

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance **Date:** 17 March 2008
Management Cabinet Committee

Place: Committee Room 1, Civic Offices, **Time:** 6.30 - 7.35 pm
High Street, Epping

Members Present: M Cohen, Mrs D Collins, Mrs A Grigg, Mrs M Sartin and D Stallan

Other Councillors: D Jacobs

Apologies: C Whitbread

Officers Present: R Palmer (Director of Finance and ICT), J Akerman (Chief Internal Auditor), Mrs J Twinn (Assistant Head of Finance), B Moldon, J Boreham (Assistant Public Relations and Information Officer), S G Hill (Senior Democratic Services Officer) and G J Woodhall (Democratic Services Officer)

46. APPOINTMENT OF CHAIRMAN

RESOLVED:

That, in the absence of the Chairman, Councillor Mrs Diana Collins be appointed as Chairman for the duration of the meeting.

47. 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.

48. MINUTES

RESOLVED:

That the minutes of the meeting held on 28 January 2008 be taken as read and signed by the Chairman as a correct record.

49. DECLARATIONS OF INTEREST

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

50. ANY OTHER BUSINESS

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

51. DRAFT INTERNAL AUDIT PLAN 2008/09

The Chief Internal Auditor presented a report concerning the draft Internal Audit Plan for 2008/09. The officer consultation process had been completed, and the draft plan had been submitted to the Cabinet Committee for member consultation prior to its approval at the Audit and Governance Committee on 31 March 2008.

The Chief Internal Auditor stated that the Plan incorporated the proposed work programme for 2008/09, for which a contingency provision of 40 days had been made for investigations and other unplanned work. Although the instances of fraud within the Council was very rare, the emphasis within the Plan upon risk was emphasised to the Cabinet Committee. There was additional flexibility in the Plan such that audits could be substituted in order to accommodate reviews of areas that had been assessed as being of greater risk to the Council's objectives, however the External Auditors still expected all of the main financial systems to be audited throughout the course of the year. Progress against the plan was monitored on a quarterly basis by the Audit and Governance Committee, who would be responsible for approving any amendments to the Plan during the course of the year.

In response to queries from the Cabinet Committee, the Chief Internal Auditor responded that the Plan dealt with those areas considered to be the main risks to the Council; the high impact risk factors were listed in the Plan. External Funding had been identified as an improvement area, hence the inclusion of this area in the list of audit topics. Leisure Service audits were included in the draft Plan but had been retitled to reflect the recent corporate restructuring.

RESOLVED:

That the draft Internal Audit Plan for 2008/09 be noted, prior to its consideration by the Audit and Governance Committee on 31 March.

52. THIRD QUARTER FINANCIAL MONITORING REPORT 2007/08

The Director of Finance & ICT presented a report upon the revenue and capital financial monitoring report for the third quarter of 2007/08. It was reported that, although the report had been considered by the last meeting of the Finance and Performance Management Scrutiny Panel, it had been submitted to the Cabinet Committee as both the terms of reference for the Cabinet Committee and one of the Key Lines of Enquiry for the Council concerned monitoring of the Council's finances by members of the Executive. The Salaries Schedule had shown an underspend of £283,000, which represented 2% of the overall budget.

For the revenue budgets, the Director of Finance & ICT reported that income levels had been more volatile during 2007/08. Development Control and Land Charge income were both down in comparison with their budget profiles, whilst Building Control had achieved a surplus, due mainly to work undertaken on behalf of other authorities. Income from recycling credits had been significantly higher than expected, but this had been balanced by higher expenditure. Income from car parking was lower, particularly in respect of penalty charge notices, and Bed and Breakfast charges were significantly down as fewer people had been placed in such accommodation. The Housing Repairs Fund had shown an underspend, mostly due to late invoicing by the gas servicing contractor, whilst payments to Sports and Leisure Management limited were behind schedule due to a dispute with the November invoice.

For the capital budgets, the Director of Finance & ICT reported that the Bobbingworth Tip project had been progressing ahead of target, despite delays due to inclement weather, and it was anticipated that funding scheduled for 2008/09 would have to be brought forward into 2007/08. However, it was highlighted that as the project had commenced nine months later than anticipated, a re-tendering exercise had been undertaken and costs had subsequently risen. The underspend shown for the Loughton Broadway Town Centre Enhancement Scheme had arisen from unforeseen problems encountered by the location and depth of a gas main, for which the Council was negotiating with National Grid Gas. Subject to Cabinet approval, the next phase of the scheme was due to commence in May 2008. An allocation still existed within the capital programme for the Customer Services Transformation Programme, however it was unlikely that this scheme would proceed in the near future. There had been a decrease in the number and size of Disabled Facilities Grants approved during the year, whilst the demand for Private Sector Grants had been slower than anticipated but was increasing significantly.

In response to queries from the Cabinet Committee, the Director of Finance & ICT reported that all IEG funded ICT schemes were broadly on target. The biggest project was the new Revenues and Benefits system, which was currently on schedule and within budget with an anticipated implementation in August and September 2008. The Council compared very favourably to other District Councils in Capita benchmarking exercises. The Director of Finance & ICT also reported that there was an ongoing dispute in respect of the final account with Cory. Provision had been made in the budget for the estimated final amount, but this could be exceeded following the completion of negotiations.

RESOLVED:

That the revenue and capital financial monitoring report for the third quarter of 2007/08 be noted.

53. RISK MANAGEMENT - UPDATED CORPORATE RISK REGISTER

The Senior Finance Officer presented a report regarding the updated Corporate Risk Register. At the Risk Management Group meeting held on 22 January 2008, the risks and their scores were reviewed to take account of any changes since the Cabinet Committee's meeting of 19 November 2007, when the Risk Register was previously agreed. In respect of risk 20 relating to key contracts, it was felt that this could be reduced from C2 (significant likelihood, critical impact) to D2 (low likelihood, critical impact) due to the appointment of Sita to the Waste Management Contract and the length of time that the Leisure Contract had now been running. Risk 10 had been renamed Revised Organisational Structure and reduced from D2 to E2 (very low likelihood, critical impact), which in placing it below the risk tolerance line negated the need for an action plan. Given the recent number of high profile data losses reported in the media, the Group felt that a new risk should be included for data loss. This new risk had been added as risk 18 and scored as E2, which had placed it below the risk tolerance line.

The Director of Finance & ICT highlighted that there had been some improvement in recruitment for certain key areas of the Council, but this issue was liable to remain a risk for the Council due to its proximity to London and the better paid positions with London Borough Councils. The measures taken by the Council to reduce the chances of a data loss occurring were also outlined, which included a robust firewall for the Council's ICT systems and password protection for any secure data sent on disk by courier. It was also intended to implement some new measures to secure any data held on laptops that were lost, thus the Group had been confident that the actual

risk was very low. The Cabinet Committee felt that the score for this proposed new risk should be increased to at least D2, which would also necessitate the need for an action plan to be formulated.

RECOMMENDED:

- (1) That the following amendments to the Corporate Risk Register be agreed:
 - (a) the score for risk 20 relating to key contracts be reduced from C2 (significant likelihood, critical impact) to D2 (low likelihood, critical impact);
 - (b) risk 10 be renamed 'Revised Organisational Structure' and its score reduced from D2 to E2 (very low likelihood, critical impact); and
 - (c) a new risk relating to data loss be added, risk 18, and scored as D2;
- (2) That no further new risks be added to the Corporate Risk Register; and
- (3) That the tolerance line on the risk matrix be retained at its current position.

54. SUNDRY DEBTORS - POLICY & PERFORMANCE

The Cabinet Committee received a report upon the proposed new Sundry Income and Debt Policy as well as information regarding the Council's performance in recovering sundry debts. The Sundry Income and Debt Policy had previously been adopted by the Cabinet Committee on 29 January 2007 and was subject to an annual review. Following an internal audit of sundry debtors in March 2007, it was recommended that a formal sundry debtor write-off policy be formulated which identified the process by which all write-offs should be raised, authorised and managed. This had now been included in Appendix C of the Debt Policy.

In respect of the performance management for recovering sundry debts, the Council's rate of collection had improved from 70.23% in 2003/04 to 80.38% in 2006/07. For this improvement to continue, it was highlighted to the Cabinet Committee that it was important for all Directorates to actively engage in the collection of sundry debts. This had been assisted by the introduction of the formal policy in January 2007 and associated training sessions. The Cabinet Committee were advised of the performance figures for sundry debt collection in 2006/07, of which the main figures were:

- (i) level of debt at 31 March 2007 - £2,188,500.72;
- (ii) irrecoverable debt provision at 31 March 2007 - £986,268;
- (iii) debt collected within 42 days – 58.16% by number or 50.79% by value; and
- (iv) debt collected within 60 days – 69.18% by number or 61.44% by value.

The Cabinet Committee were advised that performance data for 2007/08 would be available for the meeting scheduled for 16 June 2008, which would permit a more meaningful analysis of the data. It was highlighted to the Cabinet Committee that the irrecoverable debt provision was not the value of debts considered unrecoverable but

a provision for budgetary purposes. This provision had been progressively reduced over time as the Council's performance had improved.

RESOLVED:

- (1) That the updated Sundry Income and Debt Policy be adopted; and
- (2) That the Council's performance in respect of recovering sundry debts for 2006/07 be noted.

55. LOCAL HOUSING ALLOWANCE

The Assistant Director (Benefits) presented a report regarding the introduction of the Local Housing Allowance (LHA), with the potential impact upon residents within the District, and the recommendation of the Vulnerability and Direct Payment Policy to the Cabinet for approval. The Cabinet Committee were advised that the LHA being introduced nationally was a new method of calculating and paying Housing Benefit, which would initially only apply to tenants renting accommodation from private landlords who made a claim for Housing Benefit on or after 7 April 2008. Claimants in receipt of LHA would have no option but to receive their allowance direct, unless they were declared 'vulnerable' or had rent arrears in excess of eight weeks whereby their allowance would then be paid direct to their landlord. It was necessary to implement a Vulnerable and Direct Payment Policy to handle the circumstances under which direct payments should be made to landlords, and the proposed policy had been submitted for the Cabinet Committee's consideration and subsequent recommendation to the Cabinet for approval.

It was reported to the Cabinet Committee that the new scheme involved claimants having their entitlement assessed on the average rent level for the size of accommodation that the size of their particular household required. This level would be set at a fixed rate and everybody living in the same area with the same size of household would have their allowance calculated using the same fixed rate. These rates would be reviewed by the Rent Service each month. The Rent Service had established large Broad Rental Market Areas (BRMAs) to establish average rent levels and calculate LHA rates. The District was covered by three different such BRMAs: Outer North East London; Harlow and Stortford; and South East Herts. As a result, the average rent levels within the District had reduced quite significantly, with an anticipated 38% of claimants facing decreased entitlement. Existing claimants would be covered by the scheme when their entitlement was reviewed after a year. It had become apparent that the Rent Service was using the new larger BRMAs to review entitlement for existing claims, which had led to a number of decreases.

The Cabinet Committee were advised that the Council had made representations during the consultation period for the scheme, but that the LHA was a statutory scheme for the Council. Unfortunately, the Council was one of a minority of authorities for whom the introduction of the new scheme would not be beneficial for the Council's claimants of Housing Benefit.

RESOLVED:

- (1) That the introduction of the Local Housing Allowance and the potential impact upon residents within the District be noted; and

RECOMMENDED:

(2) That the Vulnerability and Direct Payment Policy be recommended to the Cabinet for approval.

CHAIRMAN