

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** 26 January 2009

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 6.35 - 7.35 pm

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

Other Councillors: G Mohindra and J M Whitehouse

Apologies: None

Officers Present: P Haywood (Chief Executive), D Macnab (Deputy Chief Executive), R Palmer (Director of Finance and ICT), A Hall (Director of Housing), B Moldon (Principal Accountant), S Dave (Senior Accountant), E Higgins (Insurance & Risk Officer), J Boreham (Assistant Public Relations and Information Officer), G J Woodhall (Democratic Services Officer), D Clifton (Principal Housing Officer [IT]) and S Mitchell (PR Website Editor)

41. WEBCASTING INTRODUCTION

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

42. MINUTES

RESOLVED:

That the minutes of the meeting held on 8 December 2008 be taken as read and signed by the Chairman as a correct record.

43. DECLARATIONS OF INTEREST

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

44. ANY OTHER BUSINESS

It was noted that there was no other urgent business for consideration by the Cabinet Committee.

45. RISK MANAGEMENT - UPDATED CORPORATE RISK REGISTER

The Director of Finance & ICT presented a report concerning the updated Corporate Risk Register. The Corporate Risk Register had been considered by both the Risk Management Group and Corporate Governance Group, and it had been proposed to

increase the scoring of two existing risks. With the current state of the economy and the ongoing trading difficulties being experienced by businesses, it was felt that the score for the risk on Key Contracts (risk 20) should be increased to B2 (High Likelihood, Critical Impact). The average number of days lost to sickness absence had increased during the first half of 2008/09 and it was anticipated that the figures for the third quarter would show a further deterioration. Hence, it had been proposed to increase the score of this risk (risk 15) to C3 (Significant Likelihood, Marginal Impact).

The Chairman requested that a further risk relating to the expected loss of income from the Council's Investments, Local Land Charges and Building Control be considered by Officers and reported back to the Cabinet Committee at its next scheduled meeting on 16 March 2009 for addition to the Register.

RECOMMENDED:

- (1) That the score for the risk relating to Key Contracts (risk 20) be increased from C2 (Significant Likelihood, Critical Impact) to B2 (High Likelihood, Critical Impact);
- (2) That the score for the risk relating to Sickness Absence (risk 15) be increased from E3 (Very Low Likelihood, Marginal Impact) to C3 (Significant Likelihood, Marginal Impact);
- (3) That a further new risk be identified in relation to the potential loss of income from the Council's Investments, Building Control and Local Land Charges, to be considered at the next meeting of the Cabinet Committee;
- (4) That the current tolerance line on the risk matrix be considered satisfactory and not be amended; and
- (5) That, incorporating the above agreed changes, the amended Corporate Risk Register be approved.

46. RISK MANAGEMENT - STRATEGY, POLICY STATEMENT AND TERMS OF REFERENCE

The Director of Finance & ICT presented a report regarding the review of the Risk Management Strategy and Policy Statement, and the Terms of Reference for the Risk Management Group. These were reviewed on an annual basis by the Cabinet Committee before being recommended to the Cabinet for approval. It was reported that there had been no significant amendments to the Documents on this occasion.

RECOMMENDED:

- (1) That the updated Risk Management Strategy and Policy Statement be adopted; and
- (2) That the updated Terms of Reference for the Risk Management Group be noted.

47. COUNCIL BUDGETS 2009/10

The Finance & Performance Management Portfolio Holder introduced a report about the proposed Council Budgets for 2009/10, before inviting the Director of Finance & ICT to provide a summary for the benefit of the Cabinet Committee.

The Director of Finance & ICT stated that the largest Continuing Service Budget (CSB) growth item for next year was £217,000 for the for the expected reduction in investment income, following the reduction in the Bank of England base rate from 5% six months ago to its current level of 1.5%. Other significant growth items within the CSB included an allowance of £175,000 for the reduction in income from Local Land Charges and £150,000 for the recently agreed changes to the Waste Management service regarding the collection of kitchen and green waste. Further CSB growth was expected for the extension of the contract for the management of Epping Sports Centre and the implementation of the recommendations of the Customer Services Transformation Scrutiny Panel. The current CSB total of £18.074million was £174,000 above the budget guideline target, however this was partly offset by the level of the General Fund Reserve being higher than anticipated.

In respect of the District Development Fund (DDF), the Director of Finance & ICT reported that the largest items of expenditure were £432,000 for the development of the Local Development Framework, £215,000 for the revised Waste Management service, and £148,000 for remedial work to watercourses. The current DDF programme of £1.181million had exceeded the budget guideline by £481,000, however it was felt that, as the outturn would be unlikely to exceed £1million, this excess was not considered significant.

The Director of Finance & ICT reported that the proposed Council Tax increase of 2.5% was in line with the revised budget guideline agreed by the Cabinet Committee at its last meeting. Additionally, with current projections indicating that the Council's reserves would be £6.475million by 2012/13, or approximately 36% of net budget requirement, the Council's target of not allowing General Fund balances to fall below 25% of net budget requirement would also be met. As previously reported, the Formula Grant settlement for the three-year period 2008/09 to 2010/11 had resulted in small increases for the Council of 1%, 0.5% and 0.5% respectively. The Medium Term Strategy for the next four years indicated deficit budgets for the next three years before breaking even, as well as CSB savings of £300,000 per annum in each of the three years from 2010/11.

The Cabinet Committee's attention was drawn to some of the significant risks and uncertainties for 2009/10. The effects of the current economic depression would impact not only upon the Council's revenue streams, but could also lead to additional demands being placed on services such as Benefits and Housing. The recent arbitration of the pay award dispute between the Employers and Trades Unions was also an area of concern, along with the pending clarification of whether the Department of Communities and Local Government would provide a capitalisation direction to cover the pension deficit payments for 2008/09 and subsequent years.

The balance of the Housing Revenue Account (HRA) was expected to be £5.8million at 31 March 2010, a deficit of £388,000 for 2009/10 due to the £351,000 increase in subsidy payable to the Government. The HRA had had substantial balances for a period of time now and, despite the proposed deficit budget, this position was not expected to change in the short-term. The process of rent restructuring, whereby Council and Housing Association rents were converged, had been temporarily suspended with greater discretion given to local authorities. The average rent increase for 2009/10 was expected to be 4%. The Five-Year Forecast for the HRA was being updated and would be presented to a subsequent meeting of the Cabinet. The estimated balances for both the Housing Repairs fund and Major Repairs Reserve had also been provided.

The Director of Finance & ICT highlighted the current Capital Programme for 2008/09 to 2012/13, the report on the Council's Prudential Indicators for 2009/10 to 2011/12 and the Treasury Management Strategy for 2009/10, which were all attached to the report. The Council had agreed the Capital Strategy in December 2008, and the only subsequent additional item was £1.9million for the revised Waste Management arrangements, of which the County Council would provide £0.5million. Prudential Indicators were more relevant for Councils with debt, and the Council aimed to remain debt-free during 2009/10. Given the current instability in the money markets, a more prudent approach had been adopted for the Treasury Management Strategy. The maximum amount for investment had been reduced to £10million and Building Societies without a credit rating had been removed from the counterparty list. It was anticipated that this might reduce earnings from interest but the priority was to safeguard the Council's investment funds.

The final item of the budget was the Chief Financial Officer's report. The Director of Finance & ICT had concluded that the estimates were sufficiently robust for the purposes of the Council's overall budget for 2009/10, and that the reserves of the Council were adequate to cope with the financial risks faced by the Council in 2009/10 but that savings would be needed in subsequent years to balance the budget in the medium term.

The Finance and Performance Management Portfolio Holder felt that the budget as presented was a good budget that had met the Cabinet's priorities for the forthcoming year by restricting the District Council Tax increase to 2.5% and that for the fourth consecutive year there were no proposed cuts in service. The measures undertaken by the Cabinet to assist with the stimulus of the local economy were listed, of which the principal measure was not increasing the car parking tariffs for 2009/10. The Council was also now settling their outstanding accounts with local businesses in a shorter timeframe, and liaising with the Federation of Small Businesses to discuss further measures that could be taken. The decision to restrict the rent increase to 4% had been taken to provide assistance to the Council's tenants. The Cabinet Committee were informed that many local authorities within Essex were considering either a Council Tax increase of 5% or redundancies amongst their staff to cut costs. The budget for 2010/11 would be more difficult, due to the need to make £300,000 of savings, and would have to be considered early in the new financial year.

In response to queries from members, the Director of Finance & ICT agreed to confirm whether the budget for the establishment of the Local Development Framework included the cost of the consultation over the proposed Gypsy and Traveller sites within the District. It was acknowledged that there was an element of doubt and risk over the Private Finance Initiative proposed by Essex County Council for Waste Management, and the Environment Portfolio Holder added that other sources of funding had been investigated. The Council was no longer investing with any banks outside the United Kingdom, although there were some outstanding investments with Irish Banks that were due to mature in April and May 2009. No further monies had been invested in Icelandic banks or their subsidiaries and each investment decision now had the direct involvement of either the Director of Finance & ICT or the Assistant Director (Accountancy).

The Portfolio Holder thanked the Director of Finance & ICT and his team for their efforts in preparing the draft budget.

RECOMMENDED:

- (1) That, in respect of the Council's General Fund budgets for 2009/10, the

following be adopted:

- (a) the revised revenue estimates for 2008/09, and the anticipation of an increase of £525,000 for the General Fund balance;
 - (b) an increase in the target for the 2009/10 CSB budget from £17.9m to £18.1m (including growth items);
 - (c) an increase in the target for the 2009/10 DDF net spend from £0.7m to £1.2m;
 - (d) an increase of 2.5% in the District Council Tax for a Band 'D' property to raise the charge from £143.01 to £146.61;
 - (e) the estimated reduction in General Fund balances in 2009/10 of £763,000;
 - (f) the four year capital programme 2009/10 – 2012/13;
 - (g) the Medium Term Financial Strategy 2009/10 – 2012/13;
 - (h) the Council's policy on General Fund Revenue Balances to remain that they be allowed to fall no lower than 25% of the Net Budget Requirement;
- (2) That, including the revised revenue estimates, the HRA budget for 2009/10 be agreed;
 - (3) That the application of the rent increases and decreases for 2009/10 be in accordance with the Government's rent reforms and the Council's approved rent strategy;
 - (4) That the established policy of capitalising deficiency payments to the pension fund be maintained, in accordance with the Capitalisation Direction request made to the Department for Communities and Local Government;
 - (5) That the Council's Prudential Indicators be agreed;
 - (6) That the Treasury Management Strategy for 2009/10 be agreed; and
 - (7) That the Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2009/10 budgets and the adequacy of the reserves be noted.

CHAIRMAN