

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** 27 September 2010

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

Members Present: C Whitbread (Chairman), Mrs D Collins, Mrs P Smith and D Stallan

Other Councillors: D Jacobs and Ms R Brookes

Apologies: R Bassett and Ms S Stavrou

Officers Present: D Macnab (Acting Chief Executive), J Gilbert (Director of Environment and Street Scene), R Palmer (Director of Finance and ICT), P Maddock (Assistant Director (Accountancy)), B Moldon (Principal Accountant), E Higgins (Insurance & Risk Officer) and G J Woodhall (Democratic Services Officer)

10. DECLARATIONS OF INTEREST

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

11. MINUTES

RESOLVED:

(1) That the minutes of the meeting held on 14 June 2010 be taken as read and signed by the Chairman as a correct record.

12. FINANCIAL ISSUES PAPER

The Director of Finance & ICT presented the Financial Issues Paper to the Cabinet Committee. The report provided a framework for the Budget for 2011/12 and updated the Cabinet Committee on a number of financial issues that would affect the Council in the short to medium term.

The Director stated that the greatest areas of current financial uncertainty and risk to the Council were considered to be: likely reductions in the Council's Revenue Support Grant as part of the Government's next Comprehensive Spending Review; changes in the block grant allocation formulas; the effects of the 'Credit Crunch' and reduced activity in the housing market; transfer of commercial property from the Housing Revenue Account to the General Fund; using capital reserves on non-revenue generating assets; the next triennial pension valuation; the capitalisation of pension deficit payments; and the reorganisation of the public sector, including sharing services with other Councils.

The Director advised that the revised Medium Term Financial Strategy had envisaged net savings of £500,000 in 2011/12, £900,000 in 2012/13, £500,000 in 2013/14 and £400,000 in 2014/15. This would result in a proposed ceiling of £17.064million for Continuing Services Budget net expenditure in 2011/12. The proposed ceiling for District Development Fund expenditure in 2011/12 was £909,000 and it was likely that the Fund would be consumed in the medium term. Over the period of the Strategy, the Capital fund was forecast to reduce from £21.1million to £9.238million in 2015; thus, it was important that any new capital schemes either saved revenue costs or generated income. Throughout the Strategy, the policy of keeping reserves available of at least 25% of the Council's Net Budget Requirement had been maintained. It was proposed to continue the practice of communicating the Medium Term Financial Strategy with staff, partners and other key stakeholders.

The Director concluded that the current levels of uncertainty in respect of a number of issues made it difficult to produce robust and accurate financial forecasts, although the Council was better placed than most to meet these challenges. At 1 April 2010, the General Fund balance exceeded £8million, the District Development Fund £4million whilst capital receipts totalled £21million, which could be used over the medium term to support a structured reduction in net expenditure. However, the Cabinet Committee was warned that the need for savings now exceeded any possible contribution from efficiency savings, and service reductions were inevitable.

In response to questions from the Members present, the Director advised that data concerning individual leases should not be published, although the data could be split by sector – shops, public houses etc. The transfer of commercial property from the Housing Revenue Account was a policy issue, and that all the commercial properties should be transferred or none at all. The County Council usually provided two or three different options after each triennial valuation of the Pension Scheme, however there would not be a lot of flexibility offered. The Local Government Pension Scheme was likely to change from a final salary to an average salary scheme in the future. The Cabinet Committee was also advised that the Council should give proper consideration to any potential arrangement for sharing services with other Councils.

The Portfolio Holder for Finance & Economic Development commented that there were too many underspends reported in the outturn reports, £250,000 for the General Fund and £150,000 for the Housing Revenue Account. It was felt that, with a significant level of savings planned, Spending Control Officers needed to be more realistic when setting their budgets and could not hold back monies in the future. The Portfolio Holder requested that a report be submitted to the next scheduled meeting of the Cabinet Committee on the progress made with converting the current underspends into budget savings. It was also agreed to highlight the availability of the Medium Term Financial Strategy on the Council's website to Members in the Council Bulletin.

RECOMMENDED:

- (1) That the 2011/12 budget guidelines be set in accordance with the revised four year forecast as follows:
 - (a) the ceiling for Continuing Services Budget net expenditure be no more than £17.064million including net growth;
 - (b) the ceiling for District Development Fund expenditure be no more than £909,000;

- (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; and
 - (d) the Council Tax not be increased, with the Council Tax for a Band D property remaining at £148.77;
- (2) That a revised Medium Term Financial Strategy for the period to 2014/15 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;
 - (4) That the availability of the Medium Term Financial Strategy on the Council's website be highlighted to Members via the Council Bulletin;
 - (5) That the policy of capitalisation of additional pension fund deficit payments be continued; and
 - (6) That a further report on the progress of converting budget underspends into revenue savings be submitted to the next scheduled meeting of the Cabinet Committee

Reasons for Decision:

By setting out clear guidelines at this stage the Cabinet Committee would establish a framework to work within for developing growth and savings proposals. This would help avoid late changes to the budget and ensure that all changes to services would have been carefully considered.

Other Options Considered and Rejected:

To wait until later in the budget cycle to provide guidelines if it was felt more information, or a greater degree of certainty, was necessary in relation to a particular risk. However, any delay would reduce the time available to produce strategies that complied with the guidelines.

13. VALUE FOR MONEY AND DATA QUALITY STRATEGIES 2010-13

The Acting Chief Executive presented a report concerning the Value for Money and Data Quality Strategies for the period 2010-13.

The Acting Chief Executive reminded the Cabinet Committee that pursuant to the Local Government Act 1999, the Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, with regard to a combination of economy, efficiency and effectiveness. The relationship between economy, efficiency and effectiveness was often defined as 'Value For Money', and the Council's Value For Money Strategy set out the overall approach to ensuring the provision of value for money services

The Acting Chief Executive added that as part of the duty to secure continuous improvement, the Council should also ensure that all data and information used to plan and deliver services was accurate, valid, reliable, timely, relevant and complete, in order to inform decision-making in respect of functions and services. Performance information was increasingly being used for the external assessment of local

authority performance, and the Council's Data Quality Strategy set out the arrangements for ensuring that the quality of key data met the highest standards. Value For Money and Data Quality had traditionally formed essential components of local authority assessment and inspection frameworks.

RESOLVED:

(1) That the Council's draft Value for Money and Data Quality Strategies for the period 2010-13 be agreed.

Reasons for Decision:

The revised strategies built upon work undertaken over the last two years, and sought to address issues arising from recent Use of Resources judgements, and to highlight areas of best practice.

Other Options Considered and Rejected:

None as failure to identify arrangements for securing and improving Value For Money and Data Quality could mean that opportunities for improvement were lost, and might adversely affect the assessment and reputation of the authority.

14. QUARTERLY FINANCIAL MONITORING - APRIL TO JUNE 2010

The Assistant Director (Accountancy) presented the Quarterly Financial Monitoring Report for the period April to June 2010, which provided a comparison between the original profiled budgets for the period and the actual expenditure or income as applicable. The report was concerned with the revenue budgets – both the Continuing Services Budget and District Development Fund – and the capital budgets, including details of major capital schemes.

The Assistant Director highlighted some of the issues arising from the Council's budget monitoring. There would be a loss of income from Local Land Charges of at least £30,000 plus the potential for repayments of fees previously paid for personal searches. There were other types of fees within Local Land Charges which could be similarly affected, leading to a larger adverse impact. Income from Development Control was below expectations, whilst it was difficult to currently assess whether the ring-fenced Building Control account would be in deficit or break even. Investment income would not reach the budgeted levels and it was unlikely that the position would improve in the foreseeable future. The situation was being managed proactively, including funding investment shortfalls from the District Development Fund.

RESOLVED:

(1) That Quarterly Financial Monitoring Report for the period April to June 2010 regarding the revenue and capital budgets be noted.

Reasons for Decision:

The Cabinet Committee's terms of reference included the monitoring of expenditure within the framework of the Council's budgetary policy and financial objectives.

Other Options Considered and Rejected:

There were no other options available.

15. DISTRICT DEVELOPMENT FUND

The Assistant Director (Accountancy) presented a report on the Council's existing policy on approving District Development Fund bids and proposed changes to the administration of the Fund to manage this reserve more effectively.

The Assistant Director reported that the demand on the District Development Fund was expected to increase when the Government's spending cuts came into effect. The balance on the Fund at 1 April 2010 was £4,041,000, with the value of approved bids and carry-forwards being £3,302,000. Currently, bids approved for District Development Fund expenditure were not subject to any time constraints and unspent amounts were often carried forward to the next financial year. Some of these bids had been carried forward from 2003/04 or 2004/05. It was proposed to implement a two-year time limit for all District Development Fund bids, which would also be retrospectively applied. Whilst, it was recognised that some projects spanned more than one financial year, the implementation of the time limit would ensure that all bids were assessed and re-approved periodically.

RECOMMENDED:

- (1) That the current balance on the District Development Fund reserve be noted;
- (2) That future bids for District Development Fund budgets be approved for a maximum period of two years; and
- (3) That the two-year time limit be retrospectively applied to all currently approved bids.

Reasons for Decision:

It was expected that the Council would be required to make significant savings in its revenue budgets, following the likely reduction of the Council's Revenue Support Grant. The proposed measures were in anticipation of this and to ensure that the District Development Fund was used most effectively.

Other Options Considered and Rejected:

To make no changes to the administration of the District Development Fund, or change the approval period for bids to either one or three years.

16. TREASURY MANAGEMENT & PRUDENTIAL INDICATORS - ANNUAL OUTTURN REPORT 2009/10

The Principal Accountant presented the 2009/10 Outturn Report for Treasury Management and the Council's Prudential Indicators.

The Principal Accountant stated that the annual treasury report was a requirement of the Council's reporting procedures. It covered the Council's treasury activity and the actual Prudential Indicators for 2009/10. During the year, the Council had financed all of its capital activity through capital receipts, capital grants and revenue contributions which had resulted in the Council remaining debt-free. The Council had achieved its targets for its prudential indicators and exceeded the performance indicator target with its return on investment being higher than the benchmark. The fluctuations in interest rates had resulted in the revised estimates for investment interest being

reduced from £2.146million to £1.087million; the outturn for the year was in line with the revised estimate.

RESOLVED:

- (1) That the Treasury Management Stewardship Report for 2009/10 be noted; and
- (2) That the Prudential Indicators outturn for 2009/10 be noted.

Reasons for Decision:

The Cabinet Committee's terms of reference included responsibility to monitor expenditure within the Council's policy and budget framework.

Other Options Considered and Rejected:

To request further information concerning the Council's treasury investment function or prudential indicators.

To prepare the outturn report without regard to the CIPFA Treasury Management Code or Prudential Indicators Code.

17. RISK MANAGEMENT - AMENDMENTS TO CORPORATE RISK REGISTER

The Senior Finance Officer (Insurance & Risk) presented a report regarding the review of the Corporate Risk Register.

The Cabinet Committee at its previous meeting had requested a full review of the Corporate Risk Register as it was felt that a number of risks were obsolete. The Register was considered by the Risk Management Group on 31 August 2010, which concluded that seven risks could be deleted, four ratings upgraded, four ratings downgraded and one new risk added. The revised Risk Register was considered by the Corporate Governance Group on 8 September 2010 and reversed one of the risk downgradings, as well as amending the score of the proposed new risk. The proposed new risk was concerned with the Loss of On-Street Civil Parking Enforcement, and had been rated as 'Significant Likelihood, Marginal Impact' (C3). The Cabinet Committee was requested to consider the proposed amendments, decide whether there were any additional risks that should be added, and whether the tolerance line should be adjusted.

The Director of Environment & Street Scene stated that the proposed new risk had been generated by the withdrawal of the on-street civil parking enforcement agency agreement by the County Council at the end of March 2011. The District Council was currently not in deficit as the function had been outsourced, with the current contract scheduled to expire in October 2012. The new partnership arrangements with other District Councils in north Essex proposed by the County Council could lead to Epping Forest having to help fund a future deficit arising in the partnership. It was considered difficult for the Council to contract out of the proposed shared arrangements, although it was understood that outsourcing was not being considered by the County Council at the current time. The Acting Chief Executive cautioned that the quality of parking enforcement within the District could suffer as a consequence of the new arrangements.

RECOMMENDED:

(1) That the following risks be considered obsolete and deleted from the Corporate Risk Register:

- (a) risk 7a, Compliance with Regulations;
- (b) risk 7b, Public comments at Member level may commit the Council to policies or actions;
- (c) risk 10, Revised Organisational Structure;
- (d) risk 12, Gershon – rule changes;
- (e) risk 19, Planning Service does not improve;
- (f) risk 21, Use of Council assets;
- (g) risk 25, Management Capacity in Planning;

(2) That the likelihood for risk 5, Public Service Reorganisation which is detrimental to the Council & Community, be uprated from 'Very Low' to 'Low';

(3) That the likelihood for risk 16, Performance Management, be downgraded from 'Low' to 'Very Low';

(4) That the likelihood for risk 22, Key Partnership fails, be uprated from 'Low' to 'Significant';

(5) That the likelihood for risk 23, Fraud, be uprated from 'Very Low' to 'Significant';

(6) That the likelihood for risk 26, Investments, be downgraded from 'Significant' to 'Low';

(7) That the likelihood for risk 29, Gypsy & Traveller Provision, be downgraded from 'High' to 'Significant';

(8) That the likelihood for risk 30, Reduction in Government Grant, be uprated from 'High' to 'Very High';

(9) That a new risk 32, Loss of On-Street Civil Parking Enforcement, be added to the Corporate Risk Register and be scored as 'Significant Likelihood, Marginal Impact';

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

(11) That, incorporating the above agreed changes, the amended Corporate Risk Register be recommended to the Cabinet for approval.

Reasons for Decision:

It was essential that the Corporate Risk Register was regularly reviewed and kept relevant to the threats faced by the Council.

Other Options Considered and Rejected:

To suggest the inclusion of further risks or amend the rating of existing risks if necessary.

18. LOCAL GOVERNMENT FINANCE FORMULA GRANT DISTRIBUTION - CONSULTATION

The Director of Finance & ICT presented a report concerning the Council's suggested response to the Government's consultation on the Local Government Finance Formula Grant Distribution.

The Director stated that, as part of the Comprehensive Spending Review, the Department for Communities and Local Government (DCLG) was reviewing the formulae used to calculate the Formula Grant that was paid to local authorities. The consultation document included exemplifications that showed the likely impact of each proposed change. There were four main issues for the Council to consider, arising from the consultation:

(i) Concessionary Travel – funding for concessionary travel was to be transferred from District Councils to County Councils and this would cost the Council at least £100,000 but with a possible impact of £1million.

(ii) Flood Defence – the proposed change away from expenditure based data to an assessment based upon the length of ordinary watercourses not covered by an Internal Drainage Board could cost the Council £300,000.

(iii) Floors & Ceilings – if the floor was not set close to the average change then the Council's reduction in Formula Grant could be substantial.

(iv) Other Changes – the other proposed changes did not have a significant impact upon the Council's grant allocation, and in some cases could result in a small increase.

The Director reported that the proposed response to the consultation, attached at Appendix 1 to the report, had been compiled on the basis of the least worst outcomes for this Council, and the Cabinet Committee was requested to agree the proposed response after considering the potential impact of the changes upon the Council's Formula Grant.

RESOLVED:

(1) That the proposed response to the Government's consultation upon the Local Government Finance Formula Grant Distribution be agreed; and

(2) That the potential impact of the possible changes upon the Council's Formula Grant be noted.

Reasons for Decision:

To ensure that an appropriate response was made to the consultation and that the Cabinet Committee was aware of the potential impact to the Council's grant formulae.

Other Options Considered and Rejected:

To not submit a response to the consultation.

19. AUDIT OF ACCOUNTS - ANNUAL GOVERNANCE REPORT 2009/10

The Director of Finance & ICT presented the Annual Governance Report from the External Auditors. The report had been presented to the Audit & Governance Committee on 20 September 2010, and had been presented to ensure that the Cabinet Committee were aware of the key issues that had been raised.

The Cabinet Committee were informed of the key findings of the report. The Council's key financial systems were considered adequate as a basis for preparing the financial statements, however some control weaknesses had been identified. A material misstatement in the sum of £25.5million had been identified in the reversal of the impairment of the Council's housing stock, which had changed the reported outturn on the Income & Expenditure Account from a £4million deficit to a £21million surplus but had had no impact upon the General Fund balance. This misstatement had now been corrected. Reconciliations of benefit expenditure to the financial ledger was still on-going to validate rent allowance expenditure of £17.1million. Nine recommendations had been identified by the audit and were included in an action plan for the future.

In addition, the Cabinet Committee were advised that the External Auditors anticipated issuing an unqualified "true and fair" opinion upon the Council's accounts. The External Auditors also intended to conclude that the Council had adequate arrangements in place to secure value for money, based upon the results of risk-based audit work and consideration of the Council's use of resources.

RESOLVED:

(1) That the Annual Governance Report from the External Auditors be noted.

Reasons for Decision:

To ensure that the Cabinet Committee were informed of any significant issues raised by the audit of the Statutory Statement of Accounts.

Other Options Considered and Rejected:

None, as the receipt of reports from the External Auditors formed part of the Cabinet Committee's Terms of Reference.

20. ANY OTHER URGENT BUSINESS

There was no other urgent business for the Cabinet Committee to consider.

CHAIRMAN

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