

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** 19 November 2007

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 6.30 - 7.45 pm

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

Other Councillors: D Jacobs

Apologies: Mrs M Sartin

Officers Present: P Haywood (Chief Executive), R Palmer (Director of Finance and ICT), J Gilbert (Director of Environment and Street Scene), A Hall (Director of Housing), J Boreham (Assistant Public Relations and Information Officer), G J Woodhall (Democratic Services Officer) and S Mitchell (PR Website Editor)

20. WEBCASTING INTRODUCTION

The Chairman made a short address to remind all present that the meeting would be broadcast on the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

21. MINUTES

RESOLVED:

That the minutes of the meeting held on 24 September 2007 be taken as read and signed by the Chairman as a correct record.

22. DECLARATIONS OF INTEREST

Pursuant to the Council's Code of Member Conduct, Councillor D Stallan declared a personal interest in item 8 of the agenda (Systems and Accounts Audit Memorandum). The Councillor had determined that his interest was not prejudicial and would remain in the meeting for the consideration of the item.

23. ANY OTHER BUSINESS

The Director of Finance & ICT reported that the Council's provisional Use of Resources score indicated by the Audit Commission was 3, which represented an increase from last year's score of 2. The Leader of the Council congratulated the Director of Finance & ICT and his team for their efforts in improving the Council's provisional rating.

There was no other urgent business for the consideration of the Cabinet Committee.

24. CORPORATE GOVERNANCE GROUP - 12 SEPTEMBER 2007

The Chief Executive presented the minutes from the Corporate Governance Group meeting held on 12 September 2007 for the consideration of the Cabinet Committee.

RESOLVED:

That the minutes from the meeting of the Corporate Governance Group held on 12 September 2007 be noted.

25. CORPORATE GOVERNANCE GROUP - 3 OCTOBER 2007

The Chief Executive presented the minutes from the meeting of the Corporate Governance Group held on 30 October 2007 for the consideration of the Cabinet Committee.

RESOLVED:

That the minutes from the meeting of the Corporate Governance Group held on 30 October 2007 be noted.

26. SYSTEMS AND ACCOUNTS AUDIT MEMORANDUM

The Director of Finance and ICT presented the Systems and Accounts Audit Memorandum that had been issued by the Audit Commission. The Cabinet Committee were advised that this had been considered fully by the Audit and Governance Committee at its recent meeting on 5 November 2007, and had been presented as an information item. It was highlighted that an unqualified opinion had been issued on the Council's financial statements on 20 September 2007, and that the Audit Commission had appreciated the quality of the working papers provided as well as the speed with which audit queries had been dealt with. Fourteen recommendations had been agreed as a result of the Audit, for which an Action Plan had been produced and circulated to the Cabinet Committee, and their implementation was currently in progress. In respect of the payment of staff after they had left the Council's employment, the Director of Finance and ICT confirmed that all additional payments had now been fully recovered.

RESOLVED:

That the Systems and Accounts Audit Memorandum issued by the Audit Commission be noted.

27. RISK MANAGEMENT

The Director of Finance and ICT presented a report concerning Risk Management. The Cabinet Committee were advised that the Risk Management Strategy, Policy Statement and Terms of Reference for the Risk Management Group had been updated to reflect changes in the Council's Constitution, the Top Management restructure and the introduction of the Audit and Governance Committee. Both the Risk Management Group and Corporate Governance Group had considered these documents, and their adoption by the Cabinet Committee and Cabinet would further embed the risk management process into the Council. It was reported that the Council's rating in respect of risk management had been steadily improving, and the

addition of a risk management section to the Cabinet report pro-forma was currently under consideration.

RECOMMENDED:

That the Risk Management Strategy and Risk Management Policy Statement be adopted.

RESOLVED:

That the updated Terms of Reference for the Risk Management Group be noted.

28. RISK MANAGEMENT - UPDATED CORPORATE RISK REGISTER

The Director of Finance and ICT presented an updated Corporate Risk Register for the Cabinet Committee's consideration. The Cabinet Committee were informed that the Risk Management Group on 15 October 2007 conducted a full review of the Corporate Risk Register. It was felt that none of the existing risks should have their rating amended, however it was proposed that a new risk should be added to cover the potential changes to the Council's depot accommodation. This risk had been included as risk 9 and scored at E2 – very low likelihood, critical impact. The Cabinet Committee were also informed that the Risk Register had been updated in respect of the new Top Management Structure, and that any risks above the tolerance line had been linked to the relevant Executive Priorities and Council Plan Objectives. The Cabinet Committee were reminded that regular reviews of the Risk Register further embedded the risk management process within the Council and assisted the Council in achieving its aims and objectives.

The Director of Finance and ICT acknowledged that there was a potential contradiction with two of the risks; in respect of risks 17 (significant amount of capital receipts spent on non-revenue generating assets) and 24 (cash balances), the Cabinet Committee were reminded that the Council attempted to strike a balance between service delivery and retaining adequate reserves through the policy of retaining no more than 25% of the Net Budget Requirement. The Director of Finance and ICT reassured the Cabinet Committee that the vulnerability comment for risk 7a (Compliance Regulations) had been based upon practices uncovered at other authorities and, as this was not occurring at the Council, it had been rated as a low level risk. A change to this wording was proposed by the Leader of the Council and accepted by the Cabinet Committee.

RECOMMENDED:

- (1) That, with a scoring of E2 (very low likelihood, critical impact) the new risk regarding the Council's depot accommodation be included on the Corporate Risk Register as risk 9;
- (2) That the Corporate Risk Register vulnerability entry for Compliance with Regulations (risk 7a) be amended to read "*...It is important that members involved in operational issues understand the processes.*";
- (3) That, as no further new risks have been identified, no further additions to the risk register be made;
- (4) That the current tolerance line on the risk matrix be considered satisfactory and not be amended; and

(5) That, incorporating the above agreed changes, the amended Corporate Risk Register be approved.

29. NATIONAL CONCESSIONARY FARES SCHEME - FUNDING ALLOCATION CONSULTATION

The Director of Finance and ICT presented a report concerning the funding allocation consultation for the new National Concessionary Fares Scheme to be introduced on 1 April 2008. The new scheme would allow pass holders to travel free on any local bus service in England. The Financial Issues Paper considered by the Cabinet Committee at its previous meeting had highlighted the financial risks faced by the Council from the introduction of the new scheme, with the potential for increased costs as well as a lack of adequate additional resources being allocated by the Government.

The Director of Finance and ICT informed the Cabinet Committee that the Department for Transport had determined that £212million of funding for the new scheme would be distributed as a specific grant. A consultation paper had set out four different options, each with different variables and weightings. Option 2 would be the most advantageous, as the Council would receive a grant of £334,000; whilst option 3 would be the most disadvantageous, as the Council would only receive a grant of £228,000. A survey of the other District Councils in Essex had indicated that different options were the best and worst for different Councils, and with this situation replicated nationwide, it was unlikely that a consensus would emerge. Hence, it was recommended that the Council should respond to the consultation in support of option 2. The outcome of the consultation should be known by mid-December.

The Director of Finance and ICT added that, since the report had been published, indicative costs had been estimated by MCL, the consultants who administered the current countywide scheme, for administering the new scheme and that for the Council this was currently £100,000. However, given that this was a new scheme and it was extremely difficult to predict, the Director of Finance and ICT stated that no financial gain would be budgeted for.

RESOLVED:

That the Director of Finance and ICT be requested to respond to the Department for Transport consultation for the new National Concessionary Fares Scheme in support of option 2.

30. FEES AND CHARGES 2008-09

The Director of Finance and ICT presented a report concerning the proposed level of fees and charges for Council services during 2008-09. The Cabinet Committee were informed that the general premise had been to increase the fees and charges by 4%, in line with the increase in the retail prices index, which had been 4.1% and 3.9% in August and September 2007 respectively. It was highlighted that the level of some of the fees and charges were governed by statute and beyond the Council's control, whilst others were levied on a cost recovery basis only and should not generate a surplus for the Council.

The Director of Housing circulated a revised schedule, which indicated for residents of Norway House the proportion of the heating charge levied for personal heating and communal heating. The Cabinet Committee were informed that there had been a shortfall of approximately £8,000 for heating costs at Norway House, hence it had

been proposed to increase these charges by more than 4%. The Cabinet Committee were concerned about the proposed 300% increase in communal heating charges for residents and felt that phasing in the full recovery of heating costs over a three-year period would be a more measured and considerate approach, with a review of the situation at the end of each year.

RECOMMENDED:

- (1) That a general 4% increase in fees and charges for 2008-09 be agreed;
- (2) That, in order to recover the full cost over a three-year period, the communal heating charges for residents of Norway House in 2008-09 be amended as follows:
 - (a) one room £8;
 - (b) two rooms £12;
 - (c) three rooms £16; and
 - (d) chalet £12; and
- (3) That, as part of the officer delegation review being conducted by the Overview and Scrutiny Committee, consideration of the future treatment of Leisure fees and charges both in respect of the SLM contract and Cultural and Community Services be noted.

31. DRAFT GENERAL FUND CSB AND DDF LISTS

The Director of Finance and ICT presented a report regarding the draft General Fund revenue Continuing Services Budget (CSB) and District Development Fund (DDF) schedules for 2008-09. The Cabinet Committee were reminded that, although the situation was better than anticipated a year ago, some savings would still be required if the Council's policy of not raising the Council Tax above the rate of the retail price index was to be adhered to. Thus, it had been previously agreed that £200,000 of CSB savings per annum should be made from 2008-09 onwards. It was reported that the draft CSB and DDF schedules for 2008-09 were not exhaustive as there would be further items to be considered before the process of prioritising the items began.

RESOLVED:

That the draft Continuing Services Budget and District Development Fund schedules be noted.

32. UPDATE ON TRIENNIAL EVALUATION - LOCAL GOVERNMENT PENSION SCHEME

The Director of Finance and ICT presented a report concerning the Triennial Evaluation of the Local Government Pension Scheme. The Cabinet Committee were informed that, in order to ensure that the fund was adequately resourced and able to meet its present and future commitments, valuations were conducted by actuaries on a triennial basis. The previous valuation as at 31 March 2004 had indicated that the scheme had only been 71% funded and the level of the deficit contributions for the following three years had been increased accordingly. The current valuation as at 31 March 2007 had indicated that the scheme was now 81% funded, which meant that

the level of deficit contributions for the next three years could be reduced. However, the increased cost of the amended Local Government Pension Scheme, increases in life expectancy and a fall in bond yields had each necessitated a 1% increase in the ongoing contributions to the scheme.

The Director of Finance and ICT reported that Essex County Council had undertaken a consultation setting out two options using a twenty-year recovery period. Option A called for a full increase in the ongoing contributions from 2008-09, whereas option B provided for a phased 1% increase for the next three years from 2008-09. When the options had been considered in terms of Continuing Services Budget growth, it was apparent that a phased approach reduced the immediate impact and allowed compensating savings to be implemented over a longer period. Although the overall cost of option B would be lower, the capital cost would actually be higher but it had been assumed that required capitalisation directions would be obtained from the Secretary of State. Consequently, option B had been proposed for recommendation to the Cabinet for adoption.

RECOMMENDED:

That, as set out in the Essex County Council Consultation, option B to phase the impact of the increased pension contributions be recommended to the Cabinet for adoption.

CHAIRMAN