EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 14 November 2013
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	7.00 - 8.55 pm
Members Present:	Councillors Ms S Stavrou (Chairman), R Bassett, D Stallan, G Waller and C Whitbread		
Other Councillors:	Councillors J M Whitehouse		
Apologies:			
Officers Present:	R Palmer (Director of Finance and ICT), D Macnab (Deputy Chief Executive), J Gilbert (Director of Environment and Street Scene), A Hall (Director of Housing), P Maddock (Assistant Director (Accountancy)), S Alford (Principal Accountant) and R Perrin (Democratic Services Assistant)		

18. Declarations of Interest

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

19. Minutes

RESOLVED:

That the minutes of the meeting held on 19 September 2013 be taken as a correct record and signed by the Chairman.

20. Key Performance Indicators 2013/14 - Quarter 2 Performance

The Deputy Chief Executive presented a progress report on the Quarter 2, Key Performance Indicators 2013/14.

The Deputy 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, 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 all of the KPIs was reviewed by Management Board and the Finance and Performance Management Scrutiny Panel on a quarterly basis, and had previously been a focus of inspection in external assessments and judgements of the overall progress of the authority.

The position with regard to the achievement of target performance for KPIs at the end of the second quarter from 30 June to 30 September 2013, were that 26 indicators achieved the first quarter target, 9 indicators did not although 5 of the KPIs were within the agreed tolerance.

The Deputy Chief Executive advised that the Finance Performance Management Scrutiny Panel on 11 November 2013 had requested further information on KPI 11 (Commercial rent arrears) and how the economic recovery was affecting the KPI.

The Cabinet Committee were concerned about KPI 40 (Housing Rents) with the effect of the Spare room subsidy and KPI 41 (Void re-lets), why there were a number of properties being continuously refused and what the cause may be. The Director of Housing informed the Cabinet committee that funding had been allocated for debt advisors in relation to the spare room subsidy and a new housing allocation system had been introduced, so the KPI figures should improve with time and they were still awaiting the introduction of universal credit. Residents affected by the spare room subsidy had been contacted and offered the chance to meet with a debt advisor and 50% of the tenants had taken this opportunity. Out of the 390 tenants with a spare bedroom, 303 of these tenants had been affected by the changes. The Director of Housing advised that a number of the tenants were paying the additional rent, some residents were paying nothing but the majority were paying something and a number had down sized their properties.

The Cabinet Committee raised concerns regarding the CAB and how they were helping out residents, with the additional funding for debt advisors and financial support from the Council, as repeated requests for information on the service had not been forth coming. The Cabinet Committee felt that the funding for the CAB received from the Council should be conditioned through a service level agreement.

Recommended:

(1) That the six-month performance for the Key Performance Indicators adopted for 2013/14 be noted; and
(2) That the service level agreement for the CAB be reviewed.

Reasons for Decision:

The KPIs provide an opportunity for the Council to focus attention on how specific areas for improvement would be addressed, and how opportunities would be exploited and better outcomes delivered.
A number of KPIs were used as performance measures for the Council's key objectives for each year. 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 for Considered and Rejected:

No other options were appropriate in this respect. Failure to review KPI performance in a timely manner and to consider corrective action where necessary could of had negative implications for judgements made about the Council's progress, and might mean that opportunities for improvement were lost. The Council had previously agreed arrangements for monitoring performance against the KPIs by Management Board and the Scrutiny Panel.

21. Annual Audit Letter

The Director of Finance and ICT presented a report on the Annual Audit Letter, which would be presented to the Audit and Governance Committee on 28 November 2013.

The Director of Finance and ICT stated that the Annual Audit Letter had confirmed the Council's Financial Statements gave a true and fair view of the Council's financial affairs, and that the Financial Statements were not misleading or inconsistent with other information. The external auditors concluded that the significant financial systems were adequate for preparing the Financial Statements and that the work of Internal Audit could also be relied upon. The Council's return for the Whole of Government Accounts to the Department for Communities and Local Government consolidates required some amendments but all of the corrections were done in the final return. The external auditors were able to satisfy themselves that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the Council's use of resources, enabling them to issue an unqualified value for money conclusion.

Resolved:

(1) That the External Auditor's Annual Audit Letter be noted.

Reasons for Decisions:

To ensure that Members were informed of any significant issues arising from the annual audit.

Other Options for Action:

The report was for noting, no specific actions were proposed.

22. Council Tax Freeze Grant

The Director of Finance and ICT presented a report on the Council Tax Freeze Grant, including comments from the Finance Scrutiny Panel and considerations on increasing the Council Tax.

The Director of Finance and ICT reported at the last meeting of the Finance Scrutiny Panel a comparison had been requested to show the contrast in the Council's financial position if an increase to the Council Tax was made instead of accepting the Freeze Grant. The Finance Scrutiny Panel considered the comparisons at their meeting on the 12 November 2013 and it had been decided to recommend a further freeze in the Council Tax to Cabinet.

The last time the Council Tax had increased had been in the 2010/11 financial year and since then the Department for Communities and Local Government (DCLG) had made grants available to support authorities choosing to freeze the Council Tax. These grants had been the equivalent of a 1% increase in Council Tax, approximately £75,000, and had been accepted for the three financial years from 2011/12 to 2013/14. The draft grant figures for 2014/15 and 2015/16 issued as part of the recent DCLG consultation protected authorities who had previously accepted freeze grants by including the freeze grant in the baseline for these authorities.

The arguments for increasing the Council Tax were that increasing the Council Tax by 2% for 2014/15 and 2015/16 would provide additional funds above the freeze grant of £75,000 in 2014/15 and £152,000 in 2015/16. This would be a continuing source of income and would ease some of the financial pressure on the Council and the net savings requirement could be adjusted down. He advised if the system of allocating funds to local authorities altered after the next election it would be possible that the freeze grants received would not be included as part of the baseline calculations for authorities and this could mean that authorities, that had previously accepted freeze grants could suffer greater funding reductions and had to make correspondingly larger savings in the future. The Council had not increased the Council Tax for three years and it could be argued that to increase now by only 2% for two years was not unreasonable. The annual increases of only £2.97 and £3.06 equate to less than 6p per week which would not be seen as significant by most people.

The arguments for not increasing the Council Tax would go against both the medium term aims in the Corporate Plan and the Cabinet's current Key Objectives. The Corporate Plan 2011/15 included five medium term aims, one of which was to "Have the lowest district Council Tax in Essex and maintain that position". The Council had a tough target for achieving net savings and it could be difficult to justify increasing the Council Tax while the General Fund reserve still exceeded £9.5 million._The decision on the level of Council Tax was a finely balanced one that needed to weigh up the various financial and political implications.

Resolved:

(1) That the Cabinet Committee adheres to their previous decision to freeze the Council Tax for 2014/15 be noted.

Reasons for Decisions:

To ensure that Members had evaluated the option of increasing the Council Tax and in doing so had considered the views of the Finance Scrutiny Panel.

Other Options Considered and Rejected:

Members could decide that they wanted to increase the Council Tax by more than 2%, although this would require public support through a referendum.

23. Mid-Year Report on Treasury Management and Prudential Indicators 2013/14

The Principal Accountant presented the mid-year report for Treasury Management and the Prudential Indicators in 2013/14.

The Principal Accountant reported that the mid-year treasury report was a requirement of the CIPFA Code of Practice on Treasury Management and covered the treasury activity for the first half of the financial year 2013/14. During the first half of the year the Council had continued to finance all capital expenditure from within internal resources and the average net investment position had been approximately £57.5m with no breaches on any of the prudential indicators.

The prudential indicator assisted the Council in controlling and monitoring the level of usable capital receipts that would be available at the end of a five-year period, which for the five years to 2016/17 totalled £83.3m and was fully funded. It was predicted that at the end of 2016/17 there would still be £7.8m available in usable Capital Receipts and £0.3m in the Major Repairs Reserve. Therefore it could be concluded that adequate resources exist for the Capital Programme in the medium term. The Principal Accountant had confirmed that there were no breaches of the Authorised Limit, the Operational Boundary and the Maturity Structure of Fixed Rate Borrowing during the period to 30 September 2013.

The risks for the Council were associated with affordability, interest rates and refinancing. The affordability risk had been evidenced through the Council producing a viable thirty-year financial plan for the HRA. The plan was reviewed quarterly by officers and half yearly reports were presented to Housing Scrutiny Panel. Only 17% of the amount borrowed was at a variable rate, the remainder was fixed and any upward movement in interest rates would be 'hedged' by a corresponding increase in interest earned on Council investments. The refinancing risk was that maturing borrowings, capital project or partnership financing could not be refinanced on suitable terms. Within the financial plan it had been anticipated that all borrowing would be repaid on maturity and all future capital expenditure would be financed through internal resources, therefore no risk currently existed for refinancing.

During the first half of the financial year 2013, the Council had received a further dividend from the administrators of the Heritable Bank which had taken total dividends so far to 94% of the value of deposits. No additional dividends were expected until all of the outstanding litigation had been settled and the administration process completed.

Resolved:

(1) That the management of the risks associated with the Council's Treasury Management function during the first half of 2013/2014 be noted.

Reasons for Decision:

The report was presented for noting as scrutiny was provided by the Audit and Governance Committee who made recommendations to the Committee when necessary.

Other Options Considered and Rejected:

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

24. Quarter Financial Monitoring

The Assistant Director (Accountancy) presented the quarterly Financial Monitoring report for April to September 2013, which provided a comparison between the original profiled budgets for the period ended 30 September 2013, and the actual expenditure or income as applicable. The report provided details of the revenue budgets, the Continuing Services Budget, District Development Fund as well as the capital budgets including Major Capital Scheme.

The Cabinet Committee noted that the salaries budget showed an underspend of £44,000 or 0.4%. Investment income levels were slightly below expectation and significantly below the prior year. The Council had received £2.360m of the original £2.5m investment placed with Heritable Bank which brought the recovery up to 94.02%. A letter from the administrators had been received during September saying there would not be any further dividends until the end of the administration process and related litigation.

Within the Planning & Economic Development Directorate, income for pre-applications was £32,000 higher than the 6 month budget of £3,750 and Development Control income had also recovered to a £13,000 with future months looking encouraging. Building Control account was expected to return a deficit of over £30,000 unless there was a drastic improvement in income. Although as the account operated on a three year cycle it could continue to operate in deficit but there may come a time when the deficit had to be taken to the General Fund.

Within Corporate Support Services Directorate Hackney, Carriage and other licensing income were both below expectations by £7,000 and £6,000 respectively and with fewer renewals within the year which it looked unlikely to make shortfall. Income from MOT's carried out by Fleet Operations was £18,000 below expectations, with MOT income now expected to fall short by around £30,000.

Within the Housing Directorate, the Housing Repairs Fund showed an underspend of £364,000, but a larger proportion of the expenditure was seasonal falling in the winter months. This budget would be revised shortly, and there could be a saving realised.

From 1 April 2013 the Council had been entitled to a share of business rates collected and so monitoring of these amounts collected were now more important. The NNDR1 form set out the non-domestic rate estimated for the year and started with a gross yield of £40,208,899 which was then reduced by the various reliefs for charities and small businesses and an allowance for appeals to get to a net rate yield of £31,897,379. At the end of September the net rate yield had reduced by £198,841 and as the Council retains 40% of gains and losses this would mean a reduction in funding of £79,536. The cash collection were important to the Council, as they were required to make payments to the Government and other authorities based on their share of the rating list. These payments were fixed and had to be made even if no money was collected. Therefore, effective collection was important as this could generate a cash flow advantage to the Council. At the end of September the total collected was £20,161,989 and payments out were £15,946,900, meaning the Council was holding £4,215,089 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates. In summary, at the end of September the reduction in the overall value of the rating list was a cause for concern, but cash collection is going well

Within the Major Capital Schemes the Council was embarking on a House building programme primarily aimed at the development of difficult to let Garage sites. The first phase was due to commence in Waltham Abbey early 2014 subject to detailed planning approval being obtained. In conclusion, income was a little down on expectations but expenditure was too and at this point it was expected that actual expenditure would be rather closer to the originally budget than in recent years. The Committee was requested to note the Council's financial position as of 30 September.

Resolved:

(1) That the Quarterly Financial Monitoring Report for the period April to September 2013 be noted.

Reasons for Decision

To note the second quarter financial monitoring report for 2013/14.

Other options Considered and Rejected:

No other options were available.

25. Fees and Charges 2014/15

The Assistant Director (Accountancy) presented a report on the fees and charges to be levied by the Council in 2014/15 and what, if any, scope there was to increase particular charges.

The Assistant Director reported that, the Medium Term Financial Strategy highlighted the need to identify £2.3m savings as a result of the significant reductions expected in funding from central government and £700,000 was required in 2014/15. The September Consumer Prices Index (CPI) and Retail Prices Index (RPI) had recently been published at 2.7% and 3.2% respectively and this had been used as a guide for any proposed increase in fees and charges.

The Assistant Director stated that it was proposed to increase the fees and charges within the Office of the Deputy Chief Executive for services such as New Horizons, Sports Development, Museums and Arts and Lifewalks by 3.2%. Within Corporate Supports Services Directorate, Land Charge income was still very uncertain following the introduction of the Local Land Charges (Amendment) Rules 2010. The current costs were broadly in line with the fee charged, although the account itself was in deficit due to non-chargeable activities and the fact that personal searches were free but there was a cost attached to dealing with enquiries. The MOT income was subject to a maximum charge set by the Vehicle Operating Service Agency (VOSA) and although the Council's fee had been set below this level, income had been dwindling for some time now and there may well be a deficit recorded. It was felt that some forms of licensing fees were generally below the prescribed level and did not recover the cost of provision, in some cases quite significantly, so it was therefore felt that these should be increased where appropriate.

The Cabinet Committee noted that the Development Control fee levels were controlled by Central Government and the levels of income were somewhat dependant on the economic climate and the number and size of planning applications. With regard to pre-application charges that apply to major applications, income was buoyant at the moment and the budget had been exceeded substantially. The fee could of been increased but there was a fear that if the fee was set too high pre-application advice might be forgone leading to more difficulties later in the planning process. Building Control Fees were felt to be reasonable but income was well short of expectations and the account was likely to fall into deficit this year. A review of Building Control was to be undertaken and the level of fees and charges would need to form part of the review.

Within Environment and Street Scene Directorate, it was proposed that pay and display charges in the Council's off-street car parks were revisited, as the charges had not been increased for five years and the study by Price Waterhouse Coopers in 2011/12 predicted that modest changes in the fee structure could boost income by more than £300,000. Pay and display car parking fees form the largest discretionary income stream to the General Fund and the current income estimate had been set at £747,000 and further work was being done on some proposals for a revised tariff structure. The bulk waste fee varied depending on the number of items being collected and given that the contract price increases annually it seemed reasonable that the fee itself should also be increased. The Council also needed to ensure that a trade waste service was available if required and SITA had proposed to increase the fees by 50p for both businesses and schools.

Finally, for the Housing Directorate, the Assistant Director informed the Cabinet Committee that the majority of fees and charges had been increased by RPI at 3.2%. However, in view of the current economic conditions, the Housing Portfolio Holder had proposed that a number of Housing-Related Fees and Charges be retained at their current levels and these had been highlighted in the attached schedule. The only proposed exception to a general increase of 3.2% was in respect of the charges for hardstandings on housing estates, which would be increased from £29.10 per annum to £82.00 per annum, representing around 20% of the Council garage rent.

The Cabinet Committee felt that the carpark tariff needed to be dealt with carefully as it would be unknown how the public would react to the changes in the tariff if they were increased

Recommended:

(1) That the Cabinet Committee proposed that £150,000 General Fund savings target for the 2014/15 budget should come from additional income through an increase to fees and charges;
(2) That officers could investigate options to increase the 10p charge of the Pay and Display car parks within the District to 20 p, be agreed;
(3) That the proposed fees and charges for 2014/15, as set out in the Appendices attached, be approved; and
(4) That the proposed schedule of Housing Revenue Account fees and charges for 2014/15 be approved.

Reasons for Decision

As part of the annual budget process changes to fees and charges need to be agreed.

Other options Considered and Rejected:

Where the Council had discretion on the level of fees and charges that it sets there were many possible options open to the Council ranging between no increases up to applying quite large increases where possible.

26. Any Other Business

That, as agreed by the Chairman of the Committee and 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 following item of urgent business be considered following the publication of the agenda:

(a) Triennial Valuation of Pension Scheme
(b) Draft General Fund CSB and DDF Lists and Savings Update.

27. Triennial Valuation of Pension Scheme

The Director Finance & ICT presented a report on the triennial valuation of pension scheme.

The Director of Finance & ICT reported that the Essex County Council had provided a number of different options for the Council's pension contributions for the next three years. The ongoing contribution was the same under each scenario but the deficit contributions varied and then a further choice had to be made about the timing of the payments. The option of 22.5 years was recommended as the reduction in CSB growth was felt to offer good value relative to the small extension in timescale for repaying the deficit and recovery period was still ahead of the schedule set at the previous valuation. Furthermore if the 22.5 year recovery period was assumed then five options were available to the Council set out in the report. Option B was recommended as it allowed for the increase in deficit payments to be phased over the three years and took advantage of the discount allowed for earlier payment without compromising the Council's cashflow position.

In previous years it had been possible to obtain capitalisation directions, in part or whole for the pension deficit payments but the qualification criteria for the capitalisation direction had tightened and there was no realistic prospect of being able to obtain a direction at this time.

Recommended:

(1) That the option to fund the deficit over 22.5 years be recommended to Cabinet; and
(2) That Option B as set out in the Essex County Council consultation be recommended to Cabinet.

Reasons for Proposed Decision:

Essex County Council had set a deadline of mid-January for responses to their consultation and so it was necessary to evaluate and decide on one of the options.

Other Options for Action:

The shorter deficit recovery period could be adopted or Members could choose to either take full advantage of the front loaded payment option or not to front load at all.

Shortening the recovery period would increase CSB growth at a time when there were already considerable budget pressures. Fully front loading the payments could create difficulties in the management of the Council's cashflows and would limit the ability to fund other demands at short notice without borrowing.

28. Draft General Fund CSB and DDF Lists and Savings Update

The Assistant Director (Accountancy) presented a report on the draft General Fund Lists and Savings for the 2014/15 budget, which provided the first draft of the Continuing Services Budget (CSB) growth and District Development Fund (DDF) Schedules as well as an update on the budget process for 2014/15 and the savings achieved so far.

The Financial Issues Paper that had been presented to the committee on 19 September 2013 highlighted a number of financial uncertainties and risks facing the Authority including the reductions in Central government funding, Retention of Business Rates, Welfare reform and Waste and Leisure Management Contract Renewals. The Medium Term Financial Strategy (MTFS), which formed part of the Financial Issues Paper, identified that further savings of around £2.3 million were required over the forecast period. The savings required in 2014/15 were £0.7 million after savings of £0.094 million already identified had been taken into account and with the recent triennial valuation of the pension fund and resulting additional on-going employer contributions and deficit payments, further reductions in Housing Benefit Admin Grant and reductions in revenue support for Waste management the target was going to be extremely challenging.

There was again a saving on the revenue budget in 2012/13 and it had been noted that the General Fund budget was underspent by a little under £500,000. The salary savings made up a smaller proportion of overall savings but there was also an underspend on Housing Benefits of around £195,000. The underspend on Supplies and Services was therefore lower than in previous years and suggested that a large proportion of the historical underspends had been extracted from the budget already. The exercise to identify further savings on underspent budget had been carried out again but nothing significant had been identified.

There were some CSB budgets that either had a one off element within them or in some cases were budgets where there was a degree of uncertainty around whether they will be spent or not therefore treating an appropriate element as DDF rather than CSB should make managing the budgets easier and give a degree of flexibility. The full schedules for the Continuing Services Budget and District Development Fund had been attached to the report as annexes, and represented best estimates at the current time. These would be further refined as the budget setting process continued and an updated schedule of annexes was presented at the meeting.

Resolved:

(1) That the draft Continuing Services Budget and District Development Fund (DDF) schedules for 2014/15 be noted.

Reasons for proposed action

To monitor the General Fund schedules and savings achieved at this stage of the budget process for 2014/15.

Other options for action

No other options were considered at this stage of the process.

29. Exclusion of Public and Press

The Sub-committee noted that there were no items of business on the agenda that necessitated the exclusion of the public and press from the meeting.

CHAIRMAN