EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	20 June 2011
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	6.30 - 7.55 pm

Members Present: G Mohindra (Chairman), Mrs M McEwen, J Philip, Mrs P Smith and Mrs L Wagland

Other Councillors: K Chana, Mrs D Collins, A Lion, D Stallan, G Waller and C Whitbread

Apologies: None.

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

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1. DECLARATIONS OF INTEREST

(a) Pursuant to the Council's Code of Member Conduct, Councillor D Stallan declared a personal interest in agenda item 7, Sundry Income & Debt Policy and Sundry Debtors Performance Indicators. The Councillor had determined that his interest was not prejudicial and would remain in the meeting for the consideration of the issue.

2. MINUTES

Resolved:

(1) That the minutes of the meeting held on 21 March 2011 be taken as read and signed by the Chairman as a correct record.

3. KEY PERFORMANCE INDICATORS 2010/11 - OUTTURN

The Acting Chief Executive presented a report upon the outturn performance for the Key Performance Indicators in 2010/11.

The Acting Chief Executive reported that when the Key Performance Indicators (KPI) for 2010/11 were adopted, a target was set for at least 70% to achieve their target performance by the end of the municipal year. The requirement to collect data and report upon eight of the Indicators were removed during the course of the year by the Government, leaving a remaining total of forty to be reported upon. Of these, 25 achieved their target performance, 14 did not achieve their target performance, whilst one Indicator had yet to be reported upon. This represented a final result of 62.5% of Indicators meeting their target, which did not achieve the overall aim of 70%, although seven of the Indicators that did not achieve their target were within 5% of doing so.

The Acting Chief Executive stated that proposals for a revised set of Key Performance Indicators for 2011/12 had previously been agreed by the Cabinet Committee, however issues with some of the Indicators had arisen since then. KPI 01, Equality Framework for Local Government, performance was measured by self-assessment, but the higher levels of performance had to be validated by a formal peer challenge process managed by Local Government Improvement & Development at a cost of £4,300. This was felt to be an unacceptable expense in the current financial climate, and it was proposed to revise KPI 01 to reflect that performance would be reported upon via a non validated self-assessment only.

KPI 05, Avoidable Contact, was recommended for deletion. Following a programme of avoidable contact exercises, the Management Board had felt that this work would be better progressed via a new Customer Services Working Party, which would enable a broader view of customer service to be undertaken. Consequently, it was felt that further work on avoidable contact should be ceased and the KPI deleted for 2011/12. For both KPI 58, CO2 reduction from Local Authority Operations, and KPI 59, Tackling Fuel Poverty, their underlying National Indicators had been deleted and the Green Working Party had been requested to develop new definitions for these indicators. These would be reported to the next meeting of the Finance & Performance Management Scrutiny Panel, scheduled for 20 September 2011.

The Cabinet Committee felt that 70% should be retained as the corporate target for the number of KPIs to meet their target, and the Director of Finance & ICT agreed to publish the outturn figure for the Capital Projects indicator when it was known.

Decision:

(1) That the outturn performance for the Key Performance Indicators adopted for 2010/11 be noted;

(2) That, subject to the concurrence of the Finance and Performance Management Scrutiny Panel:

(a) KPI 05 (Avoidable Contact) be deleted as a Key Performance Indicator for 2011/12;

(b) KPI 01 (Equality Framework for Local Government) be revised such that performance will be determined by a non-validated self-assessment;

(c) KPI 58 (CO2 Reduction from Local Authority Operations) and KPI 59 (Fuel Poverty) be revised by the Green Working Party and reported back to the Scrutiny Panel by the Director of Planning & Economic Development; and

(d) a corporate target be set for 70% of the Key Performance Indicators to achieve their target performance during 2011/12.

Reason 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 Indicators were used as performance measures for the Council's annual Key Priority Objectives.

Other Options Considered and Rejected:

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

4. RISK MANAGEMENT - CORPORATE RISK REGISTER

The Senior Finance Officer (Risk & Insurance) presented a report regarding the quarterly updating of the Corporate Risk Register.

The Senior Finance Officer stated that the Corporate Risk Register had been considered by both the Risk Management Group on 16 May and the Corporate Governance Group on 1 June. The reviews had indentified one new item for inclusion on the Corporate Risk Register and one risk where the scoring should be reduced. The new risk concerned the possible failure of the bund at North Weald Airfield whereby the slump would reach the kerb of the M11 motorway. This risk had been evaluated as low likelihood, marginal impact (D3), which was below the current risk tolerance line and therefore an action plan was not required. Risk 9, Depot Accommodation, had previously been scored as high likelihood, critical impact (B2). It was now proposed to reduce the score of this risk to low likelihood, critical impact (D2) due to the work being undertaken by the Asset Management Coordination Group and the North Weald Airfield & Asset Management Cabinet Committee. In addition, the Cabinet Committee was requested to confirm that it was satisfied with the current position of the tolerance line on the risk matrix.

The Director of Finance & ICT acknowledged that there was a risk from not having the Local Development Framework agreed and this should be considered and added to the Risk Register, along with an Action Plan if required. It was also accepted that the Required Management Action for risk 17, Significant Amounts Of Capital Receipts Spent On Non Revenue Generating Assets, could be updated as the disposal of surplus assets was no longer suspended. It was also explained to the Cabinet Committee that the Risk Register utilised a standard layout recommended by the Council's insurers Zurich Municipal and employed by a number of other local authorities. The methodology had been in place for a number of years now.

The Cabinet Committee felt that a new risk should be added regarding the 40-day recovery period in the ICT Disaster Recovery Plan, and any further risks arising form the recent Business Continuity exercise. The Director of Finance & ICT highlighted that the register already contained an entry concerned with Business Continuity Management, risk 8, and that this could be reviewed and expanded in due course. The Cabinet Committee noted that risk 29, Gypsy & Traveller Provision, was still tied to the old Direction and needed updating to reflect the current situation.

Recommended:

(1) That the review of risk 9, Depot Accommodation, by the Risk Management Group and the Corporate Governance Group and their conclusion that the score should be reduced to 'Low Likelihood, Critical Impact' (D2) be agreed;

(2) That a new risk 36, North Weald Airfield Bund, be added to the Corporate Risk Register and be scored as 'Low Likelihood, Marginal Impact' (D3);

(3) That the potential risks arising from the Council not agreeing and implementing a Local Development Framework be reviewed and added to the Corporate Risk Register;

(4) That the Required Management Action for risk 17, Significant Amounts of Capital Receipts Spent on Non Revenue Generating Assets be updated;

(5) That the entry for risk 29, Gypsy and Traveller Provision, be reviewed and amended to reflect the current situation;

(6) That the entry for risk 8, Business Continuity Management, be reviewed and expanded to incorporate further risks arising from the recent exercise, including the 40-day recovery period for the Council's ICT systems;

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

(8) 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.

5. SUNDRY INCOME & DEBT POLICY AND SUNDRY DEBTORS PERFORMANCE INDICATORS

The Senior Finance Officer (Risk & Insurance) presented a report concerning the Sundry Debt & Income Policy, and the Sundry Debtors Performance Indicators.

The Senior Finance Officer reported that the Sundry Income & Debt Policy had been reviewed and updated for the inclusion of credit card payments agreed by the Cabinet on 7 March 2011. The Policy referred to County Court action for debts in excess of £100 or passed to a Debt Collection agency if less than £100. It was asked why the Council could not use a Magistrates Court instead of the County Court as this would incur less cost, and whether the limit for referring the debt to a collection agency should not be increased as the agency would charge a fee of 7.5% of the debt. It was agreed that Officers should investigate further and report back to the next meeting scheduled for September 2011. Consequently, adoption of the revised policy was deferred.

In respect of the Sundry Debtors Performance Indicators, the Senior Finance Officer stated that there had been a reduction in the sum of £596,000 for the debt outstanding at the end of the 2010/11 municipal year, despite there being a £926,000 increase in the value of the invoices issued. The value of debts collected within 40 days exceeded the policy target of 70%, and both the value and number of debts collected within 60 days exceeded the 75% target. Officers were now preparing sundry debt collection data for the CIPFA benchmarking club.

Decision:

(1) That adoption of the Sundry Debt & Income Policy be deferred pending clarification of the issues raised by the Cabinet Committee; and

(2) That the results of the Sundry Debt Performance Indicators for the municipal year 2010/11 be noted.

Reasons for Decision:

To defer adoption of the revised Sundry Income and Debt Policy pending clarification of the queries raised by the Cabinet Committee regarding using Magistrates Courts and the referral of debts to Collection Agencies.

To keep the Cabinet Committee informed of performance with the collection of sundry debts.

Other Options Considered and Rejected:

To adopt the Policy as presented.

6. CONSULTATION - FUTURE OF LOCAL PUBLIC AUDIT

The Director of Finance & ICT presented a report upon the future of Local Public Audit.

The Cabinet Committee was informed that the Government had issued a consultation paper entitled “Future of Local Public Audit”, which had a closing date for responses of 30 June 2011. The consultation was over sixty pages long and had fifty detailed questions, most of which were either not relevant to the Council or were too complex to easily form a view on. However, there was a proposal about the future structure of Audit Committees that was relevant and would impact on the Council.

The Director reported that the consultation envisaged a structure for Audit Committees that would have:

(i) an independent Chairman and Vice-Chairman;

(ii) elected Members should be non-executive, not on the Cabinet and with recent/relevant financial experience; and

(iii) a majority of independent members on the Committee.

The Corporate Governance Group had considered the issue and felt that the Audit & Governance Committee should be independent from the Council with an independent Chairman. This model had been used for the Council’s Standards Committee and had worked well. The views of the Cabinet Committee would be reported to the Audit & Governance Committee when it considered this report later in the week.

The Cabinet Committee had a number of concerns with the proposals in the consultation paper. Councils could face serious problems recruiting independent members to their Audit Committees with sufficient expertise, which in turn could lead to higher allowances being offered to attract suitably qualified candidates and increase the overall cost of audit within the Council. It was emphasised that private sector audit committees would have both an independent and internal element. It was felt that the current model employed by the Council, which included Councillor representation on the Committee, was excellent, balanced and worked very well.

Two other issues were raised by the Cabinet Committee for inclusion in the Council's response. Would independent members of an Audit Committee be required to register as data controllers under data protection and freedom of information in the same manner as elected Members? Secondly, Parish Councils quite often struggled to appoint External Auditors, and whilst it was right and proper that they should have the option to appoint their own External Auditor, it might be easier for Parish Councils to rely upon the County Council to appoint on their behalf.

Recommended:

(1) That the current structure of the Audit & Governance Committee should be retained with no independent Chairman nor a majority for independent members;

(2) That the recruitment of additional independent members with the necessary expertise could be problematic and would almost certainly involve additional payments which would increase the overall cost of audit within the Council;

(3) That Parish Councils should be able to rely upon the County Council to appoint an external auditor on their behalf if necessary; and

(4) That further consideration be given by the Government as to whether independent members of Audit Committees should register as data controllers in a similar fashion as elected members.

Reasons for Decision:

To advise the Audit & Governance Committee on the Cabinet Committee's preferred response.

Other Options Considered and Rejected:

To not respond to the Government consultation upon the future of Local Government Audit.

7. PROVISIONAL CAPITAL OUTTURN 2010/11

The Director of Finance & ICT presented a report detailing the Council's Capital Programme for 2010/11 in terms of expenditure and financing, and comparing the actual outturn figures with the revised estimates agreed by the Cabinet on 31 January 2011.

The Director reported that the General Fund capital outturn for 2010/11 was £3.501million, which represented an underspend of £1.285million on the revised budget. The Housing Revenue Account (HRA) capital outturn for 2010/11 was £6.43million, which represented an underspend of £206,000. The majority of the underspends related to slippage of projects and expenditure, although there were savings on some schemes and one instance of work being carried out ahead of expectations. The Cabinet Committee was requested to approve carry-forwards of £1.419million on the General Fund and £616,000 on the HRA, and brought-forwards of £114,000 on the General Fund and £410,000 on the HRA.

The Director advised that capital receipts were slightly higher than expected as nine Council houses were sold during the year. Overall, the use of capital receipts was lower than expected due to the reduced expenditure for General Fund schemes and that it did not prove necessary to supplement the Pension Fund Capital Reserve. The balance of unused capital receipts was £18.694million - £1million higher than expected – as of 31 March 2011. 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 had resulted in the balance on the Major Repairs Reserve being higher than anticipated at £6.541million as of 31 March 2011.

Recommended:

(1) That the provisional outturn report for 2010/11 be noted;

(2) That the over and underspends on certain capital schemes in 2010/11, 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 2010/11 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.

8. PROVISIONAL REVENUE OUTTURN 2010/11

The Director of Finance & ICT presented a report concerning the provisional Revenue outturn for 2010/11.

The Director reported that expenditure within the Continuing Services Budget (CSB) was £825,000 below the original estimate and £590,000 lower than the probable outturn. The salary budget had been underspent by £266,000 with approximately two-thirds applicable to the Housing Revenue Account. Other significant savings had been £49,000 for Building Maintenance, £45,000 within the Corporate Improvement budget, £35,000 on temporary legal staff and consultants, as well as an additional £50,000 of income for Elections.

The Director advised that the District Development Fund (DDF) had shown a saving of £1.134million for the year, against the probable outturn of £1.906million of expenditure. There were requests for carry forwards totalling £462,000 so the net underspend on the DDF was £672,000. 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 £714,000 into the DDF, relating to Sports tuition fees and bulky household waste collections between 1973 and 1997.

For the Housing Revenue Account (HRA), the Cabinet Committee was informed that an expected revised deficit of £127,000 had become an actual deficit of £203,000 for 2010/11. A number of budgets saw underspends, and there had been a reduction in shop rental income due to the number of voids increasing. Capital Expenditure Charged to Revenue was increased by £400,000 to avoid the HRA accumulating excessive balances, but the balance as at 31 March 2011 was still in excess of £5.8million – well above the £3 - 4million target range in the HRA five-year forecast.

The Portfolio Holder for Finance & Economic Development stated that every cost centre within the Council would be reviewed to ensure that value for money was being obtained, with particular emphasis upon those budget allocations that had not been spent. Appendix D of the report was highlighted, which contained a list of those DDF allocations carried forward from 2010/11 to 2011/12 and the year that the allocation was originally approved. The Cabinet Committee requested a further report upon the £23,000 allocation agreed in 2006 but still unspent for remedial works to Principal Ordinary Watercourses. The Cabinet Committee also felt that the outstanding allocations for Essential Work to the Civic Offices (2005, £5,000), Local Development Framework (2007, £19,000) and Improvement Grants for Waltham Abbey Town Council (2007, £6,000) should be removed.

Resolved:

(1) That the Revenue outturns for the General Fund & Housing Revenue Accounts for 2010/11 be noted; and

(2) That the carry forward of £462,000 of District Development Fund Expenditure from 2010/11 into 2011/12 be noted;

Recommended:

(3) That the following DDF allocations carried forward into 2011/12 from the previous year be deleted:

(a) Essential Works to the Civic Offices - £5,000 agreed in 2005;

(b) Local Development Framework - £19,000 agreed in 2007; and

(c) Improvements Grant for Waltham Abbey Town Council - £6,000 agreed in 2007; and

(4) That a report be submitted to the next scheduled meeting of the Cabinet Committee regarding the £23,000 allocation for Remedial Works to Principal Ordinary Watercourses agreed in 2006.

Reasons for Decision:

A number of District Development Fund allocations had not been spent and had been carried forward each year. It was felt that these should be deleted to release funding and new bids made if required.

Other Options Considered and Rejected:

To continue carrying forward unspent monies from one year to the next.

9. ANY OTHER URGENT BUSINESS

There was no other urgent business for the Cabinet Committee to consider.

CHAIRMAN