

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** 25 January 2010

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 6.00 - 7.15 pm

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

Other Councillors: D Jacobs, B Rolfe and J M Whitehouse

Apologies:

Officers Present: D Macnab (Deputy Chief Executive), R Palmer (Director of Finance and ICT), P Maddock (Assistant Director (Accountancy)), B Moldon (Principal Accountant), E Higgins (Insurance & Risk Officer), A Hendry (Democratic Services Officer) and G J Woodhall (Democratic Services Officer)

33. WEBCASTING INTRODUCTION

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

34. DECLARATIONS OF INTEREST

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

35. MINUTES

RESOLVED:

That the minutes of the meeting held on 14 December 2009 be taken as read and signed by the Chairman as a correct record.

36. ANY OTHER BUSINESS

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

37. COMPREHENSIVE AREA ASSESSMENT 2009/10 - ORGANISATIONAL ASSESSMENT

The Deputy Chief Executive introduced a report regarding the results of the Council's Organisational Assessment for 2009/10, as part of Comprehensive Area Assessment

(CAA) which was the new framework for the independent assessment of local public services in England.

The Deputy Chief Executive reported that the Council had been assessed as performing adequately (score = 2 out of 4) in the following five different categories:

- (i) Managing Performance;
- (ii) Use of Resources;
- (iii) Managing Finances;
- (iv) Governing the Business; and
- (v) Managing Resources.

The Deputy Chief Executive advised that a number of strengths and weaknesses had been identified by the assessment. Some of the problems highlighted by the report included the Council's rate of improvement being slower than other councils, performance within the Benefits Section, the provision of affordable housing being affected by the limited availability of suitable sites, and the need for the Council to focus on value for money and the quality of its service delivery. However, some services were improving, particularly in relation to the Council's top priorities. Nearly all of the Council's housing stock had met the Decent Homes standard, and Recycling rates had improved and should improve further following recent changes to the service. The District Council Tax was the second lowest in Essex, and the Council had developed its workforce and improved its succession planning. The Council had been exploring different ways to deliver its services and improve its partnership working; the Leader of the Council had taken a proactive role in key partnerships, including chairing the Local Strategic Partnership.

The Cabinet Committee was reminded that a report had been submitted for consideration at next week's Cabinet meeting regarding the further refinement of the Key Priority Objectives and the review of the Council Plan for the next four-year period.

The Portfolio Holder for Performance Management stated that the report had been a snapshot of the problems facing the Council at that particular time. It was acknowledged that there had been problems with the Benefits Section due to the implementation of a new computer system. It was felt important that a balance should be maintained between what was important for residents and what was important for the Audit Commission. The number of the Council's key priority objectives had been reduced from 27 to a more manageable 5, and would be linked to the new Council Plan and the Directorate Business Plans. Approximately a third of the key priority objectives were finance orientated, whilst others were concerned with issues such as the local environment. The full list of objectives was currently being finalised and would be reported to next week's Cabinet on a supplementary agenda.

In respect of the problems highlighted within the Benefits section, the Portfolio Holder for Finance & Economic Development stated that a report restructuring the section had been agreed by the Cabinet in July 2009, whereby additional funding had been made available for extra resources and a previously temporary post had been added to the permanent establishment. The Director of Finance & ICT added that the report from the current inspection of the Benefits section being undertaken by the Audit Commission should be available by May 2010.

RESOLVED:

That the results of the Council's Organisational Assessment for 2009/10 be noted.

38. RISK MANAGEMENT - UPDATED CORPORATE RISK REGISTER

The Senior Finance Officer (Risk & Insurance) presented a report regarding the update of the Corporate Risk Register. The Cabinet Committee was informed that the Register had been considered by both the Risk Management Group and the Corporate Governance Group, who felt that the scores for three existing risks should be increased to reflect their increased vulnerability.

The Senior Finance Officer stated that risk 9, Depot Accommodation, had been the first risk reviewed. In view of the concern regarding possible overcrowding at the Langston Road Depot site, it was felt that the score for this risk should be increased from E2 (very low likelihood, critical impact) to B2 (high likelihood, critical impact). The second risk reviewed had been risk 17, Capital Receipts spent on non revenue generating Assets. As 'Meeting Housing Need' was now the top priority for capital spending, it was felt that the score for this risk should be increased from D2 (low likelihood, critical impact) to C2 (significant likelihood, critical impact). Finally, risk 18, Loss or Theft of Data, had been reviewed due to the recent erroneous publication of a confidential agenda item on the Council's website. This risk had previously been scored as D2 (low likelihood, critical impact) but it was felt that it should now be scored as C2 (significant likelihood, critical impact).

The Director of Finance & ICT explained that both the Risk Management Group and Corporate Governance Group had concerns about capital grants being given to Housing Associations, especially as the Council's capital reserves were expected to drop to approximately £10million over the next five years. For clarification, the Director added that it was not the intention of the Council to sell the depot at Langston Road before acquiring replacement facilities, and neither were the Council expecting Sita to go into receivership, although there had been problems with some of the other Council contracts, such as Pest Control.

RECOMMENDED:

- (1) That the likelihood for the risk relating to Depot Accommodation be increased from E (very low likelihood) to B (high likelihood);
- (2) That the likelihood for the risk relating to Capital Receipts spent on non revenue generating Assets be increased from D (low likelihood) to C (significant likelihood);
- (3) That the likelihood for the risk relating to Loss or Theft of Data be increased from D (low likelihood) to C (significant);
- (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.

Reasons for Decision:

It was essential that the Corporate Risk Register was regularly reviewed and kept

relevant to the threats faced by the Council.

Other Options Considered and Rejected:

To score the risks differently or to consider alternative actions if necessary.

39. RISK MANAGEMENT - CORPORATE DOCUMENTS

The Senior Finance Officer (Risk & Insurance) presented a report concerning the corporate Risk Management documents.

The Senior Finance Officer stated that the Risk Management Strategy and Risk Management Policy Statement were reviewed on an annual basis by the Cabinet Committee and then recommended to Cabinet for adoption. No significant amendments to the documents had been proposed at the current time, only minor amendments to reflect changes in the Council's Constitution. The updated Terms of Reference for the Officer Risk Management Group were for the Cabinet Committee to note.

RECOMMENDED:

- (1) That the updated Risk Management Strategy be adopted; and
- (2) That the updated Risk Management Policy Statement be adopted; and

RESOLVED:

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

Reasons for Decision:

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

Other Options Considered and Rejected:

To request more substantial amendments to any or all of the documents.

40. COUNCIL BUDGET 2010/11

The Director of Finance & ICT presented a report detailing the proposed Council Budget for 2010/11, which enabled the Council's policy on the level of reserves to be maintained throughout the period of the Medium Term Financial Strategy, despite the proposed use of £0.5 million from the reserves. The budget was based upon the assumptions that Council Tax would increase by 2.5% and housing rents would increase by 2.4%.

The Director of Finance & ICT emphasised the likely reduction in the Council's Revenue Support Grant when the Comprehensive Spending Review (CSR) was undertaken after the next General Election. The revised Medium Term Financial Strategy (MTFS) had assumed a 5% decrease in 2011/12 with the total decrease being 10% over the CSR period. It was proposed to increase the target for the 2010/11 Continuing Services Budget (CSB) to £18.1million. The largest growth item was an additional £92,000 for the increase in employer's contributions to the pension fund. A number of CSB income streams had been affected by the downturn in the

Housing Market, including Local Land Charges, Building Control and Development Control. However, other income streams had exceeded expectations, including MOT income from Fleet Operations, and Licensing income.

The Director of Finance & ICT advised that negotiations for the 2010/11 pay award had currently reached an impasse after the Employers had offered 0% in response to the Unions' request for 2.5%. The Cabinet Committee were reminded that every 1% increase added £200,000 to the Council's salary bill. The MTFs had assumed annual increases of 1.5%, and it was expected that the final award would be close to this. The use of capital receipts on non-revenue generating assets had been highlighted when the Cabinet Committee had considered the updated Risk Register. The Capital Programme anticipated the balance of capital receipts reducing from £24.3million to £9.9million over the next four years. The next triennial valuation of the Local Government Pension Scheme (LGPS) was due in March 2010. Applications for the capitalisation of pension deficit payments in the sums of £1.205million for the General Fund and £565,000 for the HRA had been submitted to the Department of Communities & Local Government for 2009/10; these directions would not be confirmed until late January.

In respect of the District Development Fund (DDF), the Director of Finance & ICT reported that the largest items of expenditure were £508,000 for the reduction in investment income, £400,000 for the generation of the Local Development Framework, £147,000 for the Planned Building Maintenance Programme, and £137,000 for the likely reduction in special grant for Concessionary Fares as discussed at the previous Cabinet meeting. Officers were also working with an international firm of Accountants on a "no win, no fee" basis to establish whether the Council could recover any Value Added Tax. The current DDF programme of £1.358million exceeded the guideline by £58,000. However, as the DDF was perennially underspent, this was not considered significant.

The Director of Finance & ICT advised the Cabinet Committee that within the revised MTFs, two alternative models had been presented for consideration. The first model envisaged a 2.5% increase in the District Council Tax in line with the previously agreed budget guidelines. The second model envisaged a 1.5% increase in the District Council Tax for 2010/11, which was predicted to lead to a £360,000 greater reduction in Revenue Balances over the next four years. Current projections indicated that the Council's reserves would be £6.7million by 2013/14; 25% of net budget requirement would £4.3million and thus it was not envisaged that this particular budget guideline would be breached.

For the Housing Revenue Account (HRA), the Director of Finance & ICT explained that the balance was expected to be £6.09million at 31 March 2011, following an anticipated deficit of £7,000 in 2010/11. There were no significant variances within the proposed HRA budget for 2010/11. Finally, the report of the Chief Financial Officer was highlighted to the Cabinet Committee, and had concluded that:

- (i) the estimates presented were sufficiently robust for the purposes of the Council's overall budget for 2010/11; and
- (ii) the reserves of the Council were adequate to cope with the financial risks facing the Council in 2010/11, but that savings would be required in subsequent years to bring the budget back into balance in the medium term.

The Principal Accountant then presented the report on the Council's Prudential Indicators for 2010/11 to 2012/13, and the Treasury Management strategy for 2010/11. The main changes had been the plan to increase the Members' awareness

of Treasury matters through increased training, a new mid-year progress report, and the likely scrutiny of the Council's Treasury function by the Audit & Governance Committee.

The Portfolio Holder for Finance & Economic Development thanked the Officers for their efforts in putting the budget together. The Portfolio Holder proposed that the model for a 1.5% increase in Council Tax should be adopted, with a 2.5% increase in future years. This would be a prudent measure given the current economic circumstances, and the possibility that the Council's settlement could decrease by more than the assumed 10% within the MTFs. The Cabinet Committee agreed this measure, which would see the District Council Tax for a Band 'D' property rise to £148.77.

In response to questions from the Members present, The Director of Finance & ICT stated that there would be too many uncertainties if the model was rolled beyond 2013/14. Savings from the Essex Procurement Hub had been reflected through the estimates quoted for items such as Cash Collection, Insurance and Network Maintenance. A report had been considered by the Cabinet Committee at its previous meeting, which had illustrated the savings obtained by the Council from its membership. The last triennial valuation of the Pension Scheme had increased the employer's contributions by 1% annually; since then employee contributions had also been increased, and further reforms were being considered. The Deputy Chief Executive confirmed that the budget for Standards Committee investigations had been exceeded and an extra allocation of £5,000 had been made within the DDF for 2010/11. It was confirmed that the majority of the investigations involved Town or Parish Councils.

RECOMMENDED:

(1) That, in respect of the Council's General Fund Budgets for 2010/11, the following be adopted:

(a) the revised revenue estimates for 2009/10, and the anticipated reduction in the General Fund balance of £837,000;

(b) an increase in the target for the 2010/11 CSB budget from £18m to £18.1m (including growth items);

(c) an increase in the target for the 2010/11 DDF net spend from £1.3m to £1.4m;

(d) an increase of 1.5% in the District Council Tax for a Band 'D' property to raise the charge from £146.61 to £148.77;

(e) the estimated reduction in General Fund balances in 2010/11 of £497,000;

(f) the four year capital programme 2010/11 – 2013/14;

(g) the Medium Term Financial Strategy 2010/11 – 2013/14; and

(h) the Council's policy on General Fund Revenue Balances to remain that they be allowed to fall no lower than 25% of the Net Budget Requirement;

(2) That, including the revised revenue estimates for 2009/10, the 2010/11 HRA budget be agreed;

(3) That the application of the rent increases and decreases proposed for 2010/11, in accordance with the Government's rent reforms and the Council's approved rent strategy, with the addition of an extra element to give an average overall increase of 2.4% be noted;

(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 Council's Treasury Management Strategy for 2010/11 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 2010/11 budgets and the adequacy of the reserves be noted.

Reasons for Decision:

To assist Cabinet in determining the budget that would be recommended to the Council for agreement on 16 February 2010.

Other Options Considered and Rejected:

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

CHAIRMAN