

## **EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES**

**Committee:** Finance and Performance Management Cabinet Committee      **Date:** Monday, 26 March 2007

**Place:** Committee Room 1, Civic Offices, High Street, Epping      **Time:** 6.35 - 7.50 pm

**Members Present:** J Knapman (Chairman), Mrs D Collins and C Whitbread

**Other Councillors:** R Morgan and Mrs P Smith

**Apologies:** Mrs A Grigg and S Metcalfe

**Officers Present:** P Haywood (Joint Chief Executive), R Palmer (Head of Finance), J Akerman (Chief Internal Auditor), B Moldon (Senior Finance Officer), A Hall (Head of Housing Services) and G Lunnun (Democratic Services Manager)

**Also in attendance** P King and L Wishart (Audit Commission)(For minutes 54-59 inclusive)

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### **54. WEBCASTING INTRODUCTION**

The Chairman made a short address to remind all present that the meeting would be recorded for subsequent repeated viewing on the Internet and that copies of the recording could be made available for those that requested it.

### **55. MINUTES**

#### **RESOLVED:**

That the minutes of the meeting of the Committee held on 29 January 2007 be taken as read and signed by the Chairman as a correct record.

### **56. DECLARATIONS OF INTEREST**

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

### **57. ORDER OF BUSINESS**

The Chairman proposed changes to the order of business.

#### **RESOLVED:**

That agenda items 5b (Use of Resources Auditor Judgements 2006) and 5c (Annual Audit and Inspection Letter) be taken as the next items of business.

### **58. USE OF RESOURCES AUDITOR JUDGEMENTS 2006**

L Wishart presented the Audit Commission report on the Council's Use of Resources Auditor Judgements 2006.

Members noted that the use of resources assessment evaluated how well councils managed and used their financial resources. It also focused on the importance of having sound and strategic financial management to ensure that resources were available to support the Council's priorities and improve services, covering five themes.

Judgements were made against each theme on the following scale which had been standardised for assessments and inspections:

- 1 - below minimum requirements – inadequate performance;
- 2 - only at minimum requirements – adequate performance;
- 3 - consistently above minimum requirements – performing well;
- 4 - well above minimum requirements – performing strongly.

L Wishart emphasised that to support scores of 3 and above there needed to be evidence of arrangements being “embedded”, ie. operating consistently over a period of time with clear outputs and having an impact. To achieve scores of 4 it was necessary for councils to demonstrate innovative or best practice that could be shared with other authorities. She also pointed out that in relation to future assessments the status of a number of criteria would change to “must have status” and for the Council to sustain or improve upon its current performance it would need to take these criteria into consideration.

The Committee considered the five theme scores for the Council, the key lines of enquiry scores, key findings and conclusions and improvement opportunities. In relation to financial reporting the theme score had improved from 1 in 2005 to 2; the score for financial management had been maintained at 3; the score for financial standing had improved from 2 in 2005 to 3; and internal control and value for money scores had been maintained at 2.

The Audit Commission representatives answered members' questions.

Members thanked L Wishart for her presentation and for the clear layout of the report.

**RECOMMENDED:**

That the Use of Resources Auditor Judgements 2006 report including the key findings and conclusions and the improvement opportunities be noted.

**59. ANNUAL AUDIT AND INSPECTION LETTER**

P King presented a report providing an overall summary of the Audit Commission's assessment of the Council. It took account of the findings and conclusions from the audit of the Council and inspections undertaken in the last year. The report included a review of how well the Council had progressed (Direction of Travel report) and the auditors' assessment on how well the Council had managed its finances (Use of Resources scores).

P King reported that the Council was making progress in achieving its six priority objectives, although the improvement in performance indicators was mixed. The report had concluded that the Council engaged effectively with local communities and joint working with partners was resulting in positive outcomes. Some key local issues

such as waste management and Planning Service performance were being addressed and were starting to show improvements. However, in other areas, performance was not showing demonstrable signs of improvement. In common with many other councils, the Council was finding it difficult to meet the affordable housing needs of the District. Although the Council was working actively with partners to promote safer communities, this had not yet led to reductions in crime. The report acknowledged that there was now clearer political leadership and direction within the Council. Performance management and risk management arrangements had been strengthened and value for money was starting to show signs of improvement. The report acknowledged that the Council was taking steps to address known weaknesses in its corporate capacity, but pointed out that high levels of sickness absence remained a barrier to further improvement.

In 2005/06 the Council had improved its performance in 60% of a selected range of key indicators, which was just above the average rate of improvement for all district councils of 58%. However, the Council had only 18% of these indicators in the best performing 25% of all councils, which was well below the average of 31% for all district councils.

P King pointed out that he had reported separately to the Committee on issues arising from the 2005/06 audit and had provided:

- (a) an unqualified opinion on the Council's accounts;
- (b) a conclusion on the Council's value for money arrangements to say that these arrangements were adequate except in respect of meeting the following criteria:
  - (i) arrangements in place to manage significant business risks;
  - (ii) arrangements in place to manage and improve value for money; and
- (c) a report on the Best Value Performance Plan confirming that the Plan had been audited and complied with the statutory requirements.

The report acknowledged that since issuing the opinion on value for money arrangements, the Council had made good progress in developing its arrangements for risk management and to manage and improve value for money.

The key issues arising from the audit were as follows:

- (a) financial reporting arrangements had improved significantly since the previous assessment and the Council needed to ensure that this continued for the 2006/07 accounts process;
- (b) financial management arrangements continued to be well managed within the Council;
- (c) the Council had a good track record of maintaining a sound financial position and had now improved its systems for monitoring the effectiveness of income collection;
- (d) the Council actively promoted probity and propriety in the conduct of its business; risk management arrangements had significantly improved over the past year and they were currently being embedded throughout the organisation;

(e) the Council was a relatively high spending council per head of population, although where costs were higher this could generally be explained; the Council had also taken action to improve value for money, for example in leisure services; and

(f) the Council had concentrated on improving its understanding of the relationship between its costs and performance; the Council had adopted a comprehensive value for money strategy supported by a value for money analysis tool; procurement was being strengthened and there were some examples of collaborative working and partnership working in order to achieve efficiency savings and improved services.

P King reported that the main messages for the Council included in the report were:

(a) performance management within the Council had identified areas that needed to improve and investment had been targeted to these areas; demonstrable improvement had been made but further progress was required in order that the Council's performance compared well against other district councils; and

(b) the Council had made good progress in developing corporate systems to assess and improve value for money across all of its services.

The report stated that the Council needed to ensure that progress made was continued and that in areas where the Council was in the lower quartile when compared to similar councils, progress should be accelerated so that the quartile position improved. The report stated that the Council should also continue to develop the system set up to improve value for money to ensure that it had a positive and sustained impact across all services.

P King answered members' questions. Members pointed out that since the report had been prepared, steps had been taken to address a number of the issues identified. In particular, planning performance and recycling targets had improved significantly. The provision of affordable housing remained an issue but was unlikely to be resolved unless changes were made to factors outside of the Council's control, eg Government restrictions on development in the Green Belt. Members also pointed out that whilst the Council worked in partnership with other bodies and could attempt to influence decisions it did not control those bodies.

The Committee thanked P King for his report and presentation. P King advised that it was Audit Commission policy to rotate auditors between authorities from time to time and that from 2007/08 this Council would be audited by PKF and not directly by the Audit Commission. However, P King would remain Relationship Manager for this Council and the Commission would continue to conclude its work in relation to 2006/07, following which there would be a period of transition to the new arrangements.

**RECOMMENDED:**

That the Annual Audit and Inspection Letter report and the actions needed to be taken by the Council be noted.

**60. INTERNAL AUDIT UNIT BUSINESS PLAN - 2007/08**

The Committee considered the draft Internal Audit Business Plan for 2007/08.

Members noted that the Finance and Performance Management Scrutiny Panel had considered and endorsed the draft plan at their meeting on 12 February 2007.

The Committee noted that the Council had retained an experienced team of auditors during 2006/07, with only one part time vacancy continuing during the year. The general level of performance improvement achieved in recent years had been maintained.

Members noted that the planned days allocated and work planned for 2007/08 was based on the draft budget. The audit programme would be prioritised to ensure coverage of the Council's main financial systems, and to reflect the Council's evolving risk management strategy. There was a contingency for investigation work, which might arise during the year, and provision for advice and assistance on a range of topics and new initiatives. There was flexibility in the plan so that audits could be substituted in order to accommodate reviews of areas that were assessed as being of greater risk to the achievement of the Council's objectives.

Members noted that the Council's External Auditors were regularly updated and there was consultation on the Internal Audit team's programme of work, which amongst other things ensured that there was no unnecessary duplication of work.

The plan included an explanation of the role of Internal Audit, and background on how audits were planned, resourced and carried out. The calculations of time and cost allocations were based on the format applied by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their national benchmarking exercise.

The Committee was advised that following the views expressed by members during consultations on the previous year's plan, extracts from two sets of CIPFA benchmarking comparisons, one with all other shire districts and one with a locally determined "family group", had been appended to the plan. These provided comparative information on the Council's audit costs and work plans based on 2006/07 estimates, and put into context the proposals contained in the draft plan for 2007/08.

Members commented that some of the Local Performance Indicator targets for 2007/08 had been set lower than the level of achievement in previous years. The Chief Internal Auditor commented that the targets concerned had been exceeded by only small amounts but he would review the targets for 2007/08.

Whilst acknowledging that the budget allocation for 2007/08 had increased only marginally from that for 2006/07, members questioned whether it was prudent to engage contract staff/consultants. The Chief Internal Auditor pointed out that consultants were only used where specific expertise was required eg in relation to computer auditing. He also advised that Management Board had monitored the use of consultants and the quality of their reports in order to ensure value for money.

Members suggested that in future years it would be helpful for officers to draw out some conclusions from the comparative data with other authorities rather than simply produce it as appendices to the plan.

**RECOMMENDED:**

That the draft Internal Audit Plan for 2007/08 be approved.

**61. RISK MANAGEMENT - UPDATED CORPORATE RISK REGISTER**

The Head of Finance presented a report summarising the work undertaken by the Committee since December 2005 in relation to risk management.

The Committee was advised that at the Corporate Governance Group meeting on 7 March 2007, the corporate risks and their scores had been reviewed to take account of any changes since they had last been amended. Members considered the proposed changes. Members were also invited to consider whether there were any risks that were currently not included within the Corporate Risk Register and whether the tolerance line needed to be amended.

**RESOLVED:**

(1) That the following amendments to the risk ratings proposed by the Corporate Governance Group be agreed:

<b>Risk Number</b>	<b>Risk Name</b>	<b>Previous Rating</b>	<b>Revised Rating</b>
4	East of England Plan – unable to agree joined up plan	B1 (high/catastrophic)	B2 (high/critical)
20	Key contracts collapse or service levels deteriorate	B1 (high/catastrophic)	C2 (significant/critical)
5	Local Government reorganisation which is detrimental to the Council and community	C1 (significant/catastrophic)	D3 (low/marginal)
8	Business continuity management	C1 (significant/catastrophic)	C2 (significant/critical)
9	Joint Chief Executives – structure by end of three year period	D2 (low/critical)	D3 (low/marginal)

(2) That in view of the Auditors' comments on the need to consider the opportunity cost of holding large cash balances, the Head of Finance should consider whether risk 17 could be re-worded to accommodate this or whether an additional risk is required;

(3) That no further new risks be added to the current Corporate Risk Register, and that no change be made to the tolerance line on the risk matrix; and

(4) That the officers be authorised to amend the text of the Register to reflect the revised ratings and the current position.

**CHAIRMAN**