EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	22 November 2010
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	6.30 - 8.00 pm

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

Other Councillors: Ms R Brookes, D Jacobs and Mrs C Pond

Apologies:

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

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21. 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.

22. DECLARATIONS OF INTEREST

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

23. MINUTES

RESOLVED:

(1) That the minutes of the meeting held on 27 September 2010 be taken as read and signed by the Chairman as a correct record.

24. NATIONAL INDICATOR SET - ABOLITION

The Acting Chief Executive presented a report upon the proposed abolition of the National Indicator Set.

The Cabinet Committee were reminded that, pursuant to the Local Government Act 1999, the Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, having regard to a combination of economy, efficiency and effectiveness. As part of the duty to secure continuous improvement, a range of Key Performance Indicators (KPI) relevant to the Council's activities and key objectives had been adopted each year and the performance of each indicator had been monitored on a quarterly basis. The performance of each indicator had also previously been an inspection theme in external judgements of the overall performance of the Council.

The Acting Chief Executive reported that the Secretary of State for Communities & Local Government had recently written to all Councils setting out changes to the existing performance arrangements. The requirement to participate in the Local Area Agreement process was being revoked with immediate effect, whilst the existing National Indicator set would be replaced with a single list of data to be provided to the Government by Councils, although no indication had yet been given as to when this would be implemented. In the absence of any guidance, the Management Board had recommended that all the adopted Key Performance Indicators should remain in force until the end of 2010/11, to secure improved performance in key areas and to measure performance against the Council's key objectives for the year.

The Acting Chief Executive further advised that the Government's new arrangements allowed for National Indicators to be retained as Local Performance Indicators, and a report from the Finance & Performance Management Scrutiny Panel on the proposed Indicators for 2011/12 would be considered by the Cabinet Committee at its meeting scheduled for 17 January 2011. This would include any Indicators recommended for deletion due to an intensive data collection process or where the data previously collected was considered to be of limited value. The Council's External Auditors would still have to be satisfied that proper arrangements were in place to secure value for money. It was expected that there would be further consultation by the Government over the data to be reported upon in the future.

The Cabinet Committee felt that the Key Performance Indicators for 2010/11 should continue to be measured until the end of the year, and requested that the costs for collecting data for each indicator be calculated and provided to the Scrutiny Panel so that an informed decision could be made about which Indicators to retain for 2011/12.

RESOLVED:

(1) That the abolition of the National Indicator Set be noted;

(2) That, subject to the views of the Finance and Performance Management Scrutiny Panel, monitoring and reporting of each of the National Indicators forming part of the Council's adopted Key Performance Indicator set for 2010/11 be continued until the end of the year; and

(3) That, as part of a review of the National Indicator Set, the proposed Key Performance Indicators for 2011/12 be identified by the Finance and Performance Management Scrutiny Panel and reported back to the Cabinet Committee.

Reasons for Decision:

To ensure that relevant performance management processes were in place to review and monitor performance against the Council's key objectives and to identify areas of under performance requiring corrective action.

Other Options Considered and Rejected:

None, as failure to monitor and review performance against key objectives could have negative implications for the Council in corporate assessment processes and possibly lose opportunities for improvement in the Council's performance.

25. QUARTERLY FINANCIAL MONITORING - JULY TO SEPTEMBER 2010

The Assistant Director (Accountancy) presented the Quarterly Financial Monitoring Report for the period April to September 2010, which provided a comparison between the original profiled budgets for the period and the actual expenditure or income as applicable. The report provided details of the revenue budgets – both the Continuing Services Budget and District Development Fund – as well as the capital budgets, including details of major capital schemes.

The Assistant Director highlighted some of the issues arising from the Council's budget monitoring. There would be a loss of income from Local Land Charges of at least £25,000 plus the potential for repayments of fees previously paid for personal searches. Income from Development Control was below expectations, whilst it was likely that the ring-fenced Building Control account would be in deficit. Investment income would not reach the budgeted levels and it was unlikely that the position would improve in the foreseeable future. Investment shortfalls was being funded from the District Development Fund, and a provision of £1million had been made to cover a four-year period. A vacancy allowance of 2% had been deducted from the salary budget for each Directorate.

The Cabinet Committee expressed concern at the forecast loss of income from Local Land Charges, Development Control and Building Control. The Director of Finance & ICT reminded the Cabinet Committee that the salary budget was set at the beginning of each financial year and that the current salary underspend of £60,000 within Building Control had indicated that the use of consultants had been reduced in line with the reduction of workload. The Assistant Director (Building Control) was actively trying to obtain additional work for the section. The Director also stated that surplus investment income had been credited to the District Development Fund in the past for the Council to utilise, and that catering for the current shortfalls from the Fund could be considered as a smoothing process for investment returns. The Cabinet Committee were cautioned that interest rates were unlikely to rise for the foreseeable future.

RESOLVED:

(1) That the Quarterly Financial Monitoring Report for the period April to September 2010 regarding the revenue and capital budgets be noted.

Reasons for Decision:

The Cabinet Committee's terms of reference included the monitoring of expenditure within the framework of the Council's budgetary policy and financial objectives.

Other Options Considered and Rejected:

There were no other options available.

26. MID-YEAR REPORT ON TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2010/11

A mid-year report on Treasury Management and the performance of the Prudential Indicators for 2010/11 was presented to the Cabinet Committee by the Principal Account.

The Principal Account advised the Cabinet Committee that the mid-year treasury report was a requirement of the Chartered Institute of Public Finance & Accountancy

(CIPFA) Code of Practice on Treasury Management. It outlined the Council's treasury activity for the first half of year in 2010/11 and that the value of the Council's investments had totalled £49.85million as of 30 September 2010, with an average net investment position of £50.9million during the period. On 1 May 2010, the Council had changed its treasury advisors from Butlers to Arlingclose and the changes to the Investment Strategy instigated by the new advisors had reduced the Council's risk from its investments. The Council's capital programme had been rephased with £3.53million transferred from 2010/11 to future years, with a corresponding reduction in the use of capital receipts in the sum of £3.99million. The Council had remained debt free with no borrowing activity occurring, and there had been no breaches of any of its prudential indicators during the period.

The Principal Accountant reported that a further dividend had been received by the Council in respect of its investment in the Heritable Bank, with the Administrators still expecting to pay a total dividend of 85% of the value of the Council's deposit. The new Government still intended to reform the Housing Revenue Account subsidy system. Proposals would form part of the Localism Bill, and a further report would be compiled when the implications of the changes had been considered. This report had been considered by the Audit & Governance Committee a week ago but there were no additional comments for the Cabinet Committee to consider.

RESOLVED:

(1) That the mid-year report for 2010/11 on the performance of the Council's Treasury Management function and its Prudential Indicators be noted.

Reasons for Decision:

To inform the Cabinet Committee of the current position in respect of the Council's Treasury Management function and its Prudential Indicators.

Other Options Considered and Rejected:

None at the current time.

27. VERIFICATION OF AUDIT LOGS

The Assistant Director (ICT) introduced a report regarding the verification of system access audit logs.

The Assistant Director reported that the latest audit, carried out in April 2010, had identified weaknesses in controls in the monitoring of Access Violation Logs, which had resulted in a 'Limited Assurance' finding. The audit results had been discussed at the Audit & Governance Committee in June 2010 and the Council's ICT function had agreed to carry out further research and assist service application administrators in compliance. To include access violation logs in each of the Council's 13 core systems would cost an average of £10,000 per system, as none currently had such a feature. The Active Directory product from Microsoft, which controlled access to the Local Area Network, however did produce violation logs that were fully compliant. The trend for new systems was to rely upon Active Directory for this feature. Thus, as there was a considerable cost implication to the Council in complying with this audit requirement, and the Active Directory product made the Local Area Network extremely secure and minimised the risk of any system access violation, it was not felt appropriate to invest the funds that would be required to address what was felt to be a relatively minor risk.

RESOLVED:

(1) That, in view of the existing compensating controls provided by the Active Directory product, separate access violation logs should not be purchased for the Council's 13 core ICT systems.

Reasons for Decision:

It was not possible to produce system specific access violation logs without incurring considerable expense to the Council, and recent developments in technology had significantly reduced this risk.

Other Options Considered and Rejected:

To pay third party suppliers to develop bespoke solutions, however this would incur an expense in the sum of approximately £130,000 for the Council.

28. INSURANCE PERFORMANCE MONITORING

The Senior Finance Officer (Risk & Insurance) presented a report upon the Council's current arrangements for insurance, and the savings that had been achieved by the decision taken in 2005 to increase the Council's level of excess on public liability insurance.

The Senior Finance Officer reminded the Cabinet Committee that the Council had entered into a five-year agreement with Zurich Municipal in June 2005. The Council's excess level had been increased from £500 to £5,000, which had generated a saving of £69,030 per annum on the insurance premiums. Claims trends were monitored regularly and an analysis was presented in terms of open and closed claims for Motor, Property and Casualty insurance over the previous five years. Casualty claims were further analysed to show those closed claims that had been repudiated or paid. This had shown that only for Casualty claims in 2006/07 had Zurich Municipal paid out more in claims than they had received in premiums, and that the decision to increase the Council's excess to £5,000 had generated accumulated savings of £169,933 over the previous five years.

The Senior Finance Officer added that the Council had entered into a new three-year agreement with Zurich Municipal on 30 June 2010, on the basis of the current levels of excess. The agreement included an option to extend the contract for a further two years after the initial period. Following the initial three-month trial period, the Council had continued to handle the insurance claims for Uttlesford District Council for a flat fee of £1,000 per month; this arrangement was assisted through insurance cover for both councils being provided by Zurich Municipal.

The Director of Finance & ICT confirmed that the resources involved in handling the insurance claims for Uttlesford District Council was covered by the fee charged, and that the arrangement also benefited Uttlesford. The Senior Finance Officer cautioned the Cabinet Committee that insurance claims for the years 2008/09 and 2009/10 could yet be repudiated, and that further claims for these years could also be received. Therefore, the figures within the report could still change.

RESOLVED:

(1) That the insurance trends and the savings achieved from the increase in the public liability excess be noted;

(2) That the completion of a new long term agreement from 30 June 2010 with Zurich Municipal by the Council be noted ; and

(3) That the Council continued to handle insurance claims for Uttlesford District Council after the initial three-month trial period had finished be noted.

Reasons for Decision:

An Internal Audit report had recommended that annual reports should be presented to the Cabinet Committee to monitor the trends in claims and whether the increase in public liability excess to reduce insurance premiums had continue to generate savings for the Council.

Other Options Considered and Rejected:

To reduce the Council's public liability excess, however this would result in an increase in the insurance premium.

29. FEES AND CHARGES 2011/12

The Assistant Director (Accountancy) presented a report upon the proposed fees and charges to be levied by the Council during 2011/12.

The Assistant Director stated that, as part of the budget setting process, the level of fees and charges were considered for the forthcoming financial year. The recently announced Comprehensive Spending Review had indicated that the Council would face significant cuts in Government support and therefore budgets would come under increasing pressure. There was also less freedom for Authorities wishing to raise additional revenue from fees and charges as more were subject to cost recovery only or Government direction. The proposed policy for increasing fees and charges for 2011/12 was based on an increase of 5%, which was forecast to provide additional income to the General Fund of £15,000 to £20,000 and for the HRA of around £85,000.

In relation to specific fees and charges, the Assistant Director reported that it was intended not to increase the fees for Local Land Charges as the situation was still uncertain following the introduction of the Local Land Charges (Amendment) Rules 2010. It was proposed not to increase the fees for the Hackney Carriage Operators and Vehicle Licences either. The pay-and-display parking charges had also been left at current levels, however the increase in the VAT rate to 20% on 4 January 2011 would reduce the Council's income. It was also for this reason that it was proposed to increase the charges related to the Leisure Centres on 4 January 2011, for the period until 1 April 2012, to avoid two increases within a short period of time.

The Cabinet Committee felt that residents and traders would welcome the parking fees being retained at their current levels, and that the Council would absorb the VAT increase for this year. However, it was likely that parking fees would have to rise in 2012/13. The Cabinet Committee requested information on the level of car parking charges in both London Underground stations and neighbouring local authorities; the Assistant Director undertook to provide the information. The Cabinet Committee also felt that all fees and charges liable to VAT should be increased on 4 January 2011, for the period until 1 April 2012. The Acting Chief Executive informed the Cabinet Committee that the Government was undertaking a consultation on the fees levied for Development Control; the Cabinet Committee felt that the Finance & Performance Management Scrutiny Panel should be invited to investigate the matter and to respond accordingly to the Government.

RECOMMENDED:

(1) That a general increase of 5% be applied to the fees and charges levied by the Council in 2011/12, with the exception of the following;

(a) pay-and-display car parking charges;

(b) Local Land Charges; and

(c) Hackney Carriage Operators and Vehicles Licences;

(2) That those fees and charges which incur VAT be increased on 4 January 2011 when the VAT rate reverted to 20%;

(3) That the remaining increases be applied from 1 April 2011; and

(4) That the Finance & Performance Management Scrutiny Panel be requested to investigate Development Control fees and charges prior to responding to the current Government consultation.

Reasons for Decision:

To agree changes to fees and charges as part of the annual budget process.

Other Options Considered and Rejected:

In areas where the Council had discretion on the level of fees and charges it could set, there were a number of other possible percentage increases that could be applied, which would help to reduce the level of savings required in order to set an acceptable budget.

30. DRAFT CONTINUING SERVICES BUDGET & DISTRICT DEVELOPMENT FUND LISTS 2011/12

The Assistant Director (Accountancy) presented a report concerning the first draft of the General Fund Continuing Services Budget and District Development Fund schedules for 2011/12., along with an update on the budget process for 2011/12 and the savings achieved to date.

The Cabinet Committee was reminded that the Medium Term Financial Strategy had anticipated a reduction in the Revenue Support Grant from the Government of 25%, with compensatory savings of £2.3million over the period. A cut of 28% had actually been announced as part of the Comprehensive Spending Review, and the Strategy would be updated once the definitive figures were received from the Government. The budget so far had identified £239,000 of savings, this was from over £500,000 of unspent allocations identified as potential savings for 2011/12.

The Assistant Director advised the Cabinet Committee that the Council was still at an early stage of the budget preparation process and the figures would be further refined before the final budget was published. It was acknowledged that the emphasis would on savings, but some growth in the Continuing Services Budget was inevitable for reduced income streams.

The Cabinet Committee reiterated the need for savings from each Directorate to protect the services and staff of the Council, as well as identifying opportunities to increase the Council's revenue streams. Some breakdown of the underspends was provided, but the Cabinet Committee felt that a further report should be compiled with a full list of the underspends identified for the next meeting of the Cabinet. A target of 75% of the underspends to be realised as budget savings was set, with Spending Control Officers required to offer an explanation to the Cabinet Committee if this was not achieved.

RESOLVED:

(1) That the draft Continuing Services Budget (CSB) and District Development Fund (DDF) schedules for 2010/11 be noted;

(2) That the £239,000 of savings and £540,000 of underspends identified during the budget preparation process so far be noted; and

(3) That a further report detailing the individual underspends identified within each Directorate be submitted to the next meeting of the Cabinet to accompany these minutes; and

RECOMMENDED:

(4) That a target of 75% of the identified underspends to be realised as budget savings be set, with Spending Control Officers required to explain in person to the Cabinet Committee if this target not be achieved within their area of responsibility.

Reasons for Decision:

The timely preparation of budgets enabled sound financial planning to occur, and provided a basis upon which financial monitoring could subsequently take place.

Other Options Considered and Rejected:

None at the current time, given the Council's need to make further savings following the Comprehensive Spending Review.

31. ANY OTHER URGENT BUSINESS

In accordance with Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules, the Chairman had permitted the following item of urgent business to be considered following the publication of the agenda:

(i) Triennial Valuation of the Pension Scheme.

32. TRIENNIAL VALUATION OF PENSION SCHEME

The Director of Finance & ICT presented a report concerning the triennial valuation of the pension scheme by Essex County Council.

The Director reported that the valuation as at 31 March 2010 had revealed the value of the scheme's assets would only cover 71% of the liabilities. This was mainly due to the performance of the fund's investments since 2007, but the current situation did not necessitate any further increase in ongoing contributions. The County Council had provided three options for the Council's pension deficit contributions for the next three years:

(i) a recovery period of 20 years with deficit contributions for the next three years rising annually to a maximum of £2.32million;

(ii) a recovery period of 27 years with stepped deficit contributions for the next three years rising annually to a maximum of 1.8million; and

(iii) a recovery period of 27 years with fixed deficit contributions of £1.73million.

The proposed option for agreement was option (ii) which would spread the deficit recovery period over 27 years, instead of 20, and step the payments. This would improve the Council's cashflow position and the stepped payments would make it more likely that the Council would continue to receive assent for its capitalisation directions from the Department of Community & Local Government.

In response to questions from the Cabinet Committee, the Director advised that the Hutton review was still on-going but a number of changes to the Local Government Pension Scheme was anticipated. The scheme was currently based around an employee's final salary but this was expected to change to average salary in due course. A possible increase in contributions by employees to reduce the scheme's liabilities in the future was also likely.

RECOMMENDED:

(1) That, as set out in the Essex County Council consultation, scenario (ii) to phase the impact of the increased pension scheme deficit contributions be adopted.

Reasons for Decision:

Scenario (ii) would minimise the impact on the Council's financial position and permit the best opportunity of obtaining capitalisation directions in the future.

Other Options Considered and Rejected:

The deficit contributions would be £1.5million higher for scenario (i), whilst both scenarios (i) and (iii) would reduce the Council's chances of obtaining capitalisation directions in the future.

CHAIRMAN