

## **EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES**

**Committee:** Finance and Performance Management Cabinet Committee      **Date:** 16 March 2009

**Place:** Committee Room 1, Civic Offices, High Street, Epping      **Time:** 6.30 - 7.55 pm

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

**Other Councillors:** D Jacobs

**Apologies:** M Cohen

**Officers Present:** R Palmer (Director of Finance and ICT), J Gilbert (Director of Environment and Street Scene), J Akerman (Chief Internal Auditor), P Maddock (Assistant Director Accountancy), S Tautz (Performance Improvement Manager), J Boreham (Assistant Public Relations and Information Officer) and G J Woodhall (Democratic Services Officer)

### **48. DECLARATIONS OF INTEREST**

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

### **49. MINUTES**

#### **RESOLVED:**

That the minutes of the meeting held on 26 January 2009 be taken as read and signed by the Chairman as a correct record.

### **50. ANY OTHER BUSINESS**

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

### **51. DRAFT INTERNAL AUDIT BUSINESS PLAN 2009/10**

The Chief Internal Auditor presented a report concerning the draft Internal Audit Business Plan for 2009/10. The Cabinet Committee were reminded that it was now the responsibility of the Audit & Governance Committee to approve the Plan, following consultation with the Cabinet Committee. Any issues raised by the Cabinet Committee would be reported at the Audit & Governance Committee scheduled for 30 March 2009. The draft plan had been issued to all Directors and Members for information and consultation.

The Chief Internal Auditor reported that the Draft Plan included the proposed work plan for 2009/10 consisting of 900 audit days, for which a contingency provision had

been included for investigations and other unplanned work. The plan was also flexible enough to incorporate reviews of other areas that were considered a greater risk to the achievement of the Council's objectives. Progress against the Plan would be reviewed each quarter by the Audit & Governance Committee, who would also approve any proposed amendments to the Plan during 2009/10.

In response to questions from the Cabinet Committee, the Chief Internal Auditor stated that the contingency provision within the Plan had not been spent in previous years, and that the levels of sickness absence experienced within the Internal Audit Unit had noticeably reduced during 2008/09.

**RESOLVED:**

That the proposed draft Internal Audit Plan for 2009/10 be noted.

**Reasons for Decision:**

To comply with the constitutional requirement for the Cabinet Committee to be consulted as part of the process of drafting the Internal Audit Business Plan.

**Other Options Considered and Rejected:**

To not consult with the Cabinet Committee, however this would contravene the Cabinet Committee's Terms of Reference.

**52. COMPREHENSIVE AREA ASSESSMENT**

The Performance Improvement Manager presented a report on the Comprehensive Area Assessment. Comprehensive Area Assessment (CAA) was the new framework for the independent assessment of local public services in England. It would be an important part of assessing and reporting on how well public money was spent, and making sure that local public bodies were accountable for their service quality and impact. CAA would also give the Government an indication of how well councils and their partners were delivering key national and local priorities, and the process would also provide constructive challenge and feedback to local service bodies to support their improvement efforts. The final framework for the introduction of CAA was published by the joint inspectorates on 10 February 2009 and a copy of the final framework document had been placed in the Members' Room.

The Cabinet Committee were informed that CAA would focus on outcomes rather than organisations and would comprise of two assessments: an Area Assessment of the prospects for improvement; and a scored Organisational Assessment. A main feature of the assessment was that inspection activity would be more risk-based and tailored to local circumstances. The Area Assessment would be reported as a narrative rather than a score, and its focus would be on the prospects for future improvement and its sustainability. The Area Assessment would start with the locally agreed priorities in the Local Area Agreement, focus on the prospects for sustainable future improvement and concentrate on:

- How well did local priorities express community needs and aspirations?
- How well were the outcomes and improvements needed being delivered?
- What were the prospects for future improvement?

The Performance Improvement Manager reported that the new Use of Resources assessment methodology for 2009 would contribute to the Organisational Assessment for Councils, alongside a managing performance assessment. The managing performance element of the Organisational Assessment would replace the

previous Direction of Travel report produced on an annual basis. CAA was intended to promote improvement throughout the year rather than only through annual public reporting or by intensive on-site assessment, as had been the case previously.

With regard to the timescale, the Cabinet Committee noted that draft assessments would be prepared and distributed in September/October 2009 for agreement, with the findings publicly reported in November 2009 so as to inform budget setting and key objective exercises for the following year. The annual CAA report would comprise the Area and Organisational Assessments, alongside performance against each indicator in the National Indicator set, enabling performance comparison exercises to be undertaken against neighbouring authorities or those of a similar size and facing similar challenges.

In response to questions from the Cabinet Committee, the Performance Improvement Manager thought that initially the new assessment process might be more onerous than the previous one while the Council became fully conversant with the new methodology. Initially, it was felt that the Corporate Risk Register would not be examined in detail, whilst there was the distinct possibility of more spot checks with less warnings. The Cabinet Committee was warned that the Council would need to improve its performance if it wished to retain its current level three rating and that the new regime was liable to be more onerous for both the Council and the External Auditors. The self-assessment case studies would be required by May 2009 and the process was no longer tick-box driven.

The Cabinet Committee expressed concern that the new process would be more difficult due to the inclusion of the Local Strategic Partnership and the number of partners involved. It was felt this could also lead to an increased cost of audit for the Council.

**RESOLVED:**

That, as recently published by the Audit Commission and its partner Inspectorates, the final methodology for Comprehensive Area Assessment be noted.

**Reasons for Decision:**

To inform the Cabinet Committee of the final methodology to be used for Comprehensive Area Assessments.

**Other Options Considered and Rejected:**

None, Comprehensive Area Assessments were a statutory requirement and failure to participate could mean that opportunities for improvement were lost and might adversely affect the reputation of the Council.

**53. NATIONAL AND LOCAL PERFORMANCE INDICATORS 2009/10**

The Performance Improvement Manager presented a report regarding National and Local Performance Indicators for 2009/10. The Cabinet Committee was reminded that it had previously received details of the National Outcome and Indicator Set, and the National Performance Indicators (NIs) that were introduced on 1 April 2008. The National Indicator set had replaced all other existing suites of statutory indicators, including the Best Value Performance Indicators (BVPIs). However, it was still important for local authorities to continue to use Local Performance Indicators (LPIs) to reflect performance against local priorities. The introduction of the National Indicator set in April 2008 had provided an opportunity for a thorough review to be

undertaken of the Council's locally determined Local Performance Indicators for 2008/09, and this exercise had recently been repeated for 2009/10 with a number of Indicators suggested for deletion. Proposals were made to the Cabinet Committee for the adoption of a range of Key Performance Indicators (KPIs) for 2009/10, comprising both NIs and LPIs.

The Cabinet Committee were informed that the Council was the nominated authority to report upon NI 017 (perceptions of anti-social behaviour) and NI 035 (building resilience to violent extremism). In relation to NI 157a (processing of major planning applications as measured against targets), the Council received very few major planning applications, and it was unlikely to meet this particular target. The deletion of LPI 18 (accuracy of processing benefit claims) was queried by the Cabinet Committee, however it was stated that it took an inordinate amount of staff time to measure this particular indicator. The Cabinet Committee noted that there was so specific Local Performance Indicator relating to fraud, especially as this was a key area in which the Council was performing well; the Director of Finance & ICT was requested to investigate a possible Local Performance Indicator to cover this area. It was also felt that the Director of Housing could re-evaluate the target for NI 155 (Number of affordable homes delivered) and provide further information to support the setting of the target when it was considered by the Finance & Performance Management Scrutiny Panel.

#### **RESOLVED:**

- (1) That, as set out in the report, the proposals for the adoption of the Key Performance Indicators for 2009/10 be agreed;
- (2) That a target be set for the achievement of year-on-year improvement against four out of every five of the adopted Key Performance Indicators; and
- (3) That the Director of Finance & ICT be requested to investigate the implementation of a Local Performance Indicator in relation to combating fraud against the Council.

#### **Reasons for Decision:**

To enable members to contribute to the review of the current Local Performance Indicator set, with a view to the adoption of relevant National Indicators and Local Performance Indicators reflecting the Council's core business and its corporate priorities, as Key Performance Indicators for 2009/10.

#### **Other Options Considered and Rejected:**

None, as the Council was required to collect and report data against relevant National Indicators, and was encouraged to utilise Local Performance Indicators to monitor performance against the achievement of local priorities and targets. Appropriate data collection systems, monitoring and reporting arrangements were already in place for each of the indicators proposed to be adopted as Key Performance Indicators for 2009/10.

#### **54. VALUE FOR MONEY STRATEGY - REVIEW**

The Performance Improvement Manager presented a report concerning a review of the Council's Value for Money (VfM) Strategy. The Strategy was first adopted in 2006, and had recently been reviewed in light of the completion of the detailed 'Value For Money Review' of the Council's costs and performance. This had been

undertaken during 2008 following the Audit Commission's concern at the level of costs identified in its Use of Resources Judgement for 2006/07. A presentation of the findings of the VfM Review was made to the Committee in August 2008 and a copy of the detailed report arising from the review had been placed on deposit in the Members' Room. The Cabinet Committee was reminded of the potential problems with the quality of data from other Councils, and that Local Performance Indicators could not be compared across Councils as benchmarking data would only be available for National Indicators. The revised Strategy had set out the framework for how VfM would be approached across the Council for the next three years and the Cabinet Committee was requested to approve it.

Scrutiny of the Council's VfM performance had traditionally been undertaken by the Finance and Performance Management Scrutiny Panel, through the development of a VfM analysis tool based upon the Audit Commission's VfM Profile tool. The purpose of the analysis tool was to provide an initial indicator of the relationship between the Council's service costs and performance, in order to identify areas where further detailed and targeted analysis or improvement activity might be required. It was proposed to continue with these arrangements but to refocus the analysis to concentrate on the use of national cost and performance data published by the Audit Commission and complemented by commentaries from Service Directors. Consideration of the Council's cost and performance data would form part of the Scrutiny Panel's work programme each year.

The Cabinet Committee expressed disappointment at the level of some of the Indicators and felt that the Council needed to demonstrate real year-on-year improvement in all performance indicators. It was noted that there were Action Plans in place with monitoring arrangements for all the Key Performance Indicators, Local Performance Indicators and National Indicators. Concern was also expressed over the practice of some Councils using estimates for their Service costs as part of their Value for Money analysis.

#### **RESOLVED:**

- (1) That, as attached to the report, the Council's draft Value for Money Strategy for 2009-12 be adopted; and
- (2) That the revised arrangements for the annual scrutiny of the Council's Value for Money performance by the Finance & Performance Management Scrutiny Panel be endorsed.

#### **Reasons for Decision:**

The VfM Strategy set out the Council's overall approach to ensuring the provision of value for money services. The revised version of the Strategy built upon the work undertaken as part of the corporate VfM Review in 2008, as a result of which improvements were also proposed to existing arrangements for the annual scrutiny of the Council's VfM performance.

#### **Other Options Considered and Rejected:**

None; the VfM Strategy sought to bring together best practice within the Council in terms of the provision of value for money services. Failure to identify arrangements for securing and improving value for money might mean that opportunities for improvement were lost, and might also adversely affect the reputation of the authority.

**55. QUARTERLY FINANCIAL MONITORING**

The Assistant Director Accountancy presented the Revenue and Capital Financial Monitoring Report for the third quarter of 2008/09, which highlighted the key areas of income and expenditure for each Portfolio along with the Salaries Monitoring Report divided by Directorate.

The Assistant Director reported that the salaries budget was currently showing an underspend of £344,000, however the recent arbitration decision to increase the pay award by 0.3% would reduce this by approximately £50,000. Income budgets were looking particularly volatile with Development Control £17,000 below expectations, Building Control £53,000 below the original budget and Local Land Charges showing a deficit of £187,000 against budget. Interest rates had also fallen dramatically since the last monitoring report with a resulting adverse effect on the Council's investment income. The Council had also invested £2.5million with the Heritable Bank, whose Icelandic parent company had gone bankrupt causing its assets in this country to be frozen; an initial report from the administrators had indicated that unsecured creditors would get most of their investment back but with no indication of when.

The Cabinet Committee were informed that revised estimates had been prepared on the basis of these figures, including items for lost income and empty property rates for Hangar number one at North Weald Airfield, and increased car parking income from additional season tickets for Essex County Council. For the major capital schemes, the Cabinet Committee were informed that the revised end dates for the Loughton Broadway Town Centre Enhancement and Springfields Improvement Schemes were autumn 2009 and June 2009 respectively.

**RESOLVED:**

That the Revenue and Capital Financial Monitoring Report for the third quarter of 2008/09 be noted.

**Reasons for Decision:**

The Cabinet Committee had within its Terms of Reference the monitoring of key areas of income and expenditure for each Portfolio.

**Other Options Considered and Rejected:**

To not monitor the Council's ongoing expenditure throughout the financial year.

**56. RISK MANAGEMENT - UPDATED CORPORATE RISK REGISTER**

The Director of Finance & ICT presented a report concerning the proposed updates to the Council's Corporate Risk Register. At its previous meeting, the Cabinet Committee had requested that the scoring of two risks be amended and a new risk added to address current concerns about the Council's income streams. This had been given the title of "Shortfall in Key Income Streams" and had been scored as A2 (very high likelihood, critical impact). This had placed the risk above the risk tolerance line and consequently an action plan had been prepared. Following reviews by both the Risk Management and Corporate Governance Groups, a further new risk had been proposed to cover workforce development planning. This item was now required to be included in business plans and this risk had been scored as C2 (significant likelihood, critical impact).

It was felt that the recent Government announcement regarding rent increases would not affect the Council and there was not a significant enough risk to housing rents and national non-domestic rents to warrant an entry on the Corporate Risk Register. The Cabinet Committee were informed that there would be a further announcement before the end of the month.

**RECOMMENDED:**

(1) That a new risk relating to the Shortfall in Key Income Streams, risk 27, be added to the Corporate Risk Register and scored as A2 (very high likelihood, critical impact);

(2) That a new risk relating to Workforce Development Planning, risk 28, be added to the Corporate Risk Register and scored as C2 (significant likelihood, critical impact);

(3) That the current tolerance line on the risk matrix be considered satisfactory and not be amended; and

(4) That, incorporating the above agreed changes, the amended Corporate Risk Register be approved.

**Reasons for Decision:**

It was essential to regularly review the Corporate Risk Register to manage the potential risks faced by the Council.

**Other Options Considered and Rejected:**

To not add the two new risks to the Corporate Risk Register, or assign a different score to that proposed.

**57. AUDIT COMMISSION INSPECTION OF THE WASTE MANAGEMENT SERVICE - PROGRESS AGAINST THE RECOMMENDATIONS**

The Director of Environment & Street Scene presented a progress report upon the recommendations from the Audit Commission following its inspection of the Waste Management service in May 2008. At its previous meeting, the Cabinet Committee had received details of the Audit Commission's findings, and had agreed with the proposed action plan and associated timeframes. The action plan had then been considered by the Audit & Governance Committee at its meeting on 24 November 2008, where it was noted and regular updates of progress against the action plan requested. It was reported that progress had been made against all three of the recommendations, with full details given in the appendix to the report. The Cabinet Committee was informed that the minutes of the Waste Management Partnership Board meetings were reported to the Safer Cleaner Greener Scrutiny Panel.

**RESOLVED:**

That, following the Audit Commission inspection of the Waste Management service in May 2008, progress against the action plan for the three resulting recommendations be noted.

**Reasons for Decision:**

For the Cabinet Committee to be satisfied that sufficient progress was being made

against the recommendations from the inspection report.

**Other Options Considered and Rejected:**

There was no option other than to comply with the recommendations of the Audit Commission.

**58. EXTERNAL AUDITORS REPORTS - USE OF RESOURCES AND DATA QUALITY**

The Director of Finance & ICT presented a report upon the External Auditor's Use of Resources and Data Quality reports. These reports would be formally presented to the Audit and Governance Committee on 30 March 2009. However, given the importance of these reports, it was felt appropriate for the Cabinet Committee to also consider them. Both reports had scored the Council as three out of four, and "consistently above minimum requirements – performing well", but the Cabinet Committee were cautioned that, as the requirements were again being raised for 2008/09, the Council would have to demonstrate real improvement to retain its current scores.

The Director added that the Council's individual score for Financial Reporting had fallen from three to two due to the discovery of non-material errors in the accounts for 2007/08. The Cabinet Committee acknowledged that this had been due to a change of External Auditor and subsequent change in methodology as well as a shorter timescale for the preparation of the accounts. Discussions had taken place with the External Auditor to ensure a better performance in future years. Whilst the Council's individual score for Value for Money had remained at two, the internal analysis performed during the summer had increased the Council's understanding of its costs.

**RESOLVED:**

That the reports of the External Auditor regarding the Council's Use of Resources and Data Quality be noted.

**Reasons for Decision:**

To make the Cabinet Committee aware of the reports presented by the External Auditor.

**Other Options Considered and Rejected:**

No other action proposed as the Cabinet Committee was only requested to note the reports of the External Auditor.

**CHAIRMAN**