

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** 19 March 2012

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 6.00 - 7.10 pm

Members Present: G Mohindra (Chairman), Mrs M McEwen, Mrs P Smith and Mrs L Wagland

Other Councillors: R Bassett, J Knapman, D Stallan and G Waller

Apologies: J Philip

Officers Present: D Macnab (Acting Chief Executive), J Gilbert (Director of Environment and Street Scene), R Palmer (Director of Finance and ICT), B Bassington (Chief Internal Auditor), N Richardson (Assistant Director (Development Control)), B Moldon (Principal Accountant), E Higgins (Insurance & Risk Officer), D Jolley (Senior Finance Officer - Procurement & Administration) and G J Woodhall (Democratic Services Officer)

40. DECLARATIONS OF INTEREST

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

41. MINUTES

Resolved:

(1) That the minutes of the meeting held on 16 January 2012 be taken as read and signed by the Chairman as a correct record.

42. KEY PERFORMANCE INDICATORS - PERFORMANCE 2011/12 AND TARGETS 2012/13

The Acting Chief Executive presented a report regarding the performance of the Council's Key Performance Indicators for 2011/12 and the proposed targets for 2012/13.

The Cabinet Committee was reminded 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, having regard to a combination of economy, efficiency, and effectiveness. As part of the duty to secure continuous improvement, a range of Key Performance Indicators (KPI) relevant to the Council's services and key objectives were adopted each year. Performance against the KPIs was monitored on a quarterly or annual basis as

appropriate, and had previously been an inspection theme in external judgements of the overall performance of the authority.

The Acting Chief Executive reported that a range of KPI had been adopted in March 2011 for 2011/12, with an overall target for at least 70% of the KPI to achieve target performance during 2011/12. After the third quarter of 2011/12, 16 KPI (59%) had achieved their target performance, whilst 11 KPI (41%) had not. Management Board had considered this issue and felt that the consistency and direction of performance was encouraging. No KPI had seen their performance fall back, and at least one additional KPI had achieved its target during the third quarter.

It was not proposed to make any further changes to the KPI set in 2012/13, and Directors had been tasked with identifying provisional targets for each of their indicators with the relevant Portfolio Holder. Details of the proposed KPI targets had been attached at appendix 2 of the report. As it was not yet known whether the Council would achieve its aim of having 70% of the KPI meet their target, it was felt that the corporate KPI performance target should be considered when the outturn data for 2011/12 was reported.

In response to questions from the Members present, the Director of Environment & Street Scene felt that the closure of the waste management site at Ongar should not affect greatly the proposed targets for KPI 20 (Residual household waste per household) or KPI 24 (Fly-tipping). The Acting Chief Executive stated that the target for KPI 04 (User satisfaction with the Council's website) had been revised back to 70%, as the Council's new website would not be launched until June 2012.

The Cabinet Committee discussed KPI 52 (Processing of minor planning applications within the target time of 8 weeks). It was highlighted that a number of planning applications were deferred for a site visit; it could be difficult to arrange site visits with the owners before the Planning meeting, and it was usually beneficial to have a site visit after the meeting when the initial arguments had been heard. The Assistant Director (Development Control) stated that if a higher proportion of planning applications were delegated to Officers to decide then the performance of this KPI would improve. It was not always possible to determine planning applications within the eight-week target if it was considered by a Planning Sub-Committee, following the move from a three-weekly cycle to a four-weekly cycle. The Cabinet Committee felt that any application referred to a Planning Sub-Committee was controversial and that perhaps this KPI should only refer to applications determined by Officers under delegated powers. It was agreed that a report should be made to the Finance & Performance Management Scrutiny Panel on this issue.

Decision:

- (1) That the performance of the Council's Key Performance Indicators in the third quarter of 2011/12 be noted;
- (2) That the proposed targets for the Council's Key Performance Indicators in 2012/13 be agreed; and
- (3) That a report be made to the Finance & Performance Management Scrutiny Panel on whether KPI 52 should only refer to planning applications considered under delegated authority by Planning Officers.

Reasons for Decision:

Key Performance Indicators were used as performance measures to assess

progress against the Council's key objectives. It was important that relevant performance management processes were in place to review and monitor performance against the key objectives, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of slippage or under performance.

Other Options Considered and Rejected:

No other options were considered as failure to identify challenging performance targets could mean that opportunities for improvement were lost, which could then have negative implications for judgements made about the Council.

43. CORPORATE RISK DOCUMENTS

The Senior Finance Officer (Risk & Insurance) presented a report on the Corporate Risk Register and Risk Management Documents. These had already been considered both by the Risk Management Group and the Corporate Governance Group.

The Senior Finance Officer reported that three amendments to the Corporate Risk Register had been proposed as a result of the recent reviews. Firstly, it was felt that risk 9, Depot Accommodation, should be split into two to reflect the two different risks that it had previously contained. Risk 9A was now concerned with the potential lack of an overall Depot Manager and had been scored as significant likelihood/critical impact (C2). Risk 9B remained concerned with the accommodation itself, and had been scored as very low likelihood/critical impact (E2). Secondly, the likelihood for risk 17, significant amount of capital receipts spent on non-revenue generating assets, should be reduced to low likelihood/critical impact (D2) due to the future self-financing of new build Council housing. Finally, risk 32, loss of on-street civil parking enforcement, should be deleted following the transfer of enforcement to the North Essex Parking Partnership.

The Senior Finance Officer added that the Council's Risk Management Strategy, Risk Management Policy Statement and the terms of reference for the Risk Management Group had been reviewed and some minor amendments proposed, as outlined in the report. The Cabinet Committee was requested to approve these documents for adoption at the next meeting of the Cabinet.

It was highlighted to the Cabinet Committee that risk 33, Reform of the Housing Revenue Account, included the possibility of the Government allocating more debt to the Council in the future as one of the key triggers. The only risk included in respect of the Langston Road development had been concerned with the current depot facilities located there, as any potential loss of income in the future had not yet been calculated. This would be examined in due course.

The Cabinet Committee agreed that there were no further risks to be considered for inclusion, and that the risk tolerance line should not be amended at the current time.

Recommended:

(1) That the current risk 9, Depot Accommodation, be split into two separate risks:

(a) risk 9A, Depot Manager, and scored as 'Significant Likelihood, Critical Impact' (C2); and

- (b) risk 9B, Depot Accommodation, and scored as 'Very Low Likelihood, Critical Impact' (E2);
- (2) That the score for risk 17, Significant Amounts of Capital Receipts spent on Non-Revenue Generating Assets, be reduced to 'Low Likelihood, Critical Impact' (D2);
- (3) That risk 32, Loss of On-Street Civil Parking Enforcement, be deleted as the function had now been transferred to the North Essex Parking Partnership;
- (4) That the updated Risk Management Strategy be adopted;
- (5) That the updated Risk Management Policy Statement be adopted;
- (6) That the updated terms of reference for the Risk Management Group be noted;
- (7) That the current tolerance line on the risk matrix be considered satisfactory and not be amended; and
- (8) 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.

44. THIRD QUARTER FINANCIAL MONITORING

The Director of Finance & ICT presented the Quarterly Financial Monitoring Report for the period ended 31 December 2011, which provided a comparison between the original profiled budgets for the period and the actual expenditure or income as applicable. The monitoring report provided details of the revenue budgets – both the Continuing Services Budget and District Development Fund – as well as the capital budgets, including details of major capital schemes.

The Director highlighted some of the issues arising from the Council's budget monitoring. The original estimate had expected £171,000 to be taken from the General Fund Reserves to balance the budget, however the current probable outturn was expected to add £69,000 to the Reserves; a difference of £240,000. The current Salaries schedule had also been underspent by £110,000, and expenditure on salaries was £259,000 lower than at this point in 2010/11. Interest rates were still historically low and Investment Income was roughly in line with expectations. Development Control income was above expectations as there had been some significant fees received relating to glasshouse applications. However, this was still expected to show a shortfall of £40,000 over the whole year.

The Director added that income from Local Land Charges had been reduced in recent years but this year's outturn was expected to exceed expectations. In respect of capital schemes, the Limes Farm Hall development had now been completed and was opened to the public on 6 February 2012. In conclusion, the overall position was better than expected, and the probable outturn was showing that while there might be some shortfall in income, there were also some expenditure underspends expected as well.

The Cabinet Committee inquired about the income levels from the Fleet Operations section. The Director stated that the section had now lost business from two local dealers, hence the shortfall in income. The section had been making a profit in recent years, and new customers like the Corporation of London needed to be found. A review of the business would be undertaken once the section had moved to its new premises, and new equipment purchased to increase its capacity.

Resolved:

(1) That the Quarterly Financial Monitoring Report for the period April to December 2011 regarding the revenue and capital budgets be noted.

45. PROCUREMENT UPDATE

The Senior Finance Officer (Procurement & Administration) presented a comprehensive report about the Council's procurement activity and the Essex Procurement Hub, as well as the Council's Procurement Strategy for 2012-15 for adoption by the Cabinet.

The Senior Finance Officer highlighted that the current Procurement Strategy was due to expire this year, and an updated Strategy needed to be adopted. The Strategy supported the Council's Corporate Plan, and assisted in the delivery of the Council's strategic objectives and statutory responsibilities. A key element of the Government Efficiency Review in October 2010 undertaken by Sir Phillip Green was the failure of Government to improve its procurement performance.

The Cabinet Committee noted the advice and guidance contained within the Council's Procurement Toolkit, and that the savings generated by efficient procurement could then be used for further spending in priority areas. The toolkit was available to all staff on the Council intranet, alongside a half-day training course entitled 'Ticket to Procurement'.

The Council was a member of the Essex Procurement Hub with four other authorities. The Council's gross subscription for 2011/12 was £48,650 with the total projected rebates for this year likely to be £44,120; this would equate to a net membership cost to the Council of £4,530 for the year. A number of national framework agreements were available via the Hub which had been used by the Council, including Waste Management, ICT Equipment and Playground Schemes. There were various other projects that had been carried out in conjunction with the Hub, and these were detailed within the appendices of the report.

The Cabinet Committee noted that 38% of the monies spent by the Council in procuring goods and services went to Small and Medium sized Enterprises, predominantly based within the District, and that the savings generated by the Council's procurement were in excess of £380,000.

In response to questions from the Cabinet Committee, the Senior Finance Officer stated that the Hub was beneficial in saving a lot of time and effort for Officers when letting contracts, as well as providing specialist procurement advice. The Hub had assisted the Council to achieve savings of £212,000 in relation to Waste Management in 2011/12. The Cabinet Committee acknowledged that the use of the Hub was not appropriate in some circumstances, and noted that the Council had run a number of presentations and seminars to businesses in the District to assist them in procuring contracts with the Council.

Recommended:

- (1) That the updated Procurement Strategy be recommended to the Cabinet for adoption; and
- (2) That the current performance of the Council's procurement and the Essex Procurement Hub be noted.

Reasons for Decision:

To review and update the current Procurement Strategy and adopt it to guide the work in this increasingly important area. To inform the Cabinet Committee of the benefits accrued to the Council through using the Essex Procurement Hub.

Other Options Considered and Rejected:

To further amend the Strategy before adoption.

To not have a Procurement Strategy for the Council.

46. DRAFT AUDIT PLAN 2012/13

The Chief Internal Auditor presented the Internal Audit Business Plan for 2012/13 for the Cabinet Committee to contemplate, prior to its consideration by the Audit & Governance Committee on 5 April 2012.

The Chief Internal Auditor stated that all the fundamental financial systems had been included to provide assurance on the controls in place for good financial management. In compiling the Plan, the Corporate Risk Register and the Risk Registers for each Directorate were reviewed to ensure that all high risk areas had been included. A contingency provision had been included for investigations and other unplanned work during the year, and some flexibility had also been included to accommodate reviews of areas considered to be of a higher risk to the achievement of the Council's objectives.

The Chief Internal Auditor added that time within the plan had been allocated to fraud prevention and detection, following the publication of "Protecting the Public Purse 2011" by the Audit Commission. A part-time post within the Unit had become vacant, and it was intended to change the emphasis of this role to fraud related work. The plan for 2012/13 was similar to last year's plan, however elements of IT auditing had been included following staff training during the current year.

The Chief Internal Auditor highlighted the regular meetings held with his counterparts at Harlow, Uttlesford and Broxbourne Councils. The purpose of these meetings were to share best practice and it was intended to conduct a simultaneous audit of procurement at the four Councils during 2012/13. The Cabinet Committee was

informed that the Bribery Act Policy had been included in recent staff training sessions.

Resolved:

- (1) That the proposed draft Internal Audit plan for 2012/13 be noted.

47. ANY OTHER BUSINESS

Resolved:

(1) In accordance with Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules, the Chairman had permitted the following item of urgent business to be considered following the publication of the agenda:

- (a) Amended Treasury Management Strategy Statement.

48. AMENDED TREASURY MANAGEMENT STRATEGY STATEMENT

The Principal Accountant presented a report on the amended Treasury Management Strategy Statement 2012/13.

The Principal Account explained that the Council was required to approve the Treasury Management Strategy and Prudential Indicators before the start of each financial year. This had been achieved for 2012/13 when Council approved the documents in February 2012. However, given the ongoing work on the Housing Revenue Account self-financing reform and the necessity to borrow £185.5million from the Public Works Loans Board, it was now necessary to update the Strategy. It would now reflect the Council's desire to overfund on the Housing Revenue Account Capital Financing Requirement to provide the flexibility to expand the Council House Building Programme and to enable the Council to continue to internally borrow up to the General Fund Capital Financing Requirement. This would also assist in limiting any detrimental impact on the General Fund following the introduction of the housing finance reform. The rate to be paid to the Housing Revenue Account by the General Fund for any internal borrowing would be the average rate of interest earned on the Council's external investments.

The Cabinet Committee noted that a definitive opinion from the Council's External Auditors would not be known until the completion of their audit. The Strategy, as amended if necessary, would be considered by Council on 27 March 2012 and be presented to the Audit and Governance Committee on 5 April. 2012.

Recommended (to Council):

- (1) That the amended Treasury Management Strategy Statement and Investment Strategy for the period 2012/13 to 2014/15 be recommended to the Council for approval.

Reasons for Decision:

The proposed decision was necessary to ensure that the Council had the powers to borrow in excess of the Housing Revenue Account (HRA) Capital Financing Requirement (CFR).

Other Options Considered and Rejected:

To request additional information about the Treasury Management Strategy, or not approve the revised Strategy.

CHAIRMAN