EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	14 June 2010
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	6.35 - 7.30 pm

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

Other Councillors: B Rolfe

Apologies: Mrs P Smith

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

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1. DECLARATIONS OF INTEREST

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

2. MINUTES

RESOLVED:

That the minutes of the meeting held on 18 May 2010 be taken as read and signed by the Chairman as a correct record.

3. ANY OTHER BUSINESS

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

4. KEY PERFORMANCE INDICATORS - OUTTURN FOR 2009/10 & ADOPTION FOR 2010/11

The Deputy Chief Executive presented a report upon the outturn for 2009/10 of the Council's Key Performance Indicators, and the adoption of a new set of indicators for 2010/11.

The Deputy Chief Executive reported that a range of 58 Key Performance Indicators had been adopted for 2009/10, and had been comprised of a mixture of statutory National Indicators, Local Performance Indicators and other local Indicators deriving from the Local Area Agreement for Essex. An objective had been set for at least 80% of the Indicator set to achieve target performance by the end of the year. Performance reports for each Indicator had been considered by the Finance & Performance Management Scrutiny Panel at its meeting on 10 June 2010. The outturn for the Key Performance Indicators in 2009/10 was reported as:

(i)	31 achieved their target performance	53.4%
(ii)	20 did not achieve their target performance	34.5%
(iii)	4 could not be reported	6.9%
(iv)	1 was not required to be measured	1.7%
(v)	1 was not subject to a performance target	1.7%
(vi)	1 was not reported	1.7%

Of the 20 Indicators that did not meet their target, eight were within 5% of their target. If the seven Indicators that could not be reported were excluded, then 60.8% of Indicators for 2009/10 achieved their target.

The Deputy Chief Executive advised the Cabinet Committee that the draft set of Indicators for 2010/11 had been reviewed as requested, to ensure that they were focused on both the Council's and local communities' key priorities. To this end, a mapping exercise had been undertaken to show the relevance of each indicator to the Council's medium term aims for the period 2010-14, the Council's Key Objectives for 2010/11, and the priorities identified in the Sustainable Community Strategy. The Government had also announced the deletion of four National Indicators, with effect from 1 April 2010, however it had been proposed to retain NI14 (reducing avoidable contact) following a review of its data collection methodology. In addition, the Scrutiny Panel had recommended the deletion of a further eight Indicators from the set to give a reduced number of 47 Indicators for 2010/11, and had also proposed that the Corporate Improvement Target should be set at 70% for 2010/11.

The Portfolio Holder for Performance Management added that 30 Indicators had been identified for regular review by both the relevant Portfolio Holders and the Scrutiny Panel. The 70% Corporate Improvement Target proposed by the Scrutiny Panel was sensible, which would hopefully lead to improvement being demonstrated across the whole range of Indicators. It was noted that the requirement to report upon a suite of National Indicators had been highlighted to the Government as "red tape" that could be usefully deleted to improve the efficiency of Local Government in the recent Government consultation.

RESOLVED:

(1) That, in relation to the Key Performance Indicators adopted for the year, the Council's overall outturn performance for 2009/10 be noted; and

(2) That proposals for the adoption of Key Performance Indicators for 2010/11 as recommended by the Finance & Performance Management Scrutiny Panel, including the setting of a 70% corporate improvement target for the year, be agreed.

5. PROVISIONAL REVENUE OUTTURN 2009/10

The Assistant Director (Accountancy) presented a report upon the provisional Revenue outturn for 2009/10.

The Assistant Director reported that expenditure within the Continuing Services Budget (CSB) was £568,000 below the original estimate and £701,000 lower than the revised estimate. The salary budget had been underspent by £731,000 with approximately two-thirds applicable to the General Fund and one-third applicable to the Housing Revenue Account (HRA). Other significant savings had been £64,000 for plant maintenance, gas and electricity at the Civic Offices, £40,000 within the Corporate Improvement budget, £34,000 within the Performance Management Unit and £24,000 within ICT Maintenance budgets.

The Assistant Director advised that the District Development Fund (DDF) had shown a saving of £919,000 for the year, against the revised estimate of £294,000 of expenditure. There were requests for carry forwards totalling £523,000 so the net underspend on the DDF was £690,000. It was emphasised that there was regular slippage and carry forward for DDF items, as these were one-off projects. The Council had received a VAT refund of £1,158million into the DDF, when only £375,000 had been expected, relating to Leisure income received between 1990 and 1994. The Council had also received higher than expected income from both MOT's at Langston Road and Local Land Charges. A further £115,000 of expenditure for the Local Development Framework had been carried forward into 2010/11.

For the HRA, the Cabinet Committee was informed that an expected revised deficit of £25,000 had become a surplus of £8,000 for 2009/10. A number of budgets saw underspends, and the subsidy payable to the Government had reduced by £1.442million in comparison to the original estimate, although this was partly offset by a £309,000 loss of rental income. Capital Expenditure Charged to Revenue was increased by £620,000 to avoid the HRA accumulating excessive balances, but the balance as at 31 March 2010 was still in excess of £6million – well above the £3-4million target range in the HRA five-year forecast.

The Cabinet Committee expressed concern at some of the large balances, as these could become a target for future Government cuts in grants and subsidies, and felt that further savings needed to be found within the CSB to maintain the Council's current sound financial position.

RESOLVED:

(1) That the Revenue outturns for the General Fund & Housing Revenue Accounts for 2009/10 be noted; and

(2) That the carry forward of £523,000 of District Development Fund Expenditure from 2009/10 into 2010/11 be noted.

6. PROVISIONAL CAPITAL OUTTURN 2009/10

The Assistant Director (Accountancy) presented a report detailing the Council's Capital Programme for 2009/10 in terms of expenditure and financing, and comparing the actual outturn figures with the revised estimates agreed by the Cabinet on 1 February 2010.

The Assistant Director reported that the General Fund capital outturn for 2009/10 was £4.945million, which represented an underspend of £1.118million on the revised budget. This represented a saving of £69,000, an overspend of £6,000 and slippage of £1.055million. The Housing Revenue Account (HRA) capital outturn for 2009/10 was £8.277million, which represented an overspend of £134,000 on the revised estimate and comprised slippage of £660,000 and expenditure brought forward in the sum of £794,000.

The Assistant Director advised that with regard to capital receipts, income from Council house sales and sales of other assets were slightly higher than expected during 2009/10. Overall, the use of capital receipts was lower than expected, mainly due to the reduced expenditure for General Fund schemes, and the balance of unused capital receipts was slightly above £21million as of 31 March 2010. The Revenue Contributions to Capital Outlay were higher than expected to prevent the HRA balance from exceeding the level required to enable the capitalisation of pension deficits. This resulted in the balance on the Major Repairs Reserve being higher than anticipated at £5.73million as of 31 March 2010.

RECOMMENDED:

(1) That the provisional outturn report for 2009/10 be noted;

(2) That the over and underspends on certain capital schemes in 2009/10, as identified within the report, be retrospectively approved;

(3) That the carry forward of unspent capital estimates relating to schemes upon which slippage had occurred be approved; and

(4) That the funding of the capital programme in 2009/10 be retrospectively approved.

Reasons for Decision:

The requested funding approvals were intended to make the best use of the resources available to finance the Council’s Capital Programme.

According to current predictions, the suggested Revenue Contributions to Capital Outlay was affordable within the HRA.

Other Options Considered and Rejected:

To partly finance HRA capital expenditure from the use of usable capital receipts, however any use of capital receipts for HRA purposes would reduce the capital resources available for the General Fund.

7. RISK MANAGEMENT - UPDATED CORPORATE RISK REGISTER

The Senior Finance Officer (Risk & Insurance) presented a report regarding the updated Risk Register for consideration.

The Senior Finance Officer reminded the Cabinet Committee that it had requested a new risk to be added to the register concerning possible disruption to services during the London Olympics in 2012. Both the Risk Management Group and Corporate Governance Group in May had considered the new risk and the existing Risk Register. It was proposed to include the new risk and score it as B3 (High Likelihood, Marginal Impact), which placed it above the risk tolerance line; consequently, an action plan had been produced and included within the Register.

The Senior Finance Officer added that recent announcements from the new Government would impact upon a number of the risks within the Register, primarily the risks related to the East of England Plan, site provision for Gypsies and Travellers, and a possible reduction in Government Grant. The relevant risks would be updated in due course when more information became available, and presented to the Cabinet Committee for agreement.

The Cabinet Committee were concerned that the risk relating to the Reduction in Government Grant was currently scored as B2 (High Likelihood, Critical Impact). The Director of Finance & ICT stated that the rating would be reviewed when further information was forthcoming from the Government, however the Cabinet Committee felt that the likelihood was now 'Very High' rather than 'High'.

The Leader of the Council queried the two risks involving the Cabinet on the Register, and felt that they should now be removed. The Director of Finance & ICT reassured the Cabinet Committee that these particular risks had been added when the membership of the Cabinet was shared pro-rata amongst the different political groupings, and that the ratings had been reduced following the gaining of a Council majority by one particular group. The Cabinet Committee felt that these particular risks should now be removed from the Register.

The Director of Finance & ICT advised that the risk relating to the East of England Plan – Housing built without Infrastructure should retain its current rating of B1 (High Likelihood, Catastrophic Impact) until the new Government made clear its future intentions. It was agreed to remove the risk relating to the Gershon Rule Changes as it was now obsolete. It was acknowledged that there was a tendency for the Risk Management Group to consider new risks and focus on those risks above the tolerance line, rather than review and delete those risks no longer applicable to the Council. It was agreed that all Risks on the Register would be considered at the Group's next meeting, with proposed changes to be considered by the Cabinet Committee at its next meeting.

RECOMMENDED:

(1) That the likelihood for the risk relating to the Reduction in Government Grant be updated from 'High' to 'Very High';

(2) That a new risk relating to the 2012 London Olympics and possible service disruption be added to the Risk Register and scored as B3 (High Likelihood, Marginal Impact);

(3) That the risks relating to Compliance with Regulations and Public Comments at Member Level which may Commit the Council to Policies or Actions be removed from the Register;

(4) That the risk relating to Gershon Rule Changes be removed from the Register;

(5) That all existing risks on the Register be considered by the Risk Management Group for relevance and recommendations made to the next scheduled meeting of the Cabinet Committee;

(6) That the current tolerance line on the risk matrix be considered satisfactory and not be amended; and

(7) 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.

8. SUNDRY DEBTS PERFORMANCE MONITORING

The Senior Finance Officer (Risk & Insurance) presented a report upon the performance of the Sundry Debt function in 2009/10, following the availability of figures.

The Senior Finance Officer reported that a comparison of the Aged Debt Analysis between 2008/09 and 2009/10 indicated that, whilst there had been an increase in the overall debt due to new debts issued close to the end of the financial year as the proportion of debts less than 30 days old had increased from 39% to 52%, in monetary terms the value of outstanding debts more than 60 days old had reduced by £272,371. The Sundry Debt Performance Indicators had also indicated that the value of debts collected within 42 days and 60 days had also improved during 2009/10, which was encouraging given the downturn in the national economy. Sundry Debt data for three sample weeks in 2009 was being tabulated for a benchmarking exercise being undertaken by the Chartered Institute of Public Finance & Accountancy (CIPFA), and a further report comparing the Council's performance with other local authorities would be considered by the Cabinet Committee when the results of the CIPFA exercise had been published.

The Director of Finance & ICT reminded the Cabinet Committee that the latest review of the Sundry Debt Policy had been approved by the Cabinet at its meeting on 19 April 2010, and that the Council had debts where small on-going payment schemes had been agreed, hence some debts more than five years old had not been written off. There was no one particular reason for the debts less than 30 days old to have increased by almost £450,000 in comparison with 2008/09, but the value of debts written off had increased during 2009/10 due to the clearance of a number of old housing debts during the year.

RESOLVED:

That the performance of the Council's Sundry Debt function during 2009/10 be noted.

9. MEDIUM TERM FINANCIAL STRATEGY - EFFECT OF RECENT GOVERNMENT ANNOUNCEMENTS

The Director of Finance & ICT presented a report upon the effects of the post election announcements by the new Government on the Council's Medium Term

Financial Strategy.

The Director reported that the Medium Term Financial Strategy had been constructed upon the assumption that Council Tax revenues would rise by 2.5% each year. However, the new Government had decreed that Council Tax increases would not be permitted during 2011/12 and 2012/13. A reduction in grants to local authorities of £1.165billion had also been announced; exactly which grants would be cut was being discussed with the Local Government Association. This would have an effect upon the Council, but not directly as it was not in receipt of any Community Cohesion grants. Further announcements were expected both as part of the Emergency Budget on 22 June 2010, and the scheduled Comprehensive Spending Review. The Medium Term Financial Strategy had included a 10% reduction in Formula Grant, but it was now felt that a 15% reduction should be planned for.

The Director stated that another key decision would be the proposed reform of the Housing Revenue Account. The Council had already responded to the Consultation rejecting the voluntary offer from the Government, but it had been noted that the Council's Housing Revenue Account had contained a number of non-housing assets. The possibility of transferring these assets to the General Fund was being investigated and a full report would submitted to a subsequent Cabinet meeting.

In summary, the Director advised that the Council was in a better financial position than had been anticipated, but further savings would be required. It was now forecast that the following additional revenue budget savings would be required over the next three years:

(i) £200,000 in 2011/12;

(ii) £385,000 in 2012/13; and

(iii) £261,000 in 2013/14.

The Director added that it could be possible to offset some of the savings via the possible transfer of non-housing assets to the General Fund, but this would also have a resultant effect upon the Housing Revenue Account. It was highlighted that the scenario presented was but one of a range of possibilities, and that a revised Medium Term Financial Strategy would be prepared as part of the Financial Issues Paper scheduled for the next meeting of the Cabinet Committee in September 2010.

The Deputy Chief Executive commented that a meeting had taken place with the Unions regarding redundancy and redeployment strategies, in an effort to engage in constructive consultation with the staff. It was also highlighted that a 1.5% pay increase had been planned for, but with the current negotiations stalled, this could provide a possible saving of £200,000.

The Cabinet Committee felt careful consideration was required of where the extra savings would be made, both to protect frontline services and the Council's staff. It was acknowledged that a bar on recruitment would not be wholly effective as certain posts would have to be categorised as replaceable, although a more general list of staff categories would be helpful.

RESOLVED:

(1) That the effect on the Medium Term Financial Strategy of the following be noted:

(a) the revenue and capital outturns for 2009/10;

(b) recent announcements by the new Government; and

(c) anticipated future announcements by the new Government.

CHAIRMAN