EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 18 January 2018
Place:	Council Chamber, Civic Offices, High Street, Epping	**Time:**	7.00 - 8.48 pm

Members Present: Councillors G Mohindra (Chairman), A Lion, S Stavrou, C Whitbread and W Breare-Hall

Other Councillors: Councillors R Bassett, D Dorrell, H Kane, S Kane and A Patel

Apologies: J Philip

Officers Present: G Chipp (Chief Executive), R Palmer (Director of Resources), D Macnab (Deputy Chief Executive and Director of Neighbourhoods), C O'Boyle (Director of Governance), A Hall (Director of Communities), P Maddock (Assistant Director (Accountancy)), D Bailey (Head of Transformation), T Brown (Senior Finance Officer), J Bell (Senior Account), J Whittaker (Finance Officer), A Hendry (Senior Democratic Services Officer) and R Perrin (Democratic Services Officer)

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33. Webcasting Introduction

The Democratic Services Officer reminded everyone present that the meeting would be broadcast live to the Internet and that the Council had adopted a protocol for the webcasting of its meetings.

34. Substitute Members

The Cabinet Committee noted that Councillor W Breare-Hall would substitute for Councillor J Philip at this meeting.

35. Declarations of Interest

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

36. Minutes

RESOLVED:

That the minutes of the meeting held on 16 November 2017 be taken as read and signed by the Chairman as a correct record.

37. Risk Management - Corporate Risk Register

The Director of Resources presented a report regarding the Councils Corporate Risk Register.

The Corporate Risk Register was considered by the Risk Management Group on 12 December 2017 and the minutes of that meeting were then reviewed by

Management Board. These reviews identified amendments and one new risk for the Corporate Risk Register, which were updated as follows;

(a) Risk 1 Local Plan

The risk had been updated following the Submission Version 2017 of the Local Plan being agreed by Council at the Extraordinary Meeting on 14 December 2017. The risk vulnerability had been amended to reflect the submission deadline of 31 March 2018. Controls and Required further management actions were also updated.

(b) Risk 2 Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position for the key sites. Construction had started at Waltham Abbey Leisure Centre and contractors were digging out the swimming pool. Marketing of the Pyrles Lane Nursery site would commence in January 2018.

(c) Risk 4 Finance Income

The Key date had been updated to advise that the budget would be considered at the Council meeting on 22 February 2018.

(d) Risk 7 Business Continuity

The risk vulnerability had been amended to note the need for business continuity responsibilities to be updated following the re-organisation.

(e) Risk 9 Safeguarding

The Key date had been amended to May 2018, to reflect the revised submission date for ESCB (Safeguarding Children) audit.

(f) New Risk 11 Transformation Programme

The major programme to modernise working practices and improve efficiency had reached a key stage and would be included in the Corporate Risk Register. The Vulnerability, Triggers and Consequence along with supporting controls had been set out and the risk had been scored A1 (Very High Likelihood/Major Impact).

The Cabinet Committee advised that the risk profile for the new Risk 11, Transformation Programme was too high and should be reduced, as there was both political and officer willpower to modernise the Council. The Cabinet Committee agreed that a more appropriate risk score would be B1.

The Director of Neighbourhoods advised that the Chinese Government had indicated that they would no longer accept imports of paper and card board for recycling, which could have implications for the Council. The Waste Contractor, Biffa advised that they were currently looking for alternative markets although there was a risk share arrangement with the Council to recycle commodities and this could result in a financial loss, but the situation would be monitored. The Chairman asked the Portfolio Holder for Environment, if he wished for this to be added to the Risk Register. Councillor W Breare-Hall advised that he would monitor the situation in consultation with officers, as the position was uncertain at the moment and not add it to the Risk Register.

Resolved:

1. That the risk Vulnerability, Controls and Management actions for Risk 1 be updated;

2. That the Effectiveness of controls/actions for Risk 2 be updated;

3. That the revised Key date for Risk 4 be updated;

4. That the Vulnerability for Risk 7 be updated;

5. That the revised Key date for Risk 9 be updated;

6. That a new Risk 11 - Transformation Programme be agreed and that the Vulnerability, Triggers and Consequence along with supporting controls had been set out and the risk had been scored B1 (High Likelihood/Major Impact).

Recommended:

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

Reason for Decision:

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

Other Options Considered and Rejected:

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

38. Detailed Directorate Budgets 2018/19

The Assistant Director Accountancy presented a summary of the detailed directorate budgets for 2018/19. He advised that the checking process would continue and slight adjustments would be made until the Budget was agreed by Council on 22 February 2018.

The report provided the draft General Fund and Housing Revenue Account (HRA) Budgets for the financial year 2018/19 and was presented on a directorate by directorate basis. There were accompanying notes giving some background to each service heading and any CSB (Continuing Services Budget) and DDF (District Development Fund) changes proposed. This was the Cabinet Committee's opportunity to comment and make recommendations prior to the budget being formally set.

The budget setting process had commenced with the presentation of the Financial Issues Paper incorporating the Medium Term Financial Strategy (MTFS) at the Cabinet Sub-Committee on 20 July 2017, which had identified a savings target for 2018/19 of £0.3 million. The settlement figures provided in December 2015 had been for four years and the Council signed up on the understanding that the figures would be set at that level. However an update had been provided which had reduced the 2018/19 figure by £7,000 and the 2019/20 figure by £50,000. The Government had also provided an update on the New Homes Bonus which would provide £50,000 less than previously estimated in 2018/19. This had resulted in the CSB lists now showing a reduction in funding of £1.125 million as opposed to £1.075 million previously. However there were significant savings from the new Leisure Management Contract and additional income from Land and Property.

The move to 100% retention of Business Rates locally, was still being worked on by Central Government and was likely to be later than originally expected. Furthermore, a number of the county areas had applied for pilot status but unfortunately Essex had not been successful and the current retention proportions of 40% District, 9% County and 1% fire were likely to change.

The budgets highlighted areas where Continuing Services Budget (CSB), District Development Fund (DDF) savings or growth and Invest to Save (ITS) expenditure had occurred and also where allocation or other changes had affected the budgets. It was noted that with regard to ITS, the figures included within the budgets related to revenue items only. Each budget was presented by the relevant Director.

<u>Chief Executive</u>

The Chief Executive reported that the budget was made up of mostly recharges for corporate and public accountability activities, subscriptions and Transformation Projects. The original estimate for 2017/18 had been expenditure of £1,466 million, with a probably outcome of £1,408 million. The net increases had been attributed to internal recharges of the Customer Services Team incorporating the Neighbourhoods Contact Centre. The 2018/19 budget also included DDF allocations for process mapping and organisational redesign activities, as well as an ITS allocation for a behavioural insights programme.

<u>Communities Directorate</u>

The Director of Communities reported that the directorate was responsible for three distinct budgets, which were the Housing General Fund, Community Services & Safety and the Housing Revenue Account (HRA).

The Housing General Fund mainly covered Private Sector Housing, which showed a reduction of 9% between the original and probable outturn for 2017/18. This was mainly down to a reduction in Private Housing grants and more external funding from the Better Care Fund being received than expected, which reduced the Council's costs. The other main part of the Housing General Fund was Homelessness, which showed a reduction of 32% between the original estimates and probable outturn for 2017/18, which was mainly due to receiving all of the Flexible Homelessness Support Grant in 2017/18, to implement the Homelessness Reduction Act.

The Community Services and Safety budget on Voluntary Sector Support was approximately on budget at £430,000 with the 2018/19 budget being similar. There had been a small increase in the Museum, Heritage and Culture budget for support services charges for externally funded projects.

The Director of Communities advised that the Community, Health and Wellbeing budget had increase by 4.5% because of funding from externally funded projects being received last year. Finally, the Safer Communities budget showed an increase of £34,000, which related to the Cabinet decision to employ the Parkguard Security Company, to provide additional security presence in the District until March 2018. The budget for next year had not included any provision for the report being considered at the Cabinet meeting on 1 February 2018 for additional Police Officers which would need to be included, if agreed.

The Cabinet Committee commented that under the Voluntary Sector Support Budget, a correction was required, advising that the Welfare Transport was provided by Community Transport and not Voluntary Action Epping Forest (VAEF).

Housing Revenue Account

The Director of Communities reported that some of the expenditure and income allocated to the HRA were governed by legislation and were therefore not controlled by the Council. The Management and Maintenance budget, which covered Supervision& Management (General), Supervision & Management (Special) and the Housing Repairs Fund showed a probable outcome of 2.5% lower than the original estimate.

The budget for next year had been increased by 4.1%, mainly in respect of the redundancy and pension strain for the Council's new organisational structure, and a 1.6% contribution to the Housing Repairs Fund for inflation repair costs. The Major Repairs on Leasehold Properties showed significant expenditure changes in 2017/18 and 2018/19, which had been due to how the expenditure on leasehold properties was now accounted for, having previously been accounted for within the Housing Capital Programme and gross rent of dwellings had been expected to fall by around £388,000 because of the requirement to reduce rents by 1% in real terms. The Director of Communities commented that the reduction in income would have been greater if the Council had not been undertaking its Council house building Programme. It was also noted that there would again be no contribution to the Self Financing Reserve, although the recent HRA Financial Options Review had already identified that this would not be possible and that additional borrowing would be required in any event, but that the thirty year HRA Financial Plan had made provisions for this fact.

Governance Directorate

The Director of Governance reported that the net expenditure had increased from £3.015 million to £3.560 million in 2018/19, which had been mainly accounted for in an increase in expenditure of DDF items.

The highlighted variances within the directorate budget showed a 20% increase in Development Control Fees and Charges; the cost of District Elections in 2018/19 of £139,000; £278,000 for the establishment of a Strategic Sites Implementation Team for the Local Plan implementation work, which would be off-set by any additional development control applications, developer contributions and planning performance agreements.

The Director of Governance advised that Corporate Fraud Team had started to provide a shared service with Brentwood District Council and had achieved an expected income of £13,910 in 2017/18 and £27,280 in 2018/19. There were also the on going costs of modernising the Planning, Building Control and Legal Services to electronic records.

Neighbourhoods Directorate

The Director of Neighbourhoods reported that the net expenditure had decreased from £9.679 million to £7. 243 million in 2018/19, which had been partly to do with the revenue costs falling away, increased income from land and property assets and savings from the leisure contract.

With regards to the Epping Forest Retail Park, three vacant units were in active negotiations and the full year effects of the income would be confirmed in 2018/19. The leisure contract was due to deliver further efficiency savings and the main DDF item of expenditure had been the Local Plan.

Other items worth mentioning were the Harlow & Gilston Garden Town expenditure, which the Council held the funds for, as part of a tri-authority project; the increased cost associated with fly tipping, although some recovery costs were being obtained from ECC and private land owners; the North Weald Airfield events income which had been slightly down although compensated for by other income streams; the potential costs of paper and cardboard recycling in the Waste Management Contract and the increase in properties in the district pushing up the collection costs. Furthermore, income of the three new car parks had been delayed and officers had undertaken to review the parking tariffs in light of the TfL increases.

Following the Extraordinary Council meeting on 14 December 2017, the Council undertook the gathering of evidence for Regulation 19, to enable the submission of the Local Plan by 31 March 2018. This had caused revisions to both the estimates and DDF in 2017/18.

Resources Directorate

The Director of Resources reported that there had been a significant increase in net expenditure from the probable outturn of £2.549 million to £3.537 million. This had been due to the People Strategy, which included the anticipated redundancy, early retirement costs and the first part of the salary savings at a combined net cost of around £700,000 and the new IT Strategy for £500,000.

Other highlighted changes within the directorate budget were the associated costs of providing Housing Benefit services which had increased by £50,000; the Finance Miscellaneous net expenditure which included the costs and savings relating to the People Strategy; a CSB growth of £67,000 for an uplift in the Civic Offices Non Domestic Rates, which was being appealed by the Estates Department and a one-off amount of £120,000 for the accommodation review; a reduction in CSB of £15,000 for payment card surcharge income on credit card payments; and finally other support services costs associated with the apprentices levy of £75,120.

Recommended:

(1) That the detailed directorate budget for the Chief Executive be recommended to the Cabinet for approval;

(2) That the detailed directorate budget for Communities be recommended to the Cabinet for approval;

(3) That the detailed directorate budget for Governance be recommended to the Cabinet for approval;

(4) That the detailed budget for Neighbourhoods be recommended to the Cabinet for approval;

(5) That the detailed budget for Resources be recommended to the Cabinet for approval; and

(6) That the detailed budget for the HRA be recommended to Cabinet for approval.

Reasons for Decisions:

To give Members an opportunity to review and provide recommendations on the detailed budget prior to adoption by Council.

Other Options Considered and Rejected:

Other than deciding not to review the budget there were no other options.

39. Any Other Business

That, as agreed by the Chairman of the Cabinet Sub-Committee and in accordance with Section 100B(4)(b) of the Local Government Act 1972, the following items of urgent business be considered following the publication of the agenda:

- Detailed Directorate Budgets 2018/19.

40. Council Budgets 2018/19

The Director of Resources presented a report detailing the proposed Council Budget for 2018/19, which added £1.14 million to reserves and maintained the Council's policy on the level of reserves throughout the period of the Medium Term Financial Strategy (MTFS). Over the course of the MTFS, the use of reserves to support spending peaks at £326,000 in 2020/21, reducing to £285,000 in 2021/22. The budget had been based on the assumption that Council Tax would not increase and that average Housing Revenue Account rents would decrease by 1% in 2018/19.

The annual budget process commenced with the Financial Issues Paper (FIP) being presented to the Sub-Committee on 20 July 2017 and continued the earlier start to the process, which reflected concerns over the reform of financing for local authorities. It highlighted the uncertainties associated with Central Government Funding, Business Rates Retention, Welfare Reform, New Homes Bonus, Development Opportunities, Transformation, Waste and Leisure Contracts, Miscellaneous, including recession and pay awards.

In setting the budget for the current year members had anticipated using £100,000 from the General Fund reserves, which had been possible as the MTFS approved in February 2017 showed a combination of net savings targets and limited use of reserves. The limited use of reserves in 2017/18 had not been significant because the MTFS at that time had predicted the use of just under £0.38 million of reserves to support spending in the following three years.

The revised MTFS presented with the FIP took into account all the changes known at that point and highlighted the uncertainties around income from business rates. The projection showed a need to achieve additional net savings of £300,000 on the 2018/19 estimates, followed by £250,000 in 2019/20 and £150,000 in 2020/21, to keep the revenue balances comfortably above the target level at the end of 2020/21.

The budget guidelines for 2018/19 were therefore established as; the ceiling for CSB net expenditure be no more than £12.92 million including net growth/savings; the ceiling for DDF net expenditure be no more than £0.929 million; and the District Council Tax would continue to be frozen.

The overall position was that considerable progress had been made on Transformation with expenditure and savings being included in the budget for

2018/19 and significant additional expenditure was expected for the expansion in community safety budgets, to help address the district wide problem of anti-social behavior.

The Director of Resources reported that the DCLG four-year settlement had been accepted and the Settlement Funding Assessment (SFA) had reduced by £6,623 for 2018/19 and by £49,756 for 2019/20, which had meant that overall the SFA had reduced by £2.48 million or over 45%. The Local Government Information Unit briefing on the draft settlement showed that the Council had the sixth largest reduction in funding of all authorities.

The Council Tax had not increased since 2010/11 and the Cabinet Committee had been very clear in July 2017 that the Council Tax would not be increased while the General Fund balance remained comfortably above the minimum requirement. The most significant change in the Council Tax referendum principles for 2018/19 was an increase of £12 per band D property being allowed for Police and Crime Commissioners (PCC) in Essex which would be an increase from £157 to £169.

Regarding the Business Rate Retention, the Essex group had been unsuccessful in piloting 100% business rates retention, although the DCLG had confirmed that the current pooling arrangement would be allowed to continue. The net effect of the pooling was that the council had been better off for pooling by £118,000 in 2015/16 and £393,000 in 2016/17. Current monitoring of the pool indicates that there would again be a significant benefit in 2017/18 although wider co-operation in attempting to construct an Essex wide bid had meant that authorities which were outside the pool for 2017/18 such as Southend and Chelmsford would now join the pool for 2018/19, which brought a greater element of risk and may not beneficial for 2019/20.

The business rate income anticipated very little growth after 2016/17, despite the building of the retail park and other known likely developments within the district. The estimates for 2017/18 would be the first year which had been billed using the new rating list and the basic tariff for 2018/19 had reduced by £125,520 and subsequently £216,807 for 2019/20. However, the tariff had still increased by more than £0.5 million in 2019/20, which caused a reduction in expected income from £4.7 million to £4.2 million and would be particularly challenging for estimating business rates. There were also still hundreds of appeals outstanding on the old list, which were difficult to produce a uniform percentage to apply. The one property in the south of the district still caused concern as the rateable value approached £6 million and if the appeal was successful, there would be a significant shortfall. The total provision against appeals was currently close to £4.2 million.

The scheme of Local Council Tax Support (LCTS) would see no significant changes being proposed for 2018/19. The introduction of the Benefits Cap and the further reduction by £6,000 had resulted in around 139 cases with the average weekly loss being £49.15. There had been the introduction of several measures for Universal Credit (UC) to ease the roll out, such as the removal of the seven-day waiting period before a claim could start; those already on Housing Benefit would continue to receive their award for the first two weeks of their UC claim; and the relaxation on the rules on awarding and recovering advances to make it easier for claimants to have the housing element of their award paid direct to their landlords. UC was also being rolled out based on Job Centres and the District was covered by seven, therefore not all new claimants would be fully covered until December 2018. Furthermore, the grant paid to local authorities to administer housing benefit had received substantial reductions of £42,000 in 2017/18 and £29,000 in 2018/19.

The reductions in New Homes Bonus (NHB) for 2017/18 had been far greater than had been anticipated with qualifying properties reducing, meaning that £16,000 for 2017/18 would be received instead of £320,000. The baseline at 0.4% had eliminated most of the growth and would severely limit the income from NHB going forward with no additional NHB being awarded for 2018/19 and the Council being £50,000 worse than had been anticipated with NHB income from 2016/17 to 2020/21 reducing by £2.6 million.

The Director of Resources advised that there had been some slippage in the programme for the retail park and the highways issues had caused part of the project to be over budget with the Council approving a supplementary estimate of £741,000 on 21 December 2017. Most of the large units were now occupied and trading before Christmas, with only three units under negotiation. The professional advisers had stated that an annual rental income of £2.7 million would be achievable and the MTFS had included a prudential amount of £2.5 million, to allow for any shortfall, management costs and interest. There were still delays with the mixed use re-development of the St Johns area in Epping, although it appeared to be nearing a conclusion and the former Winston Churchill pub site had also suffered delays. The income from these projects had been reduced and re-phased to later periods.

Progress had been made on all three of the key transformation projects regarding accommodation, people and technology. Unfortunately the accommodation works had been put on hold pending a meeting with Historic England and could be different to what had been envisaged. The People Strategy and the Common Operating Model had been agreed by Cabinet on 7 December 2017. The fundamental change in the organisational structure and significant reduction in top management had been planned with the estimates for 2018/19 included. The replacement for the Chief Executive would also be key in driving forward the transformation to deliver the benefits in terms of customer service and efficiencies. The Technology Strategy covered the period from 2018 to 2023 and would help provide a better service to the public whilst improving the efficiency of the Council’s working practices.

The waste contract had been procured at a lower cost with the savings being included in the MTFS, although issues with recycling and service delivery had meant that CSB growth of nearly £0.5 million had to be included in the revised estimates for 2016/17, together with £0.2 million of DDF expenditure. There had been discussions held with the service provider to recover the additional £0.5 million of CSB expenditure but no cost savings had yet been provided. The new leisure management contract started on 1 April 2017 with Places for People for a period of 20 years and the average CSB savings would be more than £1 million per year with the CSB savings being phased in over the first four years of the contract.

In addition, there were a number of other issues that needed to be considered which included the general economic cycle, potential for a recession and a possible increase in the annual pay bill of 2% for 2018/19 and 2019/20.

Members were reminded that the MTFS was based on a number of important assumptions, including the following:

• That the future Government funding would reduce as set out in the draft settlement, with Revenue Support Grant turning negative in 2019/20;

• That CSB growth had been restricted with the CSB target for 2018/19 of £12.92 million achieved and known changes beyond 2018/19 had been included but if the new leisure contract failed to yield the predicted savings, other efficiencies would be necessary;

• That it had been assumed that the retail park would be fully let in 2018 and that income would be in line with the consultant's projections;

• That all known DDF items were budgeted for, and because of the size of the Local Plan programme a transfer in of £1 million from the General Fund Reserve would be required in 2017/18 followed by a further £1.1 million in the next two years to ensure funds were available through to the end of 2020/21; and

• That the revenue balances of at least 25% of NBR were maintained.

The forecast showed that the deficit budgets at the end of the period would reduce the closing balances at the end of 2021/22 to £6.27 million or 48% of NBR for 2021/22, although this could only be done with further savings in 2020/21 and subsequent years.

The balance on the HRA at 31 March 2019 was expected to be £2.053 million, after deficits of £1,353,000 in 2017/18 and £0.447 million in 2018/19. The estimates for both years had been compiled on the self-financing basis and so the negative subsidy payments had been replaced with borrowing costs. The requirement to reduce rents by 1% per annum would continued into 2019/20 and during 2017/18 and Members decided to proceed with phases 4 to 6 of the new house building programme and revert to the decent homes standard for the maintenance of existing properties. These significant changes had impacted on the HRA Business Plan and would be kept under review during 2018/19 to determine any further necessary measures. The Capital Programme which totaled over £127 million over five years, anticipated that the Council would still have £2.1 million of capital receipt balances at the end of the period although these were one-four-one amounts and to be used in the house building programme. In order to finance the capital programme it was currently envisaged that £28.4 million of borrowing would be required.

The Cabinet Committee expressed their thanks to B Palmer, P Maddock and all the Officers involved in the Council's budget. There were some significant challenges ahead and development opportunities' would be important to the success of the council's finances.

Recommended:

(1) That in respect of the Council's General Fund Budgets 2018/19, the following guidelines be adopted:

(a) the revised revenue estimates for 2017/18, and the anticipated increase in the General Fund balance by £0.76m;

(b) A decrease in the target for the 2018/19 CSB budget from £12.92m to £11.71m (including growth items);

(c) an increase in the target for the 2018/19 DDF net spend from £0.93m to £3.87m;

(d) no change in the District Council Tax for a Band 'D' property to retain the charge at £148.77;

(e) the estimated increase in General Fund balances in 2018/19 of £1.10m;

(f) the five year capital programme 2017/18 – 21/22;

(g) the Medium Term Financial Strategy 2017/18 – 21/22;

(h) The Council's policy on General Fund Revenue Balances to remain that they were allowed to fall no lower than 25% of the Net Budget Requirement.

(2) That the revised revenue estimates for 2017/18 and the 2018/19 HRA budget be recommended for approval;

(3) That the rent reductions proposed for 2018/19, would give an average overall fall of 1% be noted;

(4) That the Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2018/19 budgets and the adequacy of the reserves be noted;

(5) That the Director of Resources be authorised to make minor amendments and corrections to the figures above.

CHAIRMAN

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