

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** 21 March 2011

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 6.30 - 8.00 pm

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

Other Councillors: Mrs L Wagland

Apologies: Mrs D Collins and Ms S Stavrou

Officers Present: D Macnab (Acting Chief Executive), J Gilbert (Director of Environment and Street Scene), R Palmer (Director of Finance and ICT), B Bassington (Chief Internal Auditor), D Jolley (Senior Finance Officer - Procurement & Administration) and G J Woodhall (Democratic Services Officer)

44. DECLARATIONS OF INTEREST

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

45. MINUTES

Resolved:

(1) That the minutes of the meeting held on 17 January 2011 be taken as read and signed by the Chairman as a correct record.

46. KEY PERFORMANCE INDICATORS 2011/12

The Acting Chief Executive presented a report upon the Council's Key Performance Indicators for 2011/12.

The Cabinet Committee was reminded that, 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 were adopted each year. Improvement Plans were produced for each KPI setting out actions to be implemented each year to maintain or improve target performance. Performance against the Indicators was monitored on a quarterly basis by the Management Board and the Finance and Performance Management Scrutiny Panel, and had previously been an inspection theme in external assessments of the overall performance of the Council.

The Acting Chief Executive reported that the Key Performance Indicators for 2011/12 had been considered by the Finance & Performance Management Scrutiny Panel at its recent meeting on 10 March 2011 and a revised set of recommendations had been tabled at the meeting for the Cabinet Committee to consider. Most of the

revised recommendations were concerned with the proposed targets, but the definitions of two of the Indicators concerned with planning applications (LPI 45 (Planning Appeals), and NI 157 (Planning Applications)) were proposed for revision. In addition, it was felt that the setting of targets for the KPIs in 2011/12 should be deferred until both the Scrutiny Panel and Cabinet Committee had had an opportunity to consider the outturn positions for 2010/11 at their meetings scheduled for June 2011.

The Cabinet Committee felt that it was important for the Council to maintain its performance, but that a target of 100% was not practicable on occasion, as there would be instances when the resources required to affect a further performance improvement for a particular Indicator would be better utilised elsewhere. There was general agreement from the Cabinet Committee to await a further report from the Director of Planning & Economic Development before finalising a revised definition for LPI 45.

Recommended:

- (1) That National Indicator 189 (Flood & Coastal Erosion Risk Management) be deleted as a Key Performance Indicator for 2011/12;
- (2) That the revision of Local Performance Indicator 45 (Planning Appeals) to report the level of appeals allowed against the refusal of all types of planning appeals and to reflect where a Member decision to refuse a planning application was made contrary to the Planning Officer's recommendation be agreed in principle, pending a further report from the Director of Planning & Economic Development on whether to include the levels of costs awarded against the Council at appeal within the definition and a proposed target for 2011/12;
- (3) That the definitions of National Indicator 157a, 157b and 157c (Planning Applications) be revised for 2011/12 to allow performance to be measured at the time of decision on individual applications rather than at the subsequent date of signing of any required Section 106 agreement;
- (4) That the proposed target for Local Performance Indicator 14 (Council Tax Collection) be revised to 97.8% for 2011/12;
- (5) That the proposed target for Local Performance Indicator 15 (National Non-Domestic Rates Collection) be revised to 98% for 2011/12;
- (6) That the proposed target for Local Performance Indicator 16 (Housing Benefit Claims) be revised to 23 days for 2011/12;
- (7) That the proposed target for Local Performance Indicator 17 (Housing Benefit Changes of Circumstance) be revised to 8 days for 2011/12;
- (8) That the targets for all other Key Performance Indicators where proposed to be adopted for 2011/12 be agreed;
- (9) That any outstanding targets for Key Performance Indicators in 2011/12 be determined after the reporting of the outturn for 2010/11; and
- (10) That the corporate target for the achievement of year-on-year improvement against the adopted Key Performance Indicators for 2011/12 also be determined after the reporting of the outturn for 2010/11.

Reasons for Decision:

The annual identification of Key Performance Indicators provided an opportunity for the Council to focus specific attention on how areas for improvement would be addressed, opportunities exploited and better outcomes delivered for local people.

A number of the Key Performance Indicators were used as performance measures for the Council's annual Key Objectives. It was important that relevant performance management processes were in place to review and monitor performance against the Key Objectives, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of under performance.

Other Options Considered and Rejected:

No other options were appropriate in this respect. Failure to monitor and review performance against Key Objectives and to take corrective action where necessary, could have negative implications for judgements made about the Council in corporate assessment processes, and might mean that opportunities for improvement were lost.

47. Q3 FINANCIAL MONITORING

The Director of Finance & ICT presented the Quarterly Financial Monitoring Report for the third quarter of 2010/11, which provided a comparison between the probable outturn figures generated during the 2011/12 budget setting process and the actual expenditure or income as applicable for the period ended 31 December 2010.

The Director reported that the salaries budget was underspent by £294,000 or 2% so far this year. Building Control income was £4,000 down at the end of the period, however January was a poor month and the account was expected to be in deficit by the end of the year. Investment income was £300,000 down on the original budgeted figure for 2010/11; the average return for the year so far had been 1.1% and there was little that realistically could be done to improve returns. So far, the Council had received back 50% of its investment with Heritable Bank; 85% was still the expected final return for the Council.

The income for Development Control was £20,000 better than expected, but again January had not been a good month. Income from Licensing and MOT's carried out by Fleet Operations were both holding up well, but income from Local Land Charges had been further revised downwards as a result of the Local Land Charges (Amendment) Rules 2010 being introduced. The Housing Repairs fund was currently showing an underspend of £354,000 but much of this was expected to be utilised when the winter related expenditure was processed. The development of Limes Farm Hall was due to start in April 2011, and would be included in the major capital schemes analysis from the first quarter of 2011/12 onwards.

The Director concluded that whilst a number of income streams would fall short of the original budgetary target, the amount needed from the General Fund Balances to meet the net expenditure was expected to be £235,000 less than the £544,000 originally budgeted. The Cabinet Committee was asked to note the position of the revenue and capital budgets as at 31 December 2010.

The Portfolio Holder for Legal & Estates commented that the Building Control section was facing greater competition from the private sector for work, which led to fewer opportunities for the section, whilst there would be a report upon the future of the Local Land Charges section in due course.

Resolved:

(1) That the revenue and capital financial monitoring report for the third quarter of 2010/11 be noted.

48. RISK MANAGEMENT - AMENDMENTS TO THE CORPORATE RISK REGISTER

The Director of Finance & ICT presented a report concerning amendments to the Corporate Risk Register.

The Corporate Risk Register had been reviewed by both the Risk Management Group on 21 February 2011 and the Corporate Governance Group on 23 February 2011, and three new risks had been identified. The first new risk was concerned with the reform of the Housing Revenue Account and the likelihood that the Council would have to accept £200million of debt when the current system ended; this risk had been scored as D2 - low likelihood, critical impact. The second new risk was concerned with changes to the Benefit system and in particular the introduction of the Universal Credit; this risk had been scored as B3 – high likelihood, marginal impact. The third and final proposed new risk was concerned with future budget reductions and the requirement for £2.5million of savings within the Medium Term Financial Strategy; this risk had been scored at C2 – significant likelihood, critical impact.

An amendment to one current risk was also proposed, to amend the name of Risk 1, currently known as Recruitment in Key Areas, to Recruitment Freeze; the score of the risk would remain at C3. A review of risk number 23 – Fraud - had also been undertaken following a request by the Cabinet Committee at its last meeting held on 17 January 2011. A number of areas at risk from fraud had undergone reviews by Internal Audit, which had demonstrated that appropriate controls were in place. Therefore, it was proposed that the scoring of this risk should remain at C3 – significant likelihood, marginal impact.

The Director of Finance & ICT added that the current proposals from the Government for Housing Revenue Account reform envisaged the receipts from Council House sales to continue to be pooled rather than retained by the Council, and the possibility that further debt could be allocated to the Council in the future. It was highlighted that Councils who had transferred their housing stock over to a Housing Association would not be allocated any debt as they no longer had a Housing Revenue Account. Although the current financial models had indicated that the probable debt of £200million could be cleared and further balances accumulated over the next thirty years, the Cabinet Committee recognised that the two threats facing the Council over this issue were being allocated further debt in the future and the possibly severe impact on the General Fund of the accounting requirements. With regard to the changes to the Benefits system, the current proposals envisaged reducing the amount of benefit that claimants were entitled to and the establishment of regional fraud centres, whereby staff would physically move from the Civic Offices, or be made redundant at a cost to the Council not the Department of Work and Pensions.

The Portfolio Holder for Legal and Estates suggested a new risk concerned with the provisions of the Localism Bill for residents to apply to run local community assets. In addition, the Portfolio Holder added that fraud was an ever increasing risk to local government, and that perhaps consideration could be given to either increasing the score of the current risk or using additional staff to vet the grant applications from newly established charitable organisations. The Director of Finance & ICT responded that the Council was dealing with all the fraud risk areas that had been identified by

the Audit Commission; the score was considered correct at the current time but would be kept under review. The Cabinet Committee agreed that the risk of fraud to the Council should be kept under constant review, and felt that the potential risks to the Council from the Localism Bill should be reviewed, including the possibility of the Council being defrauded by new charitable organisations.

Recommended:

- (1) That the review of risk 23, Fraud, by the Risk Management Group and the Corporate Governance Group and their conclusion that the score should remain unchanged be noted;
- (2) That a new risk 33, Reform of Housing Revenue Account, be added to the Corporate Risk Register and be scored as 'Low Likelihood, Critical Impact' (D2);
- (3) That a new risk 34, Changes to the Benefit System, be added to the Corporate Risk Register and be scored as 'High Likelihood, Marginal Impact' (B3);
- (4) That a new risk 35, Budget Reductions, be added to the Corporate Risk Register and be scored as 'Significant Likelihood, Critical Impact' (C2);
- (5) That the potential risks arising from the Localism Bill, including possible fraud from newly established charitable organisations, be reviewed by the Risk Management Group and the Corporate Governance Group;
- (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 recommended to the Cabinet for approval.

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 suggest the inclusion of further risks or amend the rating of existing risks if necessary.

49. UPDATE ON PROCUREMENT ACTIVITY & THE ESSEX PROCUREMENT HUB

The Senior Finance Officer (Procurement & Administration) presented a report about the Council's procurement activity and the Essex Procurement Hub.

The Council was meeting its requirement to publish reports of all expenditure in excess of £500 each month, and had been publishing historical data going back to April 2009. Further guidance on publishing new contracts and tenders data from the Government was expected this month, and when it had been received work would begin on ensuring that the Council met its requirements. EU Remedies Directive 2007/66/EC became law in December 2010, to provide for breaches of European Union and national procurement law. Two new measures had been introduced, these being automatic injunction and the ability to declare a contract ineffective. The Cabinet Committee's attention was drawn to two cases involving Leeds and York

Councils where European procurement rules had been broken and the two councils concerned had been successfully prosecuted.

With respect to the Essex Procurement Hub, the council was one of six member authorities, and its gross subscription for 2010/11 had amounted to £47,140. The total projected rebates for 2010/11 was £44,110 and would result in a net cost of membership to the Council of £3,026. Total savings realised by the Council from membership of the Hub was expected to be approximately £226,000 for 2010/11. A number of procurement projects had been recently completed in conjunction with the Hub, including CCTV Maintenance, redevelopment of Limes Farm Hall, Arboricultural Maintenance and the purchase of new Refuse Vehicles.

The Cabinet Committee was informed that the Council's total spend with Small & Medium Enterprises (SME) for 2009/10 accounted for 51% of the Council's total procurement, which was 4% greater than the national average for an English District Council. With 11 different suppliers, the Council was not getting value for money from its procurement of stationery, and the Senior Finance Officer agreed that there were circumstances where it was not appropriate to use the Hub for particular contracts. It was confirmed that all potential contracts were evaluated on quality criteria as well as cost to ensure that the Council obtained the best possible value for money.

Resolved:

(1) That the current performance of the Council's procurement activity and the Essex Procurement Hub be noted.

50. INTERNAL AUDIT BUSINESS PLAN 2011/12

The Chief Internal Auditor presented the Internal Audit Business Plan for 2011/12 for the Cabinet Committee to comment upon, prior to its consideration by the Audit & Governance Committee on 4 April 2011.

The Chief Internal Auditor stated that all the fundamental financial systems had been included to provide assurance in the controls in place for good financial management. In compiling the Plan, the Corporate Risk Register and the Risk Registers for each Directorate were reviewed to ensure that all high risk areas had been included. A contingency provision had been included for investigations and other unplanned work during the year, and some flexibility had also been included to accommodate reviews of areas considered to be of a higher risk to the achievement of the Council's objectives.

The Chief Internal Auditor reported that the Internal Audit Unit was now fully staffed and that the contract with Deloitte and Touche for the provision of additional audit resources would end on 31 March 2011. The Council's Audit staff would be trained on IT audits using part of the consultancy budget and also in the use of the Council's specialist audit software to enable a greater level of testing of data to be undertaken. A meeting had been planned with Officers of Uttlesford District Council to discuss the possibility of sharing services, and a skills database was being compiled by the Essex Audit Group of all Audit staff within Essex Authorities. The Plan would be regularly monitored throughout the year by the Audit & Governance Committee.

In response to questions from the members of the Cabinet Committee, the Chief Internal Auditor added that regular data checks using automated procedures would be carried out, and that this was an area to be developed further in the future. Some of the audit modules supplied with the Council's different ICT systems were expensive to add to the Council's licence, and that a cost/benefit analysis had to be

performed before implementing them. The Director of Finance & ICT reminded the Cabinet Committee that the Council had participated in the National Fraud Initiative managed by the Audit Commission.

Resolved:

- (1) That the proposed Internal Audit Plan for 2011/12 be noted.

51. ANY OTHER URGENT BUSINESS

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

CHAIRMAN