

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** Monday, 7 November 2005

Place: Civic Offices, High Street, Epping **Time:** 6.00 - 7.30 pm

Members Present: J Knapman (Chairman), D Jacobs, Mrs C Pond and C Whitbread

Other Councillors: Mrs D Collins, R Glozier and J M Whitehouse

Apologies: S Barnes

Officers Present: P Haywood (Joint Chief Executive), R Palmer (Head of Finance), J Gilbert (Head of Environmental Services), D Macnab (Head of Leisure Services), J Akerman (Chief Internal Auditor), P Maddock (Assistant Head of Finance) and G Lunnun (Democratic Services Manager)

19. MINUTES

RESOLVED:

That the minutes of the meetings of the Committee held on 12 September and 3 October 2005 be taken as read and signed by the Chairman as a correct record.

20. DECLARATIONS OF INTEREST

No declarations of interest were made pursuant to the Council's Code of Conduct.

21. ANY OTHER BUSINESS

It was reported that there was no urgent business for consideration at the meeting.

22. INTERNAL AUDIT - MONITORING REPORT - JULY/SEPTEMBER AND WORK PROGRAMME - OCTOBER/DECEMBER 2005

The Committee considered a report, which summarised the work undertaken by the Internal Audit Unit between July and September 2005. The report also contained the work plan for the third quarter of the 2005/06 financial year and a status report on previous audit recommendations.

Members noted that the Audit Assistant post had continued to be held vacant in order to provide some budget flexibility to meet the cost of specialist auditors for specific pieces of work. The auditor on maternity leave was due to return to work at the start of the last quarter of the 2005/06 financial year at which time the cover being provided for that post by external contractors would cease. Sickness during the second quarter had amounted to 10 days but over the last year the average number of days sickness in the Unit had been 6 which was below the Council's average overall. Members noted that sickness continued to be monitored in accordance with the recently introduced Managing Absence Procedure introduced in April 2005, since

when there had been a noticeable reduction in the number of days lost to sickness in Council Services.

During the quarter, audit reports had been issued in respect of the following:

- (a) trade waste contract
- (b) creditors
- (c) procurement
- (d) local performance indicators
- (e) building control
- (f) members' allowances
- (g) electoral services
- (h) cash receipting
- (i) bank reconciliation (draft report) and
- (j) office services contracts (follow up)

In addition, audits of the Council's payroll system and housing benefit system had been substantially completed by 30 September 2005, but the reports had not been finalised.

The Committee was advised that the reports submitted to service management during the second quarter had identified a number of recommendations for improvement, including performance management, systems procurement, contract management and the creditors system. Members discussed some of the key findings from those audits.

In relation to performance management, it was noted that there had been a lack of local performance indicator supporting data, a number of arithmetical errors in the performance indicator calculations and insufficient evidence to justify some of the calculations. The Joint Chief Executive advised that these issues had been addressed by the Management Board and the Senior Management Team and significant improvements were expected in relation to the collation of data for the 2005/06 financial year.

The audit analysis in relation to procurement had shown the same items of stationery and furniture were being obtained by individual services from different suppliers at varying prices. Members noted that the central co-ordination of the procurement function recently approved by the Cabinet would assist the Council to achieve greater reductions in price through bulk ordering.

The audit of creditors had shown that the controls over the processing of invoices appeared to be operating effectively. However, significant reservations had been made about the segregation of duties between the raising and authorisation of purchase orders and the certification of invoices. In particular, it had become apparent that invoices were frequently certified by the same person who authorised the purchase order. The Chief Internal Auditor advised that financial training sessions had been arranged for managers later in the year and that these would

focus on securing improvements in the creditors system. Further sample audits would be undertaken in January and March 2006 with the expectation that there would be a considerable improvement in these matters.

Members were advised that the signed contract relating to trade waste had incorporated method statements but these had lacked sufficient detail in some areas to enable the service to be managed and monitored effectively. Members noted that considerable work had been undertaken in relation to the method statements including advice from a consultant but that the current status of the contract had a bearing on the effective management and monitoring of the contract.

The Committee noted a schedule monitoring the follow up of audits carried out in 2004/05 and another schedule showing the residual list for planned improvements arising from a previous investigation.

The Committee was advised that the majority of the main financial systems audits would be completed by the end of the third quarter. In addition the audit plan for the third quarter covered a broad range of service areas. However, three unplanned investigations had recently arisen and these might have an impact on the work programme for the third quarter.

Attention was drawn to a schedule setting out the current status of the planned audits in the current year's Audit Plan as approved in April 2005.

RECOMMENDED:

- (1) That the reports issued and the significant findings between July and September 2005 be noted;
- (2) That the audit follow up status report and system improvement schedule be noted;
- (3) That the work plan for October to December 2005 be noted; and
- (4) That the 2005/06 audit plan status report be noted.

23. STAFF VACANCIES

The Committee considered a report showing the current position in relation to staff vacancies.

Members were advised that the revenue outturn for 2004/05 which had been presented to Cabinet on 11 July 2005 had shown that a major element of the reported underspend was due to savings on staff salaries. Whilst savings in themselves were welcome, clearly over a period of time a high level of staff vacancies could have a detrimental effect on service delivery. To address this problem a recruitment and retention budget and strategy had been created and a scheme of targeted market supplements had been formulated for use in limited circumstances where no other action had proved effective.

The Head of Finance reported that at the end of September 2005, expenditure on salaries when compared to the budget had shown a saving of £764,000 of which approximately a third related to the Housing Revenue Account. At that date there had been a total of 92 posts vacant, some of which were being covered by temporary and agency staff and some of which were being held vacant pending the start of the alternative leisure management contract.

Members were advised that Management Board monitored salaries and agency staff costs on a monthly basis and the recently issued Financial Issues Paper had indicated a salary underspend of approximately £800,000 in the 2005/06 revised estimates. This figure would be refined as the situation became clearer.

Members expressed the view that posts being held vacant pending the alternative leisure management contract should be deleted from the establishment as soon as possible and in time to be taken into account in relation to the budget for 2006/07.

RESOLVED:

That the position regarding staff vacancies be noted.

24. CAPITAL STRATEGY - 2005/09

The Committee considered a draft capital strategy for 2005/09.

Members noted that it was no longer necessary for the Council to submit the capital strategy to the Government Office for assessment but that there was an expectation that the strategy would continue to be produced and updated. Whilst there was no requirement to update the strategy annually, it was felt important to do so in order to ensure that it was kept up to date. A good capital strategy enabled the Council to make sound strategic decisions in relation to its use of capital resources and formed an important part of the Council's performance management framework.

The Head of Finance reported that no major changes were proposed to the format or text of the capital strategy. However, account had been taken of the latest capital programme approved by the Cabinet and the Council's key capital priorities had been reassessed and the ranking changed where appropriate with reprioritisations reflecting the latest levels of funding.

RECOMMENDED:

That the draft capital strategy 2005/07 be approved and recommended to the Council for adoption subject to the deletion of the fifth bullet point in paragraph 10.1 regarding the Council's street cleansing, recycling and refuse contract.

25. BUDGET 2006/07 - DDF/CSB - GROWTH/SAVINGS/INCOME

The Head of Finance presented a report on the first draft lists of changes to the Continuing Services Budget and District Development Fund.

Members were reminded that the Financial Issues Paper presented to the Committee on 12 September 2005 had set out the main issues of uncertainty affecting the budget process for 2006/07. In view of the level of uncertainty in several key areas, the Committee had decided that it would be premature to set guidelines for the 2006/07 budget at that time. That approach had been endorsed subsequently by the Finance and Performance Management Scrutiny Panel. The Committee was informed that the position on most of the key areas of uncertainty had still not been clarified. However, work had progressed with Heads of Service and Portfolio Holders in order to identify changes to their requirements for CSB and DDF funding.

Members noted that the original budget for 2005/06 had been set based on CSB growth of £4,000 in 2005/06, £161,000 in 2006/07 and £49,000 in 2007/08. This

compared with the current draft lists of bids which showed growth of £90,000 in the revised estimates for 2005/06, £354,000 in 2006/07 and £46,000 in 2007/08. The main reasons for the additional growth in 2005/06 had been higher HRA rent rebate costs falling on the General Fund of £109,000, reduced income of £100,000 from Local Land Charges and an increase in costs of £45,000 on the Transport for London concessionary fares scheme. These costs had been partly offset by the reduction of £190,000 on insurance premiums, following the recent tender exercise. The substantial increase in CSB growth in 2006/07 had been generated by increased refuse and recycling costs of £139,000 and an additional £58,000 spend following the restructuring of Planning and Economic Development Services.

The Committee was advised that the figures currently included in respect of the externalisation of leisure facilities, needed to be re-evaluated on confirmation of the contract start date. Also, the additional cost and grant income in respect of the changes to the statutory concessionary fares scheme had been included on the basis of projections made by the County Council's consultants that were still subject to verification. Confirmation of the impact of this change on the floor mechanism was also still awaited as part of the wider changes to the grant formulae the Government were currently considering. Although the position was currently shown as cost neutral, if it had the effect of removing the Council's floor support, £412,000 of grant would be lost.

In relation to the DDF, the original budget for 2005/06 had been set based on expenditure of £922,000 in 2005/06, £340,000 in 2006/07 and income of £101,000 in 2007/08. This compared with the draft list of bids showing spending of £288,000 in the revised estimates for 2005/06, £331,000 in 2006/07 and income of £345,000 in 2007/08. Over the three years, this represented a reduction of £887,000 in the net DDF requirement. Some additional schemes had been included in the programme but the transfer of £711,000 to cover the commutation adjustment and the £700,000 of transitional funding being received from Essex County Council had outweighed these additions. The Committee was advised that the availability of these resources was something that needed careful consideration when evaluating growth bids and, in particular, there was a need to re-examine CSB growth proposals to isolate any DDF elements.

The Committee considered that as there was still considerable uncertainty in relation to key areas it would be premature to make any recommendations on guidelines for the 2006/07 budget.

RESOLVED:

- (1) That the draft CSB and DDF schedules be noted; and
- (2) That officers and Portfolio Holders be advised that there is an expectation that there will be no more bids for CSB or DDF growth after the current cycle of meetings.

CHAIRMAN