EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 22 June 2017
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	7.30 - 8.10 pm

Members Present: Councillors G Mohindra (Chairman), S Stavrou, A Lion, C Whitbread and J Philip

Other Councillors: Councillors S Neville and J M Whitehouse

Apologies:

Officers Present: R Palmer (Director of Resources), P Maddock (Assistant Director (Accountancy)), D Bailey (Head of Transformation), G. Nicholas (Senior Project Improvement Officer) and R Perrin (Democratic Services Officer)

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1. Declarations of Interest

(a) Pursuant to the Council's Member Code of Conduct, Councillor G Mohindra declared an interest in agenda item 6, Essex Pensions Fund Investment Strategy Statement – Consultation, by virtue of being on the Investment Steering Committee for the pension fund and his wife working for Aviva PLC. The Councillor had determined that his interest was non-pecuniary and would remain in the meeting for the consideration of the item.

2. Minutes

RESOLVED:

That the minutes of the meeting held on 30 March 2017 be taken as read and signed by the Chairman as a correct record.

3. Key Performance Indicators - 2016/17 Quarter 4 (Outturn) Performance

The Director of Resources presented a report on the outturn performance for the Key Performance Indicators adopted for 2016/17.

The Director of Resources advised that 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 service priorities and key objectives were adopted each year and the performance were reviewed on a quarterly basis.

Thirty-seven Key Performance Indicators (KPI) had been adopted for 2016/17 in March 2016 and the progress in respect to all of the KPIs was reviewed by Management Board and the Overview and Scrutiny Committees at the conclusion of each quarter. The service directors also reviewed the KPI performance with the relevant portfolio holder(s) on an on-going basis throughout the year and the Select

Committees were each responsible for the review of quarterly performance against specific KPIs within their areas of responsibility.

The position with regard to the achievement of target performance for the KPIs at the end of the year (31 March 2017) was as follows:

(a) 28 (75%) indicators achieved the cumulative end of year target;
(b) 9 (25%) indicators did not achieve the cumulative end of year target; and
(c) 3 (8%) of these KPIs performed within the agreed tolerance for the indicator.

The outturn performance against the indicator set for this year was the same as last year when 27 (75%) of the 36 indicators achieved target.

RESOLVED:

(1) That the Committee noted the Quarter 4 performance for the Key Performance Indicators adopted for 2016/17.

Reasons for Decision:

The KPIs provided 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. 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 appropriate in this respect. Failure to review and monitor performance could mean that opportunities for improvement were lost and might of had negative implications for judgements made about the progress of the Council.

4. Essex Pension Fund Investment Strategy Statement - Consultation

The Director of Resources presented a report on the consultation for the Essex Pension Fund Investment Strategy Statement.

The Essex County Council was the administering authority for the local government pension scheme for employers based in Essex. This function was discharged through a Pension Board, which in turn had delegated the responsibility for setting and monitoring the investment strategy to the Investment Steering Committee. The Investment Strategy Statement was reviewed every three years and as part of the review, stakeholders were consulted on the content of the Statement. The consultation period had been extended to allow formal consideration by Members.

The Director of Resources advised that the most significant changes in the draft strategy, compared to the current strategy, were that;

a) The Government had instructed pension funds to work together to reduce the costs of administration and the fees paid to external fund managers. Essex was one of eleven funds participating in the ACCESS Pool (A Collaboration of Central, Eastern and Southern Shires), which would be put in place during 2017.

b) The Local Government Pension Scheme Regulations 2016 had required an expansion of the section covering Environmental, Social and Governance Considerations including a new fiduciary duty of the fund; within the policy section a paragraph making it clear that investment decisions would be left to investment managers to take based on purely financial grounds; and that the Investment Steering Committee would not seek to restrict new investments or require investment managers to divest existing holdings

c) The section on the exercise of voting rights had been expanded, with the first and third paragraphs being new. There was a new section on Engagement which set out the Fund's expectations for the factors that investment managers would take into account in making their decisions. The section further emphasised the point that divesting should not be pursued as the Fund could more effectively influence the behaviour of big companies by remaining invested over the long term. The final addition was a section covering Ongoing Monitoring which set out how the ISC would monitor and challenge investment managers.

The Members were advised to bear in mind the effectiveness of the fund management and the most recent actuarial valuation of the fund as at March 2016 showed a funding level of 89% (89% of the liabilities were covered by the assets) which was a significant improvement from the 2013 position of an 80% funding level. The fund had also won several awards in recent years, including the Pension Administration Award in February 2017, the Public Sector Pension Scheme of the Year in September 2015 and the LGC Investment Award for Fund of the Year in February 2014.

Councillor Neville commented that he had concerns over the investments made with fossil fuel companies and that alternative sources should be considered. The Committee noted Councillor Neville comments but reflected that the main priority the scheme was to ensure they met the funding requirements and that the Investment Steering Committee only reviewed the investment strategy, not the individual investments. The Committee noted that report also set out the social, environmental and ethical considerations in the selection, retention and realisation of investments.

RESOLVED:

(1) That the responses to the draft Investment Strategy Statement be noted.

Reasons for Decisions:

To determine if the Committee agreed with the proposals set out in the draft Investment Strategy Statement.

Other Options Considered and Rejected:

Members could decide not to respond to the consultation.

5. Provisional Revenue Outturn 2016/17.

The Assistant Director (Accountancy) provided the Cabinet Committee with an overall summary of the revenue outturn for the financial year 2016/17.

The net expenditure (CSB) for 2016/17 totalled £14.039 million, which was £787,000 (5.9%) above the original estimate and £71,000 (0.5%) above the revised. Whilst the overspend compared to the revised appeared small there was in fact a sizeable underspend on ongoing activities and because of this it was proposed to provide an additional sum of £1 million for capital funding.

The funding position was less easy to establish since the part retention of business rates and the actual funding was down by £217,000 when compared to the revised position. There was an in year surplus on the business rates collection fund which had brought the overall deficit down from £1.514 million to £87,000. There was still a significant amount set aside for Business Rate appeals and a re-assessment of the level of the provision required was carried out during the final accounts process.

The medium term financial strategy had estimated that the Council's portion of the deficit on the business rates collection fund would be £200,000 and on the council tax collection fund there would be a surplus of £210,000. In the event the business rates collection fund deficit at the end of March 2017 was lower at £35,000 which would need to be paid back over the next two years, the Council Tax collection fund showed a surplus of £209,000 which would be paid into the General Fund in future years. The combined net position was £164,000 better than was anticipated.

The Continuing Services Budget (CSB) expenditure was £215,000 below the original estimate and £929,000 below the revised. Variances had arisen on both the opening CSB and the in year figures. The opening CSB was £871,000 lower than the revised estimate and the in year figures, £58,000 lower than the revised estimate. When measured against the Original Budget, salaries were underspent by £529,000. Actual salary spending for the authority in total, including agency costs, was some £21.97 million compared against a original estimate of £22.499 million. About three quarters of this underspend fell on the General Fund with Resources and Neighbourhoods recording the highest values. When comparing to the Revised Estimate there was an underspend of £157,000, all of which fell on the General Fund, though some salary costs were DDF and this showed a small underspend.A contingency had been included in the General Fund of £150,000 for potential settlement agreements little of this had been spent in the end.

The addition to the General Fund Bad & Doubtful debts provision was £83,000 less than expected. Housing Benefit Overpayment debts had increased marginally and more than half of the Sundry Debts outstanding were less than a month old, therefore could be expected to be mostly paid.

There were a number of other underspends such as Housing Benefits £133,000, additional income, mostly rents £112,000, various consultancy costs £103,000, business rates £32,000, Grounds Maintenance £29,000, and as always a lot of minor amounts under £5,000 on various headings. It was proposed, that because this underspend has occurred, it was sensible to provide some additional funding to the General Fund capital programme of £1 million which wiped out the underspend plus an additional £288,000 which still left the General Fund balance at £6.207 million which was comfortably above the target set in the Medium Term Financial Strategy.

The original in year CSB growth figure of £538,000 became an in year growth figure of £630,000. This was primarily due to additional expenditure required to support the Waste Management Contract (£427,000) though there was some compensatory additional income included in areas such as the technical agreement with major preceptors (£200,000) commercial and industrial rents (£135,000) and Development Control fee income (£70,000).

The net District Development Fund (DDF) expenditure was expected to be £698,000 in the original estimate and £1,096,000 in the revised estimate. In the event the DDF showed net income of £446,000. This was £1,144,000 below the original and

£1,542,000 below the revised, with requests for carry forwards totalling £1,301,000, a net underspend of £241,000 was shown.

The DDF increased between the Original and Revised position by £398,000, overall this had not been significant but there were some large swings on both income and expenditure. On the Income side, additions relating to Development and Building Control (£150,000), Various commercial and industrial rents (£122,000), various other grants and income (£86,000). There was also some reprofiling of expenditure into future years particularly in relation to the staffing costs relating to the technical agreement. Offsetting these were amounts brought forward from 2015/16 and additional resources provided for the Local Plan (£626,000),Waste and Recycling (£144,000) and an amount of £116,000 in relation to the income from the major preceptors that had been taken into the CSB with a significant number of other more minor items of both additons and reductions to the programme.

The difference between the revised position and the outturn position was a reduction of £1,542,000. During February and March around £928,000 in grants and contributions were received which had been applied for but not confirmed in time for the budget setting process. These monies had been added to the DDF and were intended for spending in 2017/18. The largest of these was for the Garden Town funding, of which £665,000 was carried forward into 2017/18. All of these grants and contributions related to the Neighbourhoods Directorate. Other income variations were additional income from the agreement with major preceptors £158,000, unspent new burdens grant required in 2017/18 £127,000, additional commercial and industrial rents £63,000. There were also two larger underspends relating to building maintenance £92,000 and the local plan £66,000. The overall position on the DDF with the balance as at 31 March 2017 was £4.188 million.

Spending from the Invest to Save Reserve was £219,000, which was £101,000 below the revised estimate of £320,000. There were carry forward requests of £107,000; the largest relating to the ICT infrastructure for the new car park management contract of £45,000. There was also a small overspend relating to the payment kiosks at the Civic Offices. The balance on the reserve was £425,000 at the start of 2016/17. It was agreed as part of the 2017/18 budget process to add £200,000 and having spent £219,000 leaves the year end balance at £406,000.

A deficit within the HRA of £447,000 and surplus of £494,000 was expected within its original and revised revenue budgets respectively, the actual outturn was a surplus of £651,000. There were savings on Revenue Expenditure of £121,000 when compared to the revised position. There were savings on sheltered unit management (£43,000), bad and doubtful debt provision (£26,000), grounds maintenance (£16,000), gas and electricity (£10,000) and Caretaking and Cleaning (£9,000). Income from Dwelling Rents was up by £137,000 though other income was down by £103,000, the latter relating to management and service charges. The HRA started the new financial year in a slightly better position at £3.85 million. There was still significant uncertainty facing the HRA going forward with continued 1% rent reductions and the potential high value void levy.
The Cabinet Committee advised that any carry overs that were 2/3 years old would require robust justification to retain the funds; otherwise they would be placed back into the General fund.

RECOMMENDED:

(1) That the provisional 2016/17 revenue outturn for the General Fund and Housing Revenue Account (HRA) be noted;

(2) That £1 million from the General Fund be used to finance capital expenditure in 2016/17; and

(3) That as detailed in Appendix E, the carry forward of £1,301,000 District Development Fund and £107,000 Invest to Save Reserve expenditure be noted.

Reasons for Decision:

To note the provisional revenue outturn.

Other Options Considered and Rejected:

Not to use the proposed £1 million additional funding for general fund capital expenditure.

6. Provisional Capital Outturn 2016/17

The Assistant Director (Accountancy) advised that the report sets out the Council's capital programme for 2016/17, in terms of expenditure and financing, and compared the provisional outturn figures with the revised estimates. The revised estimates, which were based on the Capital Programme, represent those adopted by the Council on 21 February 2017.

The Council's total investment on capital schemes and capital funded schemes in 2016/17 was £36,957,000 compared to a revised estimate of £43,077,000, which represented an underspend of 14%. With regard to the General Fund projects, there was an overall underspend of £1,675,000 or 9%.

Overspends totalled £248,000 on the General Fund and £388,000 on the HRA, while there were savings of £11,000 on the General Fund and £467,000 on the HRA. In terms of slippage, carry forwards were recommended for totals of £1,995,000, £3,288,000, £4,000 and £1,063,000 for the General Fund, HRA, loans and REFCuS respectively; and brought forwards were recommended for totals of £41,000 and £5,000 for the General Fund and HRA respectively. Other variations total of £42,000 on the General Fund, which represent additional expenditure funded from external and direct revenue sources and the other variations of £162,000 on the HRA were offset by an equivalent sum on REFCuS.

The Assistant Director (Accountancy) advised that the funds available to finance the capital programme include Government grants, other public sector grants, private contributions to capital schemes, capital receipts and direct revenue funding from the General Fund and HRA. Initially any specific grants and private contributions made for particular projects were used to finance the appropriate projects, taking into account any restrictions with regard to usage and time scales. Other sources of capital finance, which carried restrictions, were also applied at the earliest opportunity in order to avoid losing potential funds. This included the element of capital receipts generated from the sale of council houses, which was available solely for replacement affordable housing (often referred to as 1-4-1 receipts) and had to be used within three years of receipt and as a consequence, the maximum sum allowable had been applied to the 2016/17 HRA house building programme.

Another element of capital receipts available for capital funding known as 'attributable' or 'allowable' debt, allows the Council to use all, none or indeed a portion of this money to fund HRA expenditure. The Cabinet made a decision to use part of this sum for the new housebuilding programme, based on 30% of the 'assumed' debt of Council dwellings, calculated when the new self-financing regime was introduced in April 2012. In total, grants of £1,799,000 were used last year compared to an estimated sum of £1,466,000, representing an increase of £333,000, which resulted primarily from the increase in private funding made available by more section 106 monies having been received for funding the new housebuilding programme.

The generation of capital receipts was £1,041,000 higher in 2016/17 than had been anticipated, which was due to more council houses being sold than expected, following a dip in 2015/16 and the steep rise of 2014/15 when the level of maximum allowable discount under the Right to Buy (RTB) scheme was raised significantly. A total of 46 properties were sold in 2016/17 compared to 20 in 2015/16. The Council retained more of the RTB capital receipts than expected as a result of the decision to lift the moratorium on phases 4 to 6 of the housebuilding programme. As a result of these factors, plus the decision to partially fund investment in the new shopping park from HRA capital receipts, the total use of capital receipts was £6,635,000 higher than estimated. As a consequence the year-end balance on the Capital Receipts Reserve was reduced to zero as at 31 March 2017.

The external borrowing had been avoided in 2016/17, partly by means of the internal borrowing of HRA capital receipts by the General Fund, and partly by utilising other General Fund reserves of £9,300,000. However, the Council would need to borrow externally in 2017/18 to be able to fund its General Fund capital programme.

With regard to the use of direct revenue funding, the HRA contribution of £5,477,000 was higher than the revised budget by £110,000. However, the use of funds from the Major Repairs Reserve was £3,104,000 lower than estimated reflecting the underspend on HRA capital schemes. The impact of this, combined with an increase in the Major Repairs Allowance transfer, was that the balance on the Major Repairs Reserve was £3,561,000 higher than expected at £12,704,000 as at 31 March 2017.

The Cabinet Committee requested further details on the overspend at Oakwood Hill Depot. The Director of Resources advised that a report would be submitted to Cabinet once the final figures had been determined.

RECOMMENDED:

(1) That the provisional outturn report for 2016/17 be noted;

(2) That retrospective approval for the over and underspends in 2016/17 on certain capital schemes as identified in the report be recommended to Cabinet;

(3) That approval for the carry forward of unspent capital estimates into 2017/18 relating to schemes on which slippage has occurred be recommended to Cabinet; and

(4) That approval of the funding proposals outlined in this report in respect of the capital programme in 2016/17 be recommended to Cabinet.

Reasons for Decision:

The funding approvals requested were intended to make best use of the Council's capital resources that were available to finance the Capital Programme.

Other Options Considered and Rejected:

The Council's current policy was to use all HRA capital receipts from the sale of assets, other than Right to Buy Council House sales, to fund the Council's house building programme. However, Members had the option to use these capital receipts for other HRA or General Fund schemes if they choose. This option had been rejected to date because, unless HRA receipts were applied to affordable housing schemes, 50% of each receipt would be subject to pooling i.e. the council would have to pay 50% of these receipts to central government.

The Council retains an element of the right to buy receipts classified as 'allowable' debt. It had been agreed that 30% of the 'assumed debt' part of this element should be set aside to help finance the HRA housebuilding programme. The percentage applied to the housebuilding programme was seen as reasonable but could be amended.

7. Risk Management - Corporate Risk Register

The Director of Resources presented a report regarding the Council's Corporate Risk Register.

The Corporate Risk Register was considered by the Risk Management Group on 1 June 2017 and subsequently by Management Board. These reviews identified amendments to the Corporate Risk Register, which included the following;

(a) Risk 1 Local Plan

The Existing Control/Actions had been updated to advise that a Memorandum of Understanding was being pursued with Natural England regarding the effect of development on Epping Forest. It was also intended that a Memorandum of Understanding for the Strategic Housing Market Assessment (SHMA) area would be extended to include neighbouring London Boroughs. The Effectiveness of controls/actions now confirmed that Essex County Council and Highways England regularly attend Co-op Member and Officer Meetings.

(b) Risk 2 Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position for the key sites. Work now neared completion at the Winston Churchill site and the Langston Road site would reach Practical Completion in Mid-June with most large unit leases now signed. A detailed planning application had been submitted for Waltham Abbey Leisure Centre.

(c) Risk 5 Economic Development

The Action Plan had been updated to advise the current position. The Existing Controls/Actions now advised Members of the agreed key objectives to be delivered by the Economic Development Strategy and that work on the final strategy had paused, pending the outcome of further evidence work being undertaken as part of the Local Plan. The Existing Controls/Actions also advise that the Economic Development Team was now fully staffed. The final new Existing Control/Action was to advise that the Employment Study for the Local Plan neared completion. The resulting report from the study would require consideration at Member workshops; this had been added as a Required Further Management Action.

RECOMMENDED:

1. That the Effectiveness of controls/actions and Required further management action for Risk 1 be updated;

2. That the updating of the Effectiveness of controls/actions and Required further management action for Risk 2 be updated;

3. That the updating of the Effectiveness of controls/actions and Required further management action for Risk 5 be updated;

4. That the amended Corporate Risk Register be recommended to Cabinet for approval.

Reasons for Decisions:

It was essential that the Corporate Risk Register was regularly reviewed and kept up to date.

Other Options Considered and Rejected:

Members may suggest new risks for inclusion or changes to the scoring of existing risks.

CHAIRMAN

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DISTRICT DEVELOPMENT FUND 2016/17 - 2017/18

Directorate	Description	C/Fwd £000's	Year of Approval
Chief Executive	Transformation Projects	7	2016/17
		7	
Communities	Legal Challenges	20	2015/16
		20	
Governance	Document Scanning	1	2014/15
	Individual Registration Costs	25	2015/16
	Technical Assistant - Conservation	7	2016/17
	Transformation Programme	2	2016/17
	Contingency for Appeals	(9)	2016/17
		26	
Neighbourhoods	Contaminated land investigations	(7)	2015/16
	Flood Risk Works Pynest Green Lane	16	2017
	Town Centres Support	26	2014/15
	Council Asset Rationalisation	(8)	2014/15
	New Development Project Officer	3	2015/16
	Local Plan	66	2016/17
	Joint Working Contribution	129	2017
	Brownfield Register	15	2017
	Hillhouse	6	2016/17
	Neighbourhood Planning	(1)	2015/16
	Garden Town	665	2017
	Community Housing	53	2017
	Second hand fire truck	5	2016/17
	Payment to NEPP for redundancies	(20)	2015/16
	Roding Valley Development - Woodland Planting	50	2017
	DCLG recycling reward scheme	2	2015/16
		1,000	
Resources	Planned Building Maintenance Programme	92	2016/17
	Consultants fees	1	2016/17
	Local Council Tax New Burdens Expenditure - E-Services	52	2016/17
	Benefits Specific Grants - Data Matching	60	2016/17
	Hardship & Compliance - Benefits Officers	6	2015/16
	Benefits Specific Grants - Furniture	2	2015/16
	Temporary Additional Staffing	32	2015/16
	Emergency Premises Works	3	2015/16
		248	
	Total	**1,301**	

INVEST TO SAVE RESERVE 2016/17 - 2017/18

Communtites	Museum Resilience	**20**	2015/16
Neighbourhoods	Replacement LED lighting	14	2015/16
	ICT infrastructure	45	2016/17
	Extension to Vehicle Compound	12	2015/16
		71	
Resources	Ariel Camera System Training	1	2015/16
	Reception area structural survey	15	2016/17
	Total	**16**	
	Grand Total	**107**	

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