

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** 22 September 2008

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 6.30 - 7.40 pm

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

Other Councillors: Mrs H Harding, D Jacobs and J M Whitehouse

Apologies:

Officers Present: P Haywood (Chief Executive), R Palmer (Director of Finance and ICT), P Maddock (Assistant Director Accountancy), D Newton (Acting Assistant Director ICT), B Moldon (Principal Accountant), J Boreham (Assistant Public Relations and Information Officer) and G J Woodhall (Democratic Services Officer)

15. MINUTES

RESOLVED:

That the minutes of the meeting held on 12 August 2008 be taken as read and signed by the Chairman as a correct record.

16. DECLARATIONS OF INTEREST

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

17. INSURANCE PERFORMANCE MONITORING

The Principal Accountant presented a report on Insurance performance monitoring. The Cabinet Committee were informed that the Council had made a saving of £69,030 per annum on its insurance premiums since deciding in 2005 to increase the excess level on the Public Liability policy from £500 to £5,000. An Internal Audit report had also recommended that the following should be reviewed annually:

- (i) claims trends; and
- (ii) whether the increase in the public liability excess was still resulting in savings for the Council.

The Principal Accountant summarised the claims trends for the three previous insurance years for the Motor, Property and Casualty policies. For 2007/08, a total of 66 claims had been closed whilst a further 63 claims had not yet been settled. In

addition, the Cabinet Committee also noted the further analysis of the ratio of Casualty Claims paid and repudiated over the last three insurance years, which for 2007/08 had seen three claims paid and six claims repudiated. It was also important to review the ratio between the Council's insurance premiums and the amount the insurer had paid out in claims. For 2007/08, the ratios were 59.61% for the Motor policy, 68.87% for the Property policy, and 41.05% for the Casualty policy. The Cabinet Committee was cautioned that these figures could change in the future as claims could continue to be made for previous years in the future. Following the increase in the excess for the Public Liability policy, the annual review had shown that the Council had made a net saving of £39,366 for the insurance year 2007/08, and had accumulated savings of £123,000 for the three-year period since 2005.

In response to questions from the Cabinet Committee, the Principal Accountant advised that the Council was pro-active in preventing its drivers incurring costs on the motor policy. Claims on the property policy came predominantly from tenants and the Cabinet Committee was reassured that insurance premiums were charged back to the tenants. The Cabinet Committee requested that a further analysis regarding claims on the property policy be submitted to the next meeting for consideration.

RESOLVED:

- (1) That the insurance trends and the savings achieved so far from the increase in the Public Liability excess be noted; and
- (2) That a further analysis regarding claims made on the Property policy be submitted to the next meeting for the consideration of the Cabinet Committee; and

RECOMMENDED:

- (3) That the current levels of policy excesses be maintained until the end of the current long-term agreement with Zurich Municipal in 2010.

18. SUNDRY DEBTORS PERFORMANCE INDICATORS

The Principal Accountant presented a report concerning the performance indicators for sundry debts, following the implementation of new procedures in November 2006.

The Cabinet Committee were informed that the new procedures had improved the Council's debt collection, but that there was an amount of older debt that now needed clearing. The Council's rate of collection had declined from 80.38% in 2006/07 to 73.57% in 2007/08, although there had been a slight increase in the collection of new debts. The Cabinet Committee were advised of the performance figures for sundry debt collection in 2007/08, of which the main figures were:

- (i) level of debt at 31 March 2007 - £2,614,496;
- (ii) irrecoverable debt provision at 31 March 2007 - £1,107,581;
- (iii) debt collected within 42 days – 59.29% by number or 51.57% by value; and
- (iv) debt collected within 60 days – 70.27% by number or 62.93% by value.

The Principal Accountant stated that 39% (£1,011,593) of the total outstanding debt was in relation to Housing Benefits, which had suffered due to staff sickness and turnover in 2007/08. The section was now fully staffed and a significant improvement in performance had been planned for 2008/09. The Council had started using a Debt

Agency six months previously, however as this was a new process there was no performance data currently available. The Agency was paid by results, and all perspective commercial tenants were credit checked prior to the Council entering into a lease with them. The Cabinet Committee requested that a further report reviewing the performance of the Debt Agency be submitted at a future meeting. The Director of Finance & ICT stated that the use of Factoring Agents had not been considered as the Council did not suffer from problems with its cashflow to necessitate their use. It was confirmed that Building Control did not issue certificates until the relevant invoice had been paid.

RESOLVED:

- (1) That the performance of the sundry debt function be noted; and
- (2) That a further report regarding the performance of the Debt Agency used by the Council be submitted for consideration at a future meeting of the Cabinet Committee.

19. REVIEW OF ICT SERVICE - UPDATE ON PREVIOUS REPORT

The Assistant Director for Information and Computer Technology presented an update report on the review of the ICT service, as originally considered by the Cabinet Committee at its meeting on 16 June 2008.

The Cabinet Committee were reminded that when the original report was considered, the Portfolio Holder for Corporate Support & ICT Services requested clarification on the differences between ITIL v2 and v3 used for the benchmarking exercise. This had been addressed by the addendum report considered at the meeting, which stated that the use of ITIL v3 - whilst more refined in certain areas - would make no significant impact on the findings of the original report. Consequently, the Cabinet Committee were requested to note the contents of the addendum report and agree the implementation of the original report's recommendations.

RESOLVED:

- (1) That the addendum report to the ICT Review performed by Capita be noted;
- (2) That no further assessment of the ICT Service be required at the current time; and
- (3) That the recommendations of the original report be implemented.

20. QUARTERLY FINANCIAL MONITORING

The Assistant Director Accountancy from the Finance and ICT Directorate presented the Quarterly Financial Monitoring report for the first quarter of 2008/09, covering the period 1 April 2008 to 30 June 2008.

The Assistant Director stated that as the Pay Award for 2008/09 had not yet been agreed, the salaries budget was showing an underspend of £239,000. There was concern over the levels of income being generated by Building Control, Land Charges and leases at North Weald Airfield as all were below expectations. Reports to Cabinet would be forthcoming recommending remedial action to minimise the impact upon the budget for Building Control and Local Land Charges, whilst rent levels at North Weald Airfield would return to their expected levels once negotiations to lease Hangar 1 were complete. Income from car parking was slightly higher than

expected, due to additional season tickets issued to Essex County Council, and interest receipts from the Council's investments were also above expectations due to higher interest rates. It was confirmed that income from season tickets for the Council's car parks were generally received in the first quarter of the financial year. A full review of the Capital Programme was being undertaken and would be reported to the Cabinet at its meeting scheduled for 6 October. The Cabinet Committee was requested to note the monitoring report.

RESOLVED:

That the Quarterly Financial Monitoring report for the first quarter of 2008/09 be noted.

21. BUDGET 2009-10 - FINANCIAL ISSUES PAPER

The Director of Finance & ICT presented a report on the financial issues facing the Council and the revision of the Council's Medium Term Financial Strategy, which would provide a framework for the Council's 2009/10 budget.

The Cabinet Committee was reminded that the Council's Government Grant allocation for 2009/10 was the second year of a three-year settlement, with an expected increase of 0.5% for the adjusted Formula Grant in 2009/10. The current general economic situation had led to reduced activity in the housing market with a subsequent effect on the Council's finances. Income from Local Land Charges and Building Control were both down, with annual shortfalls of £250,000 and £100,000 respectively currently expected. The Council was also selling less Council houses as a result, however the Council had benefited from increased investment income due to higher interest rates.

Members were advised of the potential underspends for the Safer, Cleaner and Greener initiative due to delays in recruitment, and it was anticipated that these monies would be carried forward to the following year. The rising cost of biodegradable sacks for the Green Waste collection service was highlighted, but the Waste Management Partnership Board were exploring alternative methods of service delivery. The Epping Sports Centre had only been covered by a three-year contract initially as there had been a possibility that a new leisure centre would be provided on an alternative site. This was now unlikely to happen, so it was deemed necessary to extend the current contract with Sports Leisure Management Limited (SLM) for a further four years in order to align it with the current contracts for the other sports centres within the District.

The Cabinet Committee were reminded that the pay award for 2008/09 and subsequent years had not been agreed. Strike Action had occurred during the summer and both sides had now agreed to arbitration with ACAS. However, given that there was no further money available from the employers, future increases of 2.45% had been assumed for the foreseeable future. Additional growth of £50,000 had been allowed for the expected increases in energy costs; on the advice of the Essex Procurement Hub, the Council was intending to purchase gas and electricity via the Office for Government Commerce when the current contracts expired. In respect of capitalisation of pension deficit payments, it was intended to seek directions from the Government for a further £946,000 in 2009/10.

The Cabinet Committee were appraised of the possibility that Essex County Council might administer the National Concessionary Fares Scheme, following negotiations with the bus operators. The specific grants provided by the Government to offset the costs from the introduction of the scheme were currently covering the Council's

costs. The £2.2million currently included in the Capital Programme for the Customer Services Transformation Programme would be rescheduled for 2009/10, as it was considered unlikely that the Scrutiny Panel set up to review the Programme would have completed its work by the end of the current financial year.

The Director for Finance & ICT reported that the improved financial position for the Council, in comparison to last year, had meant that the forecast of 2.5% increases in Council Tax for the next four years was expected to be met. In order to keep the Council's reserves at or above 25% of the Net Budget Requirement (NBR), savings of £200,000 for the Continuing Services Budget (CSB) had been planned for the next three years to give a projected CSB budget of £17.6million for 2009/10. District Development Fund (DDF) spending for 2009/10 was anticipated to be £270,000. The Cabinet Committee was asked to agree these guidelines for the 2009/10 budget, the continuation of seeking capitalisation directions for the pension deficit, along with the development of the Medium Term Financial Strategy in more detail. In order to maintain the Council's score of 3 for Financial Management in the Use of Resources assessment, it was intended to communicate the Medium Term Financial Strategy to staff, partners and other stakeholders.

The Chief Executive reminded the Cabinet Committee that the Government's presumption was for councils to continue to make 'Gershon' savings. It was clarified that the savings quoted were net savings; any further savings would be invested in service delivery in order to improve the Council's performance. The Cabinet Committee queried the report's assumption over Concessionary Fares but felt that overall the Council was in a strong financial position, which should enable it to limit the increase in Council Tax to 2.5% for 2009/10.

RECOMMENDED:

- (1) That the 2009/10 budget guidelines be set in accordance with the revised four year forecast as follows:
 - (a) the ceiling for CSB net expenditure be no more than £17.6m including net growth;
 - (b) the ceiling for DDF (one-off) expenditure be no more than £270,000;
 - (c) that 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;
 - (d) the Council Tax to be increased by no more than 2.5%; and
 - (e) any surplus General Fund balances be re-invested in the Council's service delivery in order to improve its performance;
- (2) That a revised Medium Term Financial Strategy for the period to 2011/12 be developed accordingly;
- (3) That communication of the revised Medium Term Financial Strategy to staff, partners and other stakeholders be undertaken by way of publishing key bullet points in appropriate publications; and
- (4) That the policy of capitalisation of additional pension fund deficit payments be continued.

22. RISK MANAGEMENT - UPDATED CORPORATE RISK REGISTER

The Director of Finance & ICT presented a report concerning the updated Corporate Risk Register, as proposed by the Risk Management Group at its meeting on 1 September 2008 and confirmed by the Corporate Governance Group at its meeting on 3 September 2008.

The Cabinet Committee were informed that it was proposed to increase the score for the risk in respect of Key Contracts from D2 (Low Likelihood, Critical Impact) to C2 (Significant Likelihood, Critical Impact), This was to reflect the ongoing negotiations regarding the Green Waste service and the future management of Epping Sports Centre. The review of the Corporate Risk Register had also updated a number of the action plans, as well as the new Executive Priorities for the year. The Cabinet Committee was requested to agree the proposed amendment, and consider whether any additional risks should be added or the current position of the tolerance line on the Risk Matrix be amended.

Members queried whether there should be an additional risk added in light of the current lack of middle management in the Planning & Economic Development Directorate, as one of the Assistant Director posts had yet to be recruited to and another was currently vacant due to long-term sickness. Officers suggested either risk 13 (Key objectives not delivered due to capacity issues) or risk 19 (Planning Service does not improve). Members felt that neither of these risks fully covered the perceived peril facing the Council, and requested that Officers reconsider and report back at the next meeting whether a new risk was required or an existing risk could be suitability re-written.

RECOMMENDED:

- (1) That the following amendment to the Corporate Risk Register be agreed:
 - (a) the score for risk 20 relating to Key Contracts be increased from D2 (low likelihood, critical impact) to C2 (significant likelihood, critical impact);
- (2) That the risk facing the Planning & Economic Development Directorate in relation to its current lack of middle management be considered by the Risk Management Group and reported back at the next meeting of the Cabinet Committee;
- (3) That no further new risks be added to the Corporate Risk Register; and
- (4) That the tolerance line on the risk matrix be retained at its current position.

23. ANY OTHER BUSINESS

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

CHAIRMAN