

3. RESOURCES SELECT COMMITTEE

The Resources Select Committee consisted of the following Members:

Councillor S Kane (Chairman)
Councillor A Patel (Vice Chairman)
Councillors N Bedford, T Boyce, D Dorrell, R Gadsby, R Jennings, P Keska, A Mitchell, C Roberts, D Roberts, H Whitbread and Jon Whitehouse

The Lead Officer was Peter Maddock, Assistant Director Resources (Accountancy).

Terms of Reference

1. To undertake overview and scrutiny, utilising appropriate methods and techniques, of services and functions of the Resources Directorate, excluding those matters within remit of the Audit and Governance Committee, the Standards Committee or the Constitution Working Group;
2. To consider any matter referred to the Select Committee by the Overview and Scrutiny Committee;
3. To undertake quarterly performance monitoring in relation to the services and functions of the Resources Directorate, through review of progress against adopted key performance indicators and other appropriate measures;
4. To identify any matters within the services and functions of the Resources Directorate requiring in-depth scrutiny, for referral to the Overview and Scrutiny Committee;
5. To establish working groups as necessary to undertake any activity within these terms of reference;
6. To respond to applicable consultations as appropriate;

Finance

7. To consider the draft directorate budgets for each year, and to evaluate and rank proposals for enhancing or reducing services where necessary, whilst ensuring consistency between policy objectives and financial demands;
8. To review key areas of income and expenditure for each directorate on a quarterly basis throughout the year;

Information and Communications Technology

9. To monitor and review progress on the implementation of all major ICT systems;

Value For Money

10. To consider the Council's comparative value for money 'performance', and to recommend as required to the Finance and Performance Management

Cabinet Committee, in respect of areas where further detailed investigation may be required;

Human Resources

11. To monitor and review areas of concern or significance that comes under Human Resources.

The Panel scrutinised a number of important issues over the last year, which included:

(i) Corporate Plan Key Action Plan 2016/16 –(Outturn) Position – At their first meeting of the year the Committee received a report on the Corporate Plan Key Action Plan 2015/16, the quarter 4 outturn position for that year. They noted that the Corporate Plan was the Council's key strategic planning document, setting out its priorities over the five-year period from 2015/16 to 2019/20. The priorities or Corporate Aims were supported by Key Objectives, which provided a clear statement of the Council's overall intentions for these five years.

13 actions fell within the areas of responsibility of the Resources Select Committee. At the end of the year:

- 11 (85%) of these actions have been achieved; and
- 2 (15%) of these actions have not been achieved.

The Committee considered in detail the two actions that had not been achieved and were behind schedule.

(ii) Sickness Absence Outturn Report 2015/16 - Also at their July meeting the Committee received the outturn report for the sickness absence levels for 2015/16.

During Q3, 3.7% of employees met the trigger levels or above, 27.9% had sickness absence but did not meet the triggers and 68.4% had no absence. During Q4, 4% of employees met the trigger levels or above, 35% had sickness absence but did not meet the trigger levels and 61% had no absence.

The average number of days taken as sickness absence across all sectors was 8.3 days. In public services the figure was 9.3 days and 7.4 days in the private sector. In local government the figure was an average of 8 days. Last year the Council's outturn figure was 9.2 days. The Council's outturn figure of 7.99 days was now just below the local government average and 0.5 above the private sector.

Figures were also now split into work related stress and non-work related stress. The council has put a training programme in place to provide workshops for managers on mental health issues and over the last year there had been a decrease of 29% in the number of days lost due to mental health issues compared to the year before.

(iii) Energy Savings and Improved Management Process - The Committee noted the report updating them on the energy savings and improved management processes. They noted that the Council's energy consultants, Smith Bellerby (SB), were now dealing with all aspects of the energy billing and monitoring process on behalf of EFDC. Officers were extremely happy with the services provided. Since the

start of the contract in May 2015, savings of £31,000 had been made, mainly by identifying both major billing errors and by transferring supplies on high rate tariffs to preferential low rate tariffs on the Crown Commercial Services (CCS) Frameworks.

Monitoring of all energy bills had identified frequent large billing errors from suppliers. Last financial year SB had dealt with 52 major queries on our behalf. These queries were often complex and extremely time consuming.

It was noted that the majority of one-off savings had now been identified but that the staff resourcing savings would more than cover the SB annual charge. The charge for the financial year 2017/18 would be reduced to £22,587.

(iv) Key Performance Indicators 2015/16 (Outturn) Performance - The aim of the KPIs was to direct improvement effort towards services and the national priorities and local challenges arising from the social, economic and environmental context of the district.

The overall position for all 36 KPIs at the end of the year was as follows:

- (a) 27 (75%) indicators achieved target;
- (b) 9 (25%) indicators did not achieve target; although
- (c) 1 (3 %) of these KPIs performed within its tolerated amber margin.

Nine of the Key Performance Indicators fell within the Resources Select Committee's areas of responsibility. The overall position with regard to the achievement of target performance at the end of the year for these indicators, was as follows:

- (a) 8 (89%) indicators achieved target;
- (b) 1 (11%) indicator did not achieve target.

(v) Provisional Capital Outturn 2015/16 - The Senior Accountant took the Committee through the report on the provisional capital outturn for 2015/16, in terms of expenditure and financing compared with the revised estimates.

The Committee noted that:

- The Council's total investment on capital schemes and capital funded schemes in 2015/16 was £37,298,000 compared to a revised estimate of £49,917,000, representing an underspend of 25%;
- Within the Resources Directorate, there were two large underspends of £306,000 and £151,000 on the planned maintenance programme and the upgrade of the industrial units at Oakwood Hill respectively;
- Of the 27 projects scheduled to be undertaken within the Council's planned maintenance programme, 14 were fully completed or nearly completed at a cost of £856,000;
- The Information and Communication Technology (ICT) Programme progressed very well and 15 schemes were completed successfully in 2015/16.
- Progress on the new Shopping Park at Langston Road has been delayed, partly due to the need to re-tender the contract for the main construction works, and partly due to hold ups on the Section 278 highways work as a result of some very restrictive traffic management constraints imposed by Essex County Council after the tenders were submitted;
- Although the construction of the new depot at Oakwood Hill had progressed

well since it started last September, some slippage had been experienced on this scheme;

- The major investment within the Communities Directorate had been the extension and refurbishment of the Council's museum;
- The approved HRA capital budget for 2015/16 was increased compared to previous years to provide for the Council's housebuilding programme;
- With regard to the Capital Loans provided to third parties by the Council, these were more or less on target; and
- Although the total value of loans made to individuals to improve private housing stock was lower than anticipated, demand increased in 2015/16 to £119,000 compared to £65,000 the previous year. Given the upward trend, it was recommended that the £41,000 underspend was carried forward to 2016/17.

(vi) Provisional Revenue Outturn 2015/16 - The Senior Accountant introduced the provisional Revenue Outturn Report for 2015/16. The report provided an overall summary of the revenue outturn for the financial year 2015/16. The General Fund saw £347,000 more than estimated being used from the opening balance, which was more than outweighed by the use of the District Development Fund being £1.1 million less than estimated. Overall the total net expenditure on the General Fund was £16.1 million, some £669,000 lower than the revised estimate.

Similarly, the position on the Housing Revenue Account was £716,000 better than anticipated.

(vii) Corporate Plan Action Plan Progress Quarterly Progress – the Select Committee received quarterly updates on the Council's corporate action plan pertaining to their area of responsibility.

(viii) Key Performance Indicators - Quarterly Progress – the Committee reviewed the Key Performance Indicators relevant to their Select Committee on a quarterly basis.

(ix) Quarterly Financial Monitoring - The Committee received quarterly Financial Monitoring reports providing a comparison between the original estimate for the quarterly periods and the actual expenditure or income as applicable.

The Committee had within its terms of reference to consider financial monitoring reports on key areas of income and expenditure.

(x) Medium Term Financial Strategy and Finance Issues Papers – In October 2016 the Committee received a report that provided a framework for the 2017/18 Budget and updated Members on a number of financial issues that would affect this Authority in the short to medium term.

The meeting noted that in broad terms the following represented the greatest areas of current financial uncertainty and risk to the Authority:

- Central Government Funding
- Business Rates Retention
- Welfare Reform
- New Homes Bonus
- Development Opportunities
- Transformation

- Waste and Leisure Contracts
- Miscellaneous, including recession/income streams and pension valuation

The meeting noted that because of Brexit politicians and the Civil Service appeared to have been paralysed and so we knew little more than we did in February about changes to New Homes Bonus, the 100% retention of business rates or the financial contribution we would be required to make to support right to buy for housing association tenants. Given this position the report stated that there was little point updating the Medium Term Financial Strategy (MTFS) for anything other than the 2015/16 outturn and so it was similar to the one approved in February.

(xi) Telephone Monitoring Statistics – the Committee received twice yearly updates on the use of the telephone systems in the Council mainly on the amount of abandoned calls and the number sent straight to Voicemail. They noted that with a better virtual presence we were receiving far fewer calls and as a result far fewer callers were being abandoned and a greater willingness for customers to use voicemail.

(xii) Fees and Charges 2017/18 – This was a report on the proposed fees and charges that the Council should levy in 2017/18 and what scope there was to increase particular charges. It was noted that a saving of £250,000 in the Council's budget would be required in 2017/18, but the scope for increasing income as a result of increasing fees and charges was relatively limited as regards the General Fund though less so with the Housing Revenue Account (HRA).

The use of labour rate inflation as a guide was adopted last year on the basis that the most significant element of the cost involved in generating fees was staff salaries. The latest figure was 2.1% so adopting a figure of 2.0% was proposed.

It was noted that The Limes Centre makes a number of charges and that it was being proposed that around 5% be added to each of the charges for this facility. Based on recent, sample testing of other similar facilities in the area, it had been identified that the current pricing scale for the Limes Centre was significantly lower than several others and that there had also been an issue of people from outside the district, booking the facilities under the name of EFDC tenants and therefore taking advantage of the 50% tenant discount on hall hire fees.

It was also noted that waste management charges on bulky household waste were going up by 1.5% to 2%.

After due consideration, the proposals for the level of fees and charges for 2017/18 were agreed by the Committee.

(xiii) Sickness Absence 2016/17 – The Committee received the half yearly report on the Council's absence figures for Quarters 1 and 2 for 2016/17. It included absence figures by Directorate, the number of employees who had met the trigger levels and those who had more than 4 weeks absence and the reasons for the absence.

The Council's target for sickness absence under RES001 for 2016/2017 was an average of 7.5 days per employee. The current outturn figure for the two quarters was an average of 2.98 days, which was below the target of 3.64 days.

(xiv) Invest to Save Update - The meeting noted that in setting the budget for 2015/16 Council decided that, as the balance on the General Fund Reserve exceeded the minimum requirement and further savings were required; £0.5 million should be transferred from the General Fund Reserve into an Invest to Save earmarked reserve. This was subsequently topped up with an additional £154,000 during the current year. It was intended that this earmarked reserve would be used to finance schemes that would reduce the Continuing Services Budget (CSB) in future years.

Prior to the approval of the 2016/17 budget by Council in February 2016 a total of six schemes had been approved for Invest to Save funding and £309,000 of the fund balance of £500,000 had been allocated. A further three allocations were made by the March and April Cabinet meetings, which included the accommodation review and work on the future funding and structure of the museums service, these reduced the balance of unallocated funds to £92,000. As the fund had proved useful in generating savings schemes, Members agreed a top up of £154,000 in closing the 2015/16 accounts.

The most recent business cases were considered by the FPM Cabinet Committee in June and approval was given for some capital works at North Weald Airfield to extend a vehicle compound. A structural survey of the current main reception area and a programme management system for prototype activities were also approved.

(xv) Draft General Fund CSB, DDF and ITS Lists and Savings Up date – In December 2016 the Committee received an update on budget preparation work. The report provided the first draft of the Continuing Services Budget (CSB), District Development Fund (DDF) and Invest to Save (ITS) Schedules for 2017/18.

The Medium Term Financial Strategy (MTFS), which forms part of the Financial Issues Paper, identified that savings of around £500,000 were required over the forecast period. The savings required in 2017/18 were identified at £250,000 after savings of £464,000 already identified had been taken into account. It was noted though that there was more uncertainty than usual and little had changed since then.

The total CSB expenditure in 2015/16 was £2.9 million higher than the Original budget, but this was entirely down to the decision to fund Capital Expenditure of £3 million from the General Fund balance. This decision was made because of the significant General Fund balance held by the Council and the comments made by Central Government around 'excessive' balances held by local authorities. There were as ever salary savings due to vacancies and this trend had continued into 2016/17.

Of the one off items the biggest was the Local Plan to be completed in 2018, and this would be at a cost of £1.2 million over the original budget.

There were a number of areas where further work was required before figures to be included within the budget could be finalised. Clearly the emphasis in this budget cycle will again need to be on CSB savings rather than growth but there were some areas where growth was inevitable. The figures generally need to be viewed in the context of this being quite early in the budget preparation process and will clearly need to be revisited as the budget came together.

(xvi) Review of Section 106 Monies - The report was a review of usage of Section 106 monies. The report provided information on the Section 106 process and monitoring arrangements. These monies could be provided for a variety of different

purposes and would be based upon requirements identified as part of the planning process. The types of project can range from education, highways, leisure, health and affordable housing provision.

The Section 106 agreements themselves could vary; most had financial requirements but some had non-financial requirements.

An officer group monitors Section 106 agreements on a quarterly basis, monitoring progress on all agreements ensuring that funds were applied to the appropriate projects and spent within the agreed timescale.

(See Case Study for full details)

(xvii) Insurance Claims Statistics – In February 2017 the Risk Management and Insurance Officer, introduced the report on Insurance Claims Statistics. The statistics were for 2011/12 to 2015/16. The Council's insurance cover was provided by Zurich Municipal. All the insurance claims shown directly affected the Council but did not include policies that were recharged. They showed claims for the fleet vehicles over this period and it was noted that EFDC drivers only had 10 claims, the rest were when we were hit by other drivers.

(xviii) Benefits Fraud and Compliance Update - The Assistant Director Benefits, introduced the report updating members on the work being undertaken to combat both Housing Benefit and Local Council Tax Support fraud and compliance.

The Committee noted that the Housing Benefit fraud investigation ceased to be the responsibility of the Council from 1 October 2015. The existing Investigation Officers at that time were transferred to the Single Fraud Investigation Service (SFIS), part of the Department for Work and Pensions. The Council however, still remained responsible for the verification and checking of Housing Benefit applications. Local Council Tax Support was the Council's own scheme and therefore the Council remained responsible for Local Council Tax Support fraud and compliance.

(xix) Cost of Members and Corporate Services – a report provided information on the cost of Member and Corporate Services, how it was calculated and what was the definition of these services. The two areas that this report was concerned with was Corporate Management which was made up of two cost centres and Member Activities which was made up of six cost centres. The former fell within the Office of the Chief Executive budgets and the latter, Governance.

Corporate Management sometimes referred to as Corporate Policy Making was the cost of managing the authority as a whole and includes the cost of the Chief Executive, management board meetings, production of the accounts, external audit, Cost of maintaining a corporate bank account and a number of other similar costs. There was a popular misconception that a service area that provides support to all areas of the Council was a charge to Corporate Management, this was not the case as the definition was rather more narrow than that and the costs of these functions should be apportioned out to all Council services.

Member activities were sometimes referred to as Democratic Representation and as the name suggested was concerned with the cost to the authority of having elected members. It included Members Allowances, the holding of committee meetings and provision of agendas, the cost of attendance at external meetings where the member was representing the Council, officer advice to members and the provision of

member admin services.

As regards the total cost of both of these services the HRA should bear a proportion of the cost as members and officers carrying out this work clearly make decisions that affect both the HRA and General Fund.

Corporate Management, a significant proportion of the costs relate to officer time and all the cost of the Chief Executive. As regards Member activities, much of the costs were incurred regardless of the number of meeting held. A proportion related to office space including the Council Chamber, Members Room and Committee Rooms. The majority of the Democratic Services Team were also charged here along with support provided to members by other officers.

Case Study – Review of Section 106 Monies

At their December 2016 meeting the Committee received a report on the review and usage of Section 106 monies. The report provided information on the Section 106 process and monitoring arrangements. These monies could be provided for a variety of different purposes and would be based upon requirements identified as part of the planning process. The types of project could range from education, highways, leisure, health and affordable housing provision.

They noted that if a developer was developing land for housing purposes there was a requirement in most cases, where there was a development of 15 or more properties, to provide 40% affordable housing on site. Sometimes however this was not viable and the Council would accept a financial contribution to provide affordable housing in the area. Prior to the house building programme this money was used by the General Fund and passed to housing associations, however this money was currently being used by the HRA.

The Section 106 agreements themselves could vary; most have financial requirements but some had non-financial requirements. Sometimes at the developers behest a repayment clause would be included where the money had to be spent for the agreed purpose within a specific timescale. If this timescale was not met the money becomes repayable and the provider would be entitled to apply for the money to be returned to them. As an example on occasions funding has been provided for highways works and the County Council has struggled to spend the money as no clear project was identified during the planning approval process.

An officer group monitors Section 106 agreements on a quarterly basis, monitoring progress on all agreements ensuring that funds were applied to the appropriate projects and spent within the agreed timescale. There have been 113 Section 106 agreements entered into since 2001 and whilst the early ones had been concluded there was still a significant number that had obligations outstanding and some went back a number of years.

As at 31st March 2016 the Council held £363,000 in various section 106 contributions; this was a considerable reduction on the previous year as all affordable housing monies including those provided during 2015/16 were spent on the Council's house building programme in that year. The amount was made up of £248,000 related to leisure initiatives and the remaining £115,000 was due and subsequently paid to NHS England or parish council's.

It was possible that Section 106 agreements would be replaced by the Community Infrastructure Levy or CIL. This was being evaluated as part the Local Plan process by a consultant who was doing the groundwork to assess whether or not we should put a CIL in place, however we will not be able to do this until the Local Plan had been adopted, currently expected by the end of 2018.