting of the Cabinet.

(g) Planning & Economic Development

The Director of Planning & Economic Development reported that the original estimate for 2010/11 was £3.201million, with a probable outturn of £3.055million. The current estimate for 2011/12 was £3.096million, which represented a saving of £105,000. This included a £100,000 increase in planning application income, a saving of £13,000 for Countrycare and general savings of £40,000 from within the Directorate.

The position for the individual cost centres within the Directorate, in comparison to 2010/11, was as follows:

- Economic Development £18,000 reduction in expenditure;
- Conservation Policy £35,000 reduction in expenditure;
- Countrycare £85,000 reduction in expenditure;
- Environmental Coordination No change
- Forward Planning £45,000 increase in expenditure;
- Town Centre Enhancements £8,000 reduction in expenditure;
- Planning Appeals £79,000 reduction in expenditure;
- Enforcement £13,000 reduction in expenditure;
- Development Control £100,000 increase in expenditure;
- Building Control (Fees) No change;
- Building Control (Non-Fee) £11,000 reduction in expenditure;
- Planning Administration £26,000 reduction in expenditure; and
- Planning Policy No change.

In response to Member queries, the Director added that income for Building Control had reduced and a small deficit was predicted for the current year. The section had made a small profit in 2009/10 and a number of measures had been taken this year to mitigate the expected reduction in income. Although there were fewer major planning applications at the current time, there was still the possibility that the Building Control account would break even or make a small profit. The Leader of the Council added that the Building Control sections of Harlow and Uttlesford Councils were losing more money than Epping Forest, so there would be no benefit for the Council in sharing the service.

The Cabinet Committee felt that it was important to treat the Community Infrastructure Levy as a priority, following its implementation in April 2010, and also increase the money gained from Section 106 agreements.

(h) Housing Revenue Account

The Director of Housing reported that the original estimate for Housing Revenue Account (HRA) expenditure in 2010/11 was £32.4million, with a probable outturn of £32.8million. The current estimate for 2011/12 was £33.7million, which represented an increase of £1.3million. The original estimate for Housing Subsidy in 2010/11 was £10.052million, with a probable outturn of £9.726million. The current estimate for 2011/12 had been £11.428million, before it was revised down to £11.312million following a final subsidy determination being issued on 10 January 2011, which represented an increase of £1.26million. The original estimate for HRA Income in 2010/11 was £30.639million, with a probable outturn of £30.341million. The current estimate for 2011/12 was £30.482million, which represented a reduction of £157,000. The balance of the HRA was predicted to be £5.501million at 31 March 2012.

The following cost centres within the Directorate, in comparison to 2010/11, were highlighted:

- General Supervision & Mgmt £495,000 reduction in expenditure;
- Special Supervision & Mgmt £134,000 reduction in expenditure;
- Rents, Rates & Taxes £6,000 increase in expenditure;
- Depreciation No overall effect;
- Property Related Income £157,000 reduction in income; and
- Interest Income £251,000 increase in income.

The Director added that the average rent increase in 2011/12 would be 7.2%, however there would be no increase in real terms for the approximately 60% of the Council's tenants who received full Housing Benefit.

RECOMMENDED:

- (1) That the detailed Directorate budget for the Office of the Chief Executive be recommended to the Cabinet for approval;
- (2) That the detailed Directorate budget for Corporate Support Services be recommended to the Cabinet for approval;
- (3) That the detailed Directorate budget for the Office of the Deputy Chief Executive be recommended to the Cabinet for approval;
- (4) That the detailed Directorate budget for Environment & Street Scene be recommended to the Cabinet for approval;
- (5) That the detailed Directorate budget for Finance & ICT be recommended to the Cabinet for approval, subject to the addition of a paragraph to the final budget report highlighting the total savings made during 2010/11 from the use of the Essex Procurement Hub;
- (6) That the detailed Directorate budget for the Housing General Fund be recommended to the Cabinet for approval;
- (7) That the detailed Directorate budget for Planning & Economic Development be recommended to the Cabinet for approval;
- (8) That the detailed Directorate budget for the Housing Revenue Account be recommended to the Cabinet for approval;
- (9) That the following areas of the Council's budget be further reviewed during the 2012/13 budget setting process:
 - (a) Electoral Registration within the Office of the Chief Executive, to be benchmarked with other Councils of a similar size;
 - (b) Grants to Voluntary Organisations within the Office of the Chief Executive;
 - (c) Reprographics within the Corporate Support Services Directorate; and
 - (d) Telephones within the Finance & ICT Directorate;
- (10) That a report be submitted to the meeting of the Cabinet Committee scheduled for 21 March 2011 detailing the total savings made by the Council through its membership of the Essex Procurement Hub; and

(11) That the Support Service cost of each Cost Centre be further analysed in future budgets to show the proportion of Officer salaries included within it.

Reasons for Decision:

To review the detailed directorate budgets prior to their approval and adoption by the Cabinet and Council.

Other Options Considered and Rejected:

None; the Council was under a statutory obligation to agree its budget for 2011/12 before the end of February.

37. COUNCIL BUDGETS 2011/12

The Director of Finance & ICT presented a report detailing the proposed Council Budget for 2011/12, which enabled the Council's policy on the level of reserves to be maintained throughout the period of the Medium Term Financial Strategy, despite the proposed use of £0.25million from the reserves. The budget was based upon the assumptions that Council Tax would not increase for two years and housing rents would increase by 7.2% in 2011/12.

The Director stated that the revised Medium Term Financial Strategy (MTFS) had assumed a 9% decrease in Government funding for 2011/12 with further decreases of 8% in 2012/13 and 2013/14. The actual reductions announced by the Government had been 15.7% in 2011/12 and 11.4% in 2012/13. In addition, the Council would be eligible for a grant equivalent to a 2.5% increase in the Council Tax if the actual Council Tax was not increased, and a New Homes Bonus if further residential development took place within the District during the year. As no details regarding the New Homes Bonus had been issued by the Government, this income had not been included within the Budget. The transfer of Concessionary Fares to the County Council had only resulted in a £20,000 loss of income for the Council.

It was proposed to reduce the target for the 2011/12 Continuing Services Budget (CSB) to £16.45million, from an initial £17.1million, following the confirmation of arrangements for the transfer of Concessionary Fares. The largest growth item was an additional £63,000 for the increase in national non-domestic rates on the Council's buildings. A number of CSB income streams had been affected by the downturn in the Housing Market, including Local Land Charges, Building Control and Development Control. However, other income streams had exceeded expectations, including MOT income from Fleet Operations, and Licensing income. The Council's investment income had also been adversely affected by £350,000 due to the continuing low level of interest rates.

The Director of Finance advised that, following the decision to transfer commercial property from the Housing Revenue Account (HRA) to the General Fund, the estimated £1.4million loss to the HRA would be offset by an interest payment of £300,000; this would result in a net benefit of £1.1million to the General Fund.

The use of capital receipts on non-revenue generating assets had been highlighted in the Council's Risk Register. The Capital Programme anticipated the balance of capital receipts reducing from £21.1million to £6.5million over the next four years.

The triennial valuation of the Local Government Pension Scheme (LGPS) in March 2010 had resulted in a small reduction for the Council's ongoing contributions, from

13.1% to 13%. Applications for the capitalisation of pension deficit payments in the sums of £1.187million for the General Fund and £557,000 for the HRA had been submitted to the Department of Communities & Local Government for 2010/11; the Secretary of State had limited directions to 38% of the amounts applied for and it was intended to charge £176,000 to the DDF for the General Fund and £82,000 to the HRA to make up for the deficits.

In respect of the District Development Fund (DDF), the Director reported that the largest items of expenditure were £395,000 for the generation of the Local Development Framework, £363,000 for reduced investment income and £152,000 for the Planned Building Maintenance Programme. The current DDF programme of £1.143million exceeded the guideline by £243,000. However, as the DDF was perennially underspent, this was not considered significant.

The Cabinet Committee was advised that the updated Medium Term Financial Strategy had assumed no increase in the Council Tax for the next two years. Current projections indicated that the Council's reserves would be £5.763million by 2014/15; 25% of net budget requirement would £3.678million and thus it was not envisaged that this particular budget guideline would be breached.

For the Housing Revenue Account (HRA), the Director explained that the balance was expected to be £5.5million at 31 March 2012, following an anticipated deficit of £83,000 in 2010/11. The average rent increase for Council dwellings in 2011/12 was proposed at 7.2%, which would further narrow the gap between Council and Housing Association rent levels. The report of the Chief Financial Officer required under section 25 of the Local Government Act 2003 would be reported to the Council at its meeting on 22 February 2011. The Council's Prudential Indicators and Treasury Management Strategy 2011/12 would be a separate report at the Cabinet meeting on 31 January 2011. The only significant change had been the appointment of Arlingclose to replace Butlers as the Council's Treasury Management consultants.

In response to questions from the Cabinet Committee, the Director stated that no official figures had been released for the expected level of Government support in the years 2013/14 and 2014/15, so the stated figures were 'best guesses'. The Strategy was based upon the use of reserves in the short to medium term whilst still retaining reserves that were still equivalent to at least 25% of the net budget requirement. The advice from Arlingclose was that interest rates were liable to remain at their current low level for the foreseeable future, with a resultant effect upon the Council's investment income. It was reiterated that there was no date scheduled for the announcement of the details for the proposed New Homes Bonus from the Department of Communities and Local Government; hence there had been no inclusion of any potential bonus due to this uncertainty.

The Cabinet Committee noted that the proposed transfer of commercial properties, if agreed by the Secretary of State, would be of considerable benefit to the General Fund, and that substantial subsidies from the Council's Reserves were planned for during the current four-year term of the financial strategy. Further savings of £1.3million would be required for 2012/13, in addition to those found for 2011/12, which would require the close scrutiny of every potential allocation during the budget setting process.

RECOMMENDED:

(1) That, in respect of the Council's General Fund Budgets for 2011/12, the following guidelines be adopted:

- (a) the revised revenue estimates for 2010/11, and the anticipated reduction in the General Fund balance of £307,000;
 - (b) a reduction in the target for the 2011/12 CSB budget from £17.1million to £16million (including growth items);
 - (c) an increase in the target for the 2010/11 DDF net spend from £900,000 to £1.1million;
 - (d) no change in the District Council Tax for a Band 'D' property to retain the charge at £148.77;
 - (e) the estimated reduction in General Fund balances in 2011/12 of £248,000;
 - (f) the four year capital programme 2011/12 – 2014/15;
 - (g) the Medium Term Financial Strategy 2011/12 – 2014/15; and
 - (h) the Council's policy on General Fund Revenue Balances to remain that they be allowed to fall no lower than 25% of the Net Budget Requirement;
- (2) That, including the revised revenue estimates for 2010/11, the 2011/12 HRA budget be agreed;
- (3) That the application of the rent increases and decreases proposed for 2011/12, in accordance with the Government's rent reforms and the Council's approved rent strategy, by an average overall increase of 2.4% be noted; and
- (4) That the established policy of capitalising deficiency payments to the pension fund be maintained, in accordance with the partial Capitalisation Direction obtained from the Department for Communities and Local Government.

Reasons for Decision:

To assist the Cabinet in determining the budget that would be recommended to the Council for agreement on 22 February 2011.

Other Options Considered and Rejected:

To not approve the recommended figures and instead specify which growth items to be removed from the lists, or request that further items be added.

38. CORPORATE PLAN 2011 - 2015 AND KEY OBJECTIVES 2011/12

The Performance improvement Manager presented a report upon the adoption of the Council's Corporate Plan 2011-15 and the Council's Key Objectives fro 2011/12.

The Cabinet Committee was informed that the Council Plan for the period 2006/07 to 2009/10 had been the Council's key strategic planning document, which had set out service delivery priorities over the four-year period, with strategic themes matching the Community Strategy for the District. As the Council Plan had now concluded, work had been undertaken on the development of a new strategic plan for the period 2011-15. The structure of the former Council Plan had been largely based around the Council's Medium-Term Priorities adopted in 2002. As part of the development of the new Corporate Plan, the Cabinet had previously identified a range of new Medium-Term Aims for 2010/11 to 2013/14. It was also now necessary to adopt the Council's

Key Objectives for 2011/12, however these were not ranked in any particular order of priority.

The Leader of the Council added that much work and effort had gone into the production of the Corporate Plan as there had been many previous versions. A small amendment was agreed to page 23 of the Plan, in that the ongoing projects listed were for only part of St John's Road in Epping and part of Langston Road in Loughton.

The Portfolio Holder for Performance Management felt that further work was required before the Key Objectives could be formally adopted. A number of the objectives were actually goals, and there appeared to be no ownership or deadlines for some of the objectives. The current total of 12 Key Objectives listed could be further reduced to approximately nine as a number of them were clearly linked and could be combined.

Further comments were made about objective 1(a), the establishment of a temporary depot at North Weald Airfield for the services currently located at Langston Road, and whether the Council would achieve value for money if the cost was in excess of £2million. The Environment Portfolio Holder stated that no firm decision had yet been made, and the comments for this objective should be revised. It was also highlighted that the proposed parking review for Debden Broadway had not been included in Objective 8, and that risk management considerations should be added to objective 9 regarding the maintenance of the Council's sound financial position. It was also generally felt that the document should be more specific in measuring the achievements for each objective.

The Portfolio Holder for Finance & Economic Development reminded the Cabinet Committee that the Key Objectives could be further revised before they were formally adopted. The Acting Chief Executive agreed to further review the Key Objectives for 2011/12 and assured the Cabinet Committee that they would form an essential part of the Directorate Business Plans for 2011/12.

RESOLVED:

- (1) That the Council's draft Corporate Plan for the period 2011-15 be approved, subject to an amendment on page 23 of the Plan whereby only parts of St John's Road in Epping and Langston Road in Loughton were possible redevelopment sites; and
- (2) That the Council's draft Key Objectives for 2011/12 be further revised and presented to the next meeting of the Cabinet for further consideration.

Reasons for Decision:

The identification of the Council's service delivery priorities over the four-year period of the new Corporate Plan, and the annual adoption of Key Objectives for each year of the Plan, provided an opportunity for the Council to focus specific attention on how areas for improvement would be addressed, opportunities exploited and better outcomes delivered for local people.

Other Options Considered and Rejected:

No other options were appropriate. Failure to monitor and review performance against Key Objectives and outcomes, and to take corrective action where

necessary, could have negative implications for the Council's reputation and for judgements made about the authority in corporate assessment processes.

39. KEY PERFORMANCE INDICATORS 2010-11 - REVIEW

The Performance Improvement Manager presented a report upon the review of the Key Performance Indicators adopted for 2010/11 and their retention or deletion for 2011/12.

The Performance Improvement Manager reminded the Cabinet Committee that, under 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, with regard to economy, efficiency and effectiveness. As part of this duty, a range of Key Performance Indicators (KPI) relevant to the Council's activities and key objectives were adopted each year.

The Performance Improvement Manager reported that four KPIs were under review for retention or deletion in 2011/12. NI 157(c), measured the number of planning applications dealt with within eight weeks of the Council receiving the application. The speed of delivery of planning decisions had been considered an important measure of performance and had been included as a National Indicator. With the imminent abolition of the National Indicator set, this indicator was recommended for retention as a KPI in 2011/12. Local Performance Indicator (LPI) 39, Rent Arrears (Commercial & Industrial Property), and LPI 40, Occupation Rate (Commercial & Industrial Property), gave a complete picture of the performance of the Council's commercial property portfolio and therefore were recommended for retention as KPIs in 2011/12. LPI 41, Rental Value (Commercial & Industrial Property), was not considered particularly meaningful as it was too dependent upon the total asset value of the properties, and consequently was recommended for deletion as a KPI in 2011/12.

The Director of Planning & Economic Development reminded the Cabinet Committee that it was still a statutory requirement for the Council to process planning applications within eight weeks of receiving them, and that reinstating this indicator as a KPI would aid the Council in meeting this target. The Cabinet Committee requested that some of the comments in the table accompanying the report be moderated before its final publication.

RESOLVED:

- (1) That NI 157(c), Processing of Planning Applications, be reinstated as a Key Performance Indicator in 2011/12;
- (2) That LPI 39, Rent Arrears (Commercial & Industrial Property) and LPI 40, Occupation Rate (Commercial & Industrial Property), be retained as Key Performance Indicators in 2011/12; and
- (3) That LPI 41, Rental Value (Commercial & Industrial Property), be deleted as a Key Performance Indicator in 2011/12.

Reasons for Decision:

The Council was still under a statutory obligation to process planning applications within eight weeks of receiving them. The level of rent arrears and occupation gave a good indication of the Council's performance with its commercial and industrial

properties, whilst the rental value did not as it was too heavily dependent upon the asset value.

Other Options Considered and Rejected:

To not reinstate NI 157(c), Processing of Planning Applications, or to retain LPI 41, Rental Value (Commercial & Industrial Property) as Key Performance Indicators in 2011/12.

40. RISK MANAGEMENT - CORPORATE RISK REGISTER & RISK MANAGEMENT DOCUMENTS

The Senior Finance Officer (Risk & Insurance) presented a report concerning the review of the Corporate Risk Register and the Council's Risk Management documents.

The Senior Finance Officer reported that the Corporate Risk Register and the Council's Risk Management documents had been considered by both the Risk Management Group on 29 November 2010 and the Corporate Governance Group on 8 December 2010. These reviews had not identified any required amendments to the Corporate Risk Register and only some minor changes to the Council's Risk Management documents. The Terms of Reference for the Risk Management Group had been amended to include Business Continuity Planning, whilst the Risk Management Policy Statement had had the reference to the Corporate Executive Forum removed. The Risk Management Strategy had also been updated to include Business Continuity Planning, review the provision of training and delete the reference to Brokers.

The Cabinet Committee felt that the risk related to Fraud (risk number 22) should be further reviewed, due to the expansion of the Charity and Voluntary Sector. The Corporate Governance Group was requested to investigate further and examine the different approaches that could be used to prevent fraud, before reporting back to the Cabinet Committee at its next meeting, scheduled for 21 March 2011.

RECOMMENDED:

- (1) That Risk 22, Fraud, be further investigated by the Corporate Governance Group for examination of the different approaches to the prevention of fraud and reported back to the Cabinet Committee on 21 March 2011;
- (2) That the current tolerance line on the risk matrix be considered satisfactory and not be amended;
- (3) That the Corporate Risk Register be recommended to the Cabinet for approval;
- (4) That the updated Risk Management Strategy be adopted; and
- (5) That the updated Risk Management Policy Statement be adopted; and

RESOLVED:

- (6) That the updated Terms of Reference for the Risk Management Group be noted.

Reasons for Decision:

It was essential that the Corporate Risk Register was regularly reviewed and kept relevant to the threats faced by the Council.

The annual review of the Corporate Risk Management documents ensured that the Risk Management process remained relevant and current.

Other Options Considered and Rejected:

To suggest the inclusion of further risks or amend the rating of existing risks if necessary.

To request further amendments to any or all of the documents.

41. HOUSING BENEFIT OVERPAYMENT RECOVERY POLICY

The Assistant Director (Benefits) presented a report regarding the recovery of Housing Benefit overpayments and requested that Overpayment Officers be given the authority to negotiate the repayment of Housing Benefit sundry debts over 2 years old where all other methods of recovery had been exhausted.

The Assistant Director reported that the majority of overpayments arose either from the claimant failing to report a change in circumstances or as a result of fraud. In both these cases, the Council received a subsidy from the Government amounting to 40% of the overpayment. When overpayments had occurred, there were several recovery options available, but there were always debtors that were hard to trace, or who were on low incomes and being pursued by several different agencies for debts. There had been a number of situations recently whereby the ability to negotiate would have recovered a large proportion of the debt, but these debts were now considered irrecoverable.

The Assistant Director proposed that for debts which were over two years old and the only other option was to write the debt off, Overpayment Officers be delegated authority to negotiate with the Debtor the level of debt to be repaid. Any offer of a negotiated amount would have to be for a minimum repayment of 60% of the outstanding debt and paid at the time of the offer or the debt would revert to the full amount. This would ensure that the Council would not suffer financially, due to the Government subsidy, and any repayment over 60% would result in a profit. It was considered that the ability to negotiate the payment of old debts would result in an increase of income for the Council with fewer debts being written off.

The Assistant Director added that the majority of the debts that would be covered by the new procedure were in the sum of approximately £200. The Cabinet Committee were in general agreement with the proposals and requested an update report in 12 months time on the results of the implementation of the policy.

RECOMMENDED:

(1) That Overpayment Officers be delegated authority to negotiate with debtors to clear their Housing Benefit Overpayment debt to the Council in the following circumstances:

(a) the debt had been outstanding for two or more years;

- (b) all recovery options had been attempted and the only other option was to write the debt off;
 - (c) any negotiated sum with the debtor to be a minimum of 60% of the outstanding debt; and
 - (c) any offer of a negotiated sum to be paid at the time of the agreement by the debtor or the debt would revert to the full amount; and
- (2) That a progress report upon the results of the implementation of the policy above be presented to the Cabinet Committee at its meeting in March 2012.

Reasons for Decision:

To increase the recovery rates for debts which might otherwise ultimately be written off.

Other Options Considered and Rejected:

To not allow the Overpayment Officers to negotiate the level of repayment of debts and to always seek repayment of the full debt.

42. INTRODUCTION OF CREDIT CARD PAYMENTS

The Assistant Director (Revenues) presented a report upon the introduction of Credit Card payments.

The Assistant Director stated that credit card payments were currently not accepted by the Council for the payment of bills such as Council Tax or Housing Rents. The current position had been agreed in 2002 due to the relatively high transaction costs for processing Credit Card payments, and concern over whether, legally, these costs could be passed onto customers for payments of statutory bills such as Council Tax. In addition, payments made by Credit Cards could encourage people to borrow money on their credit card and incur high interest charges. The legal position was ambiguous as there had not been a test case, and the Council's Legal Services had confirmed that this was an uncertain area of the law at the current time. The Cabinet was requested to consider whether credit card payments should now be accepted and whether a surcharge of 1.6% should be applied to the credit card payment by the customer to cover the transaction cost incurred by the Council. There would also be a cost of £11,010 to implement the necessary module to process any surcharges across all the Council's systems of payments.

In response to questions from the Members present, the Assistant Director added that the quote of £11,010 to implement the further module required for the Capita system was disappointing and further discussion would take place with the supplier. Devices that allowed payments to be made at the doorstep would be useful, especially in recovering outstanding debts, however these were still being tested and were not yet available. The 1.6% surcharge was lower than the previous contract – which was 2.1% - and could not be amended during the current contract. If the proposal was agreed then any surcharge liable would be charged to the customer in future.

The Cabinet Committee was concerned about the consequence for the Council if the proposals for credit card payments were implemented, but the application of surcharges was subsequently ruled unlawful. It was felt that the proposals should be

deferred to the Cabinet with the Council's Solicitor in attendance to clarify the legal position.

RESOLVED:

(1) That the proposals for introducing credit card payments be deferred to a future meeting of the Cabinet when the Council's Solicitor was in attendance to advise upon the legal position for the application of surcharges.

Reasons for Decision:

The decision to implement payment by credit card should not be made until the Council's Solicitor was in attendance to advise upon the legality of surcharges being applied to customers, to cover the transaction charge.

Other Options Considered and Rejected:

To not introduce payment by credit card, or to not apply the transaction surcharge to the customer.

43. ANY OTHER URGENT BUSINESS

There was no other urgent business for the Cabinet Committee to consider.

CHAIRMAN

DRAFT KEY OBJECTIVES 2011/12

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
(1) To review the Council's commercial landholdings in order to coordinate competing land use proposals, fulfil operational requirements, achieve value for money, and produce additional capital and revenue income to the Council;	(a) To relocate the Council's services (with the exception of the museum store) from the existing Langston Road depot in Loughton, to a permanent depot site at the Oakwood Hill Industrial Estate in Loughton, and a new depot site at North Weald Airfield;	(i) The development of a cost benefit analysis and budgetary cost, and the agreement of capital financing for the new depot at Oakwood Hill, by 30 September 2011;	Medium-Term Aims Aim 4 - Improve efficiency through partnership working and maximising revenue from assets Budget 2011/12, and other corporate plans or documents Asset Management Plan 2007 – 2012 Capital Strategy 2010–2013 Medium Term Financial Strategy 2010-2014
		(ii) The preparation, submission and determination of a planning application for the new depot at Oakwood Hill, by 31 December 2011;	
		(iii) The design and tender of the new depot at Oakwood Hill, by 30 September 2012;	
		(iv) The development of a cost benefit analysis and budgetary cost, and the agreement of capital financing for the new depot at North Weald Airfield, by 30 September 2011;	
		(v) The preparation, submission and determination of a planning application for the new depot at North Weald Airfield, by 31 December 2011;	
		(vi) The design and tender of the new depot at North Weald Airfield, by 30 September 2012;	
		(vii) The relocation of services from the Langston Road depot by 31 March	

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
		2013;	
	(b) To relocate the Council's museum store from the Langston Road depot to vacant units at the Brooker Road Industrial Estate in Waltham Abbey, to be co-located with the Countrycare service;	The relocation of the museum store from the Langston Road depot by 31 March 2012;	
	(c) To determine a planning application submitted for the redevelopment of the Langston Road depot site and the adjoining T11 site and other adjacent land;	The determination of the planning application by 30 April 2011;	
	(d) To develop a strategy for the redevelopment of the Langston Road depot site when vacant, in conjunction with the adjoining T11 site and other adjacent land;	The development of a strategy for the redevelopment of the vacant Langston Road sites, by 31 March 2013;	
	(e) The development, subject to the completion of the Strategic Review of North Weald Airfield in March 2011, of a strategy for the future use of North Weald Airfield, based on the findings of the Aviation Intensification Assessment;	The development of a strategy for the future use of North Weald Airfield, in conjunction with relevant partners, by 31 March 2012;	
	(f) To complete consultation in respect of the Development Brief for the proposed redevelopment of part of the St. John's Road area of Epping, including the Council's property assets and other land;	The agreement of the Development Brief by 30 September 2011;	

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
	(g) To determine the Council's approach to the use of it's land and property assets at the Broadway area of Loughton, with reference to the Design and Development Brief for the area;	The submission of planning applications for the redevelopment of part of the Broadway area, that accord with the Design and Development Brief;	
(2) To utilise existing resources to support the Government's vision for the 'Big Society', where individuals and communities have power and responsibility to create better neighbourhoods and local services;	(a) To encourage participation in the development of service and budgetary priorities, and to have regard to the views of local residents, staff and partners to address reduced local authority grant and identify opportunities for increased efficiency and income;	The consideration by the Cabinet by 30 September 2011, of options for undertaking priority setting and participatory budgeting consultation exercises for 2012/13 and future years;	Medium-Term Aims Aim 1 - Safeguard frontline services against a background of diminishing resources Aim 2 - Have the lowest District Council Tax in Essex and maintain that position Aim 3 - Be recognised as an innovative and transparent Council, and involve residents in decisions Aim 4 - Improve efficiency through partnership working and maximising revenue from assets Aim 5 - Provide community leadership, championing the interests of residents and protecting the character of the district Budget 2011/12, and other corporate plans or documents 'Putting Epping Forest First' -
	(b) To develop arrangements for communicating and improving the understanding of local communities, of the roles and responsibilities of local authorities and the Council's statutory and discretionary duties to provide specific services and functions;	Subject to Key Objective (2)(a), the provision of opportunities for the participation of local residents, staff and partners in the Council's priority and budget setting processes for 2012/13 and future years;	
	(c) To establish closer partnerships with the voluntary sector and local communities across the district, to build community capacity and develop cohesive and sustainable communities;	The commencement of the delivery of key measures from the Big Society Action Plan, from 1 September 2011;	
	(d) To work in collaboration with partners and local community	(i) The securing of external funding to support capacity building projects	

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
	groups to provide support, training and mentoring to local people;	in local communities, and the report of funding received to the External Funding Working Party by 31 March 2012;	Community Strategy 2010-2031 Utilisation of existing staff resources and through securing external funding
		(ii) The achievement of local residents trained and supported in leadership development, through the establishment of two Community Leads for each of five areas of the district, by 31 March 2012;	Budget fully funded by Harlow Health Centre's Trust through competitive bidding process. The Council's Community Services staff resources to support project development
		(iii) The achievement of peer mentors to support improved life and health outcomes, through the establishment of one Health Improvement Lead for each of the five areas of the district with the highest levels of health inequality, by March 2012;	Links to Crime and Disorder Reduction Partnership's Strategic Needs Assessment in respect of reducing anti-social behaviour and drugs and alcohol abuse Joint Strategic Needs Assessment
	(e) To develop the 'HealthWorks' programme for young people in Waltham Abbey, to raise aspirations, improve long-term health inequalities and encourage positive activity;	The commencement of the delivery of key measures from the 'HealthWorks' Action Plan, monitored by the Steering Group consisting of representatives from Harlow Health Centre's Trust, the Council and NHS West Essex, by 30 September 2011;	
	(f) To support the health services in addressing local health inequalities across the district;	The commencement of the delivery of partnership measures to reduce key health inequalities in specific areas of the district over a five-year period, by 30 November 2011;	

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
	(g) To seek external funding to deliver targeted initiatives in specific areas identified through the Joint Strategic Needs Assessment;	The securing of external funding to support a range of health improvement project delivery, and the report of funding received to the External Funding Working Party by 31 March 2012 ;	
(3) To work in partnership with Essex County Council and other statutory and voluntary agencies, to ensure the effectiveness of local arrangements and services to safeguard and promote the welfare of children and young people;	(a) To review corporate procedures for safeguarding children and young people:	The review and update of the Council's Child Protection Policy and individual service procedures in line with legislation, by 30 June 2011;	Medium-Term Aims Aim 3 - Be recognised as an innovative and transparent Council, and involve residents in decisions Budget 2011/12, and other corporate plans or documents Use of existing training budgets
	(b) To provide training for appropriate members and officers, to ensure that they are confident in dealing with safeguarding concerns;	The training of relevant staff and members in child protection procedures at an appropriate level, by 30 September 2011;	
	(c) To review recruitment and selection processes for officers that work directly with children and young people, in line with the 'Safer Recruitment' guidelines developed by the Essex Safeguarding Children Board;	The development and introduction of appropriate recruitment and selection processes and induction arrangements, by 31 December 2011;	
	(d) To develop a Safe Recruitment Policy, to ensure that applicants are suitable to work with children, young people and vulnerable adults.	The development and introduction of a Safe Recruitment Policy by 31 December 2011;	
(4) To seek continuous performance improvement and the best use of resources,	(a) To achieve overall improvement in respect of the Council's Key Performance Indicators for each of	The achievement of a percentage improvement rate of ?% (to be determined) in respect of the Council's	Medium-Term Aims Aim 1 - Safeguard frontline services

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
against the background of diminishing public expenditure;	the four years from 2010/11 to 2013/14;	Key Performance Indicators for 2011/12, by 31 March 2012;	against a background of diminishing resources
	(b) To work with the West Essex District Council's Group to promote the interests of West Essex;	The consideration by the Cabinet by 31 March 2012, of the success of initiatives to improve value for money, service performance and responsiveness to the needs of communities, in partnership with other public, voluntary and private sector organisations across West Essex;	Aim 3 - Be recognised as an innovative and transparent Council, and involve residents in decisions Aim 4 - Improve efficiency through partnership working and maximising revenue from assets Budget 2011/12, and other corporate plans or documents £804,000 capital funding allocated, plus £250,000 external funding from Essex County Council 'Putting Epping Forest First' - Community Strategy 2010-2031
	(c) To continue to achieve high levels of revenue collection;	(i) The collection of 97.9% of the Council Tax due for 2011/12, by 31 March 2012;	
		(ii) The collection of 98.1% of the National Non-Domestic Rates due for 2011/12, by 31 March 2012;	
	(d) To further improve the performance of the Benefits Service;	(i) The processing of new benefit claims within an average of twenty days for 2011/12, by 31 March 2012;	
		(ii) The processing of changes of circumstance within an average of seven days for 2011/12, by 31 March 2012;	
		(iii) The completion, subject to the consideration of proposals for the refurbishment and extension of the existing Finance reception area at the Civic Offices, of the key	

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
		recommendations arising from the Benefits Service inspection undertaken in January 2010, within timescales agreed with the Audit Commission and the Department for Work and Pensions;	
	(e) To complete the 'Repairs Refresh Programme', to further improve the performance of the Housing Repairs Service, through the appointment of an external Repairs Management Contractor to manage the Repairs Service;	The completion of the 'Repairs Refresh Programme' and the appointment of a Repairs Management Contractor, by the contract commencement date of 1 May 2011;	
	(f) To introduce a scheme for all housing repairs to be undertaken by appointment;	The introduction of an appropriate scheme by 31 March 2012;	
	(g) To introduce mobile working arrangements for housing inspectors and tradesmen, to enable works orders to be received remotely, utilising appropriate mobile technologies;	The introduction of appropriate mobile working arrangements by 31 March 2012;	
	(h) To complete the redevelopment of Limes Farm Hall at Chigwell, to provide a new multi-agency facility;	The completion of the redevelopment of Limes Farm Hall, by 31 August 2011;	
	(k) To review the provision and enforcement of on-street parking within the district;	(i) The completion of parking reviews for Buckhurst Hill, Epping and Loughton (The Broadway), in accordance with the agreed	

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
		<p>programme prepared by Essex County Council as highway authority:</p> <p>Epping – 31 July 2011; Buckhurst Hill – 29 February 2012; Loughton (The Broadway) – 31 August 2012;</p> <p>(ii) The consideration by the Cabinet by 31 July 2011, of options for the delivery of on-street parking enforcement, following the completion of a review of existing enforcement arrangements by Essex County Council;</p>	
To achieve the levels of net savings necessary to maintain the Council's sound financial position, and to provide the best level of service possible with reduced resources;	(a) To freeze the Council Tax for 2011/12, to obtain the specific grant made available by the Government;	The Council Tax for 2011/12 remaining unchanged from 2010/11;	<p>Medium-Term Aims</p> <p>Aim 1 - Safeguard frontline services against a background of diminishing resources</p> <p>Aim 2 - Have the lowest District Council Tax in Essex and maintain that position</p> <p>Budget 2011/12, and other corporate plans or documents</p> <p>Medium-Term Financial Strategy 2011/12-2014/15</p>
	(b) To ensure that over the period of the Medium-Term Financial Strategy, there is a reducing use of reserves to balance the budget;	The success of the Medium-Term Financial Strategy in reducing the use of reserves to balance the budget for 2014/15;	
	(c) To ensure that the General Fund Reserve Balance falls to no lower than 25% of Net Budget Requirement;	The predicted level of the General Fund Reserve Balance for 2014/15;	
(6) To maximise the provision of affordable housing within the	(a) To introduce an Open Market Shared Ownership Scheme, in	(i) The provision of eight interest free loans to Broxbourne Housing	Medium-Term Aims

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
district (See also Key Objective (8)(b);	partnership with Broxbourne Housing Association, to provide interest free loans to enable housing applicants to purchase properties on the open market with a shared ownership lease;	Association by 30 September 2011;	<p>Aim 3 - Be recognised as an innovative and transparent Council, and involve residents in decisions</p> <p>Aim 4 - Improve efficiency through partnership working and maximising revenue from assets</p> <p>Budget 2011/12, and other corporate plans or documents</p> <p>Open Market Shared Ownership Scheme - £435,000 and possible additional £350,000 for Phase 2</p> <p>Housing Association open market purchases - £375,000</p> <p>Housing Strategy 2009-2012</p>
		(ii) The review of the Open Market Shared Ownership Scheme by the Housing Scrutiny Panel by 30 September 2011, with a view to undertaking a second phase and providing additional loans;	
		(iii) The provision of six further interest free loans to Broxbourne Housing Association, by 31 March 2012;	
	(b) To work with housing associations to complete new affordable housing schemes in the district;	<p>The completion of the following affordable housing schemes by 31 March 2012:</p> <p>Epping Forest College, Loughton (39 homes);</p> <p>Zinc, Ongar (9 homes);</p> <p>Station Approach, Ongar (6 homes);</p> <p>Sewardstone Road, Waltham Abbey (67 homes);</p>	
	(c) To work with Hastoe Housing Association to develop Council owned land at Millfield, High Ongar, to provide four affordable houses constructed from straw bales;	The achievement of a start on site of the Millfield development, by 30 June 2011;	
	(d) To provide grant of £375,000 to one of the Council's Preferred Housing Association Partners to	The occupation of all properties purchased by the Council's Preferred Housing Association Partner, by 30	

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
	fund the purchase of 5/7 two and/or three bedroomed houses on the open market to let at social rents to the Council's nominees;	June 2011;	
(7) To help mitigate the impact of the current economic conditions on local people and businesses, where resources permit and value for money can be achieved from the Council's activities;	To implement measures to mitigate the impact of the current economic conditions, including: <ul style="list-style-type: none"> • business engagement events to address issues of importance to the business community; • information sharing with businesses and business networks in respect of funding and training opportunities etc; • media releases to report on business events; and • communications by the Council's 'Business Champion' to the business community; 	The six-monthly reporting of the Council's achievements and successes in mitigating the impact of the current economic conditions, to the meetings of the Finance and Performance Management Scrutiny Panel to be held on 20 September 2011 and 20 March 2012;	Medium-Term Aims Aim 4 - Improve efficiency through partnership working and maximising revenue from assets Aim 5 - Provide community leadership, championing the interests of residents and protecting the character of the district Budget 2011/12, and other corporate plans or documents Community Strategy 2010-2031
(8) To deliver a sound Core Planning Strategy, to guide development in the district up to 2031, as part of the Local Development Framework;	(a) To agree a revised timetable for the preparation of the Core Planning Strategy, having regard to the publication of the Localism Bill in December 2010;	The completion of the Core Planning Strategy, as part of the submission of the Council's revised Local Development Scheme to the Planning Inspectorate, by 31 March 2013;	Medium-Term Aims Aim 1 - Safeguard frontline services against a background of diminishing resources Aim 2 - Have the lowest District Council Tax in Essex and maintain that position Aim 3 - Be recognised as an innovative and transparent Council, and involve residents in decisions
	(b) To complete Stage 2 (Issues and Options) of the Core Strategy consultation exercise;	The completion of the Issues and Options consultation by 31 March 2012;	
	(c) To determine the level of future housing growth within the district, having regard to evidence already	The establishment of new housing targets for the district as part of the Issues and Options consultation for the	

Key Objective	Action(s)	Target(s)/How Measured	Links to Medium-Term Aims, the Budget and other Corporate Documents)
	collected, the results of the community visioning exercise, the scale of the Council's housing waiting list, relevant environmental constraints, and the degree to which cooperation can be achieved with Harlow and Uttlesford District Councils.	Core Planning Strategy (Preferred Options Stage), by 31 March 2012.	<p>Aim 4 - Improve efficiency through partnership working and maximising revenue from assets</p> <p>Aim 5 - Provide community leadership, championing the interests of residents and protecting the character of the district</p> <p>Budget 2011/12, and other corporate plans or documents</p> <p>The Local Development Framework links directly to the Community Strategy, and informs other corporate plans and strategies;</p> <p>Housing Strategy 2009-2013</p>

Report to the Cabinet

Report reference: C-058-2010/11
Date of meeting: 31 January 2011



**Epping Forest
District Council**

Portfolio: Safer and Greener

Subject: Jointly Funded Police Community Support Officer Posts

Responsible Officer: John Gilbert (01992 564062).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) To give consideration to the following options for 2011/12:
 - (a) to maintain the joint funding of six Police Community Support Officers and to fund the shortfall of £2,530 from within the existing Community Safety budgets;
 - (b) to reduce the number of jointly funded Police Community Support Officers from six to five to enable expenditure to be maintained within the currently available budget, realising a saving of £13,160;
 - (c) to reduce the number of jointly funded from the current six to a number between one and four realising savings of £15,688 for each PCSO withdrawn; or
 - (d) to cease the joint funding of all Police Community Support Officers realising a saving of £91,600; and
- (2) To give guidance on the approach to be taken for the joint funding of Police Community Support Officers for 2012/13 and thereafter.

Executive Summary:

The Council has been jointly funding six Police Community Support Officers (PCSOs) since 2005. This enables the provision of six additional PCSOs over and above those directly funded for the district by Essex Police, with the Council meeting half of the costs. This means there are more PCSOs available and additionally, as part of the agreement, officers within the Council's Safer Communities Team are able to task all PCSOs, not just those which are jointly funded. In view of financial constraints affecting the Council and Essex Police, the funding of PCSOs needs to be reviewed to ensure that the Council is obtaining value for its annual revenue investment.

Reasons for Proposed Decision:

For Cabinet to consider, for the forthcoming 2011/12 financial year and the financial years which follow, whether it wishes to:

- (a) reduce the funding to meet available budget; or

- (b) withdraw all funding.

Other Options for Action:

There are no options other than those set out in the report.

Report:

1. The Council has been part funding six PCSOs since August 2005. The costs of this arrangement plus the functional arrangements are contained within a "Special Services Agreement" which operates for a three year term. The last agreement was signed by the Chief Executive in April 2010.
2. The agreement set out that the Essex Police would maintain a core service level of 26 PCSOs within the District and that the six jointly funded posts would be in addition to that core, making 32 in all. Furthermore, subject to Police operational requirements, officers from the Council's Safer Communities Team are able to exercise tasking rights, whereby, in agreement with the local Commander, PCSOs can be required to undertake particular duties in support of Council and Community Safety Partnership objectives.
3. Recent correspondence with the Police indicates that they have a current establishment of 26 PCSOs which includes the six jointly funded by this Council. Whilst this does not accord with the Special Services Agreement, Essex Police state that this is the correct establishment for the district.
4. It is clear from public consultation that the residents of the District see the management of crime and disorder as very important, and in particular dealing with anti-social behaviour. Although the actual level of crime remains low, concern about crime remains high. PCSOs form a key component of the Neighbourhood Policing Teams, even though their powers, as uniformed civilians, are limited. The Home Office Parliamentary Under Secretary of State, in a letter to the Chairs of Community Safety Partnerships in October 2010, emphasised the importance of partnership working in the future, especially as budgets become tighter and the need for efficiencies increase.
5. In terms of community policing, details available from the Essex Police website for community policing teams in this District shows the following:

Community area	Police Officers	PCSOs
Buckhurst Hill	2	1
Chigwell	2	3
Debden	2	3
Epping south east	2	1
Epping Town	3	2
Epping west	4	1
Loughton	3	3
Ongar	3	4
Waltham Abbey	5	4
Total	24	22

It should be noted that the police officer numbers include some multiple references to the District Commander and taking that into account shows a even split between police officers and PCSOs.

6. There are a number of key areas where PCSOs can be shown as making a significant contribution to reducing crime and improving public confidence. The following are a few examples:

(a) by agreement with Essex Police the Council is about to confer delegated powers of responsibility on all Epping Forest based PCSOs to issue council fixed penalty notices in relation to environmental offences. PCSOs are set to carry out joint patrols with EFDC Environment & Neighbourhoods Officers and provide mutual support to each other;

(b) PCSOs monitor all Safer Communities Acceptable Behaviour Contracts (ABC). The ABC is a contract that lasts 6 months and is crucial for intervention and breaking a cycle of potential offending. PCSOs report back to the Council's Anti Social Behaviour (ASB) investigators and a file of evidence is built up regarding compliance or non-compliance. That evidence is available for use in any future enforcement action. Nearly all ABCs accepted and undertaken in EFDC have proven to be successful;

(c) PCSOs also provide the same service for monitoring Good Neighbour Contracts which are targeted at Council Housing tenants in conjunction with Council ASB Investigators. This provides an excellent opportunity to engage with and moderate the anti-social behaviour of tenants;

(d) a process has been agreed with Youth Offending Team that ABCs will be offered to some individuals who obtain Final Warnings for anti-social related offences, such as causing criminal damage, public order offences or shoplifting etc. Final Warning clinics do not have the ability to monitor individuals once they have ended. An ABC will allow 6 months of monitoring of youths identified as having the potential to turn to criminality without further support and encouragement. The PCSOs will monitor these and report back to Council ASB Investigators who will manage the intervention. This is an excellent way of providing effort at an early stage to prevent longer term offending;

(e) Youth engagement is a priority for Safer Communities with key initiatives of Crucial Crew and the Reality Roadshow. The support of PCSOs is essential for the success of these events. It is unlikely that police would be able to supply resources in support of them without the jointly funded officers. This would have resource implications for the Council if the events are to continue;

(f) Safer Communities regularly carry out public engagement raising awareness around our key priority areas. These include recent market stalls on a Monday at Epping raising awareness of dwelling burglary and providing crime prevention material and advice. This was carried out by PCSOs, who were also responsible for instigating an arrest. The public consultation events late last year were subject of leaflet drops all delivered by PCSOs. PCSOs carry out 'door knocking' on behalf of the Council to raise awareness, publicise events or identify witnesses/victims; and

(g) Between 2007 and 2010 PCSOs carried out 245 tasking requests, generating 52 intelligence reports, 204 stop & accounts, attended 106 incidents whilst completing the tasking, assisted in 18 arrests and spent 1760 hours attached to taskings and community meetings.

7. Regular police officers would not be able to devote the time to support these type of initiatives and activities. In consequence, our ability to deliver services that the public want would diminish significantly at a time when there is to be greater emphasis placed on dealing with the concerns of communities.

8. The financial implications are set out in detail below. The Council cannot afford to part fund six PCSOs without additional budget provision/virement. The choices available are therefore as follows:

(a) to maintain the six part funded posts and to meet the funding shortfall of £2,530 from existing Community Safety budgets;

(b) to reduce the number of PCSOs supported from 6 to 5 to stay within the allocated budget;

(c) to reduce numbers further to a number between 1 and 5 with a revenue saving of £15,688 (at pre-September 2011 costings) for each PCSO removed; or

(c) cease all funding for PCSOs thereby saving the entire budget allocation of £91,600 over a full budget year.

9. Of the fourteen unitary/district councils in Essex only five currently jointly fund PCSOs. Their position is as follows:

- Brentwood: are proposing to continue the joint funding of four officers;
- Castle Point: report proposing to cease the joint funding of four officers;
- Maldon: report proposing to cease the joint funding of four officers;
- Thurrock: report proposing to cease the joint funding of fifteen officers;
- Uttlesford: report proposing to continue the joint funding of four officers;
- Epping Forest: currently joint fund six officers.

Resource Implications:

Although the agreement with Essex Police for the six additional PCSOs operates from April to March, it is subject to review every September. A letter has been recently received from the Police setting out the costs for PCSOs and seeking the Council's response as to whether it proposes to continue with its joint funding. That information was required by 22 December 2010 but the Police have been informed that an answer in that timeframe was not possible and that the decision would be one for Cabinet/Council. The cost of a shared PCSO post has now risen, from September 2011, to £16,119 per officer, resulting in a total expenditure by this Council of £96,714 per annum. The budget allocation for 2011/12 is £91,600 (the same as 2010/11) meaning that there is insufficient resource for six PCSOs for the full 12 months of 2011/12.

As part of the government funding settlement for the Police Service, government provided continued funding for Neighbourhood Policing, of which 90% was ring fenced for the provision of PCSOs for the next two years. Government stated that this would meet around 75% of the salary costs of PCSOs and the remainder should be met through match funding by other authorities and local businesses. This level of funding is to remain in place until the introduction of Police & Crime Commissioners in 2012, who will then assume control of all budgets.

There does appear to be confusion on the part of the Police around the core levels of PCSOs. The Service Agreement clearly states thirty two overall (including the six joint funded), but their admin/finance officers are of the opinion that the correct number is 26, including those jointly funded. To some degree this is immaterial insofar that if this Council doesn't fund a jointly funded post, it will be withdrawn by the Police.

Legal and Governance Implications:

The agreement with Essex Police was signed by the Chief Executive and the Chief Superintendent in April 2010. It runs for three years with reviews each September. For funding to be withdrawn or for the agreement to be terminated requires 4 months notice by either party. Irrespective of the timing of the notice, the wording of the agreement means that changes can only be implemented upon its anniversary i.e. April of a particular year. However, it is likely that the Police will recognise the current funding pressures and will not wish to invoke the conditions of the agreement in any particular case. Discussions with the Police on this particular matter will be reported at the meeting.

Safer, Cleaner and Greener Implications:

The Police Service and the Community Safety Partnership both consider PCSOs to be a key component of effective community policing. They provide a visible uniformed presence on our streets and although their direct powers are limited they are able to provide very effective community engagement. A reduction in the overall presence of PCSOs could reduce public confidence.

Our agreement with the Police enables certain Council officers to task all PCSOs (not just those jointly funded) to undertake specific roles to meet the objectives of the Council and/or the Community Safety Partnership. This can be a very useful additional resource which would not otherwise be available to the Council in undertaking its own enforcement duties. The Council has also authorised PCSOs to serve a number of formal notices for breaches of environmental legislation.

Consultation Undertaken:

Chairman of Community Safety Partnership (Comments awaited).

Superintendent Adrian Coombs – West Essex Liaison/Partnership Officer (Comments awaited).

Background Papers:

Correspondence from:

- Parliamentary Under Secretary of State;
- Essex Police Authority; and
- Essex Police Public Relations.

Impact Assessments:

Risk Management

A decision to withdraw all or part of the joint funding will result in the Police withdrawing its matched funding and the direct loss of PCSO posts within the District. Dependant upon the scale of the withdrawal, there may also be the loss of direct tasking of PCSOs within the district. Other adverse effects are set out under “Safer, Cleaner, Greener” implications above.

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? No

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.

Annex 6

The Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2011/12 budgets and the adequacy of the reserves.

Introduction

1. The Local Government Act 2003 section 25 introduced a specific personal duty on the "Chief Financial Officer" (CFO) to report to the Authority on the robustness of the estimates for the purposes of the budget and the adequacy of reserves. The Act requires Members to have regard to the report when determining the Council's budget requirement for 2011/12. If this advice is not accepted, the reasons must be formally recorded within the minutes of the Council meeting. Council will consider the recommendations of Cabinet on the budget for 2011/12 and determine the planned level of the Council's balances.
2. Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.
3. There are a range of safeguards, which exist to ensure local authorities do not over-commit themselves financially. These include:
 - The CFO's s.114 powers, which require a report to the Cabinet and to all members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget
 - The Prudential Code, which applied to capital financing from 2004/05.

The Robustness of the Recommended Budget

4. A number of reports to the Cabinet in recent years have highlighted the difficulties inherent in setting budgets, not least because of significant changes in the level and complexity of Government funding and continuing pressure to protect and develop services. At the same time major changes have been introduced to the way the Council is structured and managed and the way services like waste and leisure are delivered. These changes and the "Credit Crunch" are still ongoing and represent significant risks to the Council's ability to assess properly all the financial pressures it faces.
5. However the Council's budget process, developed over a number of years, has many features that promote an assurance in its reliability:
 - The rolling four year forecast provides a yardstick against which annual budgets can be measured
 - The early commencement of the budget process and the clear annual timetable for both Members and officers including full integration with the business planning process promotes considered and reasoned decision making
 - The establishment of budget parameters in the summer is designed to create a clear focus before the budget process commences

- The analysis of the budget between the continuing services and one off District Development Fund items smoothes out peaks and troughs and enables CSB trends to be monitored
 - The adoption of a prudent view on the recognition of revenue income and capital receipts
 - The annual bid process whereby new or increased budgets should be reported to Cabinet before inclusion in the draft budget
 - Clear and reasoned assumptions made about unknowns, uncertainties or anticipated changes
6. Changes to the process have also created the facility for far greater consultation, particularly with the development of the Overview and Scrutiny Panel which deals with finance and performance management issues. With a Cabinet system the onus is on Portfolio Holders to work closely with Directors to deliver acceptable and accurate budgets. This role has been taken seriously and has helped enhance the detailed knowledge of the Cabinet.
 7. The budget is therefore based on strong and well-developed procedures and an integrated and systematic approach to the preparation of soundly based capital and revenue plans and accurate income and expenditure estimates. The risks or uncertainties inherent in the budget have been identified and managed, as far as is practicable, and assumptions about their impact have been made.
 8. **The conclusion is that the estimates as presented to the Council are sufficiently robust for the purposes of the Council's overall budget for 2011/12.**

Factors to be taken into account when undertaking a Risk Assessment into the overall Level of Reserves and Balances

9. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) states that the following factors should be taken into account when the CFO considers the overall level of reserves and balances:
 - Assumptions regarding inflation;
 - Estimates of the level and timing of capital receipts;
 - Treatment of demand led pressures;
 - Treatment of savings;
 - Risks inherent in any new partnerships etc;
 - Financial standing of the authority i.e. level of borrowing, debt outstanding etc;
 - The authority's track record in budget management;
 - The authority's capacity to manage in-year budget pressures;
 - The authority's virements and year-end procedures in relation to under and overspends;
 - The adequacy of insurance arrangements.
10. These issues have formed the basis for budget reports in the past and they remain relevant for the current budget.

Factor Assessment

a. Inflationary pressures

11. Every year base budget estimates are produced and then different inflation factors are applied to the resultant figures to take budgets to out-turn prices. It is inevitable that there will be either over or under provision for the full cost of inflation, as prices will vary against the estimates made. Efforts have been made to predict the level of inflation in the coming year, although the difficulty in making these predictions is highlighted by inflation remaining stubbornly high and above the target for, and predictions of, the Monetary Policy Committee. Inflation, as measured by the annual rate of increase in the Retail Prices Index, rose from 4.7% for November to 4.8% for December. Over this period the Consumer Prices Index rose from 3.3% to 3.7% and so is rapidly approaching double the Government target of 2%. However, whilst recovery in the overall economy remains weak the Monetary Policy Committee are likely to continue their cautious stance and not strongly intervene with increases in interest rates to reduce inflation.
12. If inflation remains at the current level for long pressure for a pay award will increase. Pay rates have been frozen for 2010/11 and the Government has stressed the need for restraint in public sector pay over the length of the Comprehensive Spending Review. The Medium Term Financial Strategy (MTFS) includes an allowance of 1.5% for pay awards for 2013/14 and 2014/15, as it is felt that a pay freeze for the entire period is unlikely to be sustainable. Recruitment and retention is less of a concern, but some difficulty is still being experienced in certain areas. In the budgets the centrally held vacancy allowance has been increased from 2% to 2.5%. This reflects the ongoing underspends, with total salaries at December 2010 being 3.8% underspent. It is unlikely that the Authority will have a full establishment throughout 2011/12 and so this allowance is reasonable.

b. Estimates on the level and timing of capital receipts

13. The Council has always adopted a prudent view on the level and timing of capital receipts. Capital receipts are not recognised for budgetary purposes unless they have been received or their receipt is contractually confirmed prior to the budget being ratified. Cabinet is unlikely to agree further disposals until the property market has improved and so no significant disposals are anticipated in 2011/12.
14. The exception to this relates to receipts from council house sales. In this instance because sales occur throughout the year assumptions are made about their generation. Although sales have fallen dramatically from previous years and the pattern of less than 10 sales per annum is expected to continue. Clearly if the forecasts contained in this report are not realised in full, there could be a financial impact on the General Fund because investment income to that account has been based on that level of sales. However, this is relatively unlikely given the low numbers involved.
15. Even with the Authority's substantial capital programme, which exceeds £50m over five years, it is anticipated that the balance of usable capital receipts at 31 March 2015 will be £6.5m. The Capital Strategy continues to emphasise that priority will be given to capital schemes that will create future revenue benefit, either through increased income or reduced costs.

c. Treatment of demand led pressures and savings

16. The main demand led pressures are still on the benefits and homelessness services as people continue to struggle with the difficult economic circumstances and rising unemployment. Stagnation in the housing market is an ongoing problem and the lack of activity in this area continues to impact on key income streams like planning and building control fees and land charges. One encouraging development in this area is the possible move away from prescribed planning fees, with Council's being able to seek full recovery of their costs. The outcome of the consultation on this proposal is eagerly awaited as any additional freedom over charging would be welcomed.
17. Savings have been achieved for the 2011/12 budget by focusing on areas that have historically underspent. There has been some history in recent years of the budget as a whole being underspent and an exercise was undertaken to limit budgets going forward to the average amount spent in the previous three years. This removed over £350,000 from the CSB and, together with the transfer of the commercial property from the Housing Revenue Account, provided a sound base for the 2011/12 budget. However, these were the "quick wins" and going forward a public consultation exercise will be necessary to inform decisions on future service provision.

d. Risks inherent in partnership arrangements etc

18. There are several partnership arrangements, some of which carry risks of varying degrees in monetary terms. The risks have not been specifically identified in the budget but are underwritten through the Authority's balances.

e. Financial standing of the authority (i.e. level of borrowing, debt outstanding etc)

19. The Authority is currently debt free and would like to remain so in the medium term. Revenue reserves for both the General Fund and the Housing Revenue Account are in a healthy state.
20. The largest threat to the Authority's financial standing is the reform of the housing subsidy system. The reform of the housing subsidy system was proposed by the previous Government and the new Government is continuing with these reforms. It is likely that this Council will be required to take on approximately £200m of debt in order to avoid annual payments of £11m of subsidy. There are also concerns about how the reforms will be implemented and possible unintended negative consequences on the General Fund. These issues were raised in the Council's consultation response but it remains to be seen whether the Government will make appropriate allowances.
21. There is also a potential income stream that may significantly benefit the Authority but has not been allowed for. The New Homes Bonus provides an incentive for Councils to encourage residential development. Grant will be payable to Councils based on the year to year increase in their tax base, the amount of grant is likely to be payable for six years and should commence from 1 April 2011. However, the consultation on the calculation of the bonus and how it is to be shared between district and county levels only closed on 24 December and no firm date has been given by DCLG for confirming the details of the scheme. Whilst such uncertainty exists over the calculation and the amounts payable it is not prudent to build this income into the MTFS.

f. The authority's track record in budget management, including its ability to manage in-year budget pressures

22. The Authority has a proven track record in financial management as borne out by the Use of Resources assessments and Annual Audit Letters from the Authority's external auditors. A comparison of actual net expenditure with estimates over a number of year's shows that the Council rarely experiences over spends of any significance.
23. Most managers have received training on budget management. A course involving an external trainer the CFO and the Chief Internal Auditor has now been supplemented with additional detailed training on a directorate basis being provided by accountancy staff.
24. The quarterly budget monitoring reports on key budgets to both the Finance and Performance Management Cabinet Committee and Scrutiny Panel will continue throughout 2011/12. The production of these reports during the year is essential in identifying emerging problems at the earliest opportunity. This allows maximum benefit to be accrued from any corrective action taken.

g. The authority's virement and year-end procedures in relation to under and overspends

25. The Authority has recognised and embedded virement procedures that allow funds to be moved to areas of pressure. Although underspends and overspends are not automatically carried forward, the Authority does have an approved carry forward scheme for capital and DDF which is actioned through the formal provisional outturn report to Cabinet in the summer of each year.

h. The adequacy of insurance arrangements

26. Following a collaborative procurement exercise with twelve other authorities a new long term agreement has been entered into. As part of this process a number of options on excess levels and joint arrangements were considered. However, the most cost effective option proved to be keeping the portfolio of policies with Zurich on similar excesses. The Authority still maintains an insurance fund, which as at 31 March 2010 had a balance of £428,000.

i. Pension liabilities

27. The latest triennial valuation as at 31 March 2010 showed a reduction in the funding level of the scheme to 71% (the value of the scheme's assets only cover 71% of the liabilities). However, the actuaries have been able to keep the deficit payments at a similar level for the next three years by increasing the deficit recovery period from 20 to 27 years. Ongoing contributions have benefitted from a slight reduction from 13.1% to 13%.
28. Annual applications are made to Department for Communities and Local Government (DCLG) for capitalisation directions, as separate directions are required for the Housing Revenue Account and the General Fund. These applications have been made since 2005/06 and the only year when a full direction was not given was 2006/07 when the capitalisation was limited to 57.19% of the value of the application.

29. The regulations for issuing capitalisation directions were changed for 2006/07, with a "Two Gate" system being introduced. Applications must satisfy the previous criteria to clear Gate 1 but applications will not pass Gate 2 until the national economic impact has been considered in total. For 2010/11 the Government have limited capitalisation directions to 38% of the amounts applied for. This restriction has caused amounts of £176,000 to be charged to the District Development Fund and £82,000 to the HRA. As the deficit payments have not changed significantly the amounts at risk in future years are broadly similar.

Statement on the adequacy of the reserves and balances

30. The Use of Resources assessment previously conducted by the external auditors has moved on from the formulaic approach of CPA to achieve the 'good' ranking for reserves. The old formula had suggested that the Council should maintain a General Fund balance of at least £0.89m but no more than £17.86m. The Council's current best estimate of the General Fund balance at 31 March 2012 is £7.7m as shown in the Annex 4 b. This is clearly within the range specified but as a benchmark is not particularly useful. Therefore a risk assessment related to the Authority's individual circumstances is provided as a more meaningful benchmark against which the adequacy of the balances can be determined.
31. The following table lists those developments and cost pressures within the four-year forecast that offer the greatest risk to financial stability.

Item of risk	Estimated level of financial risk £000	Level of risk %	Adjusted level of risk £000
Basic 5% of Net Operating Expenditure			1,100
Grant reduction being 20% instead of 6% over in last 2 years of CSR	900	50	450
Pay award being settled 1% in excess of estimate for 11/12 and future years	600	20	120
Inflationary pressures between 1-4% higher than budget	600	20	120
Loss of North Weald Market Income	4,000	20	800
General Income between 1-4% less than budget	600	10	60
Unintended consequences of HRA reform impacting on General Fund	2,000	50	1,000
Capitalisation applications refused for 11/12 and 12/13	1,300	40	520
Renegotiating External contracts and partnership arrangements	Say 1,000	10	100
Emergency Contingency	800	20	160
New Homes Bonus, income over MTFS at level implied in consultation	(2,800)	30	(840)
Total	9,000		3,590

32. The income generated from the market at North Weald airfield is significant to the ongoing financial well being of the Authority. Uncertainties surrounding the future of the airfield create a risk to the Authority that needs to be recognised and quantified hence its inclusion in the list above.
33. A number of contracts have been granted to outside bodies for the provision of Council services. The failure of any of these contracts would inevitably lead to the Council incurring costs, which may not be reimbursed. Other than certain bond arrangements there is no specific provision made in the estimates for this type of expenditure, which therefore would have to be covered by revenue balances.
34. The presentation in this table is not a scientific approach, but a crude attempt to put a broad order of scale on the main financial risks potentially facing the Council. It is meant to be thought provoking rather than definitive. It is certainly not a complete list of all the financial risks the Council faces but it shows the potential scale of some of the risks and uncertainties and the impact they may have on the Council's balances if they were to come to fruition.
35. Based on the old CPA formula there is an expectation that an authority should carry a level of balance that equates to at least 5% of the net operating expenditure (NOE) of the Authority. During the period of the four-year plan NOE is expected to average out at £16.1m, which suggests a figure of £800,000.
36. The Council has always been conscious of its balances position as can be demonstrated by budget reports over many years. Fortunately for the Authority the question had not been whether it had a sufficient level of balance but rather that it had too much. Balances had been increasing since 2003/04 but 2009/10 saw a reduction of £135,000 to leave a balance of £8.3m at 31 March 2010.
37. A number of policies have been determined previously to bring about reductions and the current policy reflects that deficit budgets are necessary to support the structured reduction in spending. The current policy allows for balances to fall to no lower than 25% of Net Budget Requirement (NBR). This is slightly different from the NOE stated above, the average NBR figure for the next four years is expected to be £15m therefore 25% of that figure equates to £3.75m. The current four-year forecast shows balances still at £5.7m at the end of 2014/15.
38. The risk assessment undertaken above suggests that 20-25% of NBR is about the range that this authority should be maintaining its balances within. By 31 March 2015 balances will represent 39% of NBR, which is perfectly adequate. However, Members are aware that this situation can only be achieved with CSB savings and have stated a clear target of reducing expenditure throughout the period of the medium term financial strategy.
39. It has already been stated that the capital fund is expected to remain in a surplus position beyond 2014/15 and the capital programme is fully funded.
40. The Council has a few earmarked reserves (e.g. DDF), which are intended to be used for specific purposes over a period of time of more than a single financial year. These earmarked reserves have been excluded from the assessment for this reason.

41. The HRA revenue balance of £6.1m at 31 March 2010 is expected to decrease, by £99,000 in 2010/11 and £544,000 in 2011/12. The balance on the Housing Repairs Fund is expected to reduce over the next year, from £4.1m to £3.6m. In contrast, the Housing Major Repairs Reserve is predicted to increase slightly from £5.79m to £5.87m. Even though reductions in reserves are budgeted the overall financial standing of the HRA and its reserves going into 2011/12 remain healthy.
42. **The conclusion is that the reserves of the Council are adequate to cope with the financial risks the Council faces in 2011/12 but that savings will be needed in subsequent years to bring the budget back into balance in the medium term.**