

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** Tuesday, 12 August 2008

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 6.30 - 8.35 pm

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

Other Councillors: K Angold-Stephens, Mrs R Brookes, D Dodeja, Mrs A Haigh, D Jacobs, R Morgan, J Philip, B Rolfe, B Sandler, Mrs L Wagland, Mrs J H Whitehouse, J M Whitehouse and D Wixley

Apologies: None

Officers Present: P Haywood (Chief Executive), J Gilbert (Director of Environment and Street Scene), A Hall (Director of Housing), S Tautz (Performance Improvement Manager), J Boreham (Assistant Public Relations and Information Officer), G J Woodhall (Democratic Services Officer) and S Mitchell (PR Website Editor)

Also in attendance L Clampin (External Auditor)

9. 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.

10. MINUTES

RESOLVED:

That the minutes of the meeting held on 16 June 2008 be taken as read and signed by the Chairman as a correct record.

11. DECLARATIONS OF INTEREST

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

12. ANY OTHER BUSINESS

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

13. VALUE FOR MONEY (VFM) REVIEW - JULY 2008

The Cabinet Committee received a presentation regarding the Value for Money review that had been undertaken by the Use of Resources Working Party. The first

part of the presentation was given by the Chairman of the Use of Resources Working Party, the Director of Housing, and examined the Council's current position on Value for Money. The second part of the presentation was given by the Chief Executive and outlined the Council's future approach to Value for Money. The Cabinet Committee was reminded that the review had been undertaken following the assertion by the Audit Commission that the Council was a high cost authority.

In the first part of the presentation, the Cabinet Committee was appraised of the factors contributing to the Council's relatively high costs. It was reported that the Council had a number of artificial costs that were not experienced by other Councils, as well as a number of explainable reasons for the Council's relatively high costs. The artificial costs cited included: Parish Precepts, as more parishes within the District led to higher costs; the existence of the District Development Fund to finance projects that enhanced the District; and the use by the Audit Commission of estimated expenditure when producing their figures, despite the Council's underspend for last year being approximately £1million. The explainable reasons cited included: the relatively low level of the Council's fees and charges, which had a beneficial effect upon residents; the District's geography, which included a large rural area; the District's location on the edge of London, which made it a higher cost area; and the fact that the Council had completed its job evaluation exercise, with resultant higher salary costs due to pay protection. The review had also highlighted that not all local authorities had allocated their costs in full, which would also distort the rankings issued by the Audit Commission.

The Director of Housing informed the Cabinet Committee that the Council's performance had been analysed, as this was also a component in determining Value for Money. It was found that performance at Service level was mixed, although it was generally improving but not at the same rate as the best performing Councils. Concerns had been raised in respect of the cost data used by the Audit Commission. The Audit Commission also used net costs for its judgements, thus a high gross cost could be masked by equally high charges. There was also a significant concern regarding the quality and accuracy of the data used by the Audit Commission, which had been revealed when the Council had checked some of the figures of its comparator authorities. The level of errors found was such that it had casted doubt over the validity of the data used and the resultant comparisons, and the Council intended to recommend to the Audit Commission that it should audit the data relied upon, just as it would audit the outturn for performance indicators.

In conclusion, the Director of Housing stated that it appeared, on the basis of the Audit Commission's methodology, the Council's net costs based on estimates rather than actual expenditure were higher than comparable local authorities. Some costs were artificially high, but if the artificial costs were excluded then the Council had the potential to attain top quartile status. It was intended to send a copy of the review to the Audit Commission, as well as highlight the Council's concerns about the accuracy and reliability of the data utilised with the recommendation that cost data should be audited.

The Chief Executive reminded the Cabinet Committee that the report was a genuine attempt to understand the Council's costs, but had not provided sufficient evidence to justify the Audit Commission's judgement that the Council was a high cost authority as it had given an awareness of the factors that had caused the Council to have reservations about the Audit Commission's data and conclusions. The Parish precepts was an issue that complicated the comparison process, although it was felt that the District Council could provide the Parish-level services for less cost due to economies of scale.

It was suggested that as there were so many flaws with the cost data provided by other Councils, the argument regarding value for money should be made on the basis of the level of Council Tax levied by each authority. It was highlighted that the Council could legitimately compare its performance with previous years, and that such a comparison would illustrate that the Council's costs were decreasing. The Leader of the Council felt that the Audit Commission's approach ignored certain issues and potentially penalised 'good' authorities. The Leader acknowledged that the Council's performance could improve further but still felt that the Audit Commission's comparisons were not reasonable. The Council's low Council Tax rises had been partly due to the availability of other funding, which had also helped the Council to keep its fees and charges at a relatively low level for the benefit of residents.

The second part of the presentation, given by the Chief Executive, concentrated upon the Council's future approach to Value for Money. In order to improve Value for Money, the Council could either reduce its costs, improve its performance, or do both. The final option to both reduce its costs and improve its performance would be the ideal for the Council, but the Cabinet Committee was warned that this may not be possible. In considering whether the Council was under any pressure to reduce its costs, it was concluded that there was no need or reason to reduce expenditure on services as: the Council Tax was very low and envisaged to remain low for the foreseeable future; the Council was in a very healthy financial position; and the Council did not have a funding problem. However, a need had been identified to improve the performance of the Council. Therefore, the conclusion had been that in order to improve the Council's Value for Money position, service costs should be reduced if possible but with no need to reduce overall expenditure, and performance should be further improved with any savings re-invested to improve performance.

The Chief Executive added that the Council was not relying on its high investment balances to either fund the Continuing Services Budget or the low Council Tax rises, as any income generated was allocated to the District Development Fund to finance stand-alone projects. The Council had sufficient reserves to continue its policy of not raising the Council Tax higher than the rate of increase in the Retail Price Index for the next three years. The Chairman thanked the officers for their detailed presentation, which had showed that the Council was in a good financial position due to the prudent measures that it had implemented in recent years. The Chairman agreed that in the short-term the Council should raise its concerns with the Audit Commission, whilst in the long-term it should develop a detailed Value for Money Strategy based upon the control of costs and improvements in overall performance.

RECOMMENDED:

- (1) That the Value for Money review undertaken by the Use of Resources Working Party be noted;
- (2) That the findings of the review be highlighted to the Audit Commission when they undertake an assessment of the Council's Value for Money as part of the Use of Resources assessment in September 2008;
- (3) That the Audit Commission's attention be also drawn to:
 - (a) the Council's serious concerns about the accuracy and reliability of the data used in the Audit Commission's comparisons;
 - (b) the fact that not all local authorities had allocated their costs in full; and

(c) the review's recommendation that submitted cost data be audited by the Audit Commission in a similar fashion to performance data; and

(4) That a detailed Value for Money Strategy be developed, focusing upon the following elements:

(a) seeking further efficiency gains;

(b) reducing service costs where practicable but acknowledging there was no imperative need to reduce overall expenditure on services; and

(c) re-investing savings, in a targeted fashion, to further improve performance.

14. USE OF RESOURCES ASSESSMENT 2007/08 - SELF-ASSESSMENT SUBMISSIONS AND VALUE FOR MONEY REVIEW

The Finance & Performance Management Portfolio Holder presented a report concerning the self-assessment submissions in respect of the Council's Use of Resources Assessment for 2007/08. The Portfolio Holder reminded the Cabinet Committee that, as part of the overall Use of Resources assessment process, the Council could complete a Value for Money self-assessment. Although not mandatory, it was considered a useful exercise as it would highlight areas of improvement. In addition, it was also considered beneficial for the Council to complete a Use of Resources self-assessment for 2007/08, based around five Key Lines of Enquiry, even though it was not a mandatory requirement. Both self-assessments for 2007/08 were required to be submitted to the Council's external auditors by September 2008, for subsequent on-site validation shortly after. Consequently, it was proposed to recommend both self-assessment submissions to the Cabinet for adoption at its meeting due to be held on 1 September 2008. Authority for the Chief Executive to amend the self-assessments following their adoption by the Cabinet but prior to their submission to the external auditors in order to incorporate any belated details was also requested.

It was queried as to whether the Capital Strategy could be regarded as fully funded when there was no mention of the Loughton High Road Town Centre Enhancement Scheme, the Portfolio Holder replied that the current priority was the Town Centre Enhancement scheme at Loughton Broadway but that the Capital Strategy would be reviewed on an annual basis. The Cabinet Committee were informed that the replacement of the Asset Register software had been at the recommendation of the Audit Commission. Following careful consideration, the Cabinet Committee duly recommended both self-assessment submissions for adoption.

RECOMMENDED:

(1) That the draft self-assessment submission for the 2007/08 Use of Resources assessment be adopted;

(2) That the draft Value for Money self-assessment submission for the Use of Resources assessment for 2007/08 be adopted; and

(3) That, subsequent to their adoption by the Cabinet prior to their submission to the Council's external auditors, the Chief Executive be authorised to amend the draft self-assessments to incorporate any additional details in relation to the Council's performance as necessary.

CHAIRMAN

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