

Committee Agenda



**Epping Forest
District Council**

Finance and Performance Management Cabinet Committee Monday, 22nd September, 2008

Place: Committee Room 1, Civic Offices, High Street, Epping
Time: 6.30 pm
Democratic Services Officer: Gary Woodhall, The Office of the Chief Executive
Tel: 01992 564470 Email: gwoodhall@eppingforestdc.gov.uk

Members:

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

PLEASE NOTE THE START TIME OF THIS MEETING

BUSINESS

1. APOLOGIES FOR ABSENCE

2. MINUTES

To confirm the minutes of the last meeting of the Committee held on (previously circulated).

3. DECLARATIONS OF INTEREST

(Assistant to the Chief Executive) To declare interests in any item on this agenda.

4. INSURANCE PERFORMANCE MONITORING (Pages 5 - 8)

(Director of Finance & ICT) To consider the attached report.

5. SUNDRY DEBTORS PERFORMANCE INDICATORS (Pages 9 - 12)

(Director of Finance & ICT) To consider the attached report.

6. REVIEW OF ICT SERVICE - UPDATE ON PREVIOUS REPORT (Pages 13 - 22)

(Director of Finance & ICT) To consider the attached report

7. QUARTERLY FINANCIAL MONITORING (Pages 23 - 44)

(Director of Finance and ICT) to consider the attached report.

8. BUDGET 2009-10 - FINANCIAL ISSUES PAPER (Pages 45 - 56)

(Director of Finance & ICT) To consider the attached report.

9. RISK MANAGEMENT - UPDATED CORPORATE RISK REGISTER (Pages 57 - 76)

(Director of Finance & ICT) To consider the attached report.

10. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (non-executive bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

11. EXCLUSION OF PUBLIC AND PRESS

Exclusion: To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement: Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

- (1) All business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest.
- (2) At the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed

to exclude the public and press.

- (3) Any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers: Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

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Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Date of meeting: 22 September 2008

Portfolio: Finance and Performance Management

Subject: Insurance Performance Monitoring

Officer contact for further information: Brian Moldon – (01992 – 56 4606)

Democratic Services Officer: Gary Woodhall - (01992 - 56 4470)

Recommendations/Decisions Required:

- (1) To note the insurance trends and the savings so far achieved from the increase in the public liability excess; and**
- (2) To confirm that the policy excesses should remain the same until the end of the current long-term agreement in 2010.**

Executive Summary:

This report sets out the savings achieved through the decision Members took in 2005 to increase the Council's level of excess on public liability insurance.

Reasons for Proposed Decisions:

The Committee's Terms of Reference include: "To advise and make recommendations to the Cabinet on risk management and insurance issues."

This report is intended to update Members and to confirm the level of risk Members wish to take on insurance excesses going forward.

Other Options for Action:

Members could decide to reduce or increase the insurance excesses before the end of the current long-term agreement.

Report:

1. At Cabinet on 6 June 2005, it was agreed to enter into a five year agreement with Zurich Municipal for our insurance cover and that the excess level on the Public Liability policy be increased from £500 to £5,000 in order to make a saving on our insurance premiums of £69,030 per year.
2. The saving was achieved as the Council was increasing its share of the risk and thereby reducing the insurers risk, in that we would be paying the first £5,000 of any claim before the insurers would incur any costs. If the Council decides at any future date that it wishes to either reduce or increase any excesses, then the premium would increase or decrease to take account of the risk being incurred by the Council.
3. A recent internal audit report recommended that yearly reports should go to members to review the trends in claims and to review whether the decision taken by the Council to

increase the public liability excess in exchange for a reduction in premiums is still resulting in savings to the Council.

Claim Trends

4. Claims trends are monitored regularly by the Senior Finance Officer and reported to the Director of Finance & ICT on a quarterly basis. The insurance year is from 30th June to 29th June the following year. A summary of the claims trend can be seen below.

Policy	Pre 2004/05	Insurance Year 2005/06		Insurance Year 2006/07		Insurance Year 2007/08	
	Open	Open	Closed	Open	Closed	Open	Closed
Motor	0	0	36	3	46	17	32
Property	0	2	26	6	37	20	25
Casualty	9	7	32	10	26	26	9
Total	9	9	94	19	109	63	66

5. The majority of motor claims only relate to damage to our own vehicle and therefore most claims are settled within two to three months. Property claims can be anything from an escape of water where redecoration is required, to a fire at the property resulting in major works being undertaken to re-instate the property. The claims can take anything from three / four months up to two to three years to settle.
6. Casualty claims consists of Public and Employers Liability, Fidelity Guarantee, and Official Indemnity claims. These claims will normally take anywhere from seven / eight months to two / three years. On average over 50% of all public liability claims will be successfully repudiated. A table below shows the split of closed casualty claims between paid out and repudiated.

Casualty Claims	Insurance Year 2005/06		Insurance Year 2006/07		Insurance Year 2007/08	
	Paid	Repudiated	Paid	Repudiated	Paid	Repudiated
	8	24	5	21	3	6

7. It is also important to keep a review of the ratio between how much the Council pays out in premiums to our insurer, against the amount the insurer pays out in claims. The table below shows the premium to cost ratio for the different policies.

Policy		2005-06	2006-07	2007-08
Motor	Premium	£71,500	£77,952	£83,954
	Costs paid	£33,018	£43,242	£50,045
	Ratio	46.18%	55.47%	59.61%
Property	Premium	£278,645	£300,612	£317,056
	Costs paid	£127,655	£196,994	£218,365
	Ratio	45.81%	65.53%	68.87%
Casualty	Premium	£176,889	£164,429	£170,021
	Costs paid	£104,271	£88,672	£69,787
	Ratio	58.95%	53.93%	41.05%

8. Although the Council is in a five year long term agreement with our insurers, within this agreement they are entitled to increase the rate they charge each year for the motor policy. The property premium increase is generated by the inflationary increase in rebuilding costs. On average the sums insured goes up by 4 to 5% each year. The casualty premiums is linked to the Council's salary costs. The reduction in premiums for 2006/07 was as the result of the staff at four leisure centres transferring to SLM.

9. The costs paid include reserve figures for claims that are yet to be settled, therefore, this can be seen as a worst-case scenario. The table shows that the insurers profit ratio on the motor and property claims are reducing, however, the casualty ratio has substantially increased. The reason for this is that the numbers of claims where the insurers are paying out are reducing. Caution needs to be exercised as claims can continue to come in for previous year claims and therefore these figures could substantial change if a large claim was to be made.

Public Liability

10. Following the introduction of the increase in the public liability excess, management has constantly kept the impact under review. The table below shows that currently the Council has made a saving year on year. However, it should be noted that claims for a previous year can still be made in the future years, which would have an impact on these savings.

	2005-06	2006-07	2007-08
Excess paid / potentially to be paid	£19,643	£46,260	£39,027
Excess paid if still on old value	£5,770	£5,767	£9,363
Increase in excess	£13,873	£40,493	£29,664
Savings in premiums	-£69,030	-£69,030	-£69,030
Net savings per year	-£55,157	-£28,537	-£39,366
Accumulated Savings	-£55,157	-£83,694	-£123,000

11. The table shows that for the first three years the Council has made a saving of £123,000.

Resource Implications:

The Council has so far achieved a net saving of £123,000 over the first three years. It is difficult to predict future savings, as this is dependent on claims. However, based on the first three years, and the Council being more proactive in risk management, savings are likely to continue from keeping the current policy in place.

Legal and Governance Implications:

None.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

No equalities impacts.

The Council has successfully managed its financial risk by reducing the overall cost of insurance. It is recommended that the level of excess, and hence the level of risk, is not changed at this time.

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Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Date of meeting: 22 September 2008

Portfolio: Finance and Performance Management

Subject: Sundry Debtors Performance Indicators

Officer contact for further information: Brian Moldon – (01992 – 56 4606)

Democratic Services Officer: Gary Woodhall - (01992 - 56 4470)

Recommendations/Decisions Required:

- 1. To note the performance of the sundry debt function.**

Executive Summary:

The report shows that the collection of new debts is effective. However, the figures overall suffer from a residue of older debt and it is clear that this is the area that efforts now need to be concentrated on.

Reasons for Proposed Decisions:

The recommendation is to note rather than to make any decisions.

Other Options for Action:

Members could request additional information, although officers were anxious to provide an accurate picture of performance without swamping the report with statistics.

Report:

- At this committee on 17 March 2008 Members were advised of the performance of the collection of sundry debts for 2006/07. At that time the figures for 2007/08 were not known, these have now been reviewed and are presented here for Members to note.
- Following the adverse comments on the collection of debt in the 2006 Use of Resource assessment. Finance and Legal services undertook a review of how the Council collected the sundry debts. The outcome of this review was a new debt recovery procedure that was introduced in to the Council on 1 November 2006.
- Table 1 shows the collection rate of the sundry debts over the last five years.

Financial Year	2003-04	2004-05	2005-06	2006-07	2007-08
Collected for the year	70.23%	72.07%	77.66%	80.38%	73.57%

- Members will note that there was a drop in the collection rate for 2007/08. However, table 2 shows that there has been a slight increase in the collection of new debts when looking at the number of debtor days with debts raised within the preceding 12 months and the percentage of debt collected within 42 and 60 days.

5. This shows in relation to new debts the amended recovery procedure is effective as these are being collected quicker. More emphasis is now being placed on collecting as much of the old debt as possible. This includes further reports being sent to Directors, requesting that these debts should be either written off if there is not enough evidence for Court action, or to instruct Legal to take Court action.
6. The Council has also started to use a debt agency. This is a new process and therefore we do not have any data to identify how successful this is currently.

Table 2 – Performance Indicators			
		2006/07	2007/08
Level of debt as at 31 st March		£2,188,501	£2,614,496
Level of irrecoverable debt provision as at 31 st March		£985,268	£1,107,581
Value of debts written off in year		£109,434	£47,214
Average number of days, debts are outstanding for invoices raised within the preceding 12 months		53.7 days	45.5 days
Average number of days, debts are outstanding for all invoices		106.5 days	112.9 days
Percentage of debt collected in 42 days (42 days represents the number of days before legal are involved in	By number	58.16%	59.29%
	By value	50.79%	51.57%
Percentage of debt collected in 60 days (60 days represents the number of days before a 10% contribution can be requested by Finance or Legal – see 9.2)	By number	69.18%	70.27%
	By value	61.44%	62.93%
Aged debt analysis (see appendix 1)			

Benchmarking

7. The Council contributes to the CIPFA Debtor Benchmarking Club, submitting data on its debt collection. In return, the Council receives reports comparing its performance to other club members. The results are shown in table 3

Table 3 - CIPFA Benchmarking Club results 2007/08			
	Epping Forest District Council	All Club members	Closest Comparators
Number of respondents	1	40	8
Invoices raised cleared within 3 months	95%	90%	90%
Debtor days less current period for Commercial Properties	16 days	24 days	35 days
Debtor days less current period for Leaseholders	83 days	62 days	96 days
Debtor days less current period for Housing Benefits	790 days	716 days	716 days
Debtor days less current period for Housing Recharges	198 days	579 days	579 days
Debtor days less current period for all other debts	36 days	27 days	24 days

8. Invoices raised and cleared within 3 months gives a measure of current performance which is an important indicator of whether the longer term debt position is likely to improve or not. The indicator is based on three weeks spread through the year, for which the number of invoices fully cleared within 90 days is given as a percentage of invoices raised in the week. The three weeks used by the benchmarking club were chosen by CIPFA. The table shows that Epping Forest current performance with latest invoices is 95%, 5% above the average of other Councils involved in the benchmarking club.
9. The debtor days measure the number of days worth of debt that is outstanding. For the benchmarking club this information is split down over a number of activities. Our performance against other authorities is mixed, on two of the activities we have the best performance, but on another two we have the worst.
10. The collection of Housing Benefits debts suffered from staff sickness and turnover in 2007/08. That section is now fully staffed again and a significant improvement has been targeted for 2008/09.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

None.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

No equalities or risk management impacts.

Aged Debt Analysis as at 31 st March 2008												
Service	0-30 Days		31-60 Days		61-180 Days		181-365 Days		Over 1 year		Total	
	£	No	£	No	£	No	£	No	£	No	£	No
Office of Chief Executive	0.00	0	0.00	0	5,000.00	1	0.00	0	0.00	0	5,000.00	1
Corporate Support Services	654,764.28	259	42,705.00	1	36,883.33	27	31,218.28	19	70,201.70	60	835,772.59	366
Deputy Chief Executive	2,927.22	9	6,000.00	3	2,036.65	1	0.00	0	0.00	0	10,963.87	13
Environmental & Street Scene	287,549.24	71	17,769.92	46	46,547.55	15	12,462.93	11	67,604.40	44	431,934.04	187
Finance & DCT	1,296.16	1	20,739.18	1	0.00	0	5,684.21	9	9,921.98	30	37,641.53	41
Housing Benefits	96,890.20	29	26,518.89	31	117,546.18	114	104,668.92	92	665,969.02	354	1,011,593.21	620
Housing	18,384.35	65	1,249.44	15	-11,559.20	214	65,125.50	176	111,027.21	1512	184,227.30	1982
Planning & Economic Development	63,181.85	34	4,931.18	7	5,292.98	5	697.32	1	16,762.68	33	90,866.01	80
Works	5,338.23	17	850.35	4	0.00	0	0.00	0	308.40	1	6,496.98	22
Total	1,130,331.53	485	120,763.96	108	196,747.49	376	224,857.16	309	941,795.39	2034	2,614,495.53	3312
Total for 2006/07	844,845.03	377	145,431.82	126	175,122.08	270	232,021.99	467	791,079.80	2029	2,188,500.72	3269

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Date of meeting: 22 September 2008

Portfolio: Corporate Support Services & ICT

Subject: Review of ICT Service – Update on Previous Report

Officer contact for further information: David Newton – (01992 – 56 4580)

Democratic Services Officer: Gary Woodhall - (01992 - 56 4470)

Recommendations/Decisions Required:

- 1. To note the contents of the Addendum to the Capita – ICT Review; and**
- 2. To agree that no further assessment is required and the previous report recommendations be implemented.**

Executive Summary:

During the presentation to this Committee on the 16 June of the Capita – ICT Review, the Corporate Support Services & ICT Portfolio Holder requested clarification on the differences between ITIL v2 and ITIL v3. As requested, Capita have now returned an addendum to the original report (attached).

Reasons for Proposed Decisions:

As highlighted in the attached addendum, the areas covered by the review have not materially changed and consequently, the use of ITIL v2 has made no significant differences that impact on the original report findings.

Other Options for Action:

As the addendum reports that the difference in versions has no material impact on the original report, no other course of action is necessary.

Report:

1. The initial review was commissioned during the transition between v2 and v3. Capita used v2, as it was considered that v3 had not yet 'bedded in'. ITIL v3 adopts the same framework as its predecessor, but is more refined in some areas. Table 2 of the addendum highlights these areas and re-iterates that these were already covered within the fundamentals of v2.
2. The refinements within ITIL v3 impact more on the ICT service as it continues to develop and comply with the original review. As all appropriate ICT staff received training in v3, all relevant points within the addendum will be considered at the appropriate point in the ITIL implementation life-cycle.

Resource Implications:

No changes to those already highlighted in the previous report.

Legal and Governance Implications:

None.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

None.

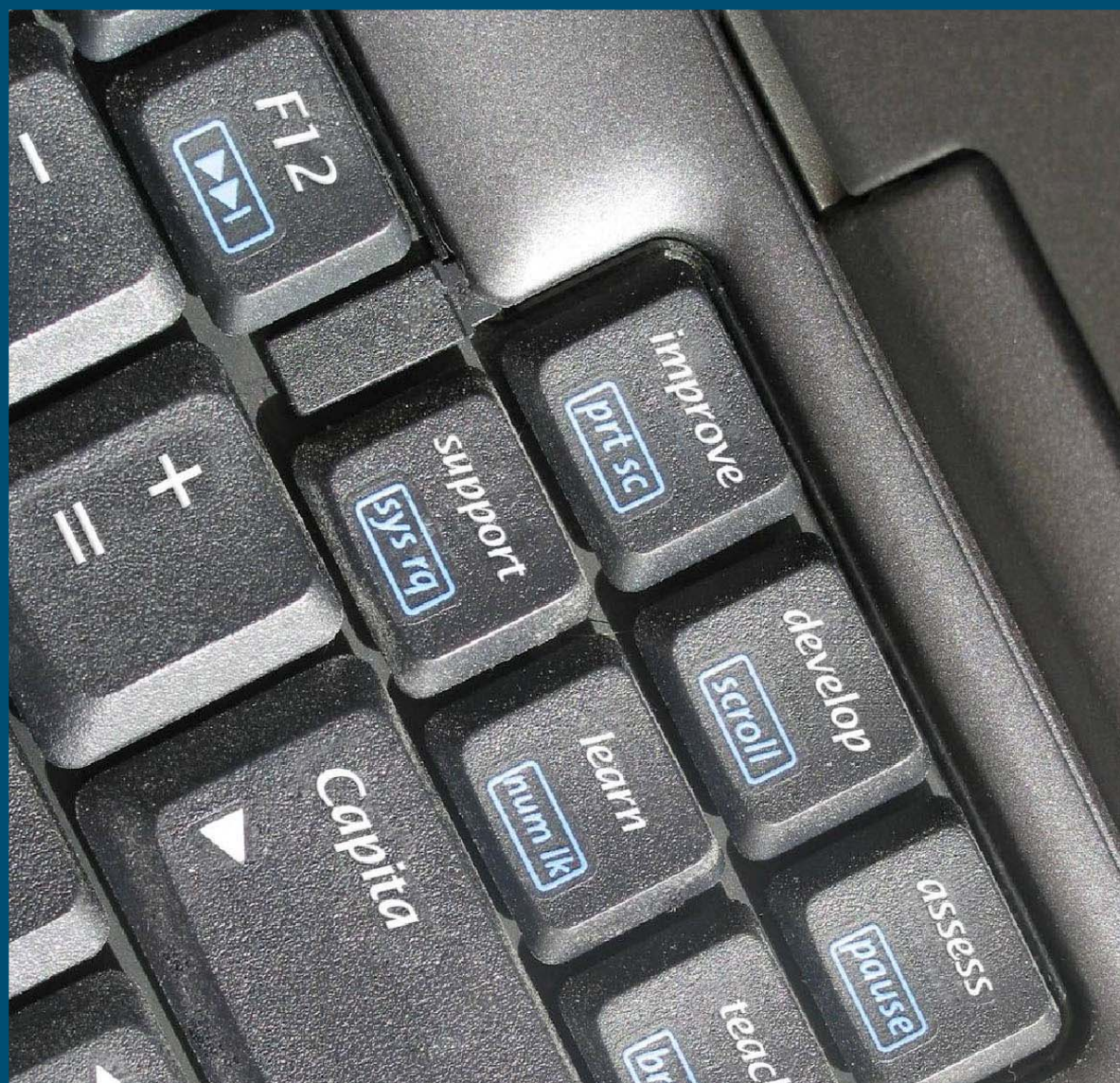
Background Papers:

None.

Impact Assessments:

No equalities impacts.

No additional risk management impacts.



Epping Forest District Council
Addendum to ICT Review - Draft Report
3rd July 2008

Document Overview

Contact Details

Contact Name:	Kevin Smitten
Position:	Proposition Development Manager
Address:	Capita IT Services 71 Victoria Street London SW1H 0HA
Telephone Number:	07900 980665
E-mail Address:	kevin.smitten@capita.co.uk

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1 ICT REVIEW & ITIL VERSION 3

1.1 Background

The ICT review carried out earlier this year covered two key areas, Governance and Strategy and ICT Service Management. The latter of these concentrated on evaluating the service against the ITIL-based processes for Service Support and Service Delivery. This was based on ITIL v2 rather than v3 for a number of reasons:

- The latest version was new and had not bedded itself in yet
- ITIL v3 training courses were only just being developed and would not be available for EFDC staff
- Benchmark information was readily available for v2 but not for v3
- The core processes in the areas reviewed have not fundamentally changed between versions.

Following the presentation of the findings of the ICT Review the Cabinet Portfolio holder for ICT raised the question as to the implications of ITIL v3 on the results of the review. This addendum to the main report covers these by:

- Summarising the differences between ITIL v2 and ITIL v3
- Outlining the impact on the key findings of the review

1.2 ITIL v2 and ITIL v3



ITIL v3 is an extension of the previous library. The underlying principles and processes have not really changed, but rather have been refined in places. The prime reason for the refresh of ITIL v2 was that it was too focused on process. ITIL v3 concentrates on a service lifecycle approach to help IT departments focus on providing business value.

ITIL v2 contains virtually everything in ITIL v3 and ITIL v3 contains virtually everything in ITIL v2. The goal of ITIL v2 is improving IT efficiency and effectiveness. ITIL v3 is “more mature” and assumes the (ITIL v2) processes are all in place and the goal is economic optimization of IT.

There are gaps in terms of supporting advice and training but since most of the changes to ITIL v3 clarify and augment the previous library, a good case can be made to start using the new and refreshed library.

The areas covered by the ICT Review have not materially changed (see Table 1)

Table 1 Changes in ITIL processes covered in the review

ITIL Processes	Change between v2 and v3
Financial management	No material changes from ITIL V2.
Service Desk	No material changes from ITIL V2.
Change Management	No material changes from ITIL v2 but now included in Transition Planning and Support
Capacity Management	No material changes from ITIL v2
Release Management	No material changes from ITIL v2 but now included in Transition Planning and Support
Incident Management	No material changes from ITIL v2.
Service Continuity Management	No material changes from ITIL v2
Availability Management	No material changes from ITIL v2
Configuration Management	No material changes from ITIL v2 but now included in Transition Planning and Support
Problem Management	No material changes from ITIL v2.
Service Level Management	No material changes from ITIL v2

There are some specific changes which enhance the processes by giving further guidance although they were fundamentally covered in ITIL v2. Table 2 summarises these.

Table 2 Expanded elements in ITIL v3

New Elements	Description
Demand Management	Demand Management – ITIL v2 discussed concepts of within the context of Capacity Management. However ITIL v3 introduces the process of Demand Management as a distinct process and as a strategic component of service management.
Transition Planning and Support	Transition Planning and Support is a unified process for coordinating all the activities of Change Management, Configuration Management and Release Management described in ITIL v2. It has now been expanded and presented alongside the related topics of Service Validation and Testing (i.e. testing a new change), Evaluation (managing risks associated with a new change) and Knowledge Management (gathering, analysing, storing, sharing knowledge & information).
Event Management	Event Management is a stand-alone process for detecting and managing events and alarms (which ITIL calls “exceptions”). In ITIL v2, Event Management was covered under Incident Management.
Request Fulfilment	Request Fulfilment is a new process for managing the lifecycle of all customer and user-generated service requests. These include facilities, moves and supplies as well as those specific to

	IT services. In the previous version of ITIL, this process was covered under Incident Management. A notable difference in ITIL v3 is it now recognises the existence of service requests beyond merely “break/fix” restoration of service.
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1.3 Impact on the ICT Review

1.3.1 Governance & Strategy Review

This part of the review used the National eService Delivery Standards as a framework and the recommendations are aimed at ensuring:

- Strategic alignment of ICT
- Appropriate resource planning
- Real business engagement

These are in line with the Service Strategy elements of ITIL v3: Service Portfolio Management, Financial and Demand Management.

There are two areas with the Service Design element of ITIL v3 that were not covered by the original review which support strategic alignment and understanding of ICT within the business. EFDC should consider using the library to develop these processes around:

Service Catalogue - This should contain accurate information on all operational services and on those being prepared to be run operationally. In addition, V3 identifies the need for two interdependent parts of the service catalogue, namely an “external” business catalogue of (business) services as described and recognized by end-users, and an “internal” technical catalogue of the tools, processes and procedures required to support those services.

Supplier Management - A process for ensuring that all contracts and suppliers support the needs of the business and that they meet their contractual agreements.

1.3.2 Service Management Review

The review and the resulting recommendations in the main report recognised EFDC’s current level of maturity and were designed to be pragmatic. Given that there are no fundamental differences in the areas reviewed we believe that they are still valid. The enhanced elements covered in Table 2 do not alter the original assessment but will as the ICT Service matures add improved process capability if adopted.

The overall recommendations concentrated on the three key areas that the ICT Service has to master to succeed in delivering IT services to their business customers. These three fundamental requirements are met equally by ITIL v2 or v3

Stabilised Infrastructure - learning how to fight fires, but it also learning how to prevent fires. In ITIL terms it’s all about having a working Service Desk that provides the point-of-contact the business users can call when there is trouble, or when they need something done. Users know who to call to access the service. Incident Management is fundamental to stabilizing the infrastructure and establishing the creditability of IT. This is not just fire-fighting, good Incident Management improves availability and reduces the impact of incidents on the business. Implemented properly it provides quality failure data used by

other processes; such as Problem and Availability Management. The ICT Service knows they've stabilized the infrastructure when they successfully implement Problem Management. This is significant for two reasons; first is the systematic removal of errors from the infrastructure will dramatically improve service quality. Second, is that Problem Management will free up significant IT resources that can be redirected to other, more productive efforts for the benefit of the business.

Controlled Infrastructure – As ICT Service achieves infrastructure stability the next milestone is establishing control over the physical infrastructure. IT organization's need to fully understand the content and context of all of the IT components that make up its infrastructure, and be able to control the content and quality of the changes that are made to it. The successful implementation of Configuration, Change and Release Management supports this control as the ICT Service knows what it has and can accurately design changes that achieve the desired outcome for the business with minimum risk and disruption to the business. This then creates a virtuous loop as the "reactive processes" of Incident and Problem Management are further enabled, through the availability of configuration information. This will lead to a greater process capability and higher levels of service quality.

Improved Infrastructure – The third element builds on the ICT Service's capability of managing its IT service levels. Service Level Agreements are a useful tool but this is about being able to deliver on promises. This is the culmination of the deployment and refinement of the reactive and control processes, as well as the ability to build the necessary guarantees (availability, capacity, continuity & security) into the service delivered. It also signals a maturation of both the IT and business organizations whose dialog will have morphed over time from "cost and technology" to "value and service."

1.3.3 Additional Service Management elements in ITIL v3

ITIL v3 covers two areas that were not covered by the original review, which we have now reviewed.

Service Structure - ITIL v3 defines the functions that make up the ICT Service: Service Desk, Technology Management, IT Operations Management, and Application Management. The Technology Management function provides the detailed technical skills and resources needed to support IT services and management, along with the ongoing operation of the IT Infrastructure. The IT Operations Management function is responsible for the daily operational activities needed to manage IT services and the IT Infrastructure. It includes IT Operations Control and Facilities Management. The Application Management function manages applications throughout their lifecycle.

The current structure in ICT at EFDC supports these key functions but as was recognised in the main report as the implementation of ITIL progresses there will be further structural change and this part of the library should be used to ensure that all key functions are catered for.

Continual Service Improvement This structures a seven step improvement process as follows:

1. Define what you should measure;
2. Define what you can measure;
3. Gather the data;
4. Process the data;
5. Analyze the data;

6. Presenting and using the data; and
7. Implement the corrective action.

This is a standard process which should be in place for any service and is in line with EFDC's policy on continual improvement and business planning. Key to implementing this successfully within ICT is to ensure that any associated activities are built into the service portfolio and associated resource planning.

1.4 Recommendations

Given where EFDC is in its current maturity then the recommendations in the main report will start to remove the barriers to the ICT Service achieving operational excellence, as well as a protecting it from being a resource sink (resources go in and nothing comes out). They will move the ICT service to a position where it can take advantage of the strategic alignment best practice at the heart of v3.

Table 3 Recommendations from the supplementary review

1.4.1	Implement the recommendations in the main report
1.4.2	Develop a service catalogue
1.4.3	Develop supplier management processes
1.4.4	Use ITIL v3 for the ITIL implementation but continue to use ITIL v2 materials and training for Service Management until v3 supporting materials and training matures
1.4.5	Incorporate the activities from the Continual Improvement Programme into the service portfolio

Report to the Finance & Performance Management Cabinet Committee



**Epping Forest
District Council**

Report reference:

Date of meeting: 22 September 2008

Portfolio: Finance, Performance Management and Corporate Support Services

Subject: Quarterly Financial Monitoring

Officer contact for further information: Peter Maddock (01992 564602).

Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

That the Panel note the revenue and capital financial monitoring report for the first quarter of 2008/09;

Executive Summary

The report provides a comparison between the profiled budgets for the period ended 30 June 2008 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the first quarter financial monitoring report for 2008/09.

Other options for action

No other options available.

Report:

1. The Panel has within its terms of reference to consider financial monitoring reports on key areas of income and expenditure for each portfolio. This is the first quarterly report for 2008/09 and covers the period from 1 April 2008 to 30 June 2008.
2. Salaries monitoring data is presented as well as it represents a large proportion of the authorities expenditure and is an area in which large under spends have been seen. The salaries data is held by Service rather than by portfolio, although there are clearly some services that are linked closely to particular portfolios.

Revenue Budgets (Annex 1 – 10)

3. Comments are provided on the monitoring schedules but a few points are highlighted here as they are of particular significance. The salaries schedule (Annex 1) shows an underspend of £239,000. This is prior to the settlement of the 2008/09 pay award, and equates to 4.9% of the budget. An allowance of 2.45% was included in the budget for the pay award leaving a further 2.45% being the underspend at month 3. This is a similar picture to that at month 3 in 2007/08 however it is expected that as the staff restructure beds down the level of underspend will start to reduce.
4. Income budgets are looking somewhat volatile, more so than in 2007/08. Development Control income at Month 3 is £30,000 up on expectations due to a couple of larger schemes coming through during Month 3. Building Control shows an

under achievement of £37,000 and Land Charge search income at month 3 is below half of the expected income. In view of this, reports on both these areas are to be submitted to Cabinet with a view to recommending remedial action to minimise the impact on the 2008/09 budget. Income at North Weald airfield is £34,000 below expectations due to difficulties in letting Hangar 1. The negotiations with a potential tenant have been ongoing for sometime but have been somewhat more protracted than expected. When the budget was prepared it was Estates officers view that a tenant would be in occupation by 1 April 2008 however this has not materialised.

5. Income from car parking is a little higher than expectations mainly due to additional season tickets issued to Essex County Council.
6. Interest income from investments is now included in the report. Interest receipts are above expectations due in part to higher levels of surplus cash invested and better rates being achieved than expected.
7. The Housing Repairs Fund also shows an underspend. Much of this again is due to late invoicing by the gas servicing contractor.
8. The payments to Sports and Leisure Management Ltd are lagging behind the profiled budget, this is due to a delay in agreeing the May invoice.

Capital Budgets (Annex 11-15)

9. Tables for capital expenditure monitoring purposes (annex 11 -15) are included for the Quarter to 30 June. The tables show the major schemes separately with other more minor items being summarised. There is a brief commentary on each item highlighting the scheme progress.
10. The full year budget for comparison purposes is the original budget as presented within the budget papers submitted to Council on 19 February 2008. Due to slippage within the programme and the need to re-phase expenditure profiles a full review of the programme is to be undertaken during September and reported to Cabinet on 6 October 2008.
11. The process of profiling capital budgets has now been completed and all variations relate to differences between actual and expected spending patterns.

Major Capital Schemes (Annex 16)

12. An additional schedule is included that looks at progress on those schemes with total budget provision in excess of £1m. The schedule monitors the schemes in total rather than by financial year. The total cost figures shown in columns six and seven therefore relate to two or more financial years. The original anticipated start dates where applicable are also included and where this was not achieved a revised or actual start date is given. There is also some commentary on the schemes for information.

Conclusion

13. There is concern over the lower than originally anticipated levels of income from Building Control, Land Charges and North Weald Airfield rents. As regards Building Control and Land Charges a review of fees and charges and indeed expenditure levels is to be undertaken with a view to producing a Cabinet report to address the situation. With regard to Hangar no.1 negotiations are still ongoing and there are signs that progress is being made albeit slowly.

14. The panel is asked to note the position on both revenue and capital budgets as at Month 3 and the Major Capital Schemes monitoring schedule.

Consultations Undertaken

This report has been circulated to Portfolio-holders. An oral update will be provided to cover any additional comments or information received from Portfolio-holders.

Resource Implications

Additional resource requirements may arise due to shortfalls in income. These issues will be kept under review and Cabinet reports are being prepared to cover the areas of Building Control and Land Charges.

Legal and Governance Implications

Reporting on variances between budgets and actual spend is recognised as good practice and is a key element of the Council's Governance Framework.

Safer, Cleaner, Greener Implications

The Council's budgets contain spending in relation to this initiative.

Background Papers

Various budget variance working papers held in Accountancy.

Impact Assessments

These reports are a key part in managing the financial risks faced by the Council. In the current climate the level of risk is increasing. Prompt reporting and the subsequent preparation of action plans in Cabinet reports should help mitigate these risks.

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JUNE 2008 - SALARIES

SERVICE	2008/09		2007/08	
	EXPENDITURE TO 30/06/08 £000	BUDGET PROVISION (ORIGINAL) £000	EXPENDITURE TO 30/06/07 £000	BUDGET PROVISION (ORIGINAL) £000
		VARIATION FROM BUDGET (ORIGINAL) %		VARIATION FROM BUDGET (ORIGINAL) %
OFFICE OF THE CHIEF EXECUTIVE	207	213	223	231
DEPUTY CHIEF EXECUTIVE	319	336	313	336
CORPORATE SUPPORT SERVICE DIRECTORATE *	573	580	566	579
FINANCE & ICT DIRECTORATE *	908	965	913	944
HOUSING DIRECTORATE *	1,237	1,273	1,178	1,280
ENVIRONMENT & STREET SCENE DIRECTORATE *	840	902	811	865
PLANNING & ECONOMIC DEVELOPMENT DIRECTORATE *	525	579	528	541
TOTAL	4,609	4,848	4,532	4,776
		-4.9		-5.1

* Agency costs are included in the salaries expenditure.

The Budget Provision figures for 2008/09 include 2.45% inflation.

Major expenditure items:	08/09 Full Year Budget £'000		First Quarter		07/08 Actual £'000	08/09 Variance Budget v Actual		Comments
	08/09 Budget £'000	08/09 Actual £'000	08/09 Budget £'000	08/09 Actual £'000		£'000	%	
Grants to Voluntary Groups	133	-8	35	-20	-43	-122.8	2008/09 actual includes a credit of £38,000 relating to grants approved in 2007/08 but which remain as yet unpaid. Commitments in the current year amount to £52,000 of which approximately half have been paid.	
Voluntary Sector Support	174	78	78	61	0	0.0	2008/09 actual includes payment of £19,000 to Voluntary Action Epping Forest, this payment was delayed to the second quarter of the previous year until the grant level had been agreed.	
	307		113	41				

	08/09 Full Year Budget £'000	First Quarter				08/09 Variance Budget v Actual		Comments
		08/09		07/08		Budget £'000	Actual %	
		Budget £'000	Actual £'000	Budget Actual £'000	Actual %			
<u>Major expenditure items:</u>								
Bank & Audit Charges	243	2	2	6	0	0	No significant expenditure occurs in either audit or bank charges until month 4.	
	243	2	2	6				
<u>Major income items:</u>								
Investment Income	3,069	767	872	845	105	14	Investment interest has exceeded expectations to date. The budget assumed that there would be a reduction in rates achieved during 2008/09. In the first quarter an average rate of 5.85% was achieved as opposed to 5.25%.	
	3,069	767	872	845				

Major expenditure items:	08/09 Full Year Budget £'000	First Quarter		07/08 Actual £'000	08/09 Variance Budget v Actual		Comments
		08/09 Budget £'000	08/09 Actual £'000		£'000	%	
Information Technology	859	414	417	229	3	0.7	The budget and actuals for 2008/09 include centralised maintenance costs, a change from the previous year. A significant number of these maintenance agreements are payable annually in advance.
Telephones	223	56	29	47	-27	-48.2	There has been a delay in invoicing from Cable and Wireless the new outbound call service provider in the first quarter of 2008/09.
	1,082	470	446	276			

	08/09 Full Year Budget £'000		First Quarter		08/09 Variance Budget v Actual %		Comments
	08/09 Budget £'000	08/09 Actual £'000	07/08 Actual £'000		£'000	%	
			08/09 Budget £'000	08/09 Actual £'000			
<u>Major income items:</u>							
Hackney Carriages	143	47	39	39	11	30.6	The variation between budget and actuals and the previous year relates to an increase in the number of license applications in the first quarter. The budget has increased from the previous year, however Epping remains popular with taxi companies and income is in excess of the budgeted amount.
Licensing & Registrations	96	14	15	15	2	16.6	
Local Land Charges	400	55	98	98	-59	-52.0	The downturn in the property market coupled with the introduction of Home information packs, and the related movement to personal searches has led to a significant shortfall in income. The projected shortfall in the current year could be as much as £200,000.
Industrial Estates	872	390	414	414	-6	-1.5	2007/08 actuals included temporary rental income for car parking at the T11 site at Langston Road which has subsequently been sold.
Land & Property	208	55	60	60	6	12.2	The actual figure for 2007/08 commission relating to the David Lloyd Centre was better than anticipated the additional income showing in the 2008/09 figures.
	1,480	500	626	626			

	08/09 Full Year Budget £'000	First Quarter		07/08 Actual £'000	08/09 Variance Budget v Actual		Comments
		08/09 Budget £'000	08/09 Actual £'000		£'000	%	
<u>Major expenditure items</u>							
Forward Planning	368	26	25	0	-1	-3.8	The publication of the East of England plan in May has delayed work on the Local Development Framework further than previously anticipated. A number of studies in relation to the LDF will commence in the near future and interim payments for these projects will be made in the third and final quarters of 2008/09. Much of this is DDF money and at this stage last year none had been spent.
Development Control	130	32	30	26	-2	-6.3	
	498	59	55	30			
<u>Major income items</u>							
Development Control	646	145	175	99	30	20.7	Development Control income has been particularly buoyant in the first quarter with a number of large schemes being applied for. In addition, there has been a contribution from pre-application consultation income which was not previously charged for.
Building Control Fee Earning	674	185	148	181	-37	-20.0	Budgeted Building Control fee income was increased in 2008/09 after a particularly successful year in 2007/08 however it has suffered a considerable downturn in the first quarter possibly due to the current instability of the economy. Currently a fee increase coupled with a charge restructuring is being considered.
	1,321	330	324	280			

	08/09 Full Year Budget		First Quarter		07/08 Actual		08/09 Variance		Comments
	£'000		£'000		£'000		Budget v Actual		
	Budget	Actual	08/09 Budget	08/09 Actual	07/08 Actual	£'000	%		
<u>Major expenditure items:</u>									
Refuse Collection	1,856		327	-243	333		-570	-174.31	The large credit variances on these three headings relate to 2007/08 expenditure and invoices for April and May that were still outstanding at 30 June. As a result of the recent Partnership Board meeting the backlog of invoices will soon be cleared up. The Cabinet were advised in June of the probable need for a supplementary estimate, resulting from the popularity of the green waste service and the high cost of biodegradable sacks. The additional costs are likely to be partly off-set by an increase in recycling credits and work is continuing to evaluate the additional cost and income. It is anticipated that a further report will be made to the September Cabinet.
Street Cleansing	1,305		219	-339	313		-558	-254.79	
Recycling	1,761		395	-74	360		-469	-118.73	
	4,922		941	-656	1,006				
<u>Major income items:</u>									
Refuse Collection	151		11	-28	-11		-39	-354.55	Tipping away contributions relating to the final quarter of 2007/08 are still awaited.
Recycling	760		0	1	2		1	0.00	Recycling credits for the first quarter of 2008/09 are due in July 2008.
	911		11	-27	-9				

	08/09 Full Year Budget £'000	First Quarter		07/08 Actual £'000	08/09		Comments
		08/09 Budget £'000	08/09 Actual £'000		Budget v Actual £'000	Variance Budget v Actual %	
<u>Major expenditure items:</u>							
Highways General Fund	356	80	87	59	7	8.8	The spending on litter bins and street signs tends to be slightly weighted toward the end of the year however in 2008/09 expenditure has occurred earlier. Hence the higher levels of expenditure than at quarter 1 in 2007/08.
Off Street Parking	581	196	158	160	-38	-19.39	} Contractor submitting invoices later than } scheduled.
On Street Parking	384	66	29	37	-37	-56.06	}
Concessionary Fares	698	166	118	164	-48	-28.92	Expenditure has reduced in the current year due to a change in the method of calculating payments. There is also an element of contingency within the budget which may become payable but this is dependant on the outcome of any bus company appeals.
		508	392	420			
<u>Major income items:</u>							
Off Street Parking	1,058	257	271	226	14	5.45	Income from Fees and Charges and Penalty Charge notices are higher than at this point in 2007/08. There were some enforcement difficulties in early 2007/08 that contributed to the low figure. Off Street Parking Season ticket income is above expectations at quarter 1 in 2008/09.
On Street Parking	547	125	122	85	-3	-2.40	
		382	393	311			
	2,019						
	1,605						

	08/09 Full Year Budget £'000	First Quarter		07/08 Actual £'000	08/09 Variance Budget v Actual		Comments
		08/09 Budget £'000	08/09 Actual £'000		£'000	%	
<u>Major expenditure items:</u>							
Museum	115	41	40	34	-1	-2.44	
Playgrounds & Open Spaces	238	52	48	49	-4	-7.69	
North Weald Centre	314	108	121	72	13	12.04	The increased expenditure relates to empty property rates for Hangar 1.
	667	201	209	155			
<u>Major income items:</u>							
North Weald Centre	1,296	441	407	399	-34	-7.71	Income is below expectations due to Hangar 1 being unoccupied.
<u>Contract cost Monitoring</u>							
Leisure Facilities:-							
Loughton Leisure Centre	13	2	5	4	3	150.00	}
Epping Sports Centre	144	24	14	11	-10	-41.67	}
Waltham Abbey Swimming Pool	425	71	36	37	-35	-49.30	}
Ongar Sports Centre	270	45	24	29	-21	-46.67	}
	852	142	79	81			

	08/09 Full Year Budget £'000	First Quarter		07/08 Actual £'000	08/09 Variance Budget v Actual £'000	08/09 Variance Budget v Actual %	Comments
		08/09 Budget £'000	08/09 Actual £'000				
<u>Major expenditure items</u>							
Bed & Breakfast Accommodation	123	31	35	24	4	12.90	In 2007/08 billing by hotels was lagging slightly behind expectations. The overspend in 2008/09 seems to be because billing is slightly ahead of expectations as use of Bed & Breakfast is unchanged.
<u>Major income items</u>							
Bed & Breakfast Accommodation	155	31	29	42	-2	-6.45	
Leasehold Services Admin	161	1	1	2	0	0.00	
	316	32	30	44			

	08/09 Full Year Budget		First Quarter		07/08 Actual		08/09 Variance		Comments
	£'000		£'000		£'000		Budget v Actual		
	Budget	Actual	08/09 Budget	08/09 Actual	07/08 Actual	£'000	%		
<u>Major expenditure items:</u>									
Managing Tenancies	273		230	224	222		-6	-2.48	
Housing Repairs	5,875		1,196	1,132	1,074		-64	-5.35	A number of small underspends are showing across the Housing Repairs Fund generally however, as last year, the largest underspend is due to late billing by gas servicing contractors.
Special Items	1,519		352	258	298		-95	-26.87	There are a number of areas showing an underspend the most significant of which is Housing Land Cleansing due to unpaid bills.
<u>Major income items:</u>									
Gross Dwelling Rent	24,378		5,626	5,642	5,846		16	0.28	Actual income is higher than expected due to only one council house sale in the first quarter.

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	08/09 Full Year Budget £'000	First Quarter		08/09 Variance		Comments
		08/09 Budget £'000	08/09 Actual £'000	Budget v Actual £'000	%	
Finance, Performance Management						
General Capital Contingency	531	0	0	0	0	This unallocated budget is automatically profiled into month 12 unless authority is granted to use it on a specific scheme. It is then moved to the relevant General Fund Capital heading.
	531	0	0	0	0	
Corporate Support and ICT Services						
Civic Office Works	469	25	22	-3	-12	Of the projects planned at the Civic Offices this year, it is likely that works to the value of £266,000 will need to be rescheduled into 2009/10. This will be reported in the Capital Review to Cabinet in the autumn.
ICT Projects	643	161	160	-1	-1	All ICT projects are progressing on target. The remaining IEG budget is for the Electronic Records Document and Management System (ERDMS) to be undertaken in the second half of financial year.
Customer Service Trans Programme	500	0	0	0	0	See comments on the major schemes schedule.
Total	1,612	186	182	-4	-2	

	08/09 Full Year Budget £'000	First Quarter		08/09 Variance		Comments
		08/09 Budget £'000	08/09 Actual £'000	£'000	%	
Leisure and Young People						
N W Airfield Market Improvements	236	0	0	0	0	The majority of expenditure is expected to occur during the second half of the financial year
Leisure Centre Works	32	0	0	0	0	The work at Loughton Leisure Centre is due to be finalised this year and a feasibility study is being undertaken into potential works to the playing fields at Ongar; a Cabinet report will be presented later in the year.
Youth Sports Facilities	64	0	0	0	0	No grants have been paid this year so far, but all are expected to be completed by the end of the financial year.
Total	332	0	0	0	0	
Environmental Protection						
Bobbingworth Tip	407	102	-45	-147	-144	A capital creditor for works completed to 31/3/08 has not been paid. However, a meeting has been arranged to agree the valuation to date and a payment will ensue. See also comments on major schemes schedule.
Other Environmental works	43	0	0	0	0	This includes £20,000 for purchasing large refuse bins for flats and £23,000 for the Safer Cleaner Greener initiative. Costs are expected to come through later in this year.
Total	450	102	-45	-147	-144	

	08/09 Full Year Budget £'000	First Quarter		08/09 Variance		Comments
		08/09 Budget £'000	08/09 Actual £'000	Budget v Actual £'000	%	
Planning & Economic Development						
TCE: Loughton High Road Works	42	11	-31	-42	-382	The negative actual spend relates to expenditure charged to 2007/08 but not yet paid. See also comments on major schemes schedule.
TCE: Loughton Broadway Works	1,925	50	5	-45	-90	See comments on the major schemes schedule.
PDG Capital Scheme	41	20	22	2	10	This budget was carried forward from 2007/08 and is expected to be spent in the first half of the year.
Total	2,008	81	-4	-85	-105	
Civil Engineering & Maintenance						
Car Parking & Traffic Schemes	274	67	-19	-86	-128	The negative actual spend relates to expenditure charged to 2007/08 but not yet paid.
Flood Alleviation Schemes	62	16	28	12	75	Much of the capital works covered by the original contract have been completed as far as reasonably practicable and further capital works estimated at £25,000 have been identified to date.
Grounds Maintenance Vehicles & Plant	22	0	0	0	0	Expenditure is due later in the year.
Total	358	83	9	-74	-89	

Housing General Fund	08/09 Full Year Budget £'000		First Quarter		08/09 Variance Budget v Actual		Comments
			08/09 Budget	08/09 Actual	£'000	%	
	£'000		£'000	£'000	£'000		
Contributions to Affordable Housing	1,000		293	293	0	0	This initiative is progressing well with three payments relating to starts on site having been made to Estuary H A so far this year.
Disabled Facilities Grants	632		100	55	-45	-45	Although expenditure is low at Month 3, the number of grants approved was more than twice that for the same period last year suggesting that expenditure will increase in subsequent quarters. A report, presented to Cabinet in July, looked at likely expenditure profiles which will be included in the autumn Capital Review
Other Private Sector Grants	375		70	28	-42	-60	The new Private Sector Grants policy was up and running from June 2007 but attempts to recruit a member of staff to process the new grants have been unsuccessful. Although expenditure was relatively low in the first quarter, the number of grants approved would indicate that this should increase in subsequent quarters. The estimate for Private Sector Grants was reviewed in the July Cabinet report and the latest figures will be included in the autumn Capital Review.
Home Ownership Schemes	520		0	0	0	0	This includes the Home Ownership Grants Scheme (£170,000) and the Open Market Ownership Scheme (£350,000). Three grants applications have been accepted; two applicants have not confirmed that they wish to pursue and the grants are therefore being offered to the Reserve List. The OMOS scheme is being held in abeyance, but its possible use as a "mortgage rescue scheme" is being investigated.
Other Housing General Schemes	387		0	0	0	0	The majority of this budget relates to the compulsory purchase of 8/8a Sun Street, Waltham Abbey which cannot go ahead before a Court hearing in November 2008. Should the Court find in the Council's favour, purchase may be within the financial year but this is more likely to be in 2009/10. Although it will be necessary to revise the valuation of the property, this is not likely to exceed the current valuation of £350,000.
Total	2,914		463	376	-87	-19	

Housing Revenue Account	08/09 Full Year Budget		First Quarter		08/09 Variance		Comments
	£'000		£'000		Budget v Actual		
	Budget	Actual	08/09 Budget	08/09 Actual	£'000	%	
Springfields, Waltham Abbey	3,113		389	185	-204	-52	See comments on major schemes schedule.
Heating/Rewiring	1,086		103	121	18	17	Heating and rewiring works are due to start in August, but some testing has been carried out. Most of the expenditure to date, however, relates to the ongoing rolling programme of ad hoc boiler replacements
Windows/Roofing / Asbestos / Water Tanks	1,000		133	54	-79	-60	There are two roofing contracts, one is under way and the other is out to tender. The water tank work is currently at the survey stage and work on windows and doors have now commenced. Asbestos work to the value of c.£50,000 has been completed but not yet invoiced.
Other Planned Maintenance	850		0	-3	-3	n/a	No work has been carried out to date in this category. Door entry work is at the survey stage, some drainage works are out to tender and improvement work at Norway House is due to commence shortly. A portfolio holder report has been prepared regarding energy efficiency works and communal TV upgrades and work is due to start in August for a period of three years.
Other Capital Works	3,313		348	264	-84	-24	Some structural schemes contracts have commenced, others are expected to start in the autumn. The three year bathroom and kitchen replacement programme is due to re-start in August. Heavy demand for disabled adaptations has resulted in high costs and a strict waiting list approach has been adopted. The majority of the DLO vehicle replacement programme is completed.
Total	9,362		973	621	-353	-36	

Capital Project	Original Start Date	Latest Est/ Actual Start Date	Original Finish Date	Latest Est/ Actual Finish Date	Original Total Project Cost		Latest Total Project Cost		Variance %	Actual Exp To Date
					£'000	£'000	£'000	£'000		
Bobbingworth Tip	May-05	Mar-07	Nov-05	Oct-08	1,107	2,380	1,574	2,380	115%	1,927
Although the scheme had been progressing well there are now delays due to a lack of suitable soil for the final surface restoration phase of the project. A Cabinet report seeking more funding is planned for the next meeting.										
Loughton High Road Town Centre Enhancement	Jul-05	Aug-05	Mar-06	Nov-06	996	1,574	1,574	1,574	58%	1,501
The final account has been presented and approved by Cabinet. A final payment of £31,000 to Ms Paradigm Limited, Project Managers is yet to be paid.										
Loughton Broadway Town Centre Enhancement	Jul-06	Oct-06	Oct-06	Mar-09	3,003	3,175	3,175	3,175	6%	1,206
Phase 1 of this scheme has been completed but phase 2 has been delayed due to the position of the gas main. A revised plan has been agreed with the National Gas Grid and Essex County Council and reported to Cabinet on 14 July 2008. Members approved an additional £255,000 and a further £200,000 as a project contingency. Final approval from the Highways Authority is awaited after which works can commence on site, currently programmed for September 2008.										
Customer Services Transformation Programme	n/a	n/a	n/a	n/a	2,500	2,500	2,500	2,500	n/a	0
In view of the work of the Customer Transformation Task and Finish Panel, expenditure will be re-phased into 2009/10 as part of the Capital Review in the autumn.										
Springfields Improvement Scheme Works (HRA)	Jul-04	Nov-07	Nov-07	Feb-09	4,033	4,124	4,124	4,124	2%	1,197
Construction work commenced on 5 November 2007 and is progressing on all five blocks. However, the main contractor is behind schedule due to groundwater, foundation, drainage and other ground problems as well as design changes to overroofing and overcladding instigated by the contractor. Despite this, the contractor has assured the Council that completion occur within 65 weeks ie early February 2009.										

Report to the Finance and Performance Management Committee



**Epping Forest
District Council**

Date of meeting: 22 September 2008

Portfolio: Finance and Performance Management

Subject: Financial Issues Paper

Officer contact for further information: Bob Palmer – (01992 – 56 4279)

Democratic Services Officer: Gary Woodhall - (01992 - 56 4470)

Recommendations/Decisions Required:

To make recommendations to the Cabinet on establishing a new budgetary framework including:

- 1. Setting 2009/10 budget guidelines for the:**
 - (a) The CSB budget (including growth items);**
 - (b) DDF items;**
 - (c) The use of surplus General Fund balances;**
 - (d) The District Council Tax for a Band 'D' property;**

- 2. A revised Medium Term Financial Strategy for the period to 2011/12, including the communication of the revised Medium Term Financial Strategy to staff, partners and other stakeholders.**

Executive Summary:

This report provides a framework for the Budget 2009/10 and updates Members on a number of financial issues that will affect this Authority in the short to medium term.

In broad terms the following represent the greatest areas of current financial uncertainty and risk to the Authority

- Effects of the "Credit Crunch" and reduced activity in the housing market
- Taking forward the Safer, Cleaner, Greener initiative and looking at alternative methods of service delivery
- Re-negotiating the contract for the management of Epping Sports Centre to align it with the Council's other facilities
- Pay awards for 2008/09 and subsequent years
- Increases in energy costs
- Capitalisation of pension deficit payments
- Changes to the statutory concessionary fares scheme
- Customer Services Transformation Programme

These issues will be dealt with in the following paragraphs, taking the opportunity to discuss some areas in greater detail following recent developments. Based on the information contained in the report Members are asked to set out, for consultation purposes, the budgetary structure for 2009/10.

Reasons for Proposed Decisions:

By setting out clear guidelines at this stage the Committee establishes a framework to work within in developing growth and savings proposals. This should help avoid late changes to the budget and ensure that all changes to services have been carefully considered.

Other Options for Action:

Members could decide to wait until later in the budget cycle to provide guidelines if they felt more information, or a greater degree of certainty, was necessary in relation to a particular risk. However, any delay will reduce the time available to produce strategies that comply with the guidelines.

Report:

General Fund Out-turn 2007/08

1. Members have already received the outturn figures and the Statutory Statement of Accounts for 2007/08 together with explanations for the variances. In summary the General Fund Revenue outturn for 2007/08 shows that CSB expenditure was £1,022,000 lower than the original estimate, and £585,000 lower than the revised. The main variance, as in 2006/07, related to staff savings arising from vacancies.
2. The revised CSB estimate for 2007/08 had reduced from £16.980m to £16.543m, largely as a result of the top management restructuring. This saw a structure of Joint Chief Executives and ten Heads of Service (12 posts) replaced with a single Chief Executive with a Deputy, an Assistant and five Directors (8 posts).
3. DDF expenditure was underspent by £698,000, compared to the revised estimate. However £469,000 of this resulted from slippage so both expenditure and financing for this amount has been carried forward to 2008/09. Net portfolio DDF spending exceeded the revised estimate by £90,000, due to costs of the waste service during the transition between contractors. However, non-portfolio income items exceeded the revised estimate by £339,000 to give the total DDF saving of £249,000.
4. The non-portfolio items include the Local Authority Business Growth Incentives Scheme (LABGI), with grant of £446,000 exceeding the revised estimate by £205,000. In line with the prudent wish to avoid over reliance on investment income to support the CSB, the baulk of the additional investment income earned in 2007/08 was credited to the DDF. The inclusion of the LABGI income and the underspend mean the balance on the DDF is higher than previously predicted at £2.916m at 31 March 2008. However, the vast majority of this amount is committed to finance the present programme of DDF expenditure, particularly the Local Development Framework.
5. As the underspend on the DDF is matched by the variance on appropriations, the overall variance in the use of the General Fund Revenue balances is equal to the CSB underspend of £1,022,000, compared to the original estimate. This translates into an increase in balances of £701,000 compared to the revised estimate of an increase of £116,000. The original estimate had indicated a reduction of £321,000.

The Updated Medium Term Financial Strategy

6. Annexes 1(a/b) show the latest four-year forecast for the General Fund. This is based on adjusting the balances for the 2007/08 underspends, allowing for items already approved by Council and other significant items covered in the report. The annex (1b) shows that all other things being equal revenue balances will decrease by £324,000 in 2009/10, £213,000 in 2010/11 and £79,000 in 2011/12.

7. For some time Members have aligned the balances to the Council's 'Net Budget Requirement' (NBR), allowing balances to fall to no lower than 25% of NBR. The predicted balance at 1 April 2009 of £7.680m represents just over 44% of the anticipated NBR for next year (£17.287m) and is therefore somewhat higher than the Council's current policy of 25%. However, predicted changes and trends mean that by 1 April 2012 the revenue balance will have reduced to £7.064m. This still represents nearly 40% of the NBR for 2011/12 (£17.796m).
8. This financial position is better than had been anticipated and will allow a reduction in the savings to be identified. This can be achieved without the Council Tax needing to be increased above current target levels during the next four years.
9. Target savings of £200,000 per annum had been proposed for each year from 2009/10 onwards. It is now evident that a saving of £100,000 is adequate in 2009/10 followed by £200,000 in each of the following years. These net savings could arise either from reductions in expenditure or increases in income. If Members feel that the levels of net savings being targeted are appropriate, it is proposed to communicate this strategy to staff and stakeholders. The work previously reported to this Committee on value for money concluded that the Council did not need to make overall savings but did need to re-invest any efficiency gains to improve performance in key services. Thus the net savings reflected are the savings remaining after any other efficiency gains have been re-invested.
10. Estimated DDF expenditure has been amended for carry forwards, supplementary estimates and income shortfalls and it is anticipated that there will be £124,000 of DDF funds available at 1 April 2012. The four-year forecast approved by Council on 19 February 2008 predicted a DDF balance of £69,000 at the end of 2011/12 and this has not changed significantly.
11. Capital balances have been updated for recent outturn figures and updated assumptions on capital receipt generation. The reduction in estimated capital receipts means that the predicted balance at 1 April 2012 falls to £15.461m. Over this four-year period the capital programme has some £39m of spending. As capital balances are used up the revenue benefit from interest earnings is reduced and so care needs to be exercised in expanding the capital programme any further, particularly on non-revenue generating assets.

Government Grant Allocation

12. After one two-year settlement under the new four block system, the Department for Communities and Local Government (DCLG) announced a consultation to "update and fine tune" the model to produce a three-year settlement. Unfortunately the fine-tuning has resulted in some substantial movements in the Council's relative position. The table below sets out the Council's amounts in each of the four blocks for the five years of data now available. The Relative Needs Amount (what the Government believes the Council needs to spend) fell nearly £300,000 for 2008/09 whilst the Relative Resource Amount (a negative amount to reflect the ability to raise income from Council Tax) has increased by over £500,000. This worsening of £800,000 is offset by an increase in the Central Allocation of £460,000 and a change in the net Floor Damping position of £490,000.

	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Relative Needs Amount	5.728	5.742	5.455	5.457	5.464
Relative Resource Amount	-4.465	-4.724	-5.228	-5.096	-4.956
Central Allocation	7.854	8.332	8.793	8.834	8.871
Floor Damping	-0.490	-0.189	0.302	0.173	0.036

Formula Grant	8.627	9.161	9.322	9.368	9.415
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13. The figures shown above represent a poor settlement for the Council and give grant increases of only 1% (against the adjusted 07/08 figure) for 2008/09 and only 0.5% for 2009/10 and 2010/11. This seems odd given the sizeable grant increase seen under this system for 2006/07 and 2007/08.

	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Formula Grant (adjusted)	8.627	9.161 (9.229)	9.322	9.368	9.415
Increase £	0.711	0.534	0.093	0.046	0.047
Increase %	9.0%	6.2%	1.0%	0.5%	0.5%

14. The introduction of the four block system saw the Council change from receiving floor support of £412,000 to losing £490,000 to support the floor for others. It had been hoped that the move away from the floor would last longer than two years. However, the benefit of the previous large increase has not been lost, as this has provided the base that the floor increase of 1% has been added to.

CSB

15. The CSB saving against revised estimate was £0.585m, compared to £0.807m in 2006/07. The prime cause of this under spend was again salary savings, actual salary spending for the authority in total, including agency costs, was some £18.5m compared against an original estimate of £18.9m. Early indications are that the underspend on salaries in 2008/09 is reducing as the restructure is fully implemented and new posts are filled. However, the budget process is again complicated this year by the pay award not having been agreed and this is considered further below.

16. Previously it has been agreed that CSB expenditure should not rely on the use of balances to provide support but should be financed only from Government grant (RSG + Distributable NDR) and council tax income. This means that effectively the level of council tax will dictate the net expenditure on CSB or the CSB will dictate the level of council tax. As Members have previously indicated that future council tax increases should be at or below the increase in the retail price index (RPI), assumed to be 2.5% for the near future, it is clear that the former will be the determinate. The four-year forecast, agreed in February, includes these assumptions. Currently RPI is 2% above this assumption and inflation forecasts will be carefully monitored during the budget process to see if any adjustment is necessary.

17. The latest four-year forecast (annexes 1a & b) show that the original budget for 2008/09 achieved that objective, with funding from Government grants and local Taxpayers exceeding CSB by £0.218m. The revised estimate for this year shows no change in CSB. This is because the contingency of £175,000 in the opening CSB has been matched by the items that would otherwise have been shown as additional growth.

The “Credit Crunch” and Reduced Housing Market Activity

18. The Council's CSB contains a number of income streams that have been, or are likely to be, adversely effected by the current state of the housing market. Recent surveys show year on year reductions in house prices in excess of 10%; this has been accompanied by drastic reductions in new mortgage approvals and the numbers of houses being built. The Government have recently announced a package of measures in an attempt to breath some life into the market. Although any positive effects that do arise may take some time to appear.

19. The main areas of income related to the housing market are land charges, building control and development control. For 2008/09 land charges income had been estimated at £400,000, an increase on the three-year trend figure of £367,000. At the end of August the income achieved was £102,000 behind the estimate, which means the annual shortfall could be in the region of £250,000. Building Control fees have been similarly effected and an annual shortfall of £100,000 is expected. However, steps are being taken to address the state of the Building Control ring-fenced account as a consultant has had his employment terminated and a report is being prepared proposing changes to the fee structure. To date Development Control income is ahead of the estimated level and could achieve the annual estimate of £605,000.
20. In considering the effects on these income streams a judgement has to be made on what part of the income reduction is unlikely to be recovered in the medium term and hence the proportion of the adjustments to be made to the CSB and DDF. The MTFS is based on the assumption that of the annual shortfall in Land Charges income £125,000 will be CSB and £125,000 DDF. As the Building Control Account is ring-fenced it is assumed that measures will be put in place to bring the Account back into a break-even position. For Development Control no shortfall is assumed.
21. One beneficial effect of the "Credit Crunch" has been the higher interest rates that banks have been prepared to pay to borrow from the Council. The MTFS has taken a prudent view on future interest rate movements but in the current volatile market it is worth highlighting the risk that at some point interest rates are likely to fall from these levels.

Safer, Cleaner, Greener and Green Waste

22. The combined saving from the Top Management and service restructures was £0.5M and Members decided to re-invest £250,000 of this into the Safer, Cleaner, Greener initiative. This initiative has a number of linked schemes intended to impact on areas of key importance to residents, for example street cleaning and CCTV. As this initiative was only launched at the start of the new financial year, the full benefits of it are yet to be realised. The restructuring of the Environmental and Street Scene Directorate was not completed until some way into the new year and recruitment is still ongoing for some of the new posts. As the initiative matures and develops the full benefits and any additional funding requirements will become clear. Due to the delays in recruitment it is unlikely that the additional CSB and DDF budgets included for 2008/09 will be fully spent and these will be carried forward to subsequent periods. However, no additional growth has been included at this time.
23. A major element of the Cleaner part of the initiative was the competitive tendering exercise that led to the appointment of SITA as the Council's new waste management contractor. The contract commenced in November 2007 and has provided better service levels to the public more economically than had been experienced with previous contractors. The Council has seen improved rates of recycling and in particular the green waste service has proved very popular with residents. However, this popularity has created a problem as the biodegradable sacks needed for the service are expensive and their price is rising. Spending more and more money on something that is thrown away is not sustainable and reports have already been made to Cabinet to outline the potential overspend on these sacks.
24. A partnership board oversees the waste contract and both SITA and the Council have expressed a willingness to explore alternative methods of service delivery. To inform this debate a consultation exercise is being conducted through the Forester newspaper and the Council's website. Until a clear consensus has emerged on the future method of collecting green waste it is not possible to cost the implications and reflect them in the Medium Term Financial Strategy (MTFS). Depending on the

method adopted it may be possible to gain some funding from Essex County Council and the combination of CSB, DDF and capital changes may vary considerably.

External Management of Leisure Centres

25. When the Council decided to externalise the management of the district's leisure centres most of the centres were on a seven-year contract, with an option to extend to ten years by mutual agreement. At the time the contract was let a number of developments were taking place within Epping and in view of the possibility of re-provision of a leisure centre on an alternative site, the Epping Sports Centre was only covered by a three year contract. It is unlikely a new centre will be provided in the medium term and so it will be necessary to make arrangements for the management of the existing Epping Sports Centre for an additional four years to align it with the other leisure centres.
26. The options for management are to extend the existing contract with Sports and Leisure Management (SLM), for the Council to resume direct management of the centre or to seek an alternative external manager. To date the arrangements with SLM have been viewed as successful as the Council has benefited from revenue savings, SLM have invested substantial amounts of capital in the leisure centres and user numbers have increased. Given these outcomes it is clearly worth exploring the terms of an extension with SLM. A preliminary concern raised by SLM in contract monitoring meetings has been the increases in utility costs and SLM have indicated that they would like the Council to share the risk of further price rises. It is likely that this point will have to be addressed through the contract negotiations. The terms of any extension may include a mix of revenue and capital items and options are still to be formulated before they can be put forward for the Cabinet to consider. Therefore, similarly to the green waste issue above no adjustment has been made to the MTFS at this point.

Pay Awards for 2008/09 and Subsequent Years

27. The pay award for 2008/09 has still not been agreed. An offer of 2.45% was deemed inadequate by the staff side negotiators and industrial action resulted. No improved offer has been forthcoming but whilst both sides are engaged in talks about talks further industrial action is unlikely. Although it is difficult to see how this conflict can be resolved. The employer's side know the grant settlement for this year and the next two and it is unlikely that the Treasury will provide any additional funds for local government pay. Any additional funds are likely to have to come from existing budgets that have already been squeezed by the grant settlement and are under pressure from falling income and higher costs. The staff side have seen inflation increase since they took industrial action and it is widely predicted that inflation will rise further before reducing in 2009/10. Clearly the staff side will be reluctant to accept anything that is a pay cut in real terms and equally clearly the employers side have no more money to bring to the table.
28. Against the backdrop of the negotiations it is worth considering this Council's pay bill and the effect that different levels of pay awards might have. The total salary estimate for 2008/09 is £19.7m, which includes allowance for a pay award of 2.475%. Therefore if the pay award is agreed at less than 2.475% the budget for 2008/09 will be adequate. For every 1% the pay award is above 2.475% the Council's pay bill will increase by nearly £200,000.
29. The annual pay bill is one of the key parts of the Council's overall estimates and so the assumptions made about pay awards are particularly significant. In the current economic climate with the overall public finances in a poor state it is difficult to envisage pay awards exceeding 2.475% and this is the level that has been built into the MTFS for 2009/10 onwards. The assumption for 2008/09 has not been changed.

Increases in Energy Costs

30. The concerns expressed by SLM over energy prices have been mentioned above and all residents and businesses are in a similar position. This Council has always sought to procure energy in the most economic manner and has participated in consortium arrangements with other authorities to gain better terms. The current contracts for both electricity and gas expire shortly and following advice from the Procurement Agency for Essex and the Essex Procurement Hub the Council will be purchasing electricity and gas via the Office for Government Commerce. As the current contracts have not yet expired and there are significant fluctuations in the wholesale energy market on a daily basis it is difficult to estimate the exact effect. However, some allowance needs to be made for these costs and additional growth of £50,000 has been included in the revised estimates for 2008/09.
31. Whilst the MTFS has the General Fund as its focus it should be remembered that increases in fuel prices, and staff costs, will also impact on the Housing Revenue Account.

Capitalisation of Pension Deficit Payments

32. As part of the budget setting process for 2008/09 Members decided to continue with the policy of seeking annual capitalisation directions for pension deficit payments. There are strict financial criteria laid down by the Government that you must satisfy to be eligible for a capitalisation direction. If you satisfy the criteria you get a Gate 1 approval but it is only after the Government has considered all Gate 1 approvals in aggregate that it decides the amount of Gate 2 or final approvals.
33. In the last three financial years the Council has enjoyed mixed success in gaining capitalisation directions. A direction was first applied for in 2005/06 and one was obtained for the full amount requested. It was in 2006/07 that the Two Gate System was introduced and that year saw all applicants receive directions for only 57% of the amounts applied for. Then oddly in 2007/08 when faced with more applications than in 2006/07 the Government reverted to issuing directions for the full amounts applied for.
34. The amounts that will be applied for are set out in the table below and given recent history it has been assumed that full directions will be obtained. To fund the capitalisations £2.5m was moved to the Pension Deficit Reserve in 2007/08. If this assumption proves incorrect any amounts that cannot be capitalised will have to be charged to revenue.

	2008/09	2009/10	2010/11	Total
	£'000	£'000	£'000	£'000
General Fund	662	644	626	1,932
HRA	311	302	294	907
	973	946	920	2,839

National Concessionary Fares Scheme

35. With effect from 1 April 2008 the countywide concessionary fare scheme ended and a new national scheme began. The national scheme allows pass holders to travel free on local bus services anywhere in England. District Councils payments for the previous schemes were largely determined by the number of passes issued to the residents of their district. Under the national scheme districts are required to pay for all journeys by passholders in their district regardless of where the pass was issued. The Government has acknowledged that the national scheme will be more expensive and has provided specific grants to support these costs. The Local Government

Association has argued that these grants are inadequate, particularly for districts that attract high numbers of visitors for purposes such as tourism or shopping.

36. The serious potential impact of the national scheme has been highlighted previously in budget reports. As the scheme is demand led there was concern that districts were receiving limited funding from the Government but were being required to provide a blank cheque for the bus operators. Concerns were also expressed by the bus operators that districts would try to impose unreasonable reimbursement schemes that would fail to comply with the requirement to ensure that the bus operators were no worse off for participating in the scheme. The concerns of the operators led many of them to register appeals against the reimbursement scheme that was originally proposed within Essex.
37. Following extensive negotiations it looks likely that a compromise can be achieved that will not exceed current budget provisions and will result in the bus operators withdrawing the appeals that they have lodged with the Department of Transport. As part of the negotiations Essex County Council have indicated a desire to take over the administration of the scheme from the districts. Whether it will be possible to achieve such an outcome remains to be seen, as it may be difficult to agree the financial and risk basis for any transfer of responsibilities.

Customer Services Transformation Programme

38. On 9 October 2006 Cabinet decided to defer the Customer Services Transformation Programme (CSTP). This followed South Herts. Waste Management being placed in administration and reflected the financial uncertainty that existed at that time. The Council is now in a position to move on and reconsider this programme. To oversee this process a Task and Finish Panel has been established.
39. One of the concerns with the original programme was that it had become too ambitious. The Task and Finish Panel have been asked to reconsider the original proposal in the light of experience from other authorities and to update the proposals to match the Council's current needs. No CSB or DDF amounts have been programmed for this initiative but some £2.2m of expenditure is still included in the capital programme. It may be necessary to re-schedule the capital expenditure as £0.5m is in the programme for 2008/09. It is unlikely that the Council will have received the Panel's recommendations and determined the way forward in sufficient time for the project to commence before the end of the current financial year.

DDF

40. The carry forward of £469,000 represents a reduction of nearly £400,000 on the £868,000 of slippage for 2006/07. Clearly the requirement to explain slippage has helped improve forecasting. Given that DDF funding is limited, it should only be used to support high priority projects. If a project takes several years to be implemented questions may arise over whether it was really a priority and if that money could have been used for a more urgent purpose.
41. The financial forecast shows that not all DDF funding is currently allocated to schemes. It is currently anticipated that there will be some £124,000 of DDF available at 1 April 2012.

The Capital Programme

42. The 28 Council house sales in 2007/08 fell short of the 32 sales that had been estimated, although this was compensated for in part by the sales values being higher than had been anticipated. Reference has already been made above to the slow down in the housing market and Council house sales have followed a similar pattern. It was

originally estimated that there would be 30 sales in 2008/09. However, the first five months of the year have seen only three completions and so the figure for usable receipts will need to be revised downwards substantially from the current figure of £831,000. This will be done through the updating of the Capital Programme, although for the purposes of this report the estimates have been reduced by 66%.

43. Significant receipts have also been generated through the sale of other assets. Although land values are currently falling and Cabinet has recently decided against marketing further surplus land until market conditions have improved. As non-housing receipts are not included in the estimates before completion has occurred no adjustment to the MTFS is necessary.
44. The capital outturn report considered by the Finance and Performance Management Cabinet Committee on 16 June 2008 highlighted that the underspend of £1.7m was significantly lower than the £5.1m underspend in 2006/07. Non-housing expenditure was in line with the estimate at £3.77m, whilst housing expenditure of £6.83m was below the estimate of £8.54m. The slippage in the programme will be carried forward to subsequent periods.

The Council Tax

44. Band D Council Tax increases were 2.5% for 2006/07, 3.5% for 2007/08 and 2.5% for 2008/09. Members have indicated that future increases should not exceed the rate of increase in the retail price index. Current 4-year forecasts are based on ongoing increases of 2.5% p.a., which should not fall foul of the capping criteria. However, Members will need to indicate whether they are in agreement with this assumption as it is a fundamental component to setting the budgetary framework for the Authority.
45. The financial position that the Council now finds itself in is stronger than last year. A prudent view was taken on the additional costs in waste management, new spending pressures in other areas and no savings had been included for the corporate restructuring. These factors combined meant that the medium term forecast presented in the previous financial issues paper showed revenue reserves falling to £5.6m by 1 April 2011. With the better than anticipated outturns for 2007/08, the success of the tendering exercise for the waste management contract and savings from the corporate restructure some concerns have eased. The four-year forecast at annexes 1a&b now predicts revenue reserves of more than £7m at 1 April 2012.
46. Given the improved financial position it was felt that Members would be keen to keep the target for Council Tax increases in line with increases in the Retail Prices Index. Therefore no alternative forecast has been prepared, although if Members wish to see one a model could be produced with Council Tax increases set at 4% or 5%. Members will be able to consider these issues and others in consultation with the Finance and Performance Management Scrutiny Panel over the next few months.

A revised Medium Term Financial Strategy

47. Annexes 1(a&b) show a four-year forecast with target levels of savings to bring the projections closer to the policy of keeping reserves above 25% of the NBR. The net savings included are £100,000 in 2008/09 figures and then £200,000 in the three subsequent years. These savings would give total CSB figures for 2008/09 revised of £16.829m and 2009/10 of £17.611m.
48. This proposal sets DDF expenditure at £1.8m for the revised 2008/09 and £270,000 for 2009/10, and given the possibility of other costs arising, it is likely that the DDF will be used up in the medium term.
49. No predicted non-housing capital receipts are being taken into account, as no sales

are likely to progress in the current economic climate. Over the period of the MTFS the balance shown at Annex 1 (b) on the Capital Fund reduces significantly from £26.8m at 1 April 2008 to £15.5m at 1 April 2012. This has impacted on interest earnings within the forecast and it is important that any new capital schemes either save revenue costs or generate income.

50. The Council has previously scored a 3 for Financial Management as part of the Audit Commission's Use of Resources assessment. To maintain that score the Council must take steps to again communicate the Medium Term Financial Strategy with staff, partners and other stakeholders. This Key Line of Enquiry is mandatory to achieve a 3 in the current assessment. If Members agree, appropriate steps can be taken to circulate either the full strategy or a summarised version.

Conclusion

51. The financial position is one of strength, but Members still need to exercise care in prioritising the allocation of resources. There are considerable challenges to be overcome with green waste and leisure management, in addition to the general economic uncertainty and reductions in housing market related income. Any further growth bids will need to be rigorously considered and there remains a need to seek efficiency savings. Although as mentioned above, the work previously reported to this Committee on value for money concluded that the Council did not need to make overall savings but did need to re-invest any efficiency gains to improve performance.

Resource Implications:

The report covers resource implications over a four-year period and provides an updated Medium Term Financial Strategy.

Legal and Governance Implications:

None.

Safer, Cleaner, Greener Implications:

The Safer, Cleaner, Greener initiative is considered in the report.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

No equalities impacts.

The report sets out some of the key areas of financial risk to the authority. At this time the Council is well placed to meet such challenges, although particular care needs to be exercised in taking on any additional capital projects.

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2008/09 - 2011/12

ORIGINAL 2008/09	REVISED FORECAST 2008/09	FORECAST 2009/10	FORECAST 2010/11	FORECAST 2011/12
£'000 NET REVENUE EXPENDITURE	£'000	£'000	£'000	£'000
17,173 Continuing Services Budget	17,173	17,567	17,834	18,075
-344 CSB - Growth Items	-344	144	113	0
0 Net saving	0	-100	-200	-200
16,829 Total C.S.B	16,829	17,611	17,747	17,875
1,165 One - off Expenditure	1,808	270	648	153
17,994 Total Net Operating Expenditure	18,637	17,881	18,395	18,028
-1,165 Contribution to/from (-) DDF Balances	-1,808	-270	-648	-153
218 Contribution to/from (-) Balances	218	-324	-213	-79
17,047 Net Budget Requirement	17,047	17,287	17,534	17,796
FINANCING				
9,020 Government Support (NNDR+RSG)	9,020	9,195	9,379	9,473
302 RSG Floor Gains/(-Losses)	302	173	36	0
9,322 Total External Funding	9,322	9,368	9,415	9,473
7,725 District Precept	7,725	7,919	8,119	8,323
0 Collection Fund Adjustment	0	0	0	0
To be met from Government 17,047 Grants and Local Tax Payers	17,047	17,287	17,534	17,796
Band D Council Tax	143.01	146.61	150.30	154.08
Percentage Increase %		2.5	2.5	2.5

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2008/09 - 2011/12

	REVISED FORECAST 2008/09	FORECAST 2009/10	FORECAST 2010/11	FORECAST 2011/12
	£'000	£'000	£'000	£'000
REVENUE BALANCES				
Balance B/forward	7,462	7,680	7,356	7,143
Surplus/Deficit(-) for year	218	-324	-213	-79
Balance C/Forward	7,680	7,356	7,143	7,064
DISTRICT DEVELOPMENT FUND				
Balance B/forward	2,916	1,195	925	277
Income	87	0	0	0
Transfer Out	-1,808	-270	-648	-153
Balance C/Forward	1,195	925	277	124
CAPITAL FUND (inc Cap Receipts)				
Balance B/forward	26,823	20,153	17,374	16,358
New Usable Receipts	275	275	275	275
CR Used to Fund Capital Expenditure				
- Transitional Relief Receipts	0	0	0	0
- Other Capital Receipts	-6,945	-3,054	-1,291	-1,172
Balance C/Forward	20,153	17,374	16,358	15,461
TOTAL BALANCES	29,028	25,655	23,778	22,649

Report to the Finance and Performance Management Cabinet Committee

Date of meeting: 22 September 2008



**Epping Forest
District Council**

Portfolio: Finance and Performance Management

Subject: Risk Management – Updated Corporate Risk Register

Officer contact for further information: Bob Palmer – (01992 – 56 4279)

Democratic Services Officer: Gary Woodhall - (01992 - 56 4470)

Recommendations/Decisions Required:

- 1. To agree the proposed amendments to the Corporate Risk Register;**
- 2. To consider whether there are any new risks that are not on the current Corporate Risk Register: and**
- 3. To consider whether the tolerance line on the risk matrix should be amended.**

Executive Summary:

The last meeting of this Committee on 16 June 2008 received an update to the Corporate Risk Register. The Risk Management Group considered this version of the register on 1 September and this time relatively few amendments and updates were made. The Corporate Governance Group then approved these changes on 3 September.

Reasons for Proposed Decisions:

It is essential that the Corporate Risk Register is regularly reviewed and kept upto date. The decisions are a necessary part of this well-established process.

Other Options for Action:

Members may not agree with the suggested change to the risk score and could ask for the risk to be rated differently.

Report:

1. At the Risk Management Group meeting on 1 September 2008, the risks and their scores were reviewed to take account of any changes since 16 June. It was felt that to reflect the ongoing negotiations on the green waste service and the future management of Epping Sports Centre the score for the risk on key contracts should be increased. This change from D2 (Low Likelihood, Critical Impact) to C2 (Significant Likelihood, Critical Impact) is the only proposed change in the scoring of a risk. For completeness, the review involved the consideration and updating of a number of the action plans and the updating of the Executive Priorities.
2. Members are now asked to consider the attached updated Corporate Risk Register (Annex 1) and whether the risks listed are scored appropriately, whether there are any additional risks that should be included and whether the tolerance line needs to be amended.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

No legal implications. The Corporate Risk Register is an important part of the Council's overall governance arrangements and that is why this Committee considers it on a regular basis.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

The Risk Management Group conducted the review and the Corporate Governance Group then approved their proposals.

Background Papers:

None.

Impact Assessments:

No equalities impacts.

If the Corporate Risk Register was not regularly reviewed and updated a risk that threatened the achievement of corporate objectives might either not be managed or be managed inappropriately.

Epping Forest District Council Corporate Risk Register

Date: **22 September 2008**

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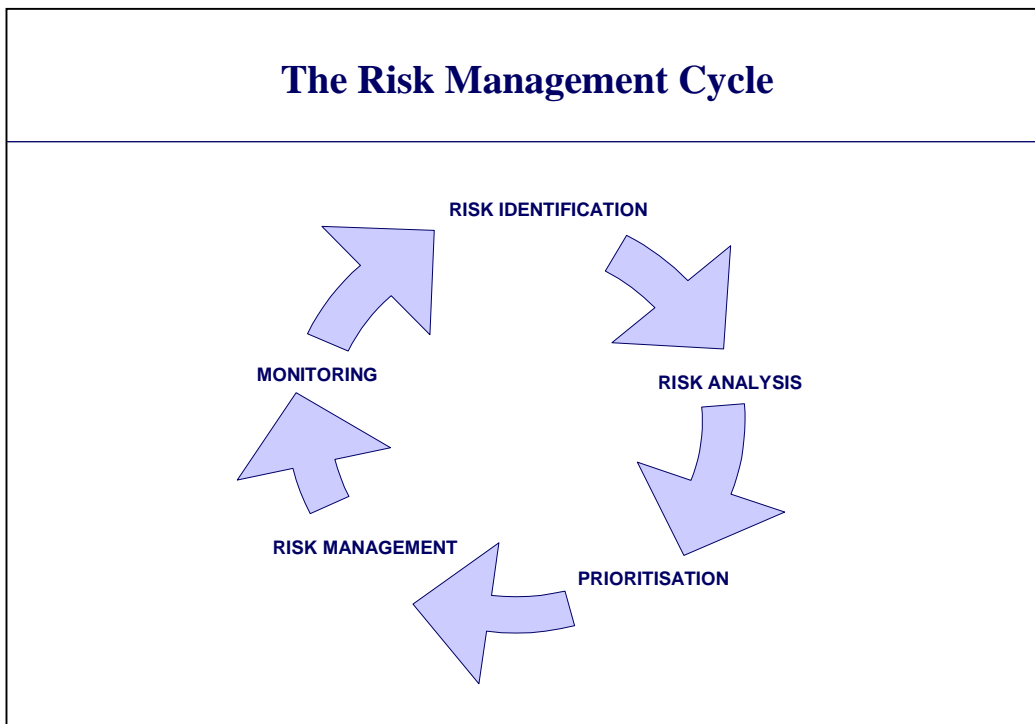
1. Introduction

Risk Management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and/or responding to them. It is not an end in itself. Rather, risk management is a means of minimising the costs and disruption to the organisation caused by undesired events.

The aim is to reduce the frequency of risk events occurring (where possible) and minimise the severity of their consequences if they do occur.

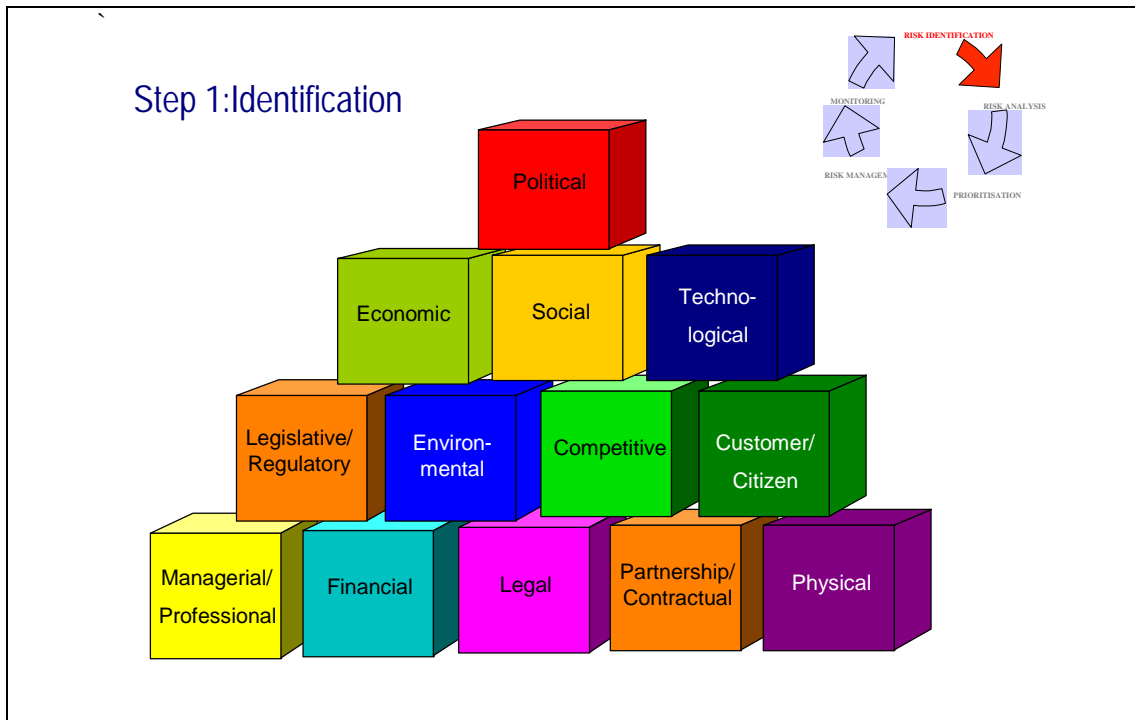
2. The Process

To manage risk effectively, the risk associated with each policy option or service delivery method needs to be systematically identified, analysed, prioritised, controlled and monitored. This process is referred to as the risk management cycle, which can be seen below.



2.1 Risk identification

The first of five stages of the risk management cycle requires risk identification. This is achieved through standing items on Corporate Governance Group and Management Board and from discussions at the Risk Management Group, which is held quarterly. Risk is covered under 13 categories of risk as shown below.



2.2 Risk analysis and prioritisation

Once the risks are identified, these are then assessed for impact and likelihood and plotted onto a matrix. The impact, compared against the objectives of the Authority, (Council Policy Themes and Aims), was measured as being negligible, marginal, critical or catastrophic. The likelihood, of the risks occurring over the next three years, was measured as being almost impossible, very low, low, significant, high or very high.

A group of Members and Senior Officers originally set the risk tolerance line, which involved considering each of the squares on the matrix and deciding if they were prepared to tolerate a risk in that box or if they wanted to actively manage it. This theoretical tolerance line effectively splits the risks on the matrix, with those risks above the line requiring further scrutiny and those below the line not requiring high-level intervention at this time. The Finance and Performance Management Cabinet Committee now review this quarterly.

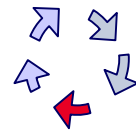
2.3 Risk management and monitoring

The next stage is to complete management action plans. These plans frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

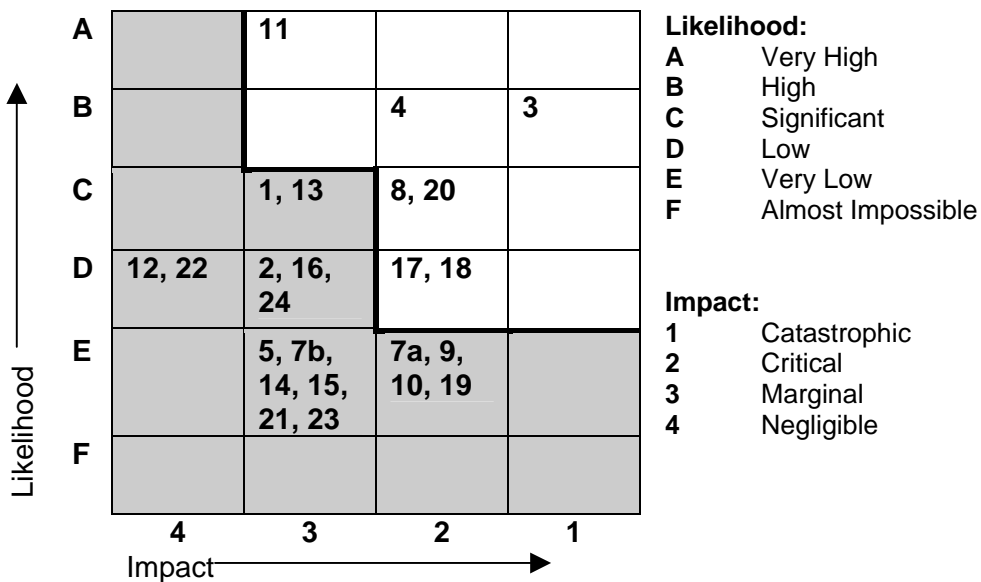
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

3. Results

3.1 Risk profile



The risk profile and priority are given below.



Appendix 1 shows all the risks that were rated on the profile.

3.2 Above the line Risk clusters

The 7 above the line risks have been grouped into 6 clusters that will help to streamline the action planning process. These are shown below:

Cluster name	Risk Scenarios	Executive Priority/ Council Plan Objective
East of England Plan	3, 4	ExP i & iv, Green & Unique 1
Business Continuity Planning	8	ExP ii, Improving Performance 4 & 5
Key Contracts	20	ExP ii & iii, Green & Unique 2, Fit for Life 1
Local housing needs	11	ExP i & iv, Homes & Neighbourhoods 1
Capital receipts spent on non revenue generating assets	17	Economic Prosperity 1
Loss or theft of data	18	Improving Performance 4

The action plans can be seen at Appendix 2

Relevant Executive Priorities (ExP) 2008/09

- (i) To ensure that the Council fully contributes to the delivery of the priorities and objectives of the second Essex Local Area Agreement;
- (ii) To explore options to improve the accessibility of the Council's services through customer focused initiatives;
- (iii) To produce a Sustainability Strategy for the Council, to ensure that the authority minimises the environmental impact of its actions and operations; and
- (iv) To review options for the future of the North Weald Airfield.

Council Plan Objectives

The Council Plan objectives referred to above are contained in the Action Plan of the Council Plan 2006-2010, which can be found on pages 74 to 87 of that document.

Appendix 1 – Risk Register

Risks marked “ * ” are above tolerance and require managing

No	Rating	Short name	Vulnerability	Trigger	Consequence
3	B1	* East of England Plan – housing built without infrastructure	The East of England plan will mean a significantly increased level of housing in the district. The increased number of houses will require an accompanying level of infrastructure improvements (transport, schools, hospitals)	Houses built without accompanying improvements in infrastructure	<ul style="list-style-type: none"> • Demands on services increase • Infrastructure is put under pressure • Transport system under pressure • Area becomes less attractive to employers • Area becomes less attractive place to live
4	B2	* East of England Plan – unable to agree joined up plan	The East of England plan means a major amount of growth is planned for the district, both in terms of housing and infrastructure. This is part of a national Government agenda This is seen by some as an opportunity to develop a significant area of the district	Council unable to agree a joined up plan with all other involved parties	<ul style="list-style-type: none"> • Solution (URC) forced on Council • Council not properly recompensed for Council land • Increased amount of development / houses • Unable to maximise opportunity to develop areas of district • Possible boundary changes
8	C2	* Business Continuity Management	The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act	Unable to respond effectively to a business continuity incident (e.g. IT virus / flu pandemic)	<ul style="list-style-type: none"> • Services disrupted / Loss of service • Possible loss of income • Staff absence • Hardship for some of the community • Council criticised for not responding effectively

No	Rating	Short name	Vulnerability	Trigger	Consequence
20	C2	* Key contract collapses or service levels deteriorate	Contractors are providing some key council services. There have been changes in terms of service delivery and there are concerns around the ability of contractors to meet service changes and deliver the required level of performance.	Contractor collapses / is unable to provide service or Service level deteriorates	<ul style="list-style-type: none"> • Service fails / adversely affected • Alternative arrangements need to be made • Increased costs and legal implications • Health risks • Dissatisfied customers • Censure by audit/inspection
11	A3	* Unable to provide sufficient housing for local people	The Council has targets in terms of key housing needs and affordable housing, however, there is a shortage of available land in the district for housing and economic development, with high house prices.	Unable to provide sufficient housing for local people	<ul style="list-style-type: none"> • Unable to achieve targets for affordable housing • Council seen as failing • District becomes more suburban • Young people leave area/Increased elderly population • Character of district changes
17	D2	* Significant amount of capital receipts spent on non revenue generating assets	The authority is currently debt free; however much of the budget is reliant on capital receipts gained from sale of assets and interest income from investment. There is a 5-year capital programme planned, with a noted decline in the sale of council assets, particularly housing stock.	Authority spends a significant amount of capital receipts on non revenue generating assets e.g. housing grant	<ul style="list-style-type: none"> • Loss of interest • Loss of cover for contingencies • Financial strategy becomes untenable in the long term • Service reductions required • Large Council Tax increases required
18	D2	* Loss or theft of data	The Authority handles a large amount of data. Either through hacking or carelessness security of the data could be compromised.	Data held by the Council ends up in inappropriate hands.	<ul style="list-style-type: none"> • Breach of corporate governance • Increased costs and legal implications • Reputation damaged
1	C3	Recruitment in key areas	The authority is currently carrying vacancies and finding it difficult to recruit in several professional areas, esp. building control, environmental health and to junior management roles.	Key posts remain unfilled/take unacceptable lengths of time to fill	<ul style="list-style-type: none"> • Pressures on existing staff • Difficulties in succession planning • Reliance on agency staff / consultants • Adverse impact on service delivery

No	Rating	Short name	Vulnerability	Trigger	Consequence
13	C3	Key objectives not delivered due to capacity issues	<p>The Council is facing a challenging agenda with a number of initiatives and projects.</p> <p>There is a concern the corporate core, in particular, is light in terms of staffing, resource and capacity. And while the Council has the financial resources to deliver on key priorities, it may not have sufficient HR capacity</p> <p>There are concerns around overload and a recognised need to set achievable agendas and not make unachievable promises.</p>	<p>Council fails to deliver key objectives on time</p>	<ul style="list-style-type: none"> • Slippage on key projects / initiatives • Deadlines and targets not met • Lack of focus • Workloads increase • Staff demotivated
	E2	Compliance with regulations	<p>The Cabinet system leads to greater involvement of members in the day to day running of the Authority. It is important that members involved in operational issues understand the processes.</p> <p>Councillors attempt to deliver change, however there is a perception that this may not always be done in full accordance with proper processes and procedures, with possible corporate governance and legal implications.</p>	<p>A decision is made / action taken which breaches regulations</p>	<ul style="list-style-type: none"> • Breach of corporate governance • Professional opinions challenged • Probity of decision and decision making process questioned • Adverse effect on performance • Council criticised
9	E2	Depot Accommodation	<p>That the Council is unable to provide adequate accommodation for all contracted depot users.</p>	<p>Depot sites disposed of prior to replacement facilities being available.</p>	<ul style="list-style-type: none"> • Adverse impact on service delivery • Increased costs and legal implications • Council criticised

No	Rating	Short name	Vulnerability	Trigger	Consequence
10	E2	Revised Organisational Structure	<p>The structure of the Council has been revised and will need to bed down over a period of time. There are concerns, that reductions in the number of posts may reduce capacity at senior levels.</p> <p>It is important to ensure the Authority is not too internally focussed, with too much concentration on operational issues, to the detriment of strategic direction.</p>	Lack of direction on key initiatives / strategies	<ul style="list-style-type: none"> Unclear priorities and objectives Difficult to tackle major issues like changing culture Lack of corporate working Council does not move forward External criticism of Council
19	E2	Planning service does not improve	<p>Planning was a poorly performing area with some bottom quartile performance. However, significant improvements in performance have been seen.</p>	Planning service does not maintain improvement	<ul style="list-style-type: none"> Lack of member confidence CPA score affected Reputation damaged
16	D3	Inconsistent approach to procurement	<p>Procurement is inconsistent across the authority, with the strategy still needing to be embedded and some resistance to initiatives.</p> <p>A performance management framework and systems are in place but are not yet fully embedded within the authority, with no real culture of performance.</p> <p>Performance information is seen as a means rather than an end.</p>	Inconsistent approach to procurement continues	<ul style="list-style-type: none"> Authority further behind in terms of e-procurement Efficiency savings not made or contracts fail Benefits of procurement approaches not achieved Procured service poor/not value for money Criticism by inspection
16	D3	Performance management		Performance management not applied consistently across the Council	<ul style="list-style-type: none"> Performance management treated as a compliance exercise Improvement does not occur Service delivery adversely affected Criticism from inspection / audit Image of Council damaged

No	Rating	Short name	Vulnerability	Trigger	Consequence
24	D3	Cash balances	Retention of large reserves and balances fails to provide best value and restricts the development of key services.	Key service deteriorates due to lack of resources.	<ul style="list-style-type: none"> Service delivery adversely affected Criticism from inspection / audit Slippage on key projects Dissatisfied customers
5	E3	Local Government Reorganisation which is detrimental to the Council and Community	<p>Even though there are no current proposals to change boundaries in Essex, there remains a concern that this might change.</p> <p>EFDC is currently debt-free and any re-organisation may involve neighbouring authorities that are not as financially secure.</p>	Reorganisation which is detrimental to the Council and Community	<ul style="list-style-type: none"> Outflow of resources from district Change of focus to wider focus Existing priorities stopped Projects stopped / delayed Change in direction
	E3	Public comments at member level may commit the Council to policies or actions	<p>The Cabinet system leads to greater involvement of members in the day to day running of the Authority.</p> <p>There is a concern, however, at what could be perceived as a 'scattergun approach', particularly around individual initiatives, i.e. that decisions are sometimes made on the basis of public popularity, without proper evaluation and that comments made could be seen as commitments not opinions.</p>	Promises made to public without firm weight of Council behind them	<ul style="list-style-type: none"> Council policy 'made on the hoof' Council sends out mixed messages Policies not delivered Public opinion turns against the Council Possible legal implications of decision

No	Rating	Short name	Vulnerability	Trigger	Consequence
14	E3	Key initiatives resisted / delayed by culture of authority	There is a view that the authority needs to significantly change means of service delivery to meet the ever-changing demands of the wider community, and the requirements of the t-gov agenda. Implementing this will require a significant culture change across the authority, and strong consistent leadership from senior levels of the Authority.	Key initiatives e.g. shared services resisted / delayed by current culture within the authority	<ul style="list-style-type: none"> • Initiatives / plans not achieved • Failure to make savings, reduce duplications and make continuous improvements • Adverse effect on performance • Censure by audit/inspection • Image of council damaged
15	E3	Sickness absence	Levels of sickness absence are now consistently reported and managed across the authority. There has been considerable success in 2007/08 in reducing overall levels of sickness.	Sickness absence not effectively managed	<ul style="list-style-type: none"> • Staff absence impacts on ability to deliver • Increased costs of using agency staff • Efficiency savings affected • Impact on staff morale • Possible litigation / claims
21	E3	Use of Council assets	The corporate approach to accommodation and IT infrastructure is not always understood and enforced.	Council fails to make best use of it's assets	<ul style="list-style-type: none"> • Council cannot effectively respond to initiatives • Unable to justify accommodation needs • Insufficient assets to meet needs in some areas • Over provision in other areas
23	E3	Fraud	A weakness in internal controls or the application of internal controls or criminal collusion such that fraud is either not prevented or not detected.	Significant fraud occurs	<ul style="list-style-type: none"> • Loss of resources • Damage to Council's reputation • Effect on staff morale • Harm Use of Resources/CPA scores

No	Rating	Short name	Vulnerability	Trigger	Consequence
12	D4	Gershon – rule changes	<p>There is a requirement, through the Gershon review to make efficiency savings of 3% for each of the next 3 years.</p> <p>Currently, the savings will be made, however, this is primarily through current rules allowing interest on sales of assets to be included.</p>	Rules changed to preclude this	<ul style="list-style-type: none"> • Savings need to be made from other areas • Services suffer from lack of resources • Public dissatisfaction with Council services • Council reputation damaged • Censure by audit and inspection
22	D4	Key partnership fails	The Council is involved in a plethora of multi agency partnerships e.g. LSP, but these don't always have clear governance arrangements with related documentation thin on the ground.	Key partnership fails	<ul style="list-style-type: none"> • Relationships with other bodies deteriorate • Clawback of grants • Unforeseen accountabilities and liabilities for the Council • Censure by audit/inspection • Adverse impact on performance

Appendix 2 – Action Plans

RISK NO.	CURRENT RISK SCORE	TARGET RISK SCORE	CLUSTER NAME
3, 4	B 1/B 2	C 3	East of England Plan
8	C 2	C 3	Business Continuity Planning
20	C 2	D 2	Key Contracts
11	A 3	A 4	Local housing needs
17	D 2	E 2	Capital receipts spent on non revenue generating assets
18	D 2	E 2	Loss or theft of data

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
3, 4	Informal joint working to pursue funding for infrastructure; and appropriate planning with stakeholders.	Will only become apparent when applications are received and development commences.	Decisions and actions to commence formal inter-authority working; plus progress with policy on Community Infrastructure Levy.	Planning & Economic Development Portfolio Holder Director of Planning & Economic Development	The Council retains control of the delivery arrangements and the provision of improved infrastructure.	Quarterly	31/12/08
8	Most services already have business continuity plans in place and a separate flu pandemic plan is currently being developed.	A Corporate Plan is now in place and arrangements for mass vaccination have been developed with the PCT.	Both corporate and service business continuity plans are being updated. Cabinet has approved measures to enhance the resilience of the power supply.	Community Wellbeing Portfolio Holder Deputy Chief Executive	Having plans in place which are proved fit for purpose either by events or external scrutiny.	Quarterly	None
20	Systems for contract monitoring in place. Contingency plans exist to deal with contract failure.	Contract monitoring established. Business continuity planning has proved effective in waste management.	Negotiations with both contractors are underway to deal with the issues of Epping Sports Centre and the green waste service respectively.	Leisure & Young People Portfolio Holder Environment Portfolio Holder Director of Environment and Street Scene	Reaching agreement on the future management of Epping Sports Centre. Agreeing a new method of providing the green waste service.	Quarterly	None

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
11	Requirement for 40% affordable housing on all large sites. Developments on green belt can result in more affordable housing. Council considers annual provision of grant to housing associations.	Meeting all housing need will not be addressed by existing control, but will help. Grant from the Council also assists.	Early identification of new sites required by the East of England Plan, which will provide associated affordable housing.	Housing Portfolio Holder Director of Housing	Whether housing need is significantly reduced.	Quarterly	31/12/08
17	Five year capital programme prepared which includes resources. Surplus assets continue to be identified and disposed of.	Effective to date as even with £50M capital programme over 5 years more than £15M of usable receipts anticipated at end of period.	Continue to highlight revenue consequences of all new capital schemes. The disposal of surplus assets has been suspended until market conditions improve.	Finance & Performance Management Portfolio Holder Chief Executive	Maintenance of adequate capital and revenue balances.	Quarterly	31/12/08

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
18	Security Officer is continually monitoring EFDC situation and potential risks. Most systems have in built controls to prevent unauthorised access. Regular liaison with Assistant Director of ICT and Technical Services Manager.	Effective to date. All laptop hard drives have been encrypted.	Replacement of obsolete hardware, adoption of Government Connect to ensure secure data transfers. Activation of DEVICEMALL system to prevent unauthorised export of data using USB ports, CD RW and Floppy drives. Internal Audit is currently performing a security review.	Corporate Support Services & ICT Portfolio Holder Director of Finance & ICT	No data loss or system downtime due to unauthorised access of EFDC systems or data.	Quarterly	None

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