

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** Thursday, 18 September 2014

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 7.00 - 7.40 pm

Members Present: Councillors Ms S Stavrou (Chairman), A Lion, J Philip, D Stallan and C Whitbread

Other Councillors: Councillors G Waller

Apologies:

Officers Present: R Palmer (Director of Resources) and S Tautz (Democratic Services Manager)

14. Declarations of Interest

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

15. Minutes

RESOLVED:

That the minutes of the meeting of the Committee held on 28 July 2014 be taken as read and signed by the Chairman as a correct record.

16. Any Other Business

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

17. Government Consultation on Finance Settlement

The Director of Resources reported that the Government had recently issued a consultation document which sought views on a range of detailed and technical issues in respect of the Local Government Finance Settlement for 2015/16.

Members noted that, of the proposals, only the "Rolling in" of council tax freeze support would change the level of grant for the Council, and that this would increase the Settlement Funding Assessment for the authority by £83,000 to £5,476,000. The Committee was advised that the consultation had not proposed any additional reductions in funding, but members were advised however, that the Funding Assessment for 2014/15 was £6,375,000 and that the additional funding for 2015/16 would mean that the reduction in Funding Assessment could be 14.1% instead of 15.4%.

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Whilst many of the other proposals set out within the consultation document were not particularly relevant to the Council, the Director of Resources presented a suggested response to each individual issue for consideration by the Committee.

RESOLVED:

That the proposed response to the consultation document in respect of the Local Government Finance Settlement for 2015/16, as set out in the report, be agreed.

Reasons for decision:

To determine the responses to be made to the consultation.

Other options considered and rejected:

Members could decide to not respond, to respond in part or to respond in full to each of the consultation questions.

18. Annual Outturn Report on the Treasury Management and Prudential Indicators 2013/14

The Director of Resources presented the outturn report in respect of the Council's Treasury Management and Prudential Indicators for 2013/14. The Committee noted that the annual treasury report was a requirement of the Council's reporting procedures and covered treasury activity and performance against the prudential indicators for the last year.

The report provided Members with a summary of the Council's treasury management activity during 2013/14, during which time all of the targets for treasury and prudential Indicators had been achieved. The Committee noted that the Council had financed all of its capital activity in 2013/14 through capital receipts, capital grants and revenue contributions, and that no additional borrowing had been added to the £185.456m taken out in 2011/12 in relation to the self-financing of the Housing Revenue Account.

The Director of Resources reported that Council's overall treasury position for 2013/14 showed £185.456m as total external debt and total investments at £58.7m, which had resulted in net investment position for the year of £126,756m. Members were also advised that further dividends of 16.7% (£420,000) had been received since 1 April 2013 in respect of the Council's Icelandic investments, which had taken the return to 94% of the investment made.

The Committee considered a possible revision to the Council's Treasury Management Strategy Statement for 2014/15 to 2016/17, to permit lending by the Council, for the purpose of supporting the provision of local services by its main service contractors. Members noted that the system of 'prudential borrowing' introduced by the Local Government Act 2003, allowed local authorities to invest in contracted functions through the provision of loans to service providers. As relevant service contractors would always be subject to rigorous financial checks before the award of a contract by the Council, the Director of Resources considered that prudential borrowing activities for appropriate loans would be of low-risk to the authority, which would be further reduced by the imposition of a charge over any assets purchased with loans that were made available to contractors.

The Director of Resources reported that the new waste management contractor (Biffa Waste Management) had expressed interest in entering into a loan arrangement with

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the Council as part of the contract mobilisation process, in order to facilitate the procurement of a new waste management vehicle fleet. If agreed, finance provided in respect of such an arrangement would be secured on the vehicles to be purchased.

The Committee was requested to consider whether the existing Treasury Management Strategy Statement should be amended to permit appropriate lending activity with the Council's largest service contractors, and noted that the Audit and Governance Committee would also consider this aspect of the treasury management outturn report at its meeting on 25 September 2014.

RESOLVED:

- (1) That the outturn position for the Council's Prudential Indicators for 2013/14 be noted;
- (2) That the Treasury Management Outturn Report for 2013/14 be noted; and

RECOMMENDED:

- (3) That subject to the concurrence of the Audit and Governance Committee, a recommendation be made to the Council to change the Treasury Management Strategy Statement for 2014/15 to 2016/17 to permit lending to service providers with which the Council is in a contractual relationship (e.g. the Waste Management Contractor).

Reasons for decision:

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

Other options considered and rejected:

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

19. Quarterly Financial Monitoring

The Director of Resources presented the quarterly financial monitoring report for 1 April to 30 June 2014, which provided a comparison between the original profiled budgets for the quarter and actual expenditure or income. The report provided details of the revenue budgets, the Continuing Services Budget and District Development Fund as well as the capital budgets including Major Capital Schemes. The report had also been considered by the Finance and Performance Management Scrutiny Panel on 9 September 2014.

The Committee was advised that all directorates were either in line with the budget at the end of the first quarter, or were underspent. The Director of Resources reported that several of the Council's key income streams, including Development Control, Licensing, Local Land Charges and income from MOT's carried out by Fleet Operations, had all performed particularly well in the first quarter of the year, and appeared to provide some evidence of economic recovery. Members were reminded that a review of options for the future of the fleet operations service was to be considered by the Cabinet in the near future.

Members noted that the number of traders using the market at North Weald Airfield was still in decline, and that the Director of Neighbourhoods was currently liaising

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with the market operator to consider options for the appropriate promotion of the market. Issues identified in the monitoring report in connection with the sporadic receipt of pay and display incomes, were being addressed with the North Essex Parking Partnership.

RESOLVED:

That the revenue and capital financial monitoring report for the first quarter of 2014/15, be noted.

Reasons for decision:

To note the first quarter financial monitoring report for 2014/15.

Other options considered and rejected:

Report presented for information. No other options available.

20. Risk Register

The Director of Resources advised the Committee that the Corporate Risk Register had recently been reviewed by both the Risk Management Group and Management Board, but that no new risks or revisions to the score allocated to existing risks had been identified.

The Committee considered the latest version of the Risk Register, which had been updated as necessary to reflect the views expressed at the last meeting in terms of the inclusion of North Weald Airfield and possible other large scale development sites within Risk 2 (Strategic Sites).

RESOLVED:

- (1) That the updated version of the Corporate Risk Register be noted; and
- (2) That no new risks be identified by the Committee for inclusion in the Risk Register.

Reasons for decision:

It is essential that the Corporate Risk Register is regularly reviewed and kept up to date.

Other options considered and rejected:

Members may suggest new risks for inclusion or changes to the scoring of existing risks.

21. Annual Governance Report

The Director of Resources presented a report regarding the key issues arising from the annual Governance Report for 2013/14. The International Standard on Auditing 260 required that the Council's external auditor should report to those charged with governance on certain matters before giving an opinion on the Statutory Statement of Accounts. The external auditor (BDO) had indicated that their audit of the Council's Statutory Statement of Accounts for 2013/14 would be presented to the Audit and Governance Committee on 25 September 2014.

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The report highlighted the significant findings of the audit of the financial statements of the Council for the year ending 31 March 2014, and the Director of Resources advised the Committee of the following key findings arising from the audit:

- (a) no material misstatements had been identified as a result of the audit and although some areas were outstanding, any significant issues would be reported to the Audit and Governance Committee;
- (b) subject to satisfactory completion of the outstanding work, it was anticipated that an unqualified true and fair opinion would be issued on the financial statements for the year;
- (c) no significant deficiencies in internal controls had been identified;
- (d) the Annual Governance Statement was not misleading or inconsistent with other information and complied with the 'Delivering Good Governance in Local Government' criteria;
- (e) the Whole of Government Accounts element was below the threshold for a full assurance review, although this element of the audit was still in progress and an update would be provided to the Audit and Governance Committee; and
- (f) the auditors were satisfied in all significant respects that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources, and proposed to issue an unqualified value for money conclusion for the year.

In relation to an unadjusted audit difference identified by the external auditor, the Director of Resources advised the Committee that he was currently in discussion with BDO with regard to the unacceptable extrapolation of this error, which had the effect of decreasing the draft surplus on the provision of services in the Consolidated Income and Expenditure Statement by £115,000. It was hoped that this issue could be satisfactorily resolved prior to the meeting of the Audit and Governance Committee on 25 September 2014.

RESOLVED:

- (1) That the annual Governance Report of the Council's external auditor for 2013/14, be noted; and
- (2) That the appreciation of the Committee be extended to the Director of Resources and his officers, for their efforts in securing an excellent governance report for the last year.

Reasons for decision:

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

Other options considered and rejected:

Report presented for information. No other options available.

22. RISK MANAGEMENT TRAINING

The Director of Resources reminded the Committee that risk management training was to be held for members on 27 October 2014. Although the training was of particular relevance to members of the Committee and the Audit and Governance Committee, the session was open to all members but had so far only attracted a limited number of confirmed delegates. The Democratic Services Manager reported that a reminder of the session would be issued to all members.

23. Exclusion of Public and Press

The Sub-committee noted that there were no items of business on the agenda that necessitated the exclusion of the public and press from the meeting.

CHAIRMAN

Technical Consultation – Local Government Finance Settlement 2015/16 – Draft Responses

Question 1: Do you agree that compensation for the cap should be paid on the basis of the reduction to retained business rates income adjusted to account for lower tariffs and top-ups as in 2014/15?

Comment – The business rates retention scheme had anticipated annual indexation in line with the September RPI figure. However, in the 2013 Autumn Statement the increase was capped and so the increase was reduced from 3.2% to 2%. This reduced income to local authorities and so the Government paid a section 31 grant as compensation.

Draft Response – It is appropriate that local authorities are compensated for this change and this is an acceptable method.

Question 2: Do you agree that the 2014/15 Council Tax Freeze Grant should be rolled into Revenue Support Grant, and combined with the 2013/14 Council Tax Freeze funding element as a single element?

Comment – In line with the commitment to authorities at the time of take up, the Government wishes to ensure that the 2014/15 Council Tax Freeze Grant is protected in cash terms and only benefits authorities that froze council tax in 2014/15. As an authority that chose to freeze council tax we benefit from this proposal and the exemplifications show an increase of £83,000 in our funding from this change. The current funding mechanism is a very complicated one and so anything that combines elements improves our chances of understanding the overall calculation.

Draft Response – It is important that the Government honours its commitment to authorities that froze council tax. Anything that simplifies the allocation system or minimises the number of elements is supported.

Question 3: Do you agree that, subject to satisfactory progress by individual authorities, the 2014/15 Efficiency Support Grant should be rolled in as a separate element for the qualifying authorities?

Comment – Efficiency Support Grant was made available to assist the authorities suffering the greatest reductions in funding. This authority did not qualify for the grant and the exemplifications show no change arising from this proposal.

Draft Response – No comment.

Question 4: Do you agree that the 2014/15 Rural Services Delivery Grant should be rolled in and combined with the rural funding element?

Comment – The Government believes there are additional costs of service delivery in rural areas and so has allocated some funding on the basis of the “super sparsity indicator”. We are not sufficiently sparse to benefit from this. The only authorities in Essex who do benefit are Uttlesford, Braintree and Maldon although Uttlesford only receive £7,000 and the other two only £1,000 each.

Draft Response – No comment.

Question 5: Do you agree with the proposed methodology for reducing funding to authorities which have fallen below the threshold for participation in the Carbon Reduction Energy Efficiency Scheme, to take account of the loss in tax revenue to the Exchequer?

Comment – As you may have worked out from the question, this is extremely complicated but thankfully has nothing to do with district councils. The exemplifications show no change to our funding from this proposal.

Draft Response – No comment.

Question 6: Do you have any comments on the impact of the 2015/16 settlement on protected groups, and on the draft Equality Statement?

Comment – The DCLG are required to do an impact assessment and an Equality Statement as part of any consultation.

Draft Response – No comment.