

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** 28 January 2008

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 6.30 - 7.25 pm

Members Present: C Whitbread (Chairman), M Cohen, Mrs D Collins and Mrs A Grigg

Other Councillors: D Jacobs and J M Whitehouse

Apologies: Mrs M Sartin and D Stallan

Officers Present: P Haywood (Chief Executive), R Palmer (Director of Finance and ICT), P Maddock (Assistant Head of Finance), J Boreham (Assistant Public Relations and Information Officer), G J Woodhall (Democratic Services Officer), S G Hill (Senior Democratic Services Officer) and Z Folley (Democratic Services Assistant)

39. WEBCASTING INTRODUCTION

The Chairman made a short address to remind all present that the meeting would be broadcast on the Internet, and that the Council had adopted a protocol for the webcasting of its meetings. The Cabinet Committee noted the Council's Protocol for Webcasting of Council and Other Meetings.

40. MINUTES

RESOLVED:

That the minutes of the meeting held on 10 December 2007 be taken as read and signed by the Chairman as a correct record.

41. DECLARATIONS OF INTEREST

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

42. ANY OTHER BUSINESS

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

43. USE OF RESOURCES AUDITOR JUDGEMENTS 2007

The Finance, Performance Management and Corporate Support Services Portfolio Holder presented a report concerning the Use of Resources Auditor Judgement for

2007. The Portfolio Holder reported that local authorities were responsible for ensuring that they had proper arrangements in place to secure economy, efficiency and effectiveness in the use of public money. The Use of Resources Assessment involved the Audit Commission in assessing the Council's overall performance against five key lines of enquiry: financial reporting; financial management; financial standing; internal control; and value for money. The Council was rated for each key line of enquiry using the following scale: 4 performing strongly; 3 performing well; 2 performing adequately; and 1 performing inadequately. The report produced by the Audit Commission had identified the key findings and conclusions of the assessment, along with opportunities for improvement in the future. For 2007, the Council's score had risen to a 3, indicating that the Council had performed well in its use of resources.

The Director of Finance & ICT indicated that the report had confirmed the provisional score reported at the Cabinet Committee's previous meeting. The Leader of the Council stated that the result was pleasing for the Council and congratulated the officers involved for their efforts.

RESOLVED:

That the improvement in the Council's annual Use of Resources Assessment score to a 3 for 2007 be noted.

44. NATIONAL FRAUD INITIATIVE - SUPPLY OF ELECTORAL REGISTER

The Finance, Performance Management and Corporate Support Services Portfolio Holder presented a report regarding the supply of the Council's electoral register to the Audit Commission as part of the National Fraud Initiative. The Cabinet Committee was reminded that a full report on this matter would be considered by the Audit and Governance Committee at its meeting scheduled for 30 January 2008.

The Portfolio Holder reported that the Audit Commission had requested an electronic copy of the electoral register from each District Council, in order to crosscheck those persons claiming Council Tax or Housing Benefit and identify any possible cases of fraud. The request had been presented as pertaining to information that the Commission was entitled to under the Audit Commission Act 1998, however a number of Councils had not complied with the request, supported by the Association of Electoral Administrators and the legal opinions of numerous Monitoring Officers, due to a possible conflict with the Representation of the People Regulations 2001.

Since the last meeting of the Cabinet Committee on 10 December 2007, the Corporate Governance Group had been monitoring the situation. The Audit Commission had issued a Leading Counsel's opinion, which appeared to support their case. The Information Commissioner had issued an opinion stating that further advice was being sought from the Electoral Commissioner due to their specialist knowledge of electoral law. The Electoral Commissioner had issued an opinion stating that the Electoral Registration Officer should seek legal advice in order to determine whether Section 6 of the Audit Commission Act 1998 constituted a valid enactment under the Representation of the People Regulations 2001. Consequently, the Corporate Governance Group had concluded that the legal position had not been sufficiently clarified to enable the Council to withstand a legal challenge if the requested data was released.

The Director of Finance & ICT stated that the conflicting legal opinions regarding this issue had led to the current uncertainty, hence the recommended action for the Audit and Governance Committee was to await further developments before deciding

whether to release the Electoral Register to the Audit Commission. It was acknowledged that the Council's Use of Resources Assessment score could suffer in the future if the electoral register was not released to the Audit Commission, however the Corporate Governance Group had felt that the release of the register at the current time constituted a bigger risk. The Leader of the Council felt that the correct approach had been adopted in the current circumstances.

RESOLVED:

- (1) That the initial response of the Corporate Governance Group, Electoral Registration Officer and the Monitoring Officer to the National Fraud Initiative data matching exercise by the Audit Commission be noted;
- (2) That the current position be noted, following a further report considered by the Corporate Governance Group at its meeting on 16 January 2008; and
- (3) That, following the receipt of advice from both the Information Commissioner and the Electoral Commissioner, further developments be awaited before a final position be taken by the Council.

45. COUNCIL BUDGETS 2008/09

The Finance, Performance Management and Corporate Support Services Portfolio Holder introduced a report about the proposed Council Budgets for 2008/09, before inviting the Director of Finance & ICT to provide a summary for the benefit of the Cabinet Committee.

The Director of Finance & ICT stated that the largest Continuing Service Budget (CSB) growth items for next year were £331,000 for the end of subsidy on reinstatement grants made between 1987 and 1991 under section 541 of the Housing Act 1985, and £250,000 for the Safer, Cleaner and Greener Corporate initiative. The largest single CSB saving of £604,000 had resulted from the tendering exercise for the new waste management contract, whilst the Corporate Restructuring had also provided significant savings of £506,000. The current CSB total of £16.828million was £28,000 above the budget guideline target, however a contingency of £175,000 had been included, which could be reduced accordingly if necessary.

In respect of the District Development Fund (DDF), the Director of Finance & ICT reported that the largest items of expenditure were £288,000 for the generation of the Local Development Framework, £130,000 for the non-Housing Revenue Account (HRA) building maintenance programme, and £100,000 to complete the comfort cooling programme. The current DDF programme of £1.078million exceeded the budget guideline by £78,000, however it was felt that, as the outturn would be unlikely to exceed £1million, this excess was not felt to be significant.

The Director of Finance & ICT announced that, in relation to the budget guideline of not increasing the District Council Tax by more than the rate of increase in the Retail Prices Index, with the Retail Prices Index figure currently 4%, the proposed increase in the District Council Tax of 2.5% was within the Council's target. Additionally, with current projections indicating that the Council's reserves would be £6.1million by 2011/12, or approximately 34% of net budget requirement, the Council's target of not allowing General Fund balances to fall below 25% of net budget requirement would also be met. As previously reported, the Formula Grant settlement for the three-year

period 2008/09 to 2010/11 had resulted in small increases for the Council of 1%, 0.5% and 0.5% respectively.

The Cabinet Committee's attention was drawn to some of the significant risks and uncertainties for 2008/09. The effects of the new National Concessionary Fares Scheme would not become clear until midway through the year. A budget provision based upon the estimated costs provided by the current consultants to the countywide scheme had been included in the budget. The recent substantial increases in utility prices and the potential for higher than budgeted wage settlements were also areas of concern, along with the pending clarification of whether the Department of Communities and Local Government would provide a capitalisation direction to cover the pension deficit payments for 2007/08 and subsequent years.

The Assistant Head of Finance (Accountancy) reported upon the 2008/09 budget for the HRA. The balance of the HRA was expected to be £5.9million at 31 March 2009, a deficit of £404,000 for 2008/09 due to the £2million increase in subsidy payable to the Government. The HRA had had substantial balances for a period of time now and, despite the proposed deficit budget for 2008/09, this position was not expected to change in the short-term. The process of rent restructuring, whereby Council and Housing Association rents were converged, would continue. The Government had relaxed the original deadline of 2011/12 to 2016/17, but it was felt that it would be beneficial for the Council to continue with the current policy and aim for convergence by 2011/12. This would require an average rent increase of 6.7%, which would provide an additional £386,000 in rental income. As the majority of Council tenants received housing benefit, it was felt that they would be cushioned from the full effects of the proposed rent rise. The estimated balances for both the Housing Repairs fund and Major Repairs Reserve had also been provided.

The Director of Finance & ICT highlighted the current Capital Programme for 2007/08 to 2011/12, the report on the Council's Prudential Indicators for 2008/09 to 2010/11 and the Treasury Management Strategy for 2008/09, which were all attached to the budget. The Capital Strategy had been agreed by the Council in December 2007, and the only subsequent additional items were £25,000 to repair the tower lift at the Civic Offices, and £23,000 allocated for the Safer, Cleaner and Greener corporate initiative. Prudential Indicators were more relevant for Councils with debt, and the Council aimed to remain debt-free during 2008/09. No changes to the current Treasury Management Strategy were proposed, although the additional returns achieved by the Treasury Management team in comparison to the industry average net returns for external fund management teams were emphasised.

The final item of the budget was the Chief Financial Officer's report. The Director of Finance & ICT had concluded that the estimates were sufficiently robust for the purposes of the Council's budget for 2008/09, and that the reserves of the Council were adequate to cope with the financial risks faced by the Council in 2008/09 but that spending would need to be kept under review with savings made in the medium-term.

The Finance, Performance Management and Corporate Support Services Portfolio Holder felt that the budget as presented was a good budget that met the Cabinet's priorities for the forthcoming year with a low District Council Tax increase. The savings generated by the Corporate Restructuring had underpinned the additional expenditure on front-line services, and all the officers involved were thanked for their efforts. The Portfolio Holder stated that possibilities for capital expenditure that would generate future revenue opportunities were being explored.

In response to queries from members, the Director of Finance & ICT stated that it was extremely difficult to estimate the possible loss of investment income due to the current unfavourable market conditions. The Director of Finance & ICT stated that the Audit Commission had also highlighted the current high level of reserves, but it was felt that this should continue with the current global financial uncertainty. The Portfolio Holder thanked the Director of Finance & ICT and his team for their efforts in preparing the draft budget.

RECOMMENDED:

(1) That, in respect of the Council's 2008/09 General Fund Budgets for 2008/09, the following be adopted:

(a) the revised revenue estimates for 2007/08, which were anticipated to increase the General Fund balance by £116,000;

(b) an increase in the target for the 2008/09 CSB budget from £16.8million to £16.828million, including growth items;

(c) an increase in the target for the 2008/09 DDF net spend from £1million to £1.078million;

(d) an increase of 2.5% in the District Council Tax for a Band 'D' property, to raise the charge from £139.50 to £143.01;

(e) the estimated increase in General Fund balances in 2008/09 of £219,000;

(f) the four-year capital programme 2008/09 to 2011/12;

(g) the Medium Term Financial strategy 2008/09 to 2011/12; and

(h) the Council's policy on General Fund Revenue Balances to remain that they be allowed to fall no lower than 25% of the Net Budget Requirement;

(2) That, including the revised revenue estimates for 2007/08, the 2008/09 Housing Revenue Account (HRA) budget be agreed;

(3) That the application of the rent increases and decreases for 2008/09 be in accordance with the Government's rent reforms and the Council's approved rent strategy;

(4) That the increase in deficiency payments to the pension fund be capitalised in accordance with the Capitalisation Direction request made to the Department for Communities and Local Government, with the payments funded from the Pension Fund Capital Reserve via a transfer of £2.5million from the Usable Capital Receipts Account;

(5) That the Council's Prudential Indicators be agreed;

(6) That the Treasury Management Strategy for 2008/09 be agreed; and

(7) That the Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2008/09 budgets and the adequacy of the reserves be noted.

CHAIRMAN