EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	20 September 2012
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	7.05 - 9.00 pm

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

Other Councillors: -

Apologies: -

Officers Present: R Palmer (Director of Finance and ICT), K Durrani (Assistant Director (Technical)), B Moldon (Principal Accountant), S Tautz (Performance Improvement Manager) and G J Woodhall (Democratic Services Officer)

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11. DECLARATIONS OF INTEREST

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

12. MINUTES

Resolved:

(1) That the minutes of the meeting held on 25 June 2012 be taken as read and signed by the Chairman as a correct record.

13. KEY PERFORMANCE INDICATORS 2012/13 - QUARTER 1 PERFORMANCE MONITORING, TARGETS AND METHODOLOGY

The Performance Improvement Manager presented a report outlining the performance of the Council's Key Performance Indicators during the first quarter of 2012/13, along with some changes to targets and methodology for a number of Indicators.

The Performance Improvement Manager reminded the Cabinet Committee 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, with 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 services and Key Objectives were adopted each year. Performance against the majority of KPIs was monitored on a quarterly and cumulative basis, and had previously been an inspection theme in external judgements of the overall performance of the authority.

The Performance Improvement Manager reported that 21 Indicators achieved their performance target for the period 1 April to 30 June 2012, representing 77.77%, whilst 6 Indicators did not.

The Performance Improvement Manager added that although targets for each Indicator for 2012/13 had been agreed in March 2012, some issues related to specific Indicator targets now required further consideration. The target for KPI 35 in 2012/13, which measured the number of benefit fraud investigations completed, had been set on the basis that there were two vacant posts and an Officer on maternity leave within the Benefit Fraud Team, leaving only one Investigation Officer in place for the majority of the year. The current establishment of the Benefit Fraud Team had increased during the first quarter of the year, and it was therefore proposed to increase this target from 150 investigations to 300 during the year. For KPI 46, Affordable Homes, there had been some slippage of affordable housing completions by housing associations from the last quarter of 2011/12 into 2012/13. To ensure that the target for 2012/13 was meaningful, it was suggested that the target be increased to 72 new affordable homes to reflect the effects of this slippage. The revised target for the year had been re-profiled and the Cabinet Committee noted that the first quarter target of 38 new affordable homes had been met.

The Performance Improvement Manager stated that KPI 22, what percentage of our District had unacceptable levels of litter, and KPI 23, what percentage of our District had unacceptable levels of detritus, had previously been reported annually as they relied upon a reporting tool supplied by Keep Britain Tidy. This tool had now been replicated and adapted internally, which allowed the Council to provide cumulative Quarterly figures for these Indicators. Thus, it was proposed that these two indicators should be reported quarterly starting from the second quarter of 2012/13.

The Performance Improvement Manager highlighted that these issues had been considered by the Finance and Performance Management Scrutiny Panel at its meeting on 18 September 2012, who fully supported the recommendations.

The Assistant Director (Technical) of the Environment & Street Scene Directorate provided the Cabinet Committee with an update on the Council's recycling performance. The target for Recycling in 2012/13, KPI 21, had been increased to 60% - which had never before been achieved by the Council. To meet this target, the Council was implementing a phased collection of food waste from flats, and another new initiative was the recycling of arisings from street cleansing. When asked how the Council could increase food recycling, the Assistant Director responded that Officers would target certain areas and find out what issues were affecting food recycling performance. This information would be analysed to highlight problem areas. Officers would use education and door-knocking to increase performance; enforcement action would only be taken as a last resort. It was suggested that ward members for any problem areas identified could be contacted to help in the education of local residents. The Assistant Director also confirmed that the profits from textile recycling benefited the Chairman's Charities, although the Council did get credit for the tonnage collected.

The Cabinet Committee was assured that the Performance Improvement Manager would provide data to every Portfolio Holder about each Key Performance Indicator in their brief.

Resolved:

(1) That outturn performance in respect of the first quarter of 2012/13, in relation to the Key Performance Indicators adopted for the year, be noted;

(2) That the target for KPI 35 (Benefit Fraud Investigation) for 2012/13 be increased to 300;

(3) That the target for KPI 46 (Affordable Homes) for 2012/13, be increased to 72; and

(4) That the methodology for reporting performance against KPI 22, Unacceptable levels of litter, and KPI 23, Unacceptable levels of detritus, be revised to allow quarterly reporting in 2012/13.

Reasons for Decision:

The Indicators provide an opportunity for the Council to focus attention on how specific areas for improvement would be addressed, how opportunities would be exploited and better outcomes delivered.

A number of KPIs were used as performance measures for the Council's 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 slippage or under performance.

Other Options Considered and Rejected:

No other options were appropriate in this respect. Failure to monitor and review KPI performance and to consider corrective action where necessary, could have negative implications for judgements made about the Council's progress, and might mean that opportunities for improvement were lost. The Council had previously agreed arrangements for monitoring performance against the KPIs.

14. ANNUAL OUTTURN REPORT ON THE TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2011/12

The Principal Accountant presented the 2011/12 Outturn Report on the Treasury Management and Prudential Indicators.

The Principal Accountant stated that the Annual Treasury Report was a requirement of the Council's reporting procedures. It covered the Council's Treasury activity for 2011/12, and the actual Prudential Indicators for 2011/12. During the year, the Council had financed all of its capital activity through capital receipts, capital grants and revenue contributions, but had to borrow £185.456million through the Public Works Loan Board (PWLB) to finance the payment in relation to Self-Financing of the Housing Revenue Account (HRA). The Council had achieved its targets for its treasury function and there had been no breaches of the Prudential Indicators. This report and the appendices would be considered by the Audit and Governance Committee at its meeting on 24 September 2012.

The Principal Accountant added that the General Fund was not being charged Minimum Revenue Provision in respect of the monies borrowed for HRA Self-Financing, in line with the regulations produced by the Department of Communities & Local Government. The Council's total investments had been reduced by £5million in 2011/12, as the Council was earning better interest by keeping more of its monies in current accounts at this time. It was highlighted that the next dividend from the Council's investment in Heritable Bank was due in October 2012.

Resolved:

(1) That the Treasury Management Outturn Report for 2011/12 be noted; and

(2) That the 2011/12 outturn for Prudential Indicators be noted.

Reasons for Decision:

The report was presented for noting as scrutiny was provided by the Audit and Governance Committee, who would make recommendations on amending the documents if necessary.

Other Options Considered and Rejected:

To ask for additional information about the CIPFA Codes or the Prudential Indicators.

15. QUARTERLY FINANCIAL MONITORING REPORT - APRIL TO JUNE 2012

The Director of Finance & ICT presented the Quarterly Financial Monitoring report for the period April to June 2012.

The Director reminded the Cabinet Committee that it had within its terms of reference the consideration of financial monitoring reports on key areas of income and expenditure. This was the first quarterly report for 2012/13 and covered the period from 1 April 2012 to 30 June 2012. The reports were based on which Directorate was responsible for delivering the services to which the budgets related. Salaries monitoring data was presented as well as this represented a large proportion of the Council's expenditure and was an area where historically large underspends had been generated.

The Director of Finance and ICT highlighted some of the issues arising from the Council's budget monitoring. The Council had now received 74.5% of the original investment placed in Heritable Bank and the next dividend was expected in October. Income from both Building Control and Development Control were slightly down on expectations, and Fleet Operations MOT income was also below expectations. Salaries were £167,000 underspent, which represented 3.4%, and Investment Interest levels were also slightly below expectation. In conclusion, income was a little down on expectations, but so was expenditure as well.

The Planning Portfolio Holder highlighted that income from Development Control could drop further following the recent changes in the rules governing planning permission by the Government; concerns had been expressed by the Council to the Government. The Leader of the Council felt that the income levels from the MOT centre run by Fleet Operations needed to be watched carefully, following the recent loss of a contract with one of the car dealerships in the Broadway area. The Director of Finance & ICT advised the Cabinet Committee that income from the MOT centre had risen in July and August as the Centre had gained some new work from the Corporation of London. The installation of a new ramp had adversely affected the figures for the first quarter. It was highlighted that Members and Officers could also get a discount if they had their own vehicles tested at the centre, but the centre could also advertise their services to a wider audience.

Resolved:

(1) That the Quarterly Financial Monitoring report for the period 1 April 2012 to 30 June 2012 regarding the revenue and capital budgets be noted.

Reasons for Decision:

To note the Financial Monitoring report for the first quarter of 2012/13.

Other Options Considered and Rejected:

As a monitoring report, there were no other options available.

16. CONSULTATION - BUSINESS RATES RETENTION

The Director of Finance & ICT presented a report on the recent Government consultation concerning the retention of Business Rates.

The Director stated that the Government had issued a consultation paper entitled "Business Rates Retention – Technical Consultation", which had a closing date for responses of 24 September 2012. The consultation was over two hundred and fifty pages long and had eighty four detailed questions. The consultation outlined the basis for some of the fundamental changes to the financing of local government which would come into place on 1 April 2013. Some exemplifications had been provided to support the various proposals but it was not clear in many instances if this Council would benefit from a given change or alternative. Attached to the report at Appendix 1 were the suggested responses from the Director of Finance & ICT. Where it was unclear what the effect of a proposal would be for the Council or the case for it had not been well made in the consultation, the suggested response was "No Comment". A comment had been added at the end of the response to reflect the disappointment that only 50% instead of 100% of business rates would be retained locally.

Resolved:

(1) That the proposed responses to the technical consultation on Business Rates Retention by the Director of Finance & ICT be agreed.

Reasons for Decision:

To determine the responses to be made to the consultation.

Other Options Considered and Rejected:

To not respond, to respond in part or to respond in full to all eighty four questions.

17. ANNUAL GOVERNANCE REPORT

The Director of Finance & ICT presented the Annual Governance Report for 2011/12. The Cabinet Committee noted that the External Auditors would also present their Annual Governance Report to the Audit and Governance Committee on 24 September 2012.

The Director appraised the Cabinet Committee of the key findings arising from the audit:

- no material misstatements had been identified in the Council's Financial statements;
- some uncorrected non-trivial but not material errors had been identified in the Council's Financial Statements;

- some areas of work were still outstanding on the Financial Statements but these would be completed before the Audit & Governance Committee meeting on 24 September 2012;
- it was anticipated that an unqualified true and fair opinion on the Financial Statements would be issued for the year ending 31 March 2012;
- the External Auditors were satisfied that the Annual Governance Statement was not inconsistent or misleading;
- an update on the Whole of Government Accounts return would be given at the Audit & Governance Committee meeting on 24 September 2012;
- one significant internal control deficiency had been identified with the checks being undertaken on Housing and Council Tax Benefit claims; and
- the External Auditors anticipated issuing an unqualified Value for Money conclusion.

The Director reassured the Cabinet Committee that, in respect of the identified internal control deficiency, Officers had been reminded to fully complete their checks for Housing and Council Tax Benefit claims in future. The Director then outlined the reasons for not correcting the five non-trivial but not material errors identified in the Council's Financial Statements:

(i) New Homes Bonus - £58,000 had been received in respect of 2012/13, and it would have been incorrect to account for it in 2011/12;

(ii) Revaluation of Housing Stock – the £85,000 housing stock understatement identified in the Council's Balance Sheet was extremely small when compared with the total stock value of £445million;

(iii) Bad Debt Provision – in the current economic climate, it was felt prudent to over-allow for bad debts;

(iv) Rental Income – the £35,000 raised after the year end but relating to 2011/12 was considered a trivial amount; and

(v) HRA Income - the £105,000 which was not recognised as income had no net effect on the accounts.

The Director reported that the Financial Statements had been signed and presented for audit before the statutory deadline of 30 June 2012. The Annual Governance Report produced by the External Auditors for 2011/12 had contained less errors and corrections than last year's, and reflected well on the accuracy of the Council's accounts.

Resolved:

(1) That the Annual Governance Report for 2011/12, prepared by the External Auditors, be noted.

Reasons For Decision:

To ensure that Members of the Cabinet Committee were informed of any significant issues arising from the audit of the Statutory Statement of Accounts.

Other Options Considered and Rejected:

None, as the report was simply for noting, with no specific actions proposed.

18. BUDGET 2013/14 - FINANCIAL ISSUES PAPER

The Director of Finance & ICT presented the Financial Issues paper, which would provide the framework for the Council's budget in 2013/14 and highlighted a number of financial issues that would affect the Council in the short to medium term.

The Director reported that the greatest areas of current financial uncertainty and risk to the Council were:

- Local Government Resource Review – the proposal was now for Councils to retain only 50% of their Business Rates, so the system of Formula Grants would remain for the foreseeable future. The Council had seen consistent reductions in its Formula Grant over the last five years.
- Business Rates Retention – if the Council increased its Business Rates collection by £1million then it would only get to keep an extra £234,000.
- Welfare Reform – The Council would need to save £1million from the current cost of Council Tax Benefit and nearly everyone of working age would now need to pay 20% of their Council Tax bill. Other measures coming through were the Universal Credit, the weekly benefits cap to limit the maximum amount of benefit a person could receive, and the 'Bedroom Tax' to restrict the amount of housing benefit received if a person was deemed to be under-occupying.
- New Homes Bonus – the Council would receive £450,000 in 2013/14 and this would be allocated to the Continuing Services Budget. A prudent position had been adopted for future years with no New Homes Bonus included after 2013/14.
- Double Dip Recession – This could adversely affect the Council's income streams, particularly from the market at North Weald Airfield.
- Development Opportunities – These would not be included in the Medium Term Financial Strategy until firm decisions on the different projects had been made.
- Community Budgets – Essex had been appointed as a pilot area, but some of the proposed schemes could be detrimental to the Council, particularly with regards to the management of property assets.
- Organisational Review – Any potential changes in the structure of the Council, following the appointment of a new Chief Executive, had not been included.

The Director reported that two different scenarios for the future had been presented to the Cabinet Committee. The first scenario was based upon a 1% increase in the Council Tax for 2013/14, whilst the second scenario was based upon a 0% increase in Council Tax. The Council was in a stronger financial position than had been anticipated, but there were still a number of uncertainties and challenges facing the Council. Despite all the uncertainty, the Council could look forward with a degree of confidence. At the end of 2012/13 the balance on the general fund reserve was predicted to exceed £9.3million and the balance on the District Development Fund to be just under £2million. This position of financial strength meant that whatever the outcomes were of the funding and benefit changes, a measured view could be taken on their implementation. The Cabinet Committee was requested to determine which scenario to recommend to the Cabinet, along with the guidelines to base the budget for 2013/14 on.

The Chairman welcomed the Council's position of financial strength, and felt that this should be used to help the residents of the District during the current economic uncertainty. The Leader of the Council agreed that the Council's financial strength precluded them from having to make 'knee-jerk' reactions to the forthcoming Government measures. The Council should be positive about the future and the sensible option to help out the residents of the District would be to opt for the 0% Council Tax increase scenario.

Recommended:

(1) That the 2013/14 budget guidelines be set in accordance with the revised four year forecast as follows:

(a) The ceiling for Continuing Services Budget net expenditure be no more than £14.91million including net growth;

(b) The ceiling for District Development Fund expenditure be no more than £560,000;

(c) The balances continue to be aligned to the Council's net budget requirement and that balances be allowed to fall no lower than 25% of the net budget requirement; and

(d) The District Council Tax not be increased, with Council Tax for a Band 'D' property remaining at £148.77.

(2) That a revised Medium Term Financial Strategy for the period to 2016/17 be developed accordingly; and

(3) That communication of the revised Medium Term Financial Strategy to staff, partners and other stakeholders be undertaken.

Reasons for Decision:

By setting out clear guidelines at this stage, the Cabinet Committee could establish a framework to work within in developing growth and savings proposals. This should help avoid late changes to the budget and ensure that all changes to services had been carefully considered.

Other Options Considered and Rejected:

To wait until later in the budget cycle to provide guidelines if it was felt that more information, or a greater degree of certainty, was necessary in relation to a particular risk. However, any delay would reduce the time available to produce strategies that complied with the guidelines.

19. ANY OTHER BUSINESS

The Cabinet Committee noted that there was no other urgent business for consideration.

CHAIRMAN