

Committee Agenda



**Epping Forest
District Council**

Finance and Performance Management Cabinet Committee Thursday, 22nd November, 2012

You are invited to attend the next meeting of **Finance and Performance Management Cabinet Committee**, which will be held at:

**Committee Room 1, Civic Offices, High Street, Epping
on Thursday, 22nd November, 2012
at 7.00 pm .**

**Glen Chipp
Chief Executive**

**Democratic Services
Officer**

Gary Woodhall
The Office of the Chief Executive
Tel: 01992 564470
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors Ms S Stavrou (Chairman), R Bassett, D Stallan, G Waller and C Whitbread

PLEASE NOTE THE START TIME OF THIS MEETING

1. WEBCASTING INTRODUCTION

The Chairman will read the following announcement:

“I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in the possibility that your image will become part of the broadcast.

You should be aware that this may infringe your human and data protection rights. If you have any concerns please speak to the webcasting officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit”

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST

(Assistant to the Chief Executive) To declare interests in any item on this agenda.

4. MINUTES

To confirm the minutes of the last meeting of the Committee held on 20 September 2012 (previously circulated).

5. VALUE FOR MONEY AND DATA QUALITY STRATEGIES 2012-13 PROGRESS REPORT (Pages 5 - 32)

(Deputy Chief Executive) To consider the attached report (FPM-013-1012/13).

6. RISK MANAGEMENT - CORPORATE RISK REGISTER (Pages 33 - 58)

(Director of Finance & ICT) To consider the attached report (FPM-014-2012/13).

7. ANNUAL AUDIT LETTER 2011/12 (Pages 59 - 68)

(Director of Finance & ICT) To consider the attached report (FPM-015-2012/13).

8. TREASURY MANAGEMENT & PRUDENTIAL INDICATORS - MID YEAR REPORT 2012/13 (Pages 69 - 84)

(Director of Finance & ICT) To consider the attached report (FPM-016-2012/13).

9. QUARTERLY FINANCIAL MONITORING REPORT - JULY TO SEPTEMBER 2012 (Pages 85 - 110)

(Director of Finance & ICT) To consider the attached report (FPM-017-2012/13).

10. FEES AND CHARGES 2013/14 (Pages 111 - 122)

(Director of Finance & ICT) To consider the attached report (FPM-018-2012/13).

11. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (non-executive bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

12. EXCLUSION OF PUBLIC AND PRESSExclusion

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement

Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

- (1) All business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest.
- (2) At the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press.
- (3) Any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers

Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

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Report to Finance and Performance Management Cabinet Committee

Report Reference: FPM-013-2012/13

Date of Meeting: 22 November 2011

Portfolio: Finance and Technology

Subject: Value For Money and Data Quality Strategies 2010-2013 – Progress Report

Responsible Officer: Steve Tautz (01992 564180)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) That the Committee consider progress against the Council's Value For Money and Data Quality Strategies for 2011/12.

Executive Summary:

Pursuant to the Local Government Act 1999, the Council is required to make arrangements to secure continuous improvement in the way in which its functions and services are exercised, having regard to a combination of economy, efficiency and effectiveness. The relationship between economy, efficiency and effectiveness is often defined as 'Value For Money', and the Council's Value For Money Strategy sets out its overall approach to ensuring the provision of value for money services

As part of the duty to secure continuous improvement, the Council must also ensure that all data and information used to plan and deliver services is accurate, valid, reliable, timely, relevant and complete, in order to inform decision-making in respect of functions and services. Performance information is increasingly used for the assessment of local authority performance, and the Council's data Quality Strategy sets out its arrangements for ensuring that the quality of key data meets the highest standards,

Value For Money and Data Quality have traditionally formed essential components of local authority assessment and inspection frameworks.

Reasons for Proposed Decision:

The Value For Money Strategy sets out the Council's overall approach to ensuring the provision of value for money services. The Data Quality Strategy sets out the Council's management arrangements to secure the quality of the data used to manage its functions and services. The Strategies build upon previous work to address issues arising from former assessment and inspection frameworks, and to highlight areas of best practice.

Other Options for Action:

None. The Value For Money and Data Quality Strategies aim to bring together best practice within the Council in terms of the provision of value for money services and securing the quality of data and information used by the Council to plan and deliver functions and

services. Failure to identify arrangements for securing and improving Value For Money and Data Quality could mean that opportunities for improvement were lost, and might adversely affect the reputation of the authority.

Report:

Value For Money Strategy

1. The Council is required, under the provisions of the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions and services are exercised, having regard to a combination of economy, efficiency and effectiveness. The relationship between economy, efficiency and effectiveness is often defined as 'Value For Money'.

2. The Council's Value For Money Strategy was originally adopted in 2006. The Strategy was first reviewed during 2009, in light of the completion of the detailed corporate 'Value For Money Review' of the Council's costs and performance, that had been undertaken in response to the Audit Commission's concern at the level of costs identified in its Use of Resources judgement for 2006/07. A further review of the Value For Money Strategy was undertaken in 2010, to set out the Council's overall approach to ensuring the provision of value for money services over the three years to 2012/13. The Strategy builds upon the work undertaken as part of the corporate Value For Money Review in 2008, addresses issues arising from the former Use of Resources assessment process and highlights areas of best practice. The Strategy assigns responsibility for Value For Money across the Council, and incorporates an action plan, progress against which is monitored by Management Board and the Finance and Performance Management Cabinet Committee and Scrutiny Panel on an annual basis.

3. Scrutiny of the Council's Value For Money performance has previously been undertaken by the Finance and Performance Management Scrutiny Panel, through the in-house development of an annual Cost and Performance Benchmarking Analysis. The purpose of the analysis has been to provide an initial indicator of the relationship between the Council's service costs and performance, in order to identify areas where further more detailed and targeted analysis or improvement activity may be required. In view of previous member and officer concerns in respect of the robustness of the data published by the Audit Commission that was used to develop the Benchmarking Analysis and uncertainty over the future publication of relevant data given the impending demise of the Commission, the analysis was not produced in 2011/12. A number of alternative Value For Money analysis options available from third party suppliers were subsequently investigated, although it was considered that these did not generally provide value for money themselves, and the completion of an in-house analysis exercise was reinitiated for 2012/13. The latest analysis was considered by the Scrutiny Panel in September 2012.

4. The action plan for the Value For Money Strategy is attached as Appendix 1 to this report, and reflects progress for 2011/12. The Committee is requested to consider progress against the Strategy, in view of its important role in monitoring the Council's Value For Money performance. This progress report was also considered by the Finance and Performance Management Scrutiny Panel at its meeting on 20 November 2012, and the views of the Scrutiny Panel will be reported to the Committee.

5. The majority of actions contained within the Value For Money Strategy were intended to be completed during 2010/11, and it was not anticipated that further actions would be adopted for the remaining two years of the Strategy. It is not currently considered necessary to identify further specific Value For Money actions, although progress against outstanding or ongoing actions will be reported at the end of the current year. The Value For Money Strategy itself will next be reviewed in 2012/13.

Data Quality Strategy

6. As the first stage of the annual performance indicator audit, the Council's external auditors have previously undertaken an assessment of the overall management arrangements of the authority to secure data quality. Although part of this assessment related to the quality of performance information, the audit also looked in detail at corporate data quality arrangements, and was therefore a much wider issue than the than simply a performance indicator audit.

7. As a result of the initial Data Quality assessment undertaken in 2006/7, it was considered important for the Council to develop a Data Quality Strategy, which was originally adopted in 2006. As performance information has increasingly been used for the external assessment of the authority's performance, the Strategy set out a commitment to ensuring that the quality of key data met the highest standards, as consistent, accurate, timely and comprehensive information is vital to support effective decision-making and enhanced service provision. The Data Quality Strategy was first reviewed during 2009, in order to identify opportunities for changes and improvements to also address wider data quality issues and to reinforce the Council's corporate commitment to data quality. A further review of the Strategy was undertaken in 2010, to address issues arising from the former Use of Resources assessment process and Internal Audit reports, and to highlight areas of best practice. The Strategy assigns responsibility for Data Quality across the Council, and incorporates an action plan, progress against which is monitored by Management Board and the Finance and Performance Management Cabinet Committee and Scrutiny Panel on an annual basis. Scrutiny of the Council's Data Quality performance is led by the Finance and Performance Management Cabinet Committee and Scrutiny Panel, in terms of the production of financial and performance data.

8. The action plan for the Data Quality Strategy is attached as Appendix 2 to this report, and reflects progress for 2011/12. The Committee is requested to consider progress against the Strategy, in view of it's important role in monitoring the Council's service performance. This progress report was also considered by the Finance and Performance Management Scrutiny Panel at its meeting on 20 November 2012, and the views of the Scrutiny Panel will be reported to the Committee.

9. As with the Value For Money Strategy, the majority of actions contained within the Data Quality Strategy were intended to be completed during 2010/11, and it was not anticipated that further actions would be adopted for the remaining two years of the Strategy. Similarly, it is not currently considered necessary to identify further specific Data Quality actions, although progress against outstanding or ongoing actions will be reported at the end of 2012/13.

10. Work will shortly commence on the revision and update of the Value For Money and Data Quality Strategies to take these forward from 2013/14.

Resource Implications:

The review of progress against the Value For Money and Data Quality Strategies has been met from within existing resources.

Legal and Governance Implications:

There are no legal implications or Human Rights Act issues arising from the recommendations of this report, which seek to ensure that appropriate arrangements are in place to secure continuous improvement in the way in which the Council's functions and services are exercised. Implications arising from specific value for money or data quality actions will be identified by the responsible service director.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations of this report in respect of the Council's commitment to the Climate Local Agreement, the corporate Safer, Cleaner, Greener initiative, or any Crime and Disorder issues within the district. Implications arising from specific value for money or data quality actions will be identified by the responsible service director.

Consultation Undertaken:

The review of progress against the Value For Money and Data Quality Strategies has been considered by Management Board, and was also considered by the Finance and Performance Management Scrutiny Panel on 20 November 2012. This report was made available to the Chairman of the Committee in advance of the preparation of this agenda.

Background Papers:

None.

Impact Assessments:

Risk Management

Failure to identify arrangements for securing and improving value for money and data quality, and to take corrective action where necessary, could mean that opportunities for improvement were lost, and might adversely affect the reputation of the authority.

Risk management issues arising from specific value for money or data quality actions, or from proposals for corrective action in respect of areas of slippage or below-target performance in relation to individual actions, will be identified by the responsible service director.

Equality & Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?

There are no equality issues arising from the recommendations of this report, which seek to ensure that appropriate arrangements are in place to secure continuous improvement in the way in which the Council's functions and services are exercised.. Equality issues arising from specific value for money or data quality actions, or from proposals for corrective action in respect of areas of slippage or below-target performance in relation to individual actions, will be identified by the responsible service director.



Epping Forest
District Council

2010/11 - 2012/13

Value For Money Strategy



Week 1			% +/-
2009	2010		
570	446		-21.8%
558	530		-5.0%



Action Plan Progress Update 2011/12

Value For Money Strategy Action Plan

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Key Objective	What actions will we take to achieve this objective?
<p>(1) Complete full review of Value For Money Strategy and establish programme for future review of the Strategy and the Value For Money Action Plan;</p>	<p>(a) Complete Value For Money Strategy review;</p> <p>(b) Consideration of revised Value For Money Strategy by Finance and Performance Management Cabinet Committee and Scrutiny Panel;</p> <p>(c) Publication of revised Value For Money Strategy for 2010/11 to 2012/13;</p>
<p>(2) Value For Money is a central theme in the Council's vision and Corporate Plan;</p>	<p>(a) Review the emerging Corporate Plan for 2010/11 - 2013/14 to ensure that Value For Money is a key component of the Council's aims and objectives for the four year period;</p> <p>(b) Management Board to progress the Council's approach to Value For Money, ensuring that it is a key element throughout the services that the Council provides, through the regular monitoring of performance against the Value For Money Strategy Action Plan for 2010/11;</p>
<p>(3) The Council fully understands its costs and performance;</p>	<p>(a) Rollout interactive 'Value For Money Comparison Tool' for 2010/11;</p> <p>(b) Identification and justification of areas of unreasonably high spend or underperformance;</p> <p>(c) Development of annual Cost and Performance Benchmarking Analysis for 2010/11, including comparisons of costs and performance with other councils;</p> <p>(d) Consideration of annual Cost and Performance Benchmarking Analysis for 2010/11 by the Finance and Performance Management Scrutiny Panel;</p> <p>(e) Review of cost and performance benchmarking data as a routine part of the Council's business planning process for 2011/12;</p>

Value For Money Strategy

SD = Service Directors; PIM = Performance Improvement Manager
F&PM SP = Finance and Performance Management Scrutiny Panel

Responsibility for Action & Timescale	Progress
(a) PIM 31st Aug 2010 (b) PIM 30th September 2010 (c) PIM 31st October 2010	All actions completed by 31 October 2010. No update required for 2011/12.
(a) Chief Executive 30th November 2010 (b) Management Board Quarterly throughout 2010/11	<p>Value for money is a key theme of the new Corporate Plan for 2011/12 - 2014/15 and is reflected across the Council's aims for the four year period.</p> <p>Given the high level nature of the Value For Money Strategy little progress can be reported on a quarterly basis. Progress against the action plan is therefore to be reported at year-end only.</p>
(a) PIM 30th June 2010 (b) SD 31st July 2010 (c) PIM 31st August 2010 (d) PIM 30th September 2010 (e) SD 31st March 2011	<p>All 2010/11 actions completed.</p> <p>2011/12 update: Although no value for money analysis was undertaken during the year, a revised approach to the consideration of the Audit commission's 'Value For Money Profile' was agreed by Management Board, to act as a point of reference for the most recent national value for money data published by the Commission.</p> <p>This analysis was reported early in the 2012/13 municipal year, to Management Board, the Finance & Performance Management Cabinet Committee and the Finance & Performance Management Scrutiny Panel to allow the identification of value for money indicators or issues for consideration or review.</p>

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Value For Money Strategy Action Plan (continued)

Key Objective	What actions will we take to achieve this objective?
<p>(4) Value For Money, including benchmarking with other appropriate local authorities, is a key element of the Council's annual business planning process;</p>	<p>(a) Value for Money 'position statement' to be included in all annual Directorate Business Plans for 2011/12;</p> <p>(b) Audit of business plan process for 2011/12 to ensure that a Value For Money position statement is included in all Business Plans;</p>
<p>4 (5) Performance and cost information is used to routinely assess Value For Money;</p>	<p>(a) Performance information and unit cost data to be considered by Directorate Management Teams (or equivalent) on a regular basis, to inform decision making;</p>

Value For Money Strategy

SD = Service Directors; CIA = Chief Internal Auditor;
PwC = Pricewaterhouse Coopers; HM = Housemark

Responsibility for Action & Timescale	Progress
(a) SD 31st March 2011	2011/12 update: A VFM ‘position statement’ was continued to be required in all annual business plans, as an indication of whether service cost was commensurate with quality, taking into consideration the context of the district. The Audit Commission’s ‘VFM Profile’ and other benchmarking arrangements informed these statements, which were also required to assess the impact of actions to reduce cost and increase efficiency.
(b) CIA 31st May 2011	2011/12 update: An audit of the Business Plans for 2011/12, undertaken by the Internal Audit Unit, reported ‘substantial’ assurance with corporate requirements.
(a) SD Quarterly throughout 2010/11	<p>(a) Quarterly meetings are held between Director, Assistant Directors and individual Housing Managers to discuss quality issues, including: PI monitoring; benchmarking outcomes; and VFM efficiency savings. Subscribing to HouseMark, enables quality and cost performance to be compared with other landlords. Following a decision taken by the Housing Scrutiny Panel, ‘Cost Performance’ information for/from HM is only provided/received every 2 years. Detailed bi-annual HM reports are considered by senior housing management, and the Executive Summary is reported to the Housing Scrutiny Panel and the Tenants and Leaseholders Federation. Benchmarked ‘Quality Performance’ data is provided annually by Housemark and studied by officers, with some data provided/received quarterly.</p> <p>Directorate of Environment and Street Scene consider performance as a standard item at directorate management meetings. In addition, budget and cost issues are also considered and addressed as a routine although cost data is not currently considered at a unit level.</p> <p>In 2011, the council commissioned PwC to identify options for increasing revenue income and improving fee structures. A number of opportunities were identified , a number of which have been taken forward. The low number of opportunities identified reflected work the authority had undertaken in relation to the ‘selling’ of services and expertise to its partners, in securing external funding, and in ensuring cost recovery in specific service provision. The Council also appointed WYG Environment to provide advice on future procurement options for waste management, street cleansing and grounds maintenance.</p>

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Value For Money Strategy Action Plan (continued)

Key Objective	What actions will we take to achieve this objective?
<p>(6) Development of annual suite of Key Performance Indicators</p>	<p>(a) Rollout 2010/11 interactive ‘Business Strategy Tool’;</p> <p>(b) Identification of proposed Key Performance Indicators for 2011/12, for consideration by the F&PM CC and F&PM SP;</p>
<p>6 (7) Services and functions are reviewed to ensure that unit costs and performance are compared, scrutinised and improved where appropriate;</p>	<p>(a) Overview and Scrutiny to establish and monitor an annual programme of service reviews, ensuring that unit costs and performance are compared, scrutinised and improved;</p> <p>(b) Develop a corporate approach to the undertaking of Value For Money Service Reviews;</p>
<p>(8) Achieve required efficiencies in line with the Council’s budget strategy;</p>	<p>(a) Review all areas of the budget as part of the setting of revised estimates for 2011/12;</p> <p>(b) Identify budget growth and savings as part of the annual budget setting process for 2012/13;</p> <p>(c) Report performance for NI 179 (Efficiency Savings), in accordance with the requirements of the DCLG;</p>

Value For Money Strategy

SD = Service Directors PIM = Performance Improvement Manager
 DF&ICT = Director of Finance & ICT; CSB = Continuing Services Budget

Responsibility for Action & Timescale	Progress
(a) PIM 31st July 2010 (b) SD / PIM 28th February 2011	Value for money statement included in all 2011/12 Business Plans Audit of Business Plans completed in August 2011, which reported full assurance. 2011/12 Update: A range of thirty-eight Key Performance Indicators (KPIs) for 2011/12 were adopted by the Finance and Performance Management Cabinet Committee, supported by the Finance and Performance Management Scrutiny Panel, in March 2011. The Business Strategy Tool (rebranded as the 'Corporate Strategy Guide') was updated to reflect the Council's Key Objectives and KPIs for 2011/12 and was published online.
(a) DCE (as lead officer for overview and scrutiny) 30th June 2010 (b) PIM 31st October 2010	(a) & (b) Decision made by Management Board not to pursue value for money analysis along the lines of previous exercises. Management Board agreed that it was important to await the results of consultation on budget priorities before identifying areas for value for money review, in the absence of any formal corporate inspection processes. Budget priorities consultation not carried out in 2011/12 and to be revisited for 2012/13. 2011/12 Update: In view of the previous decision to await the results of any future consultation on budget priorities, no specific Value For Money service reviews have been undertaken and it has not been necessary to develop a corporate provision, the Council has continued to challenge how services can be provided, and to undertake appropriate benchmarking comparison and relevant consultation with stakeholders, to ensuring that contracts achieve value for money and focus on desired outcomes.
(a) DF&ICT 30th November 2011 (b) SD / DF&ICT 31st Jan 2012 (c) PIM 30th June 2011 (Complete)	(a) All budget areas reviewed targeting budgets with history of under spend. Provided CSB savings of £346,000 in the 2011/12 revised estimates and £43,000 in the 2012/13 estimates. (b) Budget setting for 2012/13 identified CSB growth of £233,000 and savings of £1,466,000 to give a net CSB reduction of £1,233,000, giving a CSB figure which was £0.14m below target. (c) NI 179 Indicator removed from National Indicator Set and no longer required to report.

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Value For Money Strategy Action Plan (continued)

Key Objective	What actions will we take to achieve this objective?
<p>(9) Work jointly and collaboratively with other organisations, to achieve increased Value For Money through economies of scale and optimising outcomes and achievements ;</p>	<p>(a) Explore opportunities for enhanced collaborative and joint working, including joint procurement and shared working arrangements;</p>

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Value For Money Strategy

SD = Service Directors PIM = Performance Improvement Manager
 DF&ICT = Director of Finance & ICT; CSB = Continuing Services Budget

Responsibility for Action & Timescale	Progress
<p>(a) SD 31st March 2011</p>	<p>(a) Expansion of the insurance service currently provided for Uttlesford DC to encompass cover and policy issues as well as claims handling. Accountancy provided a concessionary fares service on behalf of Essex County Council until 1st October 2012. From that date a new county-wide contractor was appointed.</p> <p>Joint procurement opportunities continue to be pursued through the Essex Procurement Hub and Procurement Agency for Essex. Two additional districts have applied to join the Hub and this being evaluated by the Hub Management Board.</p> <p>An Essex Strategic Leaders Finance Group has been established to oversee county-wide work on the localisation of Council Tax Benefit and Non-Domestic Rates.</p> <p>The Housing Directorate has collaborated with others on the following joint working arrangements:</p> <ul style="list-style-type: none"> (i) Provision of Young Parents Scheme with 2 neighbouring LAs; (ii) Development of Home Options Choice Based Lettings Scheme with 5 neighbouring LAs; (iii) Introduction & development of the Private Leasing Arrangement to Convert Empties (PLACE) Scheme with LAs in Essex and Herts; (iv) Introduction and development of the Home Energy Efficiency Partnership (HEEP) with LAs in Essex and Herts (v) Introduction of the West Essex Housing Forum with 2 neighbouring LAs to secure HCA funding, which has also resulted in the successful award of £160,000 Growth Area funding for EFDC for 2 affordable housing schemes; (vi) Production of a joint (statutory) West Essex Tenancy Strategy with 2 neighbouring authorities in October 2012 . <p>The director of Environment and Street Scene regularly meets with Harlow DC to explore joint working and partnership issues. The Council remains wholly engaged in the Essex Waste Partnership, North Essex Parking Partnership as well as ELARS, an enforcement based partnership in Essex. For the 2012 Olympics worked with a range of agencies to ensure a successful Games and including joint working with Broxbourne BC on issues such as street scene during the White Water Centre events.</p>

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Value For Money Strategy Action Plan (continued)

10

Key Objective	What actions will we take to achieve this objective?
(9) ...continued	(b) Review and scrutinise the Council’s key strategic partnerships with regard to Value For Money, to ensure robust partnership arrangements that deliver intended outcomes;
(10) The Procurement Strategy is delivering value for money in the provision of goods and services;	<p>(a) Ensure that Value For Money (VFM) is a key principle in the Council’s Procurement Strategy</p> <p>(b) Ensure that the requirements of the Procurement Strategy and Contract Standing Orders are followed, and that appropriate procurement training is provided for relevant staff</p> <p>(c) Analyse spending to identify categories of expenditure where savings may be achievable</p> <p>(d) Review and revise the Council’s Procurement Strategy as necessary</p>
(11) Provide guidance to staff on Value For Money techniques and principles	(a) Communicate the requirements of the VFM Strategy to all staff, to generate greater understanding of VFM techniques and how to apply these for better decision making
(12) Review the Value For Money Strategy	(a) Review and update Value For Money Strategy action plan on an annual basis

Value For Money Strategy

SD = Service Directors

PIM = Performance Improvement Manager

DF&ICT = Director of Finance & ICT

Responsibility for Action & Timescale	Progress
(b) Management Board (MB) 31st March 2011	(b) No key strategic partnerships were reviewed in 2010/11. However, the Council did enter into an innovative housing repairs management contract to harness the commercial benefits and experience of a large private-sector contractor alongside the advantages and cost-effectiveness of the in-house repairs workforce, to deliver a value for money repairs service.
(a) DF&ICT 31st March 2012	(a) VFM was confirmed as a key principle in the Procurement Strategy when it was updated in March 2012.
(b) DF&ICT 31st March 2012	(b) Internal Audit cover compliance with Contract Standing Orders as part of their work. Key aspects of Contract Standing Orders and Financial Regulations are included in the existing finance training, which continues as part of the corporate training offer. A new training course on procurement has been developed and is now also included in the corporate training offer.
(c) DF&ICT 31st March 2012	(c) Spend analysis was part of the work of the Procurement Officer. This analysis was conducted using the Spikes Cavell Observatory system and has been expanded to include work by the providers of the Marketplace ordering system which compares spend against Government framework contracts.
(d) DF&ICT 31st March 2012	(d) The Council's updated Procurement Strategy was approved by the Finance & Performance Management Cabinet Committee on 19 March 2012.
(a) PIM 31st October 2010	2011/12 Update: The Value For Money Strategy has continued to be available to all staff on the corporate intranet. Corporate requirements for annual business plans have encouraged Service Directors to involve staff in the annual business planning process
(a) Management Board (MB) 31st March 2011	VFM action plan reviewed by MB and Finance and Performance Management Scrutiny Panel in September 2011 2011/12 Update: The majority of actions contained within the VFM Strategy were intended to be completed during 2010/11 and it was not anticipated that further actions would be adopted for the remaining two years of the Strategy. It is not currently considered necessary to identify further specific VFM actions.

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Appendix 2 - Key Performance Indicators 2012/13

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KPI	Description	11/12 Actual	12/13 Target	12/13 Target vs 11/12 Actual
KPI 04	What percentage of visitors to the council website were satisfied with their experience?	82.0%	70.0%	-12.0%
KPI 10	How many working days did we lose due to sickness absence?	7.58 days	7.50 days	-0.08 days
KPI 11	What percentage of the rent we were due to be paid for our commercial premises was not paid?	2.66%	3.00%	+0.34%
KPI 12	What percentage of our commercial premises was let to tenants?	98.30%	98.00%	-0.30%
KPI 20	How much non-recycled waste was collected for every household in the district?	383kg	395kg	+12kg
KPI 21	What percentage of all household waste was sent to be recycled, reused or composted?	60.03%	60.00%	-0.03%
KPI 22	What percentage of our district had unacceptable levels of litter?	7%	9%	+2%
KPI 23	What percentage of our district had unacceptable levels of detritus (dust, mud, stones, rotted leaves, glass, plastic etc.)?	10%	12%	+2%
KPI 24	How well have we done in both reducing flytipping and taking action against those believed to be responsible?	Grade 1	Grade 2	+1
KPI 25	What percentage of the issues and complaints received by the Environment & Neighbourhoods Team received an initial response within 3 days?	96.20%	95.00%	-1.2%

Value For Money Strategy

KPI	Description	11/12 Actual	12/13 Target	12/13 Target vs 11/12 Actual
KPI 30	What percentage of the invoices we received were paid within 30 days?	93%	97%	+4%
KPI 31	What percentage of the district's annual Council Tax was collected?	97.81%	97.80%	-0.01%
KPI 32	What percentage of the district's annual business rates was collected?	97.26%	97.50%	+0.24%
KPI 33	On average, how many days did it take us to process new benefit claims?	27.45 days	30.00 days	+2.55 days
KPI 34	On average, how many days did it take us to process notices of a change in a benefit claimant's circumstances?	5.37 days	8.00 days	+2.63 days
KPI 35	How many benefits fraud investigations were completed by the Council?	525	300	-225

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(cont...)

Appendix 2 - Key Performance Indicators

2012/13 (continued)

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KPI	Description	11/12 Actual	12/13 Target	12/13 Target vs 11/12 Actual
KPI 40	What percentage of the rent due from our council home tenants was paid?	97.68%	97.00%	-0.68%
KPI 41	On average, how many days did it take us to re-let a Council property?	34 days	30 days	-4 days
KPI 42	What percentage of emergency repairs to our council properties were completed within 24 hours?	99%	99%	Level
KPI 43	What percentage of urgent repairs to our council properties were completed within five working days?	90%	95%	+5%
KPI 44	What percentage of routine repairs to our council properties were completed within six weeks?	96%	95%	-1%
KPI 45	How satisfied were our tenants with the standard of the repairs service they received?	99.45%	98.00%	-1.45%
KPI 46	How many affordable homes were built in the District?	43	72	+29
KPI 47	How many households were housed in temporary accommodation?	63	60	-3
KPI 48	What percentage of our council homes were not in a decent condition?	0.0%	0.0%	Level

(cont...)

Value For Money Strategy

KPI	Description	11/12 Actual	12/13 Target	12/13 Target vs 11/12 Actual
KPI 50	What was the net increase or decrease in the number of homes in the district?	304	180	-124
KPI 51	What percentage of major planning applications were processed within 13 weeks?	78.38%	81.00%	+2.62%
KPI 52	What percentage of minor planning applications were processed within 8 weeks? (New definition for 2012/13 - delegated decisions only)	71.68%	89.00% (new def)	+17.32 %
KPI 53	What percentage of other planning applications were processed within 8 weeks? (New definition for 2012/13 - delegated decisions only)	90.30%	94.00% (new def)	+3.7%
KPI 54	What % of planning applications recommended by planning officers for refusal were overturned and granted permission following an appeal?	19.35%	19.00%	-0.35%
KPI 55	What % of planning applications, refused by Council Members against the recommendation of the planning officers, were granted permission following an appeal?	50.00%	50.00%	Level
KPI 56	How much of the land required to meet our house building needs over the next five years was available to be delivered over the next five years?	136.01 %	100.00 %	-36.01%

1!

Value For Money Strategy

For further information concerning any of the content of this strategy update, please contact the Performance Information Unit at Epping Forest District Council.

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Week 1		% +/-
2009	2010	
570	448	-21.8%
558	530	-5.0%



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Epping Forest
District Council

2010/11 - 2012/13

Data Quality Strategy



Week 1			% +/-
2009	2010		
570	446		-21.8%
558	530		-5.0%



Action Plan Progress Update 2011/12

Data Quality Strategy Action Plan

Key Objective	What actions will we take to achieve this objective?
<p>(1) Complete full review of the Data Quality Strategy and establish a regular programme to review the strategy.</p>	<ul style="list-style-type: none"> (a) Complete Data Quality Strategy review (b) Submit strategy to Use of Resources (UOR) Working Group and Management Board (c) Submit strategy to Finance & Performance Management Cabinet Committee & Scrutiny Panel (d) Publish revised Data Quality Strategy
<p>(2) Investigate incorporating non KPI, LPI, or NI indicators into the TEN system to assist reporting & bring them within Data Quality & Quality Assurance strategies.</p>	<ul style="list-style-type: none"> • Request all directorates to submit details of any such indicators • Produce draft indicator page in TEN • Publish indicators in TEN
<p>2 (3) Ensure data and information is presented in clear, relevant and understandable way so as to be of most use to the Council's decision makers</p>	<ul style="list-style-type: none"> • Consult with members and executive officers to determine how the current presentation of PI data suits their management, scrutiny, analytical and planning needs. Adapt as necessary and possible to enhance the value of the information used in decision making.
<p>(4) Investigate possibility of including a Data Quality element in the staff induction process</p>	<ul style="list-style-type: none"> • Design single page Data Quality presentation for inclusion in induction process, and consult with HR on whether to include as document or attend inductions
<p>(5) Ensure that all relevant staff have an understanding of PI definitions calculated from data they input /analyse/extract</p>	<ul style="list-style-type: none"> • Identify any training / development requirements highlighted. • Conduct training as required
<p>(6) Ensure that responsibility for data quality is part of job descriptions and the appraisal process.</p>	<ul style="list-style-type: none"> • Ongoing responsibility but directorates will need to check all job descriptions to ensure this is the case.

Data Quality Strategy

SD = Service Directors

PIM = Performance Improvement Manager

CIA = Chief Internal Auditor

Responsibility for Action & Timescale	Progress
PIM (all actions) (a) 30th June 2010 (b) 31st July 2010 (c) 30th September 2010 (d) 31st October 2010	All actions completed by 31 October 2010. No further update for 2011/12.
PIM (all actions) 31st December 2010 (all actions)	There has been limited use of TEN by directorates for collation and reporting of non-corporate performance information, although this facility remains available to all. However, the system continues to be utilised for the recording of performance in relation to a range of (non-KPI) Human Resources measures.
PIM 31st December 2010	Completed and ongoing - The presentation and description of Key Performance Indicators (KPIs) has been kept under review by members and Management Board, and arrangements have been introduced for a more 'interactive' presentation of KPI performance reports to the Board. New KPIs have been reviewed to ensure that clear and meaningful descriptions are in place.
PIM 31st January 2011	This action has not been progressed and is not thought necessary at the present time. This is reflective of the recruitment restrictions currently in place across the Council, but additionally, the Data Quality Strategy already requires Service Directors to ensure that data quality is included within relevant job descriptions and that it is reflected in the annual Performance and Development Review appraisal process as appropriate.
SD / PIM Ongoing SD / PIM Ongoing	The establishment of a user group for TEN has been considered previously, but this is not thought necessary at the present time as awareness sessions to illustrate the uses and potential benefits of the system, have continued to be provided on request by the Performance Improvement Unit.
SD Ongoing	Data quality responsibilities in the Housing Directorate have been included within job descriptions prior to new appointments and the further rollout of this practice to all other directorates will now be considered.

3

Data Quality Strategy Action Plan (continued)

Key Objective	What actions will we take to achieve this objective?
<p>(7) Ensure that, when making submissions on nationally or locally reported PIs, the definition has been followed.</p>	<ul style="list-style-type: none"> (a) Check all indicators have definition available on TEN (b) Email all directorates reminding them of location of definitions and need to follow requirements (c) Quarterly check of all PI submissions at time of PI report completion (d) Annual audit of performance indicators for accuracy and data quality
<p>(8) Ensure that all systems are identified and that there is a data quality lead for each system</p>	<ul style="list-style-type: none"> • Electronic survey of all directorates to ascertain what systems exist, what data they produce and who is the data quality lead for that system.
<p>4 (9) Ensure data provided by external contractors meets requirements for reporting performance</p>	<ul style="list-style-type: none"> • Reasonableness check to be undertaken in relation to all data provided by external bodies for the purpose of reporting the Council's performance.
<p>(10) Improve and strengthen the quality control processes applied to the PI outturn reports ensuring they are fully checked before submission to scrutiny.</p>	<ul style="list-style-type: none"> • Review all submitted PI returns at the end of each quarter • 2nd & 3rd level of review to be put in place for the PI outturn report to minimise errors.
<p>(11) Ensure Corporate Objectives, Medium Term Aims, & Sustainable Community Strategy goals are entered into TEN to assist strategic monitoring and reporting.</p>	<ul style="list-style-type: none"> • Full refresh of all corporate linkages within the TEN system. • Once complete all relevant officers / members to be notified that these linkages exist and training provided where necessary to use to best advantage.
<p>(12) Ensure data quality is achieved in all data shared with our key partners</p>	<ul style="list-style-type: none"> • Work with One Epping Forest to achieve uniform approach to and agreed protocol for data quality in all shared data

Data Quality Strategy

SD = Service Directors

PIM = Performance Improvement Manager

CIA = Chief Internal Auditor

Responsibility for Action & Timescale	Progress
(a) PIM 30th June 2010 (b) PIM 30th June 2010 (c) PIM Quarterly Ongoing (d) CIA 30th July 2011	All actions are ongoing annually, and were fully completed for 2011/12. Refreshed definitions were issued for the Key Performance Indicators (KPIs) for 2011/12, and all KPI returns were checked for accuracy. An audit of the KPIs for 2011/12, undertaken by the Internal Audit Unit, reported 'substantial' assurance.
PIM 31st March 2011	This action has not yet been progressed not and is not thought necessary at the present time. Service Directors are already required to ensure all relevant systems comply with the Data Quality Strategy and must nominate appropriate officers to discharge data quality functions as appropriate.
SD Ongoing	Reasonableness checks in respect of externally provided data are required to be undertaken by Service Directors. Although no data is provided by contractors for Housing KPIs, they do provide performance information for Housing Management Pls, e.g. tenant satisfaction and response times, which are subject to routine challenge and audit by the Housing Directorate
PIM Quarterly Ongoing PIM Quarterly Ongoing	The review of all submitted Key Performance Indicator (KPI) returns at the end of each quarter has continued. Ann annual audit of KPI submissions is undertaken by the Internal Audit Unit, and the audit for 2011/12 achieved 'substantial' assurance.
PIM 31st December 2010 PIM 31st March 2011	An annual refresh is undertaken of all corporate linkages (Medium Term Aims, Key Performance Indicators (KPIs) etc.) within the TEN Performance Management System. Links are updated within the Corporate Performance Toolkit to give full public access to current objectives and KPIs, alongside timely performance reports.
PIM 31st March 2011	The Performance Improvement Unit has developed a comparative data analysis covering all Essex authorities, compiling comparable positions across the county on range of topics determined by the availability and relevance of datasets. This data analysis and other similar work by the Council and the Local Strategic Partnership is fully shared with partners.

5

Data Quality Strategy Action Plan (continued)

Key Objective	What actions will we take to achieve this objective?
<p>(13) Improve the data quality of grant claims to reduce the cost of audit and the number of corrections</p>	<ul style="list-style-type: none"> Review of all claims prior to submission for audit
<p>(14) Improve the efficiency of the audit of the annual accounts</p>	<p>(a) Earlier completion of the external auditors records required list</p> <p>(b) Use of an electronic data store for working papers</p>

Notes:

4

Data Quality Strategy

SD = Service Directors PIM = Performance Improvement Manager
 AD (ACC) = Assistant Director (Accountancy); CIA = Chief Internal Auditor

Responsibility for Action & Timescale	Progress
AD (ACC) ongoing	The audit of grant claims for the 2011/12 financial year was completed using less audit time and with fewer amendments
AD (ACC) ongoing AD (ACC) ongoing	The audit of the Financial Statement for 2011/12 commenced earlier and was completed using less audit time than in previous years.

Data Quality Strategy

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Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report Reference: FPM-014-2012/13

Date of meeting: 22 November 2012

Portfolio: Finance & Technology

Subject: Risk Management – Corporate Risk Register

Responsible Officer: Edward Higgins (01992 564606).

Democratic Services: Gary Woodhall (01992 564532).

Recommendations/Decisions Required:

- (1) To note the updating of the Corporate Risk Register;**
- (2) To consider whether there are any new risks that are not on the current Corporate Risk Register; and**
- (3) To consider whether the tolerance line on the risk matrix should be amended.**

Executive Summary:

The Corporate Risk Register and risk management documents have been considered by both the Risk Management Group on 25 September and the Corporate Governance Group on 10 October. These reviews identified some amendments to the Corporate Risk Register, no new risks were identified.

Reasons for Proposed Decisions:

It is essential that the Corporate Risk Register is regularly reviewed and kept upto date.

Other Options for Action:

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

Report:

1. The Corporate Risk Register was reviewed by the Risk Management Group on 25 September and the Corporate Governance Group on 10 October. Amendments have been identified and incorporated into the register (Appendix 1), the changes are as follows.
2. Risk 16 – Performance Management. It is felt that Performance Management is now embedded throughout the Authority and the risk can now be deleted from the Corporate Risk Register
3. Risk 31 – London 2012 Olympic Disruption. Risk deleted.
4. Risk 33 – Reform of Housing Revenue Account. One trigger, CLG ignores representation, has been removed.
5. Risk 35 – Budget Reductions. The wording within the Vulnerability has been amended to reflect the medium term financial strategy requirements.

- 6. Risk 15 – Sickness Absence. The rating has been reduced from C3 Significant Likelihood/Marginal Impact to D3 Low Likelihood/Marginal Impact.
- 7. A timeline of risks is attached as Appendix 2 for additional information.
- 8. Members are now asked to consider the attached updated Corporate Risk Register and whether the risks listed are scored appropriately, whether there are any additional risks that should be included and whether the tolerance line needs to be amended.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

The Corporate Risk Register is an important part of the Council's overall governance arrangements and that is why this Committee considers it on a regular basis.

The corporate risk management documents are an important part of the Council's overall governance arrangements and this Committee is required to review the documents on an annual basis.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

The Risk Management Group and the Corporate Governance Group have been involved in the process.

Background Papers:

None.

Impact Assessments:

Risk Management

If the Corporate Risk Register was not regularly reviewed and updated a risk that threatened the achievement of corporate objectives might either not be managed or be managed inappropriately.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?

N/A

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Epping Forest District Council Corporate Risk Register

Date: 22 November 2012

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1. Introduction

Risk Management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and/or responding to them. It is not an end in itself. Rather, risk management is a means of minimising the costs and disruption to the organisation caused by undesired events.

The aim is to reduce the frequency of risk events occurring (where possible) and minimise the severity of their consequences if they do occur.

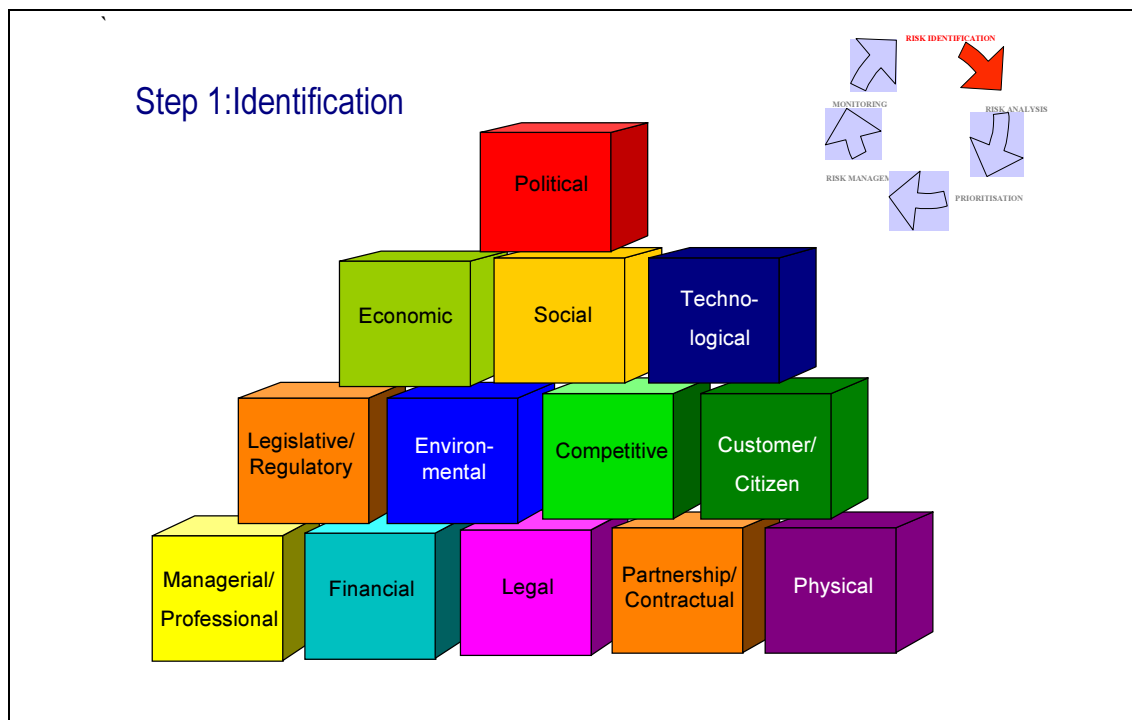
2. The Process

To manage risk effectively, the risk associated with each policy option or service delivery method needs to be systematically identified, analysed, prioritised, controlled and monitored. This process is referred to as the risk management cycle, which can be seen below.



2.1 Risk identification

The first of five stages of the risk management cycle requires risk identification. This is achieved through standing items on Corporate Governance Group and Management Board and from discussions at the Risk Management Group, which is held quarterly. Risk is covered under 13 categories of risk as shown below.



2.2 Risk analysis and prioritisation

Once the risks are identified, these are then assessed for impact and likelihood and plotted onto a matrix. The impact, compared against the objectives of the Authority, (Council Policy Themes and Aims), was measured as being negligible, marginal, critical or catastrophic. The likelihood, of the risks occurring over the next three years, was measured as being almost impossible, very low, low, significant, high or very high.

A group of Members and Senior Officers originally set the risk tolerance line, which involved considering each of the squares on the matrix and deciding if they were prepared to tolerate a risk in that box or if they wanted to actively manage it. This theoretical tolerance line effectively splits the risks on the matrix, with those risks above the line requiring further scrutiny and those below the line not requiring high-level intervention at this time. The Finance and Performance Management Cabinet Committee now review this quarterly.

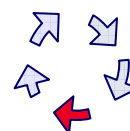
2.3 Risk management and monitoring

The next stage is to complete management action plans. These plans frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

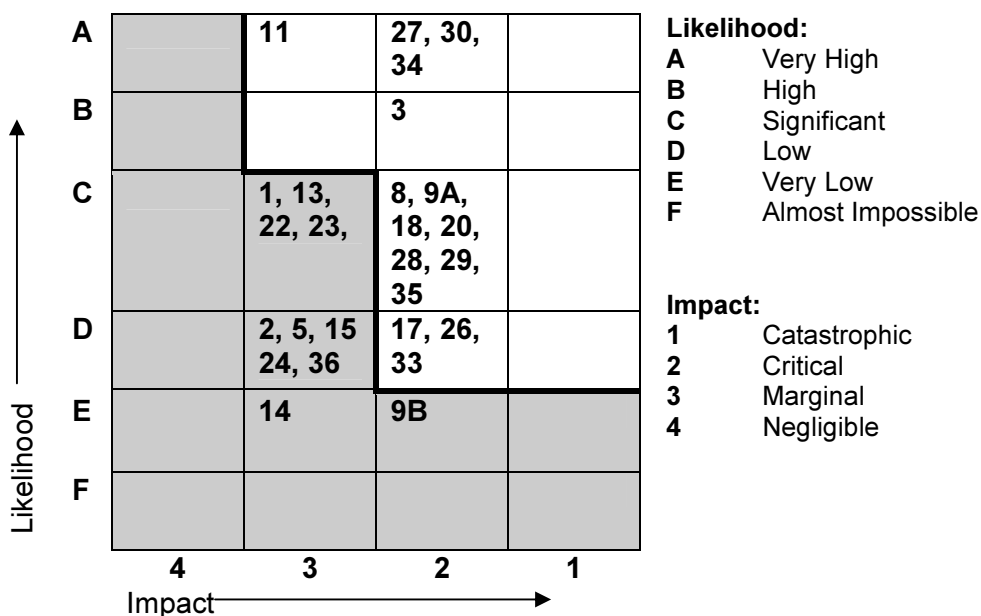
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

3. Results

3.1 Risk profile



The risk profile and priority are given below.



Appendix 1 shows all the risks that were rated on the profile.

3.2 Above the line Risk clusters

The 15 above the line risks have been grouped into 7 clusters that will help to streamline the action planning process. These are shown below:

Cluster name	Risk Scenarios	Medium Term Aims/Council Key Objectives
Local Plan	3, 29	c, e 1
Key Contracts	20	a, b, d 2, 4
Business Continuity Planning	8, 9A, 28	a, d 2, 4
Financial pressures	26, 27, 30, 34, 35	a, b, c, d, e 2, 3, 4
Local housing needs	11, 33,	a, c, d, e 5
Capital receipts spent on non revenue generating assets	17	a, b, d 2
Loss or theft of data	18	

The action plans can be seen at Appendix 2

Medium Term Aims 2011 - 2015

- (a) Endeavour to safeguard frontline services that our local residents tell us are important against a background of diminishing resources.
- (b) Have the lowest District Council Tax in Essex and maintain that position.
- (c) Be recognised as an innovative and transparent council involving residents in our decisions.
- (d) Continuously improve efficiency by adopting new ways of working with our partners and maximising revenue from our assets.
- (e) Provide clear community leadership and be a strong advocate, championing the interests of the people of Epping Forest and protecting the special character of the District.

Council Key Objectives 2012 - 2013

The Council Key Objectives referred to above are contained on pages 27 - 41 of the Corporate Plan.

1. The development of the Council's Local Plan
2. The achievement of the levels of net savings necessary to maintain the Council's sound financial position.
3. The implementation of the Government's proposed welfare and other finance reforms with the least possible disruption to service users and the Council's operations
4. The implementation of initiatives to help mitigate the current economic conditions on local communities and businesses.
5. Maximising the provision of affordable housing within the district
6. The implementation of relevant provisions contained within the Localism Act 2011, and other public sector reforms.

Appendix 1 – Risk Register

Risks marked “ * ” are above tolerance and require managing

No	Rating		Short name	Vulnerability	Trigger	Consequence
27	A2	*	Shortfall in key income streams	<p>Recession and credit crunch causing long term lower interest rates.</p> <p>Depressed economy continues with lower demand for Building Control, MOT and Land Charges services.</p> <p>Reliance on major income generating contracts and ability to increase charges.</p>	<p>Reduced economic confidence.</p> <p>Prolonged recession/loss of business</p> <p>Collapse of a contract</p>	<ul style="list-style-type: none"> • Council unable to meet budget requirements • Use of reserves • Staffing and service level reductions
30	A2	*	Reduction in Government Grant	<p>Figures for the second half of CSR not yet known, but likely to involve further reduction.</p> <p>With change to the funding based on local retention of NDR the Council will be more vulnerable to downturns in the local economy.</p>	<p>Second half of CSR reduces funding.</p> <p>Large business or businesses cease trading</p>	<ul style="list-style-type: none"> • Loss of revenue • Increase Council Tax • Reduction in number and level of services • Increase in charges
34	A2	*	Changes to Benefit system	<p>The government is undertaking a major reform of the welfare system this is likely to have serious impacts on the Council, benefit claimants and staff.</p> <p>The DWP are considering changes to fraud investigation which could see Housing Benefit Fraud staff transferring to them.</p>	<p>Welfare reform requiring substantial change to the calculation and administration of benefits</p>	<ul style="list-style-type: none"> • Residents no longer able to afford current tenancies. • Possible transfer of staff to DWP. • Possible redundancies of staff and associated costs. • Problems in recruiting lead to reduction in performance • Possible reduction in the authority's capacity for dealing with fraud.

No	Rating		Short name	Vulnerability	Trigger	Consequence
11	A3	*	Unable to provide sufficient housing for local people	The Council has targets in terms of key housing needs and affordable housing, however, there is a shortage of available land in the district for housing and economic development, with high house prices.	Unable to provide sufficient housing for local people	<ul style="list-style-type: none"> • Unable to achieve targets for affordable housing • Council seen as failing • District becomes more suburban • Young people leave area/Increased elderly population • Character of district changes
3	B2	*	Potential difficulty producing Local Plan to timetable	<p>Ongoing changes to Planning system.</p> <p>Staff unable to cope with increasing workloads partly due to legislative changes with associated consultation.</p>	<p>Missed deadlines</p> <p>Council unable to agree a coordinated plan with all other involved parties.</p>	<ul style="list-style-type: none"> • Ongoing strain on resources • Increased staff stress levels/stress related leave. • Not achieving objective of delivering a sound Local Plan. • Not providing strategic direction for housing and growth in the District. • NPPF comes into effect without adopted Local Plan
	C2	*	Business Continuity Management	The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act	Unable to respond effectively to a business continuity incident (e.g. IT virus / flu pandemic)	<ul style="list-style-type: none"> • Services disrupted / Loss of service • Possible loss of income • Staff absence • Hardship for some of the community • Council criticised for not responding effectively • IT may be unavailable for several weeks
9A	C2	*	Depot Manager	That, due to the lack of an overall Depot Manager, an issue falls between the various service managers and is not adequately addressed.	Accident or conflict between users.	<ul style="list-style-type: none"> • Adverse impact on service delivery • Increased costs and legal implications • Council criticised • HSE investigation/prosecution
18	C2	*	Loss or theft of data	The Authority handles a large amount of data. Either through hacking or carelessness security of the data could be compromised.	Data held by the Council ends up in inappropriate hands.	<ul style="list-style-type: none"> • Breach of corporate governance • Increased costs and legal implications • Reputation damaged

No	Rating		Short name	Vulnerability	Trigger	Consequence
20	C2	*	Key contract collapses or service levels deteriorate	Contractors are providing some key council services. There have been changes in terms of service delivery and there are concerns around the ability of contractors to meet service changes and deliver the required level of performance.	Contractor collapses / is unable to provide service or Service level deteriorates	<ul style="list-style-type: none"> • Service fails / adversely affected • Alternative arrangements need to be made • Increased costs and legal implications • Health risks • Dissatisfied customers • Censure by audit/inspection
28	C2	*	Workforce Development Planning	The age profile of the Council's workforce is increasing and a number of senior staff are likely to retire at a similar time. Any concentrated loss of experience could cause disruption to service management.	Loss of a number of senior staff with no immediate replacement.	<ul style="list-style-type: none"> • Services disrupted / Loss of service • Key performance indicators affected • Censure by audit/inspection
35	C2	*	Budget reductions	The medium term financial strategy requires net CSB reductions of £1.25m over four years.	Required net savings not achieved.	<ul style="list-style-type: none"> • Greater use of reserves. • Higher level of saving in subsequent years.

No	Rating		Short name	Vulnerability	Trigger	Consequence
29	C2	*	Gypsy Roma Traveller Provision	<p>a) The area attracts gypsies and travellers but does not have an unlimited supply of pitches.</p> <p>b) This is a very sensitive issue and one that involves a number of stakeholders. The Essex Gypsy and Traveller Accommodation Assessment (GTAA), which was published in November 2009, came under robust challenge at the resumed Meadows Public Inquiry in June 2011. While the appeal was comprehensively dismissed, officers are still to decide whether an updated GTAA is needed, particularly as the agent who made the challenge is dealing with other cases in the District. Officers have also learned that the consultants (Fordhams) who prepared the GTAA have closed down.</p>	<p>More gypsies and travellers than can be accommodated on official sites attempt to stay in the district.</p> <p>Secretary of State decision (and inspectors report) on The Meadows, Bumbles Green.</p>	<ul style="list-style-type: none"> • Unofficial sites are established • Complaints from public/landowners • Possible enforcement action • Enforcement action made more difficult • Review of GTAA at least at district, if not county level. This should include discussions with as many members of the local travelling community as possible to estimate future provision needs arising from population growth and other sources (eg living in bricks and mortar rather than caravans) • Resource intensive legal process • Key performance indicators affected

No	Rating		Short name	Vulnerability	Trigger	Consequence
17	D2	*	Significant amount of capital receipts spent on non revenue generating assets	Capital resources are scarce and their use needs to be carefully prioritised.	Authority spends a significant amount of capital receipts on non revenue generating assets.	<ul style="list-style-type: none"> • Loss of interest • Loss of cover for contingencies • Financial strategy becomes untenable in the long term • Service reductions required • Large Council Tax increases required
26	D2	*	Investments	The Council lends money to a large number of financial institutions. In the current economic climate it appears that the long-term future of very few institutions can be guaranteed.	Financial institution fails whilst holding Council funds.	<ul style="list-style-type: none"> • Loss of investment • Loss of revenue • Reduction in services • Increase in charges • Reputation damaged
33	D2	*	Reform of Housing Revenue Account	The Council took on £186m of debt. Financial modelling shows this level of debt can be managed. However variables in the model may change and the government may increase the level of debt. Accounting arrangements may impact on General Fund.	<p>More Council houses sold than anticipated so revenue reduced.</p> <p>Government increases debt settlement.</p>	<ul style="list-style-type: none"> • HRA becomes unsustainable. • Repairs and maintenance spending reduced. • Large rent increases • Additional charges to general fund.
1	C3		Recruitment restrictions	The authority currently has restrictions on external recruitment with limited exceptions.	Key posts remain unfilled/take length of time to fill	<ul style="list-style-type: none"> • Pressures on existing staff • Difficulties in succession planning • Adverse impact on service delivery

No	Rating	Short name	Vulnerability	Trigger	Consequence
13	C3	Key objectives not delivered due to capacity issues	<p>The Council is facing a challenging agenda with a number of initiatives and projects.</p> <p>There is a concern the corporate core, in particular, is light in terms of staffing, resource and capacity. And while the Council has the financial resources to deliver on key priorities, it may not have sufficient HR capacity</p> <p>There are concerns around overload and a recognised need to set achievable agendas.</p>	Council fails to deliver key objectives on time	<ul style="list-style-type: none"> • Slippage on key projects / initiatives • Deadlines and targets not met • Lack of focus • Workloads increase • Staff demotivated
22	C3	Key partnership fails	<p>The Council is involved in a plethora of multi agency partnerships e.g. LSP - LEP, but these don't always have clear governance arrangements with related documentation thin on the ground.</p> <p>Localism act may cause transfer of Council services to providers with governance issues as above.</p>	Key partnership fails or services provided via arrangements lacking adequate governance.	<ul style="list-style-type: none"> • Relationships with other bodies deteriorate • Clawback of grants • Unforeseen accountabilities and liabilities for the Council • Censure by audit/inspection • Adverse impact on performance
23	C3	Fraud including bribery	A weakness in internal controls or the application of internal controls or criminal collusion such that fraud or bribery is either not prevented or not detected.	Significant fraud or bribery occurs	<ul style="list-style-type: none"> • Loss of resources • Damage to Council's reputation • Effect on staff morale

No	Rating	Short name	Vulnerability	Trigger	Consequence
2	D3	Inconsistent approach to procurement	<p>a) full conformity with best practice and Contract Standing Orders is still to be achieved.</p> <p>b) failure to comply with EU procurement regulations</p>	<p>a) Procurement exercise breaches contract standing orders</p> <p>b) Challenge by unsuccessful bidders</p>	<ul style="list-style-type: none"> • Efficiency savings not made or contracts fail • Procured service poor/not value for money • Any EU failures will involve legal costs, fines and compensation • Negative impact on service delivery where procurement exercise has to be re-done.
5	D3	Local Government Reorganisation which is detrimental to the Council and Community	<p>Even though there are no current proposals to change boundaries in Essex, there remains a concern that this might change.</p> <p>There are a number of initiatives examining service deliver models that imply a sharing of resources. Concern exists that any pooling or sharing of resources may be detrimental to some individual authorities.</p>	Reorganisation or change in service delivery which is detrimental to the Council and Community	<ul style="list-style-type: none"> • Outflow of resources from district • Existing priorities stopped • Projects stopped / delayed • Change in direction
15	D3	Sickness absence	Levels of sickness absence increase or are not consistently reported.	Sickness absence not effectively managed	<ul style="list-style-type: none"> • Staff absence impacts on ability to deliver • Increased costs of using agency staff • Efficiency savings affected • Impact on staff morale • Possible litigation / claims
24	D3	Cash balances	Retention of large reserves and balances fails to provide best value and restricts the development of key services.	Key service deteriorates due to lack of resources.	<ul style="list-style-type: none"> • Service delivery adversely affected • Criticism from inspection / audit • Slippage on key projects • Dissatisfied customers

No	Rating	Short name	Vulnerability	Trigger	Consequence
36	D3	North Weald Airfield Bund	The bund has low to moderate likelihood of failure which may result in slump extending to the kerb of the M11 motorway.	Failure of the bund.	<ul style="list-style-type: none"> • Failure of the bund leads to disruption on the M11 motorway. • Failure of the bund may lead to injury or damage to property. • Insurance claim against the Council. • Reputational damage.
9B	E2	Depot Accommodation	That the Council is unable to provide appropriate and safe accommodation for all contracted depot users.	Depot sites disposed of prior to replacement facilities being available.	<ul style="list-style-type: none"> • Adverse impact on service delivery • Increased costs and legal implications • Council criticised
14	E3	Key initiatives resisted / delayed by culture of authority	<p>There is a view that the authority needs to significantly change means of service delivery to meet the ever-changing demands of the wider community, and the requirements of the government agenda.</p> <p>Implementing this will require a significant culture change across the authority, and strong consistent leadership from senior levels of the Authority.</p>	Key initiatives e.g. shared services resisted / delayed by current culture within the authority	<ul style="list-style-type: none"> • Initiatives / plans not achieved • Failure to make savings, reduce duplications and make continuous improvements • Adverse effect on performance • Censure by audit/inspection • Image of council damaged

Appendix 2 – Action Plans

RISK NO.	CURRENT RISK SCORE	TARGET RISK SCORE	CLUSTER NAME
8, 9A, 28	C 2	C 3	Business Continuity Planning
26, 27, 30, 34, 35	A 2/ C 2/ D 2	D 2	Financial pressures
11, 33	A 3/ D 2	A 4	Local housing needs
3, 29	B 2 / C 2	D 2	Local Plan
20	C 2	D 2	Key Contracts
17	D 2	D 2	Capital receipts spent on non revenue generating assets
18	C 2	D 2	Loss or theft of data

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
27	Monitoring of both investment returns and income	Effective to date, as revised estimates have allowed for necessary changes	Continue to monitor and seek to diversify income streams.	Cabinet All Directors	Avoid need to make severe budget cuts	Quarterly	None
30	The Medium Term Financial Strategy is updated each year to identify any need for savings.	To date savings targets have been achieved.	As part of the 2013/14 budget process identify areas for review to achieve savings.	Leader of Council Chief Executive	Savings targets achieved with expenditure reductions over the medium term as part of a structured plan.	Quarterly	31/12/12
34	Management will continue to run the service as efficiently as possible.	Effective to date as service still functioning and expanded to Limes Farm office.	Respond to any consultations and seek to mitigate effects on residents and staff wherever possible.	Finance and Technology Portfolio Holder. Director of Finance and ICT	A smooth transition to universal credit. Minimise number and cost of redundancies.	Quarterly	31/12/12
11	Requirement for 40% affordable housing on all large sites. Developments on green belt can result in more affordable housing. Council considers annual provision of grant to housing associations.	Meeting all housing need will not be addressed by existing control, but will help. Grant from the Council also assists.	Early identification of new sites as part of emerging Local Plan process.	Housing Portfolio Holder Director of Housing	Whether housing need is significantly reduced.	Quarterly	None

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
3	Early engagement with key stakeholders, Managing workload and external staff recruitment, On-going joint working with Harlow Council	Timetable for delivery, which has key milestones in place.	Member approved framework required to progress inter-authority working.	Leader of Council Planning Portfolio Holder Director of Planning and Economic Development	Council retains control of the delivery arrangements at a local level.	Quarterly	30/09/13
8	Most services already have business continuity plans in place and a separate flu pandemic plan has been developed.	The effectiveness of controls is assessed periodically through test and exercises.	Both corporate and service business continuity plans are being updated. Cabinet has approved measures to enhance the resilience of ICT.	Support Services Portfolio Holder Chief Executive	Having plans in place which are proved fit for purpose either by events or external scrutiny.	Quarterly	None
9 A	An officer group meets to co-ordinate management issues at Langston Road.	No serious incident to date.	Evaluate need to unify management of site under one individual.	Asset Management and Economic Development Portfolio Holder Chief Executive	Avoidance of accidents/conflicts.	Quarterly	None
18	Security Officer is continually monitoring EFDC situation and potential risks. Most systems have in built controls to prevent unauthorised access.	Generally effective to date.	Controls in the agenda publication system have been strengthened and staff have been reminded of the additional care needed when dealing with confidential documents.	Finance & Technology Portfolio Holder Director of Finance & ICT	No data loss or system downtime due to unauthorised access of EFDC systems or data.	Quarterly	None

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
20	Systems for contract monitoring in place. Contingency plans exist to deal with contract failure.	Contract monitoring established. Business continuity planning has proved effective in waste management.	Continue existing contract monitoring procedures for extended contracts.	Leisure & Wellbeing People Portfolio Holder Environment Portfolio Holder Director of Environment and Street Scene	No significant impacts on service delivery from any contract failures.	Quarterly	None
28	A Council wide initiative on Workforce Development Planning is now being pursued.	Staff capable of promotion on a temporary or permanent basis can generally be identified.	All Directorates need to analyse future skills gaps and plan to develop staff accordingly.	Cabinet All Directors	No disruption to service provision caused by retirements.	Quarterly	None
35	Some service reviews already underway.	Service reviews have successfully identified savings required for 12/13.	Identify saving required for 2013/14.	Leader of Council Chief Executive.	Required net savings achieved.	Quarterly	31/12/12
29	- Timely adoption of a revised GTAA, - Additional 1 year post agreed to support Forward Planning Section, - Early engagement with key stakeholders - Joint working (external and internal) and enforcing on such incidents	Implementation of the GTAA, but effectiveness depends on planning appeal success rate, which is decided by The Planning Inspectorate. Changes required in Government policy to effectively controlled incidents	Part of the Local Plan timetable for engagement and decision making. Evidence base for GTAA needs to be agreed.	Leader of Council Planning Portfolio Holder Director of Planning and Economic Development	Timely delivery of the Local Plan and appeal success rate. Successful management of incidents.	Quarterly	30/09/13

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
17	Five year capital programme prepared which includes resources.	Effective to date as even with £79M capital programme over 5 years over £8M of usable receipts anticipated at end of period.	Continue to highlight consequences of all new capital schemes.	Finance & Technology Portfolio Holder Chief Executive	Maintenance of adequate capital and revenue balances.	Quarterly	31/12/12
26	Lending is controlled in accordance with the Treasury Management Strategy, which is structured on levels of credit ratings.	To date there has been one failure where the Council is at risk of some loss.	Ensure all credit rating updates are promptly reflected in the counter party list and in considering alternative investments give highest weighting to security.	Finance & Technology Development Portfolio Holder Director of Finance & ICT	No further counter party failures that put Council funds at risk.	Quarterly	None
33	Detailed financial modelling undertaken. Representations made to CIPFA and CLG.	Effective to date but debt settlement could be reopened.	Continue to make representations and respond to consultations.	Housing Portfolio Holder. Finance and Technology Development Portfolio Holder. Director of Finance and ICT Director of Housing	Sustainable level of debt agreed. No serious impact on general fund.	Quarterly	None

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Corporate Risk Time Line
25/01/2010 - 22/11/2012

Appendix 2

Risk Number	Risk Name	Register date										
		20/11/12	25/06/12	19/03/12	21/11/11	20/06/11	21/03/11	17/01/11	27/09/10	14/06/10	15/03/10	25/01/10
27	Shortfall in key income streams	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *
30	Reduction in Government Grant	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *	A2 *
34	Changes to the Benefit system	A2 *	A2 *	B3 *	B3 *	B3 *	B3 *	B3 *	[Redacted]			
11	Unable to provide sufficient housing for local people	A3 *	A3 *	A3 *	A3 *	A3 *	A3 *	A3 *	A3 *	A3 *	A3 *	A3 *
3	Potential difficulty in producing Local Plan to timetable	B2 *	B2 *	C2 *	C2 *	B1 *	B1 *	B1 *	B1 *	B1 *	B1 *	B1 *
8	Business Continuity Management	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *
9A	Depot manager	C2 *	C2 *	C2 *	D2 *	D2 *	B2 *	B2 *	B2 *	B2 *	B2 *	B2 *
18	Loss or theft of data	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *
20	Key contract collapses or service levels deteriorate	C2 *	C2 *	C2 *	C2 *	B2 *	B2 *	B2 *	B2 *	B2 *	B2 *	B2 *
28	Workforce Development Plan	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *
29	Gypsy Roma Traveller Provision	C2 *	C2 *	C2 *	C2 *	C3	C3	C3	C3	B2 *	B2 *	B2 *
35	Budget reductions	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	[Redacted]				
17	Significant amount of capital receipts spent on non revenue generating assets	D2 *	D2 *	D2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *	C2 *
26	Investments	D2 *	D2 *	D2 *	D2 *	D2 *	D2 *	D2 *	D2 *	D2 *	D2 *	D2 *
33	Reform of Housing Revenue Account	D2 *	D2 *	D2 *	D2 *	D2 *	D2 *	[Redacted]				
1	Recruitment restrictions	C3	C3	C3	C3	C3	C3	C3	C3	C3	C3	C3
13	Key objectives not delivered due to capacity issues	C3	C3	C3	C3	C3	C3	C3	C3	C3	C3	C3
22	Key partnership fails	C3	C3	C3	C3	C3	C3	C3	C3	C3	D4	D4
23	Fraud	C3	C3	C3	C3	C3	C3	C3	C3	C3	E3	E3
2	Inconsistent approach to procurement	D3	D3	D3	D3	D3	D3	D3	D3	D3	D3	D3
5	Local Government Reorganisation which is detrimental to the Council and Community	D3	D3	D3	D3	D3	D3	D3	D3	D3	E3	E3
15	Sickness absence	D3	C3	C3	C3	C3	C3	C3	C3	C3	C3	C3
24	Cash balances	D3	D3	D3	D3	D3	D3	D3	D3	D3	D3	D3
36	North Weald Airfield Bund	D3	D3	D3	D3	D3	D3	[Redacted]				
9B	Depot accommodation	E2	E2	E2	D2 *	D2 *	B2 *	B2 *	B2 *	B2 *	B2 *	B2 *
14	Key initiatives resisted / delayed by culture of authority	E3	E3	E3	E3	E3	E3	E3	E3	E3	E3	E3

*Above tolerance line

Risks 9A & 9B previously one risk (9), now split to reflect the different likelihood

Deleted Risks												
31	London 2012 Olympic disruption		B3 *	B3 *	B3 *	B3 *	B3 *	B3 *	B3 *	B3 *	B3 *	[Redacted]
16	Performance management		E3	E3	E3	E3	E3	E3	E3	E3	D3	D3

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Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report Reference: FPM-015-2012/13.

Date of meeting: 22 November 2012

Portfolio: Finance and Technology

Subject: Annual Audit Letter

Responsible Officer: Bob Palmer (01992 564279).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) To note the External Auditor's Annual Audit Letter.

Executive Summary:

The External Auditors will present their Annual Audit Letter to the Audit and Governance Committee on 29 November 2012. The report has been placed on this agenda to ensure that members of this Committee are aware of the key issues raised.

Reasons for Proposed Decisions:

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

Other Options for Action:

The report is for noting, no specific actions are proposed.

Report:

1. The Annual Audit Letter confirms that the Financial Statements gave a true and fair view of the Council's financial affairs. It also confirms that the Annual Governance Statement contained in the Financial Statements was not misleading or inconsistent with other information.
2. The external auditors concluded that the significant financial systems were adequate for preparing the Financial Statements and that the work of Internal Audit could be relied upon. A deficiency was identified in the checking being undertaken in Benefits and this has now been addressed.
3. In addition to the Financial Statements the Council is also required to complete a return that the Department for Communities and Local Government consolidates to prepare the Whole of Government Accounts. This return did require a number of amendments but all of the corrections were done in the final return.
4. The external auditors were able to satisfy themselves that the Council had proper arrangements in place to secure economy efficiency and effectiveness in its use of resources. This enabled them to issue an unqualified value for money conclusion.

Resource Implications:

None.

Legal and Governance Implications:

There are no legal implications or Human Rights Act issues arising from the recommendations in this report.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council’s commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

None.

Background Papers:

Statutory Statement of Accounts and associated reports made to the Audit and Governance Committee and Full Council.

Impact Assessments:

Risk Management

Action plans have been agreed to address areas of risk identified during the audit.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council’s general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process? N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group? N/A

Annual Audit Letter 2011/12

Epping Forest District Council

OCTOBER 2012



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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

[Local Government Code of Audit Practice 2010](#)

[Statement of Responsibilities of Auditors and Audited Bodies](#)

Executive summary

This Annual Audit Letter summarises the findings of the work we have completed in respect of the year ended 31 March 2012.

SUMMARY OF HIGH LEVEL AUDIT ASSURANCES

✓ Financial statements

- The financial statements give a true and fair view of the Council's financial affairs and income and expenditure for the year and were properly prepared in accordance with the 2011 Code of Practice on Local Authority Accounting in the United Kingdom.
- The Annual Governance Statement was not misleading or inconsistent with other information of which we were aware.

✓ Internal control

- The significant financial systems are generally adequate for preparing the financial statements.
- One deficiency in internal control, within the housing and council tax benefit system, was identified and reported.
- We were able to rely on the work of Internal Audit.

✓ Whole of Government Accounts

- There were a large number of notable differences between the Whole of Government Accounts consolidation pack and the audited financial statements, not all of which resulted from audit amendments to the financial statements. These were corrected in the final Consolidation Pack.

✓ Use of resources

- We were able to satisfy ourselves that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.
- We issued an unqualified value for money conclusion.

Our detailed findings and recommendations were reported to Management and the Audit and Governance Committee in our Annual Governance Report to Those Charged with Governance (September 2012).

Introduction

THE PURPOSE OF THIS LETTER

The purpose of this Letter is to summarise the key issues arising from the work that we have carried out during the year. Although this Letter is addressed to the Members, it is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders, including members of the public.

The Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

RESPONSIBILITIES OF THE AUDITORS AND THE COUNCIL

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.

As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

SCOPE OF THE AUDIT

Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- the Council's financial statements
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money).

REPORTING THE AUDIT

We provided reports to "those charged with governance" (the Audit and Governance Committee) and management on the findings of the audit focussing on key issues regarding internal control, financial governance, accounting arrangements and use of resources. We aim to provide management with clear recommendations to assist with governance and service improvements that will add value to the audit.

Reports issued during the year were:

- Audit Fee Letter issued April 2011
- Annual Audit Plan issued January 2012
- Letter to the Chair of the Audit and Governance Committee (significant deficiencies in internal control) issued August 2012
- Annual Governance Report to those charged with governance issued September 2012
- Annual Audit Letter issued October 2012
- Grants and Certification Work (2010/11 returns) issued February 2012.

ACKNOWLEDGEMENT

Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council's own agenda.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

Key findings

ABOUT THE COUNCIL

The Council serves a population of around 123,000, with about half living close to its boundary with London, and there are six main centres within the 131 square miles of this green and rural district.

The Council comprises 58 elected Members representing 32 wards. It employs approximately 520 full time equivalent staff, and spends approximately £108m per annum (excluding the £185m HRA self financing spend incurred in 2011/12), providing a range of public services to the residents of the District. The Council's spend is funded by Central Government Grants, Council Tax, fees and charges (including housing rents) and other sources of income.

Further information on the activities of the Council is detailed in its eAnnual Reports and the Corporate Plan 2011-2015 which are publicly available on the Council's website at <http://www.eppingforestdc.gov.uk>.

FINANCIAL STATEMENTS

We issued an unqualified true and fair opinion on the financial statements on 28 September 2012. Our opinion confirmed the financial statements gave a true and fair view of the Council's financial affairs at 31 March 2012 and of the income and expenditure recorded during the year then ended.

We did not identify any material errors within the financial statements that required correction. Immaterial misstatements ranging from £106,811 to £620,000 were identified and corrected during the course of the audit, the majority of which related to disclosure corrections made to achieve compliance with the Code of Practice on Local Authority Accounting 2011/12. These matters were reported in detail in our Annual Governance Report (September 2012).

There were seven uncorrected misstatements reported to Those Charged with Governance. Overall, the net impact on the financial statements should these have been corrected would have been to reduce expenditure and net assets by £115,000. Members accepted that these misstatements would remain uncorrected on the basis that their impact was not significant to the accounts.

There was one other matter of significance discussed with management and reported to Those Charged with Governance which was in respect of a significant change made to the useful economic lives of the Council's housing stock components and a resultant material reduction in the annual depreciation charge. We concluded that the change was an enhancement to the Council's methodology for recording and calculating information relevant to the depreciation charge, and had been properly calculated.

Annual Governance Statement

We were satisfied that the Annual Governance Statement was not inconsistent or misleading with other information we were aware of from our audit of the financial statements.

INTERNAL CONTROL

The Council's significant financial systems were generally adequate as a basis for preparing the financial statements although one deficiency in the housing and council tax benefit system was identified and reported to Those Charged with Governance. This matter was also identified and reported by Internal Audit, upon whose work we were able to rely in discharging our audit responsibilities.

WHOLE OF GOVERNMENT ACCOUNTS

The Whole of Government Accounts Consolidation Pack had a number of notable variances from the financial statements, not all of which were as a result of amendments arising from the audit of the financial statements.

These differences were corrected in the final version of the Consolidation Pack submitted to the National Audit Office. We issued our assurance statement, stating that the final Consolidation Pack was materially consistent with the audited financial statements, on 5 October 2012.

USE OF RESOURCES

Financial resilience

Our financial resilience work has considered the Council's arrangements for financial governance, financial planning and financial control, including improvements in arrangements over the prior year.

The Council has maintained its good track record of successful financial management arrangements, achieving its savings, building up general fund reserves and maintaining housing revenue account reserves at a suitable level in 2011/12.

The Council is on track to deliver its 2012/13 budget and although its medium term financial plan forecasts that it will be necessary to utilise reserves during 2013-2017 it is estimated that usable reserves at the end of this period will still be in the region of £7.7m. This is significantly more than the minimum level of reserves necessary to comply with its own financial management policies.

Challenging economy, efficiency and effectiveness

The Council has continued to review and consolidate its baseline arrangements for challenging and securing value for money during 2011/12. The arrangements operated during the year remain adequate. Performance management and risk management arrangements that support the achievement of value for money are evidenced as continuing to operate as previously assessed with no contra-indicators.

The Council continued to review its benchmarked performance against its nearest neighbours. We expect that any resultant in-depth studies completed in 2012/13 to challenge value for money will be driven by the outcomes from the various internal and external reviews undertaken in the pursuit of improved value for money outcomes. During 2011/12 a number of efficiency savings have been achieved through partnership working arrangements, including joint procurement.

Report to the Finance and Performance Management Cabinet Committee



Report reference: *FPM-016-2012/13*
Date of meeting: *22 November 2012*

**Epping Forest
District Council**

Portfolio: Finance & Technology

Subject: Mid-Year Report on Treasury Management and Prudential Indicators 2012/13

Responsible Officer: Peter Maddock (01992 564602).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) To note how the risks associated with Treasury Management have been dealt with in the first half of 2012/2013.

Executive Summary:

The mid-year treasury report is a requirement of the CIPFA Code of Practice on Treasury Management. It covers the treasury activity for the first half of the financial year 2012/13.

During the first half of the year: the Council has re-phased its capital programme with £3.4m moving out of 2012/13 and moving into future years; the Council has continued to finance all capital expenditure from within internal resources; the average net investment position has been approximately £53.6m; and there have been no breaches on any of the prudential indicators.

This report and the appendices will be considered by the Audit and Governance Committee on 29 November and an oral update will be provided on any comments from this Committee.

Reasons for Proposed Decision:

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

Other Options for Action:

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

Report:

Introduction

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the current year. The updated code in November 2009 also recommended that Members are informed of Treasury Management activities at least twice a

year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

2. The report attached at appendix 1 shows the mid-year position of the treasury function in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code.

Capital activity for the year and how it was financed

3. The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through capital receipts, grants etc; or through borrowing.

4. The Council does not plan to borrow in order to carry out its capital investment. The original estimate and probable outturn, along with the spend to month 6 (30 September 2012) is shown below in the table:

Capital Expenditure	Financial year 2012/13		
	Estimated £m	Revised £m	to month 6 £m
Non-HRA capital expenditure	5.601	4.733	0.779
HRA capital expenditure	12.863	10.313	4.036
Total Capital expenditure	18.464	15.046	4.815
Financed by:			
Capital grants	0.728	0.909	
Capital receipts	4.910	3.899	
Revenue	12.826	10.238	
Total resources Applied	18.464	15.046	

5. The current probable outturn for 2012/13 shows a drop in capital expenditure of £3.4m, which has been re-phased into the capital programme for future years. This will mean a reduction in the use of capital receipts in the current financial year of £1.01m, but increases in the following year. This will result in a higher than anticipated level in reserves when calculating potential investment interest for the current financial year.

6. There is a financial risk involved in reducing the balance of usable capital receipts over the next five years. This risk is included in the Council's Corporate Risk Register (No. 17) and identifies the following potential consequences; loss of interest; loss of cover for contingencies; financial strategy becoming untenable in the long run; service reductions required; and large Council Tax increases required.

7. This prudential indicator assists the Council in controlling and monitoring the level of usable capital receipts that will be available at the end of a five-year period. Currently, the Capital Programme for the next five years totals £86.8m and is fully funded. It is predicted that at the end of 2016/17 there will still be £8.1m available in usable Capital Receipts and £3.2m in the Major Repairs Reserve. Therefore it can be concluded that adequate resources exist for the Capital Programme in the medium term.

The impact on the Council's indebtedness for capital purposes

8. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. The Council now has an overall positive CFR (HRA and Non-HRA) following the borrowing in relation to the HRA self-financing, but has no underlying need to borrow for capital purpose as highlighted in the previous section.

CFR	Financial year 2012/13		
	Estimated £m	Revised £m	to month 6 £m
Non-HRA	31.097	30.281	30.281
HRA	153.575	154.391	154.391
Total Capital expenditure	184.672	184.672	184.672

9. The Director of Finance & ICT confirms that there were no breaches of the Authorised Limit (£200m), the Operational Boundary (£186m) and the Maturity Structure of Fixed Rate Borrowing during the period to 30 September.

10. The risks for Councils are associated with affordability, interest rates and refinancing – the affordability risk is whether the Council can afford to service the loan, this has been evidenced through the Council producing a viable thirty-year financial plan. This plan is reviewed quarterly by officers and half yearly reports are presented to Housing Scrutiny Panel. The interest rate risk is whether a change in interest rate could have an impact on the viability of the financial plan. The Council received advice from our treasury advisors before undertaking the borrowing. Only 17% of the amount borrowed was at a variable rate, the remainder was fixed. Any upward movement in interest rates would be ‘hedged’ by a corresponding increase in interest earned on Council investments. The refinancing risk is that maturing borrowings, capital project or partnership financing cannot be refinanced on suitable terms. Within the financial plan it is anticipated that all borrowing will be repaid when matured and all future capital expenditure will be financed through internal resources, therefore no risk currently exist for refinancing.

11. These prudential indicators assist the Council in controlling the level of debt the Council may need to finance over the coming years and ensure where debt is owed it is managed, such that the Council would not be left in a situation where it finds itself having to refinance on unsuitable terms.

The Council's overall treasury position

12. During the first half of 2012/13 the average investment position for the first half of the year was £53.6m. The table below shows the treasury position as at 30 September 2012.

Treasury position	31/03/2012 £m	30/09/2012 £m
Total external borrowing	(185.456)	(185.456)
Short term investment		
Fixed investment	32.349	38.182
Variable investment	10.000	10.000
Long term investment	0.137	0.137
Total investments	42.486	48.319
(Net Borrowing) / Net Investment Position	(142.970)	(137.137)

13. It is important that the cash flow of the Council is carefully monitored and controlled to ensure enough funds are available each day to cover its outgoings. This will become more difficult as the Council uses up capital receipts and reduces investment balances.

14. The Director of Finance & ICT confirms that there have been no breaches of:

(a) The Upper Limit for Fixed Rate Exposure (100%) and Upper Limit for Variable Rate

Exposure (50%) on investment during the period, with the average rates of 63.53% and 36.47% being achieved;

(b) The limit set for investment over 364 days (£30m). The Council made one investment of £5m over 364 days. The average length of investment for the period is 138 days; and

(c) The limit set for investment in non UK Country (30%). The Council made no investments to counterparties outside of the UK.

15. The risks associated to this section are as follows:

(a) Credit and Counterparty Risk – the risk of failure by a third party to meet its contractual obligations to the Council, i.e. goes into liquidation. The Council's counter-party lists and limits reflect a prudent attitude towards organisations with which funds may be deposited and these are regularly updated by our treasury management advisors (Arlingclose).

(b) Liquidity Risk – the risk that cash will not be available when it is needed, incurring additional unbudgeted costs for short-term loans. The Director of Finance & ICT has monthly meetings with treasury staff, to go through the cash flow for the coming month. A number of instant access accounts are used to ensure adequate cash remains available.

(c) Interest Rate Risk – the risk of fluctuations in interest rates. The Council has currently around 28% of its investments in variable rates, and the remainder are in fixed rate deposits on average for around 137 days. This allows the Council to receive reasonable rates, whilst at the same time, gives the Council flexibility to take advantage of any changes in interest rates. The view of the Council's treasury advisors is that interest rates are unlikely to change significantly in the short to medium term.

16. The prudential indicators within this section assist the Council to reduce the risk of:

(a) Counterparties going into liquidation by ensuring only highly rated institutions are used when investing the Council's money;

(b) The Council incurring unbudgeted short-term loans, to pay unexpected expenditure items through ensuring adequate amounts of money are available immediately through instant access accounts; and

(c) Potentially losing out on investment income when interest rates start to increase by ensuring that most deposits are kept within one year.

Heritable Bank

17. During the first half of this financial year, the Council has received further dividends of 6.64% (£166,695) from the administrators of the Heritable Bank. The latest administrators report indicates that a further dividend is due around October 2012, ultimately it is expected that total dividends will be around 90% of the value of deposits.

Resource Implications:

The continued low interest rate will result in estimated investment income to the Council reducing to around £514,000 in 2012/13 against an original budget of £561,000.

Legal and Governance Implications:

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.
- Under section 21(1) AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The Council's external treasury management advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

Background Papers:

The report on the Council's Prudential Indicators for 2012/13 to 2014/15 and the Treasury Management Strategy for 2012/13 went to Council on 14 February 2012 and were amended at Council on 27 March 2012.

The report on the Council's Corporate Risk Register that went to Finance & Performance Management Cabinet Committee on 25 June 2012.

Impact Assessments:

Risk Management

As detailed in the report, a risk averse position is adopted to minimise the chance of any loss of the capital invested by the Council. The specific risks associated with the different aspects of the treasury management function have been outlined within the main report.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially

No

adverse equality implications?

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A

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1. Background

The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Economic Background

Growth: The world economy faced yet another soft patch. The UK and the Eurozone (with the exception of Germany) struggled to show discernible growth whilst the US economy grew slowly. UK GDP contracted by 0.3% in the first calendar quarter of 2012 and by 0.4% in second, reflecting the difficult economic conditions faced by businesses and consumers domestically and globally. Businesses were more inclined to take defensive strategies involving cost cutting rather than increasing capital spending. Financial conditions facing households continued to be weak as wage growth remained subdued and was, for much of the period, outstripped by inflation. (Much of the fall in Q2 GDP could probably be attributed to the impact of the additional bank holiday for the Diamond Jubilee, and could be recovered in Q3.)

Inflation: Inflation, which had remained stubbornly sticky throughout 2011, slowly began to fall. Annual CPI dipped below 3% for the first time in two and half years in May and fell to the lowest level since November 2009 in June, with a reading of 2.4%. It ticked up marginally to 2.5% by August. Although the recent rise in commodity prices has been worrying, the rise in oil and food prices - the latter mainly due to poor weather-related yields - are well below the spikes of 2010-11.

Some barometers of economic activity, however, provided a more buoyant and positive picture but tended to get overshadowed. Employment rose by 236,000 in the three months to July and the employment rate was at its highest since the three months to April 2009. The ILO unemployment rate fell 0.1% on the quarter to 8.1%. Whilst the effect of the Olympics undoubtedly played a part, despite its temporary nature, the underlying data pointed to a more resilient and optimistic outlook for the economy.

The lack of growth and the fall in inflation were persuasive enough for the Bank of England to sanction £50 billion asset purchases (QE) in July, taking total QE to £375 billion. The possibility of a rate cut from the current level of 0.5% was discussed at the Bank's Monetary Policy Committee meetings in June and July; however reference to it was subsequently dropped suggesting that this policy option had left the table for the immediate future. The government's Funding for Lending (FLS) initiative, intended to lower banks' funding costs, commenced in August. The Bank of England will assess its effects in easing the flow of credit before committing to further policy action.

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Banks were embroiled in the scandal to manipulate LIBOR rates during the abnormal market conditions at the height of the 2007/2008 financial crisis. Barclays was fined a record £290 million, the FSA was also investigating HSBC, RBS, Citicorp and UBS; Lloyds was named in a lawsuit in the US. The big-four UK banks were also being investigated for mis-selling interest rate swaps to small businesses.

The US Federal Reserve extended quantitative easing through 'Operation Twist', in which it buys longer-dated bonds with the proceeds of shorter-dated US Treasuries. Poor employment data for August preceded the Fed further easing monetary policy at its September meeting; The Fed committed to purchasing \$40 billion of agency mortgage-backed securities each month until the outlook for the labour market improves "substantially." The Fed also pledged to keep interest rates low until mid-2015. In Greece, the formation of an alliance of pro-euro parties after a second round of parliamentary elections prevented an immediate and disorderly exit from the Euro. The Euro region suffered a renewed bout of stress when Italian and Spanish government borrowing costs rose sharply and Spain was also forced to officially seek a bailout for its domestic banks. The European Central Bank responded with the announcement in September of its Outright Monetary Transactions (OMT) facility which allows the ECB to buy unlimited amounts of 1-3 year sovereign bonds provided the sovereign(s) first asks for such assistance and adheres to the strict conditionality attached to such purchases.

Gilt Yields and Money Market Rates: Gilt yields fell sharply raising the prospect that very short-dated yields could turn negative. 2-year yields fell to 0.06%, 5-year yields to 0.48% and 10-year yields to 1.45%. Despite the likelihood the DMO would revise up its gilt issuance for 2012/13, there were several gilt-supportive factors: the Bank of England's continued purchases of gilts under an extended QE programme; investors preferring the safer haven of UK government bonds to those of European sovereigns; the coalition's commitment to fiscal discipline by sticking to its "plan A" for deficit reduction; large scale purchases by banks to comply with the FSA's liquidity buffer requirements; and general risk aversion against a weak economic backdrop. PWLB borrowing rates fell commensurately (the Board maintained the +0.90% margin above the equivalent gilt yield for new borrowing).

Money market rates fell over the six month period by between 0.2% to 0.6% for 1-12 month maturities.

3. Debt Management

	Balance on 01/04/2012 £m	Debt Maturing £m	Debt Repaid £m	New Borrowing £m	Balance on 30/09/2012 £m	Increase/ Decrease in Borrowing
Short Term Borrowing	0.000	0.000	0.000	0.000	0.000	-
Long Term Borrowing*	185.456	0.000	0.000	0.000	185.456	-
TOTAL BORROWING	185.456	0.000	0.000	0.000	185.456	-
Average Rate % / Life (yrs)	3% / 25 yrs	NA	NA	NA	3% / 25 yrs	-

(*this relates to £185.456m borrowed in March 2012 for HRA self-financing settlement).

PWLB Borrowing: The PWLB remains an attractive source of borrowing for the Council as it offers flexibility and control. The large downward move in gilt yields in the second quarter resulted in PWLB rates falling across all maturities (tables 2 and 3 in Appendix 2).

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Alternative borrowing sources: Whilst there are several claims that a competitive, comparable equivalent to long-dated PWLB borrowing is readily available, the Council will continue to adopt a cautious and considered approach to funding from the capital markets.

For the Council the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding £15m of capital expenditure. This has lowered overall treasury risk by reducing temporary investments. The medium term capital programme can be fully financed by internal resources.

4. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Investments

	Balance on 01/04/2012 £m	Investments Made £m	Investments Repaid £m	Balance on 30/09/2012 £m	Increase/ Decrease in Investments
Short Term Investments	42.349	88.000	82.167	48.182	+£5.833m
Long Term Investments	0.137	0.000	0.000	0.137	-
TOTAL INVESTMENTS	42.486	88.000	82.167	48.319	+£5.833m

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2012/13. New investments were made with the following institutions:

- Other Local Authorities;
- AAA-rated Money Market Funds;
- Term Deposits with UK Banks and Building Societies systemically important to the UK banking system.

Counterparty credit quality was assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution; share price.

Credit Risk

Counterparty Update

In June Moody's completed its review of banks with global capital market operations, downgrading the long-term ratings of all of them by between one to three notches. The banks on the Council's lending list which were affected by the ratings downgrades were Barclays, HSBC, Royal Bank of Scotland. Separately, the agency also downgraded the ratings of Lloyds Bank, Bank of Scotland, National Westminster Bank and Santander UK plc. None of the long-term ratings of the banks on the Council's lending list were downgraded to below the Council's minimum A-/A3 credit rating threshold.

Counterparty credit quality is demonstrated by the Credit Score Analysis summarised below. The credit scores are based on the Council's quarter-end in-house investment position.

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Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2012	4.35	AA-	5.36	A+
30/06/2012	4.12	AA-	5.56	A
30/09/2012	4.56	A+	2.42	AA+

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

-D = lowest credit quality = 27

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Following the decision to shorten deposit durations with investment counterparties back in May this year, the Council has since extended duration (decision made in late July). The move to extend duration was as a result of monitoring economic and political developments in the UK, Europe and globally. The various risk metrics used to assess the creditworthiness of financial institutions had shown continued signs of stabilisation, and in some cases, considerable improvement.

Maturities for new investments with financial institutions on the Council's list are currently as follows:

UK Institutions

- Santander UK for a maximum period of 100 days;
- Royal Bank of Scotland, National Westminster, Lloyds TSB, and Bank of Scotland for a maximum period of 6 months;
- HSBC Bank, Standard Chartered, Barclays Bank, and Nationwide Building Society for a maximum period of 12 months.

Budgeted Income and Outturn

The Council's budgeted investment income for the year has been estimated at £0.561m. The average cash balances representing the Council's reserves, were £53.6m during the period.

The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2015/2016. Short-term money market rates have remained at very low levels (see Table 1 in Appendix 2). New investments were made at an average rate of 0.98%. The Council anticipates an investment outturn of £0.514m for the whole year.

Icelandic Bank Investment Update

The following has now been resolved in relation to Icelandic deposits:

- **Heritable** - It is expected that 88p/£ will be recovered overall. 75% has been recovered to date, and a further 7% is expected in 2012/13.

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5. Compliance with Prudential Indicators

The Council can confirm that it has complied with its Prudential Indicators for 2012/13, which were set in February 2012 as part of the Council's Treasury Management Strategy Statement). Details can be found in Appendix 1.

6. Outlook for Q3-Q4

At the time of writing this activity report in October 2012, economic growth remains elusive. Tight credit conditions and weak earnings growth are constraining consumer and corporate spending. The outlook is for official interest rates to remain low for an extended period, as shown below.

	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Official Bank Rate													
Upside risk				0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

7. Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the first two quarters of 2012/13. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

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Appendix 1

Capital Financing Requirement

Estimates of the Council's cumulative maximum external borrowing requirement for 2012/13 to 2014/15 are shown in the table below:

	31/03/2012 Actual £m	31/03/2013 Estimate £m	31/03/2014 Estimate £m	31/03/2015 Estimate £m
Capital Financing Requirement				
HRA	154.391	154.391	154.391	154.391
Non-HRA	30.281	30.281	30.281	30.281
Less:				
Existing Profile of Borrowing	0.000	0.000	0.000	0.000
Less:				
Other Long Term Liabilities	0.000	0.000	0.000	0.000
Cumulative Maximum External Borrowing Requirement	184.672	184.672	184.672	184.672

Usable Reserves

Estimates of the Council's level of Usable Reserves for 2012/13 to 2014/15 are as follows:

	31/03/2012 Actual £m	31/03/2013 Estimate £m	31/03/2014 Estimate £m	31/03/2015 Estimate £m
Usable Reserves	47.1	50.0	50.0	50.0

Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.
- The Council's Affordable Borrowing Limit was set at £200m for 2012/13.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Operational Boundary for 2012/13 was set at £186m.
- The Director of Finance & ICT confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £185.5m.

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

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Interest Rate Exposures	Existing level at 31/03/12 %	2012/13 Approved %	Actual %
Fixed			
Upper Limit for Fixed Interest Rate Exposure on Debt	83	100	83
Upper Limit for Fixed Interest Rate Exposure on Investments	(69)	(100)	(64)
Variable			
Upper Limit for Variable Interest Rate Exposure on Debt	17	25	17
Upper Limit for Variable Interest Rate Exposure on Investments	(31)	(75)	(36)

(c) Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/09/12	% Fixed Rate Borrowing as at 30/09/12	Compliance with Set Limits?
Under 12 months	100	0	£0m	0	Yes
12 months and within 24 months	100	0	£0m	0	Yes
24 months and within 5 years	100	0	£0m	0	Yes
5 years and within 10 years	100	0	£0m	0	Yes
10 years and above	100	0	£153.656m	100	Yes

(d) Gross and Net Debt

- The purpose of this treasury indicator is to highlight a situation where the Authority is planning to borrow in advance of need.

Upper Limit on Net Debt compared to Gross Debt	2011/12 Actual £m	2012/13 Estimate £m	Compliance with Set Limits?
Outstanding Borrowing (at nominal value)	185.456	185.456	Yes
Other Long-term Liabilities (at nominal value)	0	0	-
Gross Debt	185.456	185.456	-
Less: Investments	-47.100	-50.000	-
Net Debt	138.356	135.456	Yes

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(e) Net Debt and the Capital Financing Requirement

- This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.
- The Authority had no difficulty meeting this requirement so far in 2012/13, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

(f) Total principal sums invested for periods longer than 364 days

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2012/13 was set at £30m. £5m of investments were made for a period greater than 364 days during this period.

(g) Credit Risk

- This indicator has been incorporated to review the Council's approach to credit risk.
- The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.
- Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk:
 - Published credit ratings of the financial institution and its sovereign;
 - Sovereign support mechanisms;
 - Credit default swaps (where quoted);
 - Share prices (where available);
 - Economic fundamentals, such as a country's net debt as a percentage of its GDP);
 - Corporate developments, news, articles, markets sentiment and momentum.
- The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2012/13 TMSS:
 - long-term ratings of A- or equivalent;
 - long-term ratings of AA+ or equivalent for non-UK sovereigns.

(h) HRA Limit on Indebtedness

- This purpose of this indicator is for the Council to report on the level of the limit imposed at the time of implementation of self-financing by the Department for Communities and Local Government.

HRA Limit on Indebtedness	31/03/2012 Actual £m	31/03/2013 Estimate £m	31/03/2014 Estimate £m	31/03/2015 Estimate £m
HRA CFR	154.391	154.391	154.391	154.391
HRA Debt Cap (as prescribed by CLG)	185.456	185.456	185.456	185.456
Difference	31.065	31.065	31.065	31.065

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Appendix 2

Money Market Data and PWLB Rates

The average, low and high rates correspond to the rates during the financial year and rather than those in the tables below

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2012	0.50	0.55	0.55	0.61	1.00	1.33	1.84	1.22	1.30	1.59
30/04/2012	0.50	0.50	0.65	0.60	0.99	1.32	1.84	1.35	1.43	1.68
31/05/2012	0.50	0.48	0.65	0.57	0.97	1.30	1.82	1.20	1.20	1.34
30/06/2012	0.50	0.50	0.50	0.55	0.83	1.13	1.65	0.96	0.99	1.25
31/07/2012	0.50	0.50	0.65	0.45	0.63	0.92	1.43	0.76	0.77	1.02
31/08/2012	0.50	0.50	0.52	0.40	0.57	0.81	1.23	0.75	0.78	1.03
30/09/2012	0.50	0.25	0.52	0.40	0.47	0.66	0.95	0.70	0.76	1.00
Average	0.50	0.46	0.54	0.51	0.79	1.08	1.57	1.01	1.05	1.28
Maximum	0.50	0.55	0.65	0.61	1.00	1.33	1.84	1.38	1.45	1.72
Minimum	0.50	0.25	0.30	0.40	0.47	0.66	0.95	0.70	0.76	1.00
Spread	0.00	0.30	0.35	0.21	0.53	0.67	0.89	0.68	0.69	0.72

Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
02/04/2012	130/12	1.29	2.07	3.25	4.22	4.43	4.46	4.41
30/04/2012	166/12	1.31	2.09	3.15	4.13	4.38	4.42	4.39
31/05/2012	210/12	1.19	1.76	2.74	3.79	4.13	4.19	4.16
29/06/2012	248/12	1.20	1.84	2.83	3.79	4.11	4.19	4.16
31/07/2012	292/12	1.01	1.57	2.58	3.60	3.97	4.07	4.05
31/08/2012	336/12	1.07	1.62	2.61	3.62	4.05	4.14	4.11
28//09/2012	376/12	1.15	1.67	2.64	3.71	4.12	4.20	4.14
	Low	1.17	1.52	2.52	3.16	3.57	3.81	3.94
	Average	1.41	1.80	2.81	3.43	3.81	4.03	4.15
	High	1.69	2.15	3.28	3.92	4.23	4.39	4.45

Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
02/04/2012	130/12	1.56	2.14	3.29	3.91	4.23	4.38
30/04/2012	166/12	1.60	2.15	3.19	3.81	4.14	4.31
31/05/2012	210/12	1.37	1.81	2.78	3.41	3.81	4.03
29/06/2012	248/12	1.41	1.89	2.87	3.45	3.80	4.01
31/07/2012	292/12	1.17	1.63	2.62	3.32	3.61	3.85
31/08/2012	336/12	1.22	1.67	2.65	3.25	3.64	3.90
28//09/2012	376/12	1.29	1.72	2.68	3.31	3.73	3.99
	Low	1.14	1.57	2.56	3.18	3.58	3.81
	Average	1.37	1.85	2.85	3.45	3.82	4.04
	High	1.64	2.21	3.32	3.94	4.24	4.39

Epping Forest District Council
Mid-Year Treasury Report 2012/13

Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
02/04/2012	0.59	0.60	0.62	1.49	1.50	1.52
30/04/2012	0.58	0.60	0.62	1.48	1.50	1.52
31/05/2012	0.58	0.58	0.58	1.48	1.48	1.48
29/06/2012	0.58	0.57	0.56	1.48	1.47	1.46
31/07/2012	0.56	0.54	0.49	1.46	1.44	1.39
31/08/2012	0.55	0.54	0.52	1.45	1.44	1.42
28//09/2012	0.57	0.56	0.54	1.47	1.46	1.44
Low	0.55	0.53	0.48	1.45	1.43	1.38
Average	0.578	0.5743	0.5668	1.478	1.4743	1.4668
High	0.60	0.60	0.62	1.50	1.50	1.52

Report to the Finance & Performance Management Cabinet Committee

Report reference: FPM-017-2012/13
Date of meeting: 22 November 2012



**Epping Forest
District Council**

Portfolio: Finance & Technology

Subject: Quarterly Financial Monitoring – July to September 2012

Responsible Officer: Peter Maddock (01992 564602).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That the Committee note the revenue and capital financial monitoring report for the second quarter of 2012/13.

Executive Summary

The report provides a comparison between the original estimate for the period ended 30 September 2012 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the second quarter financial monitoring report for 2012/13.

Other options for action

No other options available.

Report:

1. The Committee has within its terms of reference to consider financial monitoring reports on key areas of income and expenditure. This is the second quarterly report for 2012/13 and covers the period from 1 April 2012 to 30 September 2012. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate.

2. Salaries monitoring data is presented as well as it represents a large proportion of the authorities expenditure and is an area where historically large under spends have been seen.

Revenue Budgets (Annex 1 – 9)

3. Comments are provided on the monitoring schedules but a few points are highlighted here as they are of particular significance. The salaries schedule (Annex 1) shows an underspend of £265,000 or 2.7%. This compares to £413,000 or 4.2% at this time last year. This is slight reduction in percentage terms on quarter 1.

4. Within Building Control some posts have been held vacant so that resources can be matched more closely with workload hence the quite large underspend, in percentage terms, reported here. Having said that this only amounts to £19,000 in monetary terms. Although in the previous year the underspend was more significant. There is a substantial saving shown on Office of the Chief Executive. The new Chief Executive joined the Authority from 1 October, there will of course be a one off saving in this year relating to the first half year and also an on-going CSB saving. The acting Chief Executive was accounted for under the Office

of the Deputy Chief Executive hence the slight overspend reported here.

5. Investment interest levels in 2012/13 are below expectation at quarter 2, and significantly below the prior year. There is no obvious sign of rates improving even in the longer term at the moment. Investment returns in the prior year were higher as there were still some longer term deals maturing at better rates than those available now.

6. The Council had received £1.872m of the original £2.5m investment placed with Heritable Bank as at 30 September 2012, this now brings the recovery up to 74.5%. A further payment was due in October though to date hasn't been received. Indications are that the Council can still expect to recover between 86 and 90% of the original investment. The final payment is not due to be received until April 2013.

7. Development Control income at Month 6 is £27,000 below expectations, the shortfall reported at month 3 has continued at the same rate and it is felt likely that this will continue leaving a shortfall at the year end of around £40,000. Generally applications so far this year have been quite small, though pre-application income has exceeded the full year budget already.

8. Building Control income is also down, but by £56,000. Activity in the building industry is at a low level and fewer applications are coming through. Having said that expenditure is also down but not as significantly it is still hoped to at least breakeven on the account though this now looks less certain. There was a cumulative surplus at the end of March 2012 of £94,000 so if there was a small deficit for the year this does not in itself present a problem.

9. Hackney Carriage licensing is in line with expectations, other licensing is ahead of expectations but the timing of renewals can vary from year to year.

10. Income from MOT's carried out by Fleet Operations is below expectations. There were some difficulties whilst the new ramp was installed and income at month 6 is £8,000 below target, There is also a small reduction in expenditure but the surplus made on MOT's has diminished somewhat over the last couple of years and is expected to be below £10,000 this year.

11. Local Land Charge income is below the prior year and above the original estimate which suggests, as last year, income will exceed budget for the year. There is though still significant uncertainty surrounding the future for charging for these services which may or may not be resolved during the financial year.

12. The Housing Repairs Fund shows an underspend of £894,000. However a larger than average proportion of the expenditure is seasonal falling in the winter months. The budgets will be revised shortly and there may be a saving here.

13. Payments to the Waste Management contractor have been in line with expectations and variances are minimal.

14. The budgets are currently being revisited and there are a number of income areas that look likely to fall short of expectations however expenditure, particularly salaries, are likely to underspend by at least as much. This will be taken into account during this process.

Capital Budgets (Annex 10 - 16)

15. Tables for capital expenditure monitoring purposes (annex 10 -16) are included for the six months to 30 September. There is a brief commentary on each item highlighting the scheme progress.

16. The full year budget for comparison purposes is the original budget updated for budgets carried forward from 2011/12 as part of the Provisional Outturn Report considered at the June meeting.

Major Capital Schemes

17. The Limes Farm Hall Development has been completed sometime but the final account is still to be determined, there is a table and related commentary at annex 17.

Conclusion

18. Generally income is a little down on expectations but expenditure is too. Overall at this time it appears unlikely that there will be a significant variance on the estimated addition to reserves for the year.

19. The Committee is asked to note the position on both revenue and capital budgets as at Month 6.

Resource Implications

There is no real evidence at this stage to suggest that the net budget set will not be met, however the economic climate is somewhat volatile and it is difficult to predict what is going to happen in the short to medium term let alone the longer term.

Legal and Governance Implications

Reporting on variances between budgets and actual spend is recognised as good practice and is a key element of the Council's Governance Framework.

Safer, Cleaner, Greener Implications

The Council's budgets contain spending in relation to this initiative.

Consultations Undertaken

This report has been circulated to Portfolio-holders. An oral update will be provided to cover any additional comments or information received from Portfolio-holders.

Background Papers

Various budget variance working papers held in Accountancy.

Impact Assessments

Risk Management

These reports are a key part in managing the financial risks faced by the Council. In the current climate the level of risk is increasing. Prompt reporting and the subsequent preparation of action plans in Cabinet reports should help mitigate these risks.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
None

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?

N/A

SEPTEMBER 2012 - SALARIES

<u>DIRECTORATE</u>	<u>2012/13</u>			<u>2011/12</u>		
	<u>EXPENDITURE</u>	<u>BUDGET</u>	<u>VARIATION</u>	<u>EXPENDITURE</u>	<u>BUDGET</u>	<u>VARIATION</u>
	<u>TO 30/09/12</u>	<u>PROVISION</u>	<u>FROM BUDGET</u>	<u>TO 30/09/11</u>	<u>PROVISION</u>	<u>FROM BUDGET</u>
	<u>£000</u>	<u>(ORIGINAL)</u>	<u>(ORIGINAL)</u>	<u>£000</u>	<u>(ORIGINAL)</u>	<u>(ORIGINAL)</u>
		<u>£000</u>	<u>%</u>	<u>£000</u>	<u>£000</u>	<u>%</u>
OFFICE OF THE CHIEF EXECUTIVE	352	422	-16.6	333	419	-20.5
DEPUTY CHIEF EXECUTIVE *	709	672	5.5	711	712	-0.1
CORPORATE SUPPORT SERVICE DIRECTORATE	1,244	1,258	-1.1	1,263	1,252	0.9
FINANCE & ICT DIRECTORATE *	1,893	1,959	-3.4	1,972	1,951	1.1
HOUSING DIRECTORATE *	2,581	2,699	-4.4	2,501	2,715	-7.9
ENVIRONMENT & STREET SCENE DIRECTORATE *	1,699	1,710	-0.6	1,719	1,747	-1.6
PLANNING & ECONOMIC DEVELOPMENT DIRECTORATE (Less Building Control)	894	898	-0.4	848	906	-6.4
BUILDING CONTROL	108	127	-15.0	124	182	-31.9
TOTAL	9,480	9,745	-2.7	9,471	9,884	-4.2

* Agency costs are included in the salaries expenditure.

Please note a vacancy allowance of 2.50% has been deducted in all directorate budget provisions.

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
Major expenditure items:							
Grants to Voluntary Groups	132	60	66	66	6	10	Grants carried forward from previous years as committed amount to £52,780, of which £35,130 is still outstanding at the end of Quarter 2. Grants approved in the first quarter amount to £60,890 of which £40,390 has been paid out. Grants are paid out on completion of the project, or in stage payments as work is completed for larger applications. It is therefore inappropriate to make comparisons with previous years.
Voluntary Sector Support	167	76	76	76	0	0	The figures include grants to the CAB and VAEF which are paid twice yearly in 50% instalments in April and October. There have been no increases in the contribution to these organisations in 2012/13.
	299	136	142	142			

DIRECTORATE FINANCIAL MONITORING - CORPORATE SUPPORT SERVICES

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
Major expenditure items:							
Building Maintenance	343	102	83	90	-19	-19	The budget profiling has been based on the expenditure pattern for the previous three years, with expenditure for the current second quarter being similar to the previous year. Capital projects are again taking priority. However it is expected that spending will be in line with the budget by the year end.
	343	102	83	90			

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
Major income items:							
Hackney Carriages	179	90	91	89	1	1	The number of applications for driver and vehicle licences for Quarter 2 has remained constant.
Licensing & Registrations	103	52	36	27	-16	-30	The first half of 2012/13 has seen increased levels of fee income compared to the first half of the previous year. The budget is profiled in equal twelfths and does not reflect the cycle of annual renewals which are due in November, but can occur between September and December.
Fleet Operations MOTs	292	137	129	160	-8	-6	MOTs are undertaken by the Fleet Operations Unit at Langston Road depot. There has been a reduction in the number of tests performed at the centre as the local dealerships have started undertaking their own tests, which has significantly affected income.
Local Land Charges	170	88	97	102	9	10	Local Land Charge income is broadly in line with last year and higher than that in the budget to date. There has been additional income from full searches carried out by the Council that has offset the loss of income from personal searches. The issue surrounding the Council's ability to charge a fee for personal searches is still unresolved and ongoing.
	744	367	353	378			

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
<u>Major income items:</u>							
Industrial Estates	940	670	755	658	85	13	Rents from the Industrial units at Brooker Road, Oakwood Hill, Oakwood Hill Workshop units and Langston Road, are above target with the first half year including income billed in advance for the third quarter. The 2012/13 actual includes additional rental income relating to Brooker Road where vacant units have now been let. The expected income level will be exceeded by around £60,000.
Business Premises - Shops	1,780	1,335	1,333	1316	-2	0	This income relates to non housing assets which were transferred from the HRA on 31 March 2011. The assets are shops, a petrol station, public houses and three doctors surgeries. Income is on target, and includes rents billed in advance for the third quarter.
Land & Property	169	52	54	49	2	4	Commission is received from the David Lloyd Centre based on their turnover. The actual is above the same period last year due to an increase in commission receivable. Income relating to 2012/13 will be accounted for at the end of the year, but not received until the mid part of 2013/14.
	2,889	2,057	2,142	2,023			

2012/13 DIRECTORATE FINANCIAL MONITORING - PLANNING & ECONOMIC DEVELOPMENT

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
<u>Major expenditure items</u>							
Forward Planning	586	340	176	8	-164	-48	After a significant period of uncertainty and lack of government direction, work on the new Local Plan has commenced and the consultation period ended. The current expected expenditure in 2012/13 is £767,000, which will be reflected in the Probable Outturn. It is expected that adoption and publication of the Local Plan will occur in April 2014.
	586	340	176	8			
<u>Major income items</u>							
Development Control	571	276	249	304	-27	-10	Development control income which is profiled on a three year average, is significantly lower than the previous year due to a fall in the number of planning applications received. A government proposal to increase fees by 15%, is currently being debated in Parliament, but is unlikely to come into effect before April 2013.
Building Control Fee Earning	528	286	230	287	-56	-19	Building Control fees, which are profiled on the average of the previous three years, are significantly lower than the budget and the first half of 2011/12 due to the reduced level of building activity and applications.
	1,099	562	479	591			

2012/13 DIRECTORATE FINANCIAL MONITORING - FINANCE & ICT

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
<u>Major expenditure items:</u>							
Information Technology	754	641	612	561	-28	-4	Expenditure in the prior year was quite low at this point compared to this year. There were some delays in billing and some maintenance contracts were still being renegotiated in 2011/12.
Telephones	188	103	89	69	-14	-14	Expenditure on telephones in the first half of the year is below budget, but an increase on the previous years actuals. Expenditure on equipment is largely on target, with line rentals and call charges being slightly behind schedule.
Bank & Audit Charges	229	7	5	42	-2	-29	The previous years actual includes the first quarters audit fee. Due to delays in invoicing by PKF, no invoices have been received in the first half of 2012/13.
	1,171	751	706	672			
<u>Major income items:</u>							
Investment Income	561	281	262	337	-19	-7	Investment income is lower than budgetted for and the previous year. There is quite a restricted list of counterparties and lending has generally been fairly short term. Also rates are still extremely low and show no sign of improvement.
	561	281	262	337			

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
<u>Major expenditure items:</u>							
Museum	73	47	39	44	-8	-17	The main variance relates to an underspend on business rates due to the museum no longer requiring the use of 148 Brooker Road

	12/13 Full Year Budget	Second Quarter			12/13 Variance Budget v Actual		<u>Comments</u>
		12/13 Budget	12/13 Actual	11/12 Actual	£'000	%	
	£'000	£'000	£'000	£'000	£'000	%	
<u>Major expenditure items</u>							
Bed & Breakfast Accommodation	88	44	43	10	-1	-2	No major variances in the year. The variance between years is due to an increase in the numbers being supported. This increase is being experienced throughout Essex authorities due in part to the economic crisis and the onset of welfare reforms.
<u>Major income items</u>							
Bed & Breakfast Accommodation	75	47	55	11	8	17	

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
<u>Major expenditure items:</u>							
Refuse Collection	1,469	488	472	454	-16	-3	In both 2012/13 and 2011/12 four months costs are included. The variance therefore relates to the annual inflationary increase.
Street Cleansing	1,333	444	442	421	-2	0	
Recycling	3,166	1,160	1,164	1,417	4	0	No major variances for the year. The variance between years is as a result of the reduction in gate fees.
Highways General Fund	372	53	42	36	-11	-21	The phasing of maintenance on litter bins and bus shelters can vary from expectations due to their ad-hoc nature.
Off Street Parking	471	277	247	272	-30	-11	The variance is due to Contractor payment being one month behind budget.
On Street Parking	229	186	151	172	-35	-19	The variance is due to Contractor payments being one month in arrears. The main variance between years relate to the annual inflationary increase.
North Weald Centre	191	112	116	85	4	4	No major in year variances. The variance between years relates to maintenance and utility costs.
Land Drainage & Contaminated Land	65	23	28	23	5	22	No major variances for the year.
	7,296	2,743	2,662	2,880			

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
<u>Contract cost Monitoring</u>							
Leisure Facilities:-							
Loughton Leisure Centre	-79	-37	-33	5	4	-11	} The in-year variance relates to the Management Fee being one month behind. The difference between years, is due to the management fee being renegotiated for 2011/12 due to the Council investing in the centre. The net result is that the contractor pays the Council to manage the Centre.
Epping Sports Centre	293	119	97	95	-22	-18	}
Waltham Abbey Pool	463	193	159	146	-34	-18	} The major variance relates to the Management Fee being one month behind.
Ongar Sports Centre	287	113	92	97	-21	-19	}
	964	388	315	343			
<u>Major income items:</u>							
Refuse Collection	79	30	36	31	6	20	No Major Variances
Recycling	2,415	880	939	491	59	7	The variance relates to the value of recycling credits being higher than anticipated, and a better than expected settlement from the avoided disposal payment. The difference between years relate to 2011/12 only includes the first quarter, whilst 2012/13 includes five months.
Off Street Parking	1,013	438	424	468	-14	-3	} The variance relates to Penalty Charge Notices (PCNs) income being below expectations.
On Street Parking	284	273	271	242	-2	-1	}
North Weald Centre	1,374	801	774	785	-27	-3	Rental income is down due to tenants awaiting new leases from Estates Management before clearing arrears.
	5,165	2,422	2,444	2,017			

	12/13 Full Year Budget £'000	Second Quarter			12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	11/12 Actual £'000	£'000	%	
<u>Major expenditure items:</u>							
Management & General	314	156	108	79	-48	-31	Expenditure is quite low at the end of quarter 2 but not significantly different from expectations in monetary terms. It is a little difficult to predict expenditure patterns ahead of the financial year however overall expenditure in both years is expected to be similar.
Housing Repairs	5,847	2,891	1,997	1,897	-894	-31	The underspend mainly relates to the responsive repairs and void area of the repairs fund. The budget is profiled evenly across the year, as it is unknown when these items will arise.
Special Services	825	374	247	280	-127	-34	The main areas showing an underspend are: heating; lighting; and tree felling (where expenditure is waiting to go through), other maintenance and equipment new. The variance between years, is from the reduction in gas and electricity budgets where Ninefield residents now have their own meters.
Interest on Loans	6,312	3,156	2,773	-	-383	-12	When the budget was set an interest rate of around 3.39% was used on the total borrowings of £186m. When it came to arranging the loans it was agreed that £30m would be taken out at a variable rate of 0.62%. This accounts for the difference reported.
	13,298	6,577	5,125	2,256			
<u>Major income items:</u>							
Non-Dwelling Rents	890	445	439	444	-6	-1	There are no major variances within the year.
Gross Dwelling Rent	29,088	14,544	14,586	13,736	42	0	The variance is due to a lower than expected number of void's
	29,978	14,989	15,025	14,180			

2012/13 DIRECTORATE CAPITAL MONITORING -
CORPORATE SUPPORT SERVICE

ANNEX 10

	12/13 Full Year Budget £'000	Second Quarter		12/13 Variance Budget v Actual		<u>Comments</u>
		12/13 Budget £'000	12/13 Actual £'000	£'000	%	
Planned Maintenance Programme - Council Office Works	334	123	81	-42	-34	This covers all projects being undertaken at the Council offices within the Planned Maintenance Programme, including energy efficiency schemes. Several schemes are now complete at the civic offices including the extension of the CCTV security system, the upgrade of the toilets in the condor building, a new lighting and ceiling system in the condor corridors, new barriers in the car park, and the provision of fall arresting equipment in the roof void. The new surface on the flat roof over the reception area of the Hemnall Street offices is also complete. In addition, work has commenced on several other schemes and all schemes in the programme are expected to be finished by the end of the financial year. Further details on individual projects are given in the Five Year Planned Maintenance Review presented to Cabinet on 22 October 2012.
Planned Maintenance Programme - Other Works	119	17	16	-1	-6	This section covers all other capital projects carried out as part of the Council's Planned Maintenance Programme. The new Epping Sports Centre roof is now complete and all expenditure has been processed with the exception of a small amount of staff time which will be recharged at the year-end. The other schemes include resurfacing the yard at Townmead depot; constructing a disabled ramp and carrying out capital repairs to flat roof surfaces at the control tower at North Weald Airfield; and undertaking environmental improvement works at the shops in Upshire Road, Waltham Abbey. It is anticipated that these schemes will be finished by the end of the financial year.
Other Capital Investments	530	58	60	2	3	The largest budget in this category is £313,000 set aside for the upgrade of the industrial units at Oakwood Hill. However, work will not commence on this scheme until next year and it was agreed to carry forward the full allocation as part of the Capital Review. Other allocations include £24,000 for the new vehicle lift which has been installed to increase the capacity for MoT Testing; £112,000 for new developments including feasibility works on the Langston Road Redevelopment project for which an additional approved sum of £44,000 has now been included; £36,000 for feasibility works on the roof at Waltham Abbey Swimming Pool for which a structural survey has been commissioned at an estimated cost of £10,000 and the remaining £26,000 has been identified as a saving; £35,000 for a new property management system which has not been purchased to date; and £10,000 for solar energy panels which is being carried forward pending further review.
Total	983	198	157			

2012/13 DIRECTORATE CAPITAL MONITORING -
FINANCE & ICT.

ANNEX 11

	12/13 Full Year Budget £'000	Second Quarter		12/13 Variance Budget v Actual		<u>Comments</u>
		12/13 Budget £'000	12/13 Actual £'000	£'000	%	
		ICT Projects	433	83	80	
Total	433	83	80			

	12/13 Full Year Budget	Second Quarter		12/13 Variance Budget v Actual		Comments
		12/13 Budget	12/13 Actual	£'000	%	
	£'000	£'000	£'000			
Waste Management Equipment & Vehicles	1,192	61	19	-42	0	This includes an original budget of £1,070,000 to replace 7 vehicles consisting of 5 freighters and 2 sweepers. The 5 freighters are expected to be delivered in January 2013 and the 2 sweepers will be tendered for and delivered by the end of the current financial year. The remaining budget of £122,000 was allocated for the provision of new waste and recycling containers; slippage of £62,000 has been estimated and recommended as a carry forward into 2013/14 as part of the Capital Review.
Bobbingworth Tip	27	0	0	0	0	The Bobbingworth Tip restoration and remediation works at the site are complete and the remaining budget of £27,000 has been transferred to the flood alleviation budget as part of the Capital Review.
Parking Reviews	398	0	-12	-12	0	Epping parking review is now finished and savings are anticipated; any such underspend will be addressed once all outstanding payments are made. The Buckhurst Hill parking scheme, which has a budget of £192,000, is planned to commence before the end of the current financial year with the parking scheme at Loughton to follow. The Capital Review has recommended that, for the two schemes, a total slippage of £355,000 be carried forward in 2013/14.
North Weald Airfield	137	20	15	-5	-25	A schedule of capital improvement works to be carried out at North Weald Airfield has been jointly agreed with the market operators; this work is fully funded from contributions made by the market operators. At present, expenditure is broadly in line with budget expectations, however a small carry forward of £7,000 into 2013/14 was requested in the Capital Review. Additionally, a supplementary capital estimate of £15,000 was requested in the Capital Review for the purchase of a second hand vehicle to use at North Weald to replace the current vehicle. If approved, this will be funded by the Council and will be used to continue effective and efficient operations at North Weald.
Other Environmental works	72	0	-3	-3	N/A	The negative actual expenditure relates to an ongoing sundry creditor. The budget of £72,000 has been set aside for work associated with flood alleviation schemes and plans are currently in hand to purchase a vehicle with specialist equipment. Other capital works relating to flood alleviation have also been assessed and additional financing has been requested by means of a virement from savings on the Bobbingworth Tip project within the Capital Review.
Grounds Maintenance Vehicles	154	139	135	0	0	All new mowers which replaced previously leased vehicles have now been purchased within the approved budget of £124,000. The remaining budget of £30,000 represents the on-going vehicle and equipment replacement programme which has been in place for many years. As part of the Capital Review this element of the budget has been increased by £20,000 to £50,000. The £50,000 includes the original sum of £30,000, plus £3,000 brought forward from 2013/14; £12,000 from the trade-in of an old tractor; and £5,000 from revenue contributions. The full year budget for grounds maintenance vehicles will therefore be increased to a total of £174,000 following the call-in period.
Total	1,980	220	154			

	12/13 Full Year Budget	Second Quarter		12/13 Variance Budget v Actual		<u>Comments</u>
		12/13 Budget	12/13 Actual	£'000	%	
	£'000	£'000	£'000			
Limes Farm Hall Development	1	1	1	1	69	See comments on the major schemes schedule.
Waltham Abbey All Weather Pitch	495	18	8	-10	-54	Construction of the new astroturf pitch at Waltham Abbey has now begun although is in the initial stages. The site has been fully set up and excavations are nearly complete. The project is on schedule and thus is anticipated to be completed within 16 weeks. Although expenditure is lower than the budget so far, due to the majority of the works commencing in quarter 3, a payment of £71,000 is pending having been approved at the end of October.
Waltham Abbey Regeneration	107	34	30	-4	-11	The Regeneration Initiative consists of a number of projects managed and procured by Waltham Abbey Town Council. Two projects were completed in 2011/12 and one more has been completed so far this financial year; this being the renovation of the toilet block at Quaker Lane. The cost of this latest project was £30,000 and the payment was made in July 2012, which will put expenditure more in line with budget expectations. The remaining schemes are expected to be completed by the end of the financial year.
Total	603	53	39			

	12/13	Second Quarter		12/13		<u>Comments</u>
	Full Year	12/13	12/13	Variance		
	Budget	Budget	Actual	Budget v Actual		
	£'000	£'000	£'000	£'000	%	
Loughton Broadway Works TCE	10	0	0	0	0	The work on the Loughton Broadway Town Centre Enhancement Scheme is complete and the 12 month defect period has come to an end.
Loughton Broadway CCTV	97	82	83	1	1	The works for the installation of new CCTV systems and the enhancement of existing systems started in April 2012 and is now complete. It is anticipated that the budget will be underspent by approximately £14,000.
Total	107	82	83			

	12/13 Full Year Budget £'000	Second Quarter		12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	£'000	%	
Home Ownership Schemes	724	107	107	-0	-0	The Open Market Shared Ownership Scheme, under which the Council provides interest-free loans to B3Living (formerly Broxbourne Housing Association) to enable first time buyers to purchase properties on the open market, currently consists of two phases Phase one is almost complete and, due to its success, the implementation of phase 2 has been agreed by the housing portfolio holder. However expenditure is unlikely to occur on phase 2 this year and therefore it was recommended in the Capital Review to carry forward £350,000. If this proves to be successful as well, an option of a third phase would be considered in a separate report at a future date.
Contributions to Affordable Housing	372	0	0	0	0	This allocation was brought forward from 2011/12 having originally been allocated to Contributions to Affordable Housing. In the Capital Review it has been recommended to carry forward the full budget of £372,000 into 2014/15 with a view to providing a possible allocation for phase 3 of the Open Market Shared Ownership Scheme, should this be appropriate.
Disabled Facilities Grants	476	238	65	-173	-72	To date, expenditure on Disabled Facility Grants has been low in 2012/13 due to the reduced number of referrals received at the end of 2011/12. Since then, however, referrals have increased as more occupational therapist time has been made available through the introduction of a dedicated work team. This should have a positive impact on referrals for the remainder of the year and thus expenditure is expected to increase. Two large grants, totalling £30,000 each have been approved in the current financial year with another 3 in the pipeline to be approved and completed by 31 March 2013. In addition there are the regular jobs that will be approved and completed within the current financial year. Although expenditure is expected to increase, the full £476,000 is unlikely to be spent. Consequently, a virement of £22,000 has been proposed as part of the Capital Review to assist other private sector grants and a saving of £144,000 has been recommended.
Other Private Sector Grants	387	194	96	-98	-51	The new Housing Assistance policy came into effect from 1 July 2012. The major conditional change is that all discretionary financial assistance is now repayable upon the sale or transfer of property. To date, expenditure has been down but it is expected to increase over the next 2 quarters. Increased publicity and positive communication of the benefits of the assistance is expected to provide a positive outturn by year end. There is also a virement proposed as part of the Capital Review of £22,000 to small works assistance.
Housing Estate Off Street Parking	1,027	129	36	-93	0	Off street parking schemes on council housing estates are jointly funded between the General Fund and the HRA. Although work has commenced on the second phase of three parking schemes, expenditure has been low to date. A report is due to be presented to Cabinet later this year to seek approval for future schemes. In light of this report it has been recommended as part of the Capital Review to move part of the budget into the next two years, moving £419,000 to 2013/14 and £350,000 to 2014/15.
Total	2,986	668	304			

	12/13 Full Year Budget £'000	Second Quarter		12/13 Variance Budget v Actual		<u>Comments</u>
		12/13 Budget £'000	12/13 Actual £'000	£'000	%	
Windows/Roofing / Asbestos / Water Tanks	2,936	1,378	947	-431	-31	The budgets for windows, roofing, front doors, water tanks and asbestos removal were increased significantly in this financial year. However, it has been estimated that the increased workload cannot be met and slippage is expected. It had been estimated that the slippage for windows and front doors was £400,000 however expenditure on windows has increased in the second quarter. Slippage estimates for the roofing budget is £400,000 and the communal water tank renewal is £157,000. Thus it was recommended in the Capital Review that a total of £957,000 be carried forward into 2013/14 for the programmes. The additional funds required for the windows programme will be addressed as part of the Capital Strategy. Work on asbestos removal is unpredictable as it is demand led and new regulations have recently come into effect. Initial indications suggest expenditure will increase in the second half of the year and therefore additional funds may be required to fund the scheme. It has been recommended in the Capital Review that a total amount of £80,000 be vired over to asbestos works from the underspend on dr
Heating/Rewiring	2,683	1,342	1,081	-260	-19	Overall, expenditure in this category is slightly lower than expected. The main reason for this is that electrical testing undertaken so far this year has generally resulted in minor electrical capital works being undertaken rather than complete rewires. Expenditure is being monitored and is expected to pick up later on in the year. New heating upgrades are on target and the programme to replace open flued appliances with room sealed boilers is well underway.
Housing Developments	367	0	0	0	0	Capital expenditure on new house building schemes is not anticipated until the development agent commences work in January 2013. The development agent will assist in formulating a house building strategy; carrying out a feasibility study; and submitting a Homes & Communities Agency partnership status application on behalf of the Council. The budget for this was an approximation and a carry forward of £90,000 into 2013/14 has been agreed as part of the Capital Review. The budget for Pyrles Lane was brought forward from 2011/12 for a potential development.
Other Planned Maintenance	616	258	89	-169	-65	This category includes communal TV upgrades, energy efficiency measures, door entry systems, Norway House improvements and Works Unit vehicle replacements. Although, the communal TV upgrade programme has now been completed, the other budgets are underspent. The reduced work on drainage is due to a transfer of responsibility to the water authorities. This has generated a saving of £80,000 which has been suggested in the Capital Review to be vired over to asbestos works. There is likely to be slippage on the budgets for door entry systems and energy efficiency works in 2012/13 and thus carry forwards of £142,000 and £136,000 were suggested in the Capital Review.
Total Planned Maintenance c/f	6,602	2,978	2,117			

	12/13 Full Year Budget £'000	Second Quarter		12/13 Variance Budget v Actual		Comments
		12/13 Budget £'000	12/13 Actual £'000	£'000	%	
Total Planned Maintenance b/f	6,602	2,978	2,117			
Kitchen Replacements	2,815	808	668	-139	-17	Properties requiring kitchen replacements are identified from ongoing Stock Condition Surveys following the completion of the Decent Homes Initiative in 2010. The volume of planned work for this financial year has been reduced due to kitchen installations undertaken through the voids process, tenant refusals and kitchens that are on-hold pending arrangements to settle outstanding rent arrears. Kitchens due for replacement in future years have been brought forward for completion in this financial year, however, overall expenditure is lower than expected and it has been recommended that £1,200,000 be carried forward into 2013/14. Work on identifying properties for inclusion in future kitchen replacement programmes is currently underway through planned Stock Condition Surveys. It should also be noted that the current contract for Kitchen Replacements will be up for renewal early in 2013.
Bathroom Replacements	1,355	250	27	-223	-89	Bathroom replacements also are identified from ongoing Stock Condition Surveys and the current need for complete bathroom replacements, despite using the Decent Homes Plus criteria, is very low. This has resulted in a significant reduction in expenditure for this financial year, however, repairs and maintenance of the non-standard bathrooms on the Limes Farm estate is problematic and a programme of upgrades and replacement is planned. Despite this, a significant under spend is anticipated and thus it has been recommended that £855,000 be carried forward in the Capital Review to 2013/14.
Council Estate Parking & Other Environmental Works	1,334	667	107	-560	-84	The largest project in this category is the Off Street Parking schemes on council owned land. Work has commenced on the second phase of three parking schemes and, following slight design changes and planning approval, the works are now being completed under-budget it is proposed that to allow for slippage, £436,000 be carried forward into 2013/14 and £364,000 into 2014/15. A report on the outcome of the current schemes and future Off Street Parking schemes is also due to Cabinet in December.
Void Refurbishments & Other Small Works	887	444	587	143	32	Void workload is demand led and predicting the quality and condition of void properties is notoriously difficult. Although expenditure is low at the moment, a rise is expected because a number of affordable housing developments are due to be completed shortly which is likely to result in an increase in void Council properties. The budget will be monitored and any amendments will be addressed via the Capital Strategy.
Structural & Other Works	740	366	280	-86	-24	The Council is monitoring a number of properties that are suffering with significant structural movement. Expenditure is not quite in line with the budget but the Council does not insure for subsidence, it is anticipated that expenditure will pick up against this budget.
Disabled Adaptations	414	207	223	16	8	Although expenditure on disabled adaptations in council dwellings is slightly over the half year budget, it is expected that the budget will not be exceeded in the current financial year as there is an additional allocation for disabled adaptations within the Service Enhancement budget. This allocation is currently held within the Revenue budgets but will be transferred into the capital Budgets for the next monitoring report.
Garages	42	21	1	-20	-95	The budget for garages is expected to be fully utilised within the current financial year.
Total HRA	14,189	5,741	4,010			

2012/13 LIMES FARM HALL DEVELOPMENT										
Original Start Date	Original Finish Date	Actual Start Date	Actual Finish Date	Original Project Cost	Supplementary Estimates	Approved Budget	Actual Exp To Date	Anticipated Outturn	Variance to Original Cost	Variance to Approved Budget
				£'000	£'000	£'000	£'000	£'000	%	%
Mar-11	Aug-11	Apr-11	Feb-12	1,062	0	1,062	1,061	1,062	0%	0%

Limes Farm Hall dates back to the 1970s and is located in the centre of the Limes Farm Estate in Chigwell. The Council owns the hall and has managed it since 1 April 2009 following 11 years of management by Chigwell Parish Council. At the time the hall was transferred back to EFDC, it was functional but was in need of significant investment to modernise and improve it both internally and externally. It also required a complete roof replacement. Having consulted with local residents and a range of partners it was agreed that Limes Farm would benefit from the provision of centralised multi-agency services.

Once the consultation exercise was completed, meetings were held on a regular basis with the partners to discuss potential future provision as a multi-agency hub both in terms of delivery at the site and outreach delivery across the estate. This resulted in a firm commitment from West Essex PCT (now known as SEPT - South Essex Partnership Trust) who were keen to transfer their clinic services to the central location from elsewhere on the estate and Essex County Council who were interested in extending their existing Children's Centre activity. It was agreed that the Council's Housing Service would transfer from a converted flat to the new facility and that the Housing Benefits Service would open a new service from Limes Farm to meet external Audit recommendations to improve access. Other partners involved in the development of the plans include the Limes Farm Community Association, Chigwell Parish Council, Limes Farm Infant and Junior Schools, East Potential and the Grange Farm Trust.

Following a development period of several months, a feasibility study was commissioned to produce a range of options and Cabinet agreed on a scheme to refurbish the existing hall and extend to the front and rear, which would double the size of the building. Following the tender process the building contract was awarded to Beardwell Construction in March 2011 and initial project meeting commenced immediately. At the beginning of the construction a delay of three weeks was experienced due to issues with asbestos removal from the site and then further delays were due to issues with steelwork fabrication and the installation of new electrical power cables by UK Power Network. The works were however complete by February 2012 and the Hall opened for business on 20th February.

The new building is of a high level specification and the construction works are seen as good value for money based on the final price of the contract. However, a significant amount of snagging still remains which has been held up due to the Council seeking Counsel's advice in respect of a legal challenge to the project management consultants responsible for the development.

The final account is still subject to negotiations but it is now thought that the actual cost of the scheme will be higher than the original project estimate. To date, the Council has accounted for the two outstanding retentions totaling £26,000 due to Beardwell Construction and Norfolk Property Services Group as at 31 March 2012 by way of sundry creditors. Any settlement in excess of this total will represent an increase on the anticipated outturn and approved budget figures given in the table above. A contingency sum of £40,000 has been requested within the Capital Review which represents the maximum additional funding required as the Council is hoping that the final account settled will be lower than the final account submitted. This contingency is excluded from the above figures pending approval. Payment arrangements are also under negotiation but the full settlement will not be paid until all outstanding snagging items have been completed satisfactorily. It is anticipated that the final account and report will be presented to Cabinet on 4 February 2013.

With regard to funding, a competitive application to the Essex County Council Extended Schools fund was successful which secured a financial grant of £270,000 towards the project. This grant has been applied in full to the capital works and the Council is financing the shortfall.

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Report to Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report reference: FPM-018-2012/13
Date of meeting: 22 November 2012

Portfolio: Finance and Technology

Subject: Fees and Charges 2013/14

Responsible Officer: Peter Maddock (01992 564602)

Committee Secretary: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) That the Committee consider the proposed increases to fees and charges for 2013/14, and note that the September Retail Prices Index increase (2.6%) has been used as a guide.

Executive Summary

The report provides information on the fees and charges that the Council levies and what scope if any there is to increase particular charges.

Reasons for Proposed Decision

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

Other options for action

There are a number of areas where the Council has discretion on the level of fees and charges that it sets. There are many possible options open to the Council ranging between no increase to any fees at all up to applying quite large increases where possible. However the proposals in this report are felt to be the most appropriate at this time.

Report:

1. As part of the budget setting process the level of fees and charges are considered for the forthcoming financial year. The recent Medium Term Financial Strategy identified the need for General Fund net savings of £250,000 in 2013/14 and any additional income from Fees and Charges referred to in this report will assist in achieving that target.

Deputy Chief Executive

2. There are a number of fees and charges within this area such as New Horizons, Sports Development and Lifewalks. It is proposed that these be increased by 2.6%. The rate of inflation as measured by the retail prices index in September.

Finance and ICT

3. Income within this Directorate is primarily in the form of Government Subsidies related to Housing Benefit Expenditure and as such is outside the scope of fees and charges.

Corporate Support Services

4. There are several sources of income to this Portfolio, Industrial Estate Rents, Local Land Charges, income from MOT's and Licensing Fees.
5. Industrial Estate Rents are not subject to annual increases as they are negotiated for a period of time before each lease is entered into. The level at which rents can be agreed is influenced by the general state of the economy and the availability of other properties.
6. The situation regarding Land Charge income is still very uncertain following the introduction of the Local Land Charges (Amendment) Rules 2010. The charge for a full search should be set based on the costs incurred providing the information. The current costs are broadly in line with the fee charged. The account itself is in deficit due to non chargeable activities and the fact that personal searches are free but there is a cost attached to dealing with enquiries.
7. MOT income is subject to a maximum charge set by the Vehicle Operating Service Agency (VOSA). The Council's fee is set below this level and it is felt that this has generated additional trade. The fee is usually increased by a similar amount when the VOSA increase the maximum. However given the reductions in income seen it is felt an increase may well be counter productive.
8. With regard to licensing, the Local Government (miscellaneous provisions) Act 1976 allows Authorities to set fees on the basis of reasonable cost recovery in relation to Hackney Carriage Operators and Vehicle Licences. It is proposed that these charges be frozen at current levels.
9. With regard to other forms of licensing, some fall under the 2003 Licensing Act and this prescribes the level of fee that can be levied. Others though can be varied subject to a maximum level or can be levied on a cost recovery basis. Licence Fees are generally below the prescribed level and do not recover the cost of provision, in some cases quite significantly. It is therefore felt that these should be increased where appropriate. Details of these fees are shown in Appendix 1.
10. There are also a number of Licence fees that the Council needs to set in case an application were to come forward. In most cases these are set at or near to the maximum allowable under the Gambling (Premises Licence Fees) Regulations 2007 and are found in Appendix 3.

Planning and Economic Development

11. The main income areas within this portfolio are Development Control, pre-application charges and Building Control fees.
12. Development Control fee levels are controlled by Central Government. It has been announced that an increase of 15% is proposed in recognition of the inflation experienced since 2008 when fees were last increased. It is not clear when this change will be implemented.
13. With regard to pre-application charges that apply to major applications, it is proposed that these be left at current levels. Take up has improved this year and the budget of £6,000 set has been exceeded by around £10,000 already.
14. Building Control Fees are income to the ring-fenced Building Control Charging Account and therefore do not affect the General Fund directly. Current fee levels are felt to be reasonable and the account is expected to end up around break even. The account holds a cumulative surplus at the end of March 2012 was around £94,000 and given that the account will still be in surplus by the end of March 2013 and that the section work in a competitive environment it is felt an increase at this time would be counter productive.

Environment and Street Scene

15. The level of Car Parking fees is currently under review with particular emphasis on looking at longer stay charges. A full report on Parking Fees is proposed and they are therefore excluded from this exercise.

16. Other fee income is in the form of various Environmental Health and Waste Management related charges. It is proposed to apply an increase to these particularly as in the case of bulk waste collections the cost to the Council will increase as the contract price increases annually. The proposed fee structure is set out in Appendix 1. The Council no longer operates a pest control contract and members of the public deal with whichever contractor they wish directly. There are therefore no longer any fees and charges to review.

17. There is also a need to set the fee for Zoo Licences as again there needs to be a fee in place should any application come forward. The proposed fee is shown on Appendix 1

18. The general uplift for fees and charges related to the Leisure Centres is specified as being in line with the retail prices index within the leisure contract. If there is any variance from this the contractor has to agree this with the Council in advance of the increase.

19. Although the Council does not provide a trade waste service itself it does need to ensure that a service is available should traders require it. Currently all traders go directly to service providers and deal with them. If a trader was to come to the Council for such a service the Council would arrange for SITA to carry out the trade waste collection at a charge currently of £13.00 per collection it is proposed that this be increase to £13.50. Similarly the fee charged to schools etc. be increased from £8.00 to £8.50.

Housing

20. The Schedule of proposed Housing-Related Fees and Charges for 2013/14 is shown at Appendix 2, which also lists the fees and charges for the current year for comparison.

21. Generally, it is recommended that the majority of fees and charges be increased by RPI of 2.6% - rounded up or down as appropriate. However, in view of the current economic conditions and the hardship faced by many residents at present, the Housing Portfolio Holder wishes to recommend to the Cabinet Committee that a number of Housing-Related Fees and Charges be frozen for 2013/14. Those charges which the Housing Portfolio Holder recommends be frozen for next year are shaded grey on the attached schedule.

22. There are also a couple of charges that are recommended to remain at the same, rounded, amount for administrative ease (i.e. the file copying charge and the charge for dishonoured cheques).

Conclusion

23. Where it can be justified some increases are proposed with 2.6%, the September RPI figure, being used as a guide. However there are increasingly regulations in certain areas preventing this course of action. The expected additional income to the General Fund and Housing Revenue Account as a result of this will be reported at the meeting.

Resource Implications:

Additional Income to the General Fund and HRA.

Legal and Governance Implications:

Agreeing inflationary increases well in advance of the financial year concerned enables the budget to be prepared on a sound basis and also gives ample time to communicate fee

increases to the users of the services concerned.

Safer, Cleaner, Greener Implications:

The Council's budgets contain spending in relation to this initiative.

Consultations Undertaken:

Consultations have been undertaken with various spending officers from directorates.

Background Papers:

Working papers held in Accountancy.

Impact Assessments:

Risk Management

With all fees and charges there is a risk that increasing fees could actually reduce total income. It is difficult though to predict the exact effect of a price increase on any particular fee levied.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
None

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A

Individual Directors will have performed equalities impact assessments on their own services and fees and charges. The main risk in changing fees and charges is the uncertainty over how service users will respond. This makes it difficult to predict the exact budgetary effect of any given change.

Environment & Street Scene and Corporate Support Services

Appendix 1

Proposed fees & charges for 2013/14

Service area	2012/13		Proposed 2013/14		Notes
	Application/ Event	Renewal	Application/ Event	Renewal	
Environmental Health					
Training					
Basic food hygiene course	£60.00		£60.00		
Basic health & safety course	£50.00		£50.00		
Animal welfare					
Animal boarding	£292.00	£200.00	£292.00	£200.00	
Dog breeding	£292.00	£200.00	£292.00	£200.00	
Pet Animals Act	£292.00	£200.00	£292.00	£200.00	
Dangerous wild animals	£638.00	£433.00	£638.00	£433.00	
Riding establishment	£638.00	£536.00	£638.00	£536.00	
Stray dog	£77.00		£77.00		Plus £11.00 per day for kennel costs etc
Zoo's			£515.00		Plus Vet Fees
Licensing.					
Hackney Carriage/Private Hire					
Annual Vehicle Licence	£277.00	£277.00	£277.00	£277.00	Subject to Statutory consultation
Annual Driver's Licence	£88.00	£88.00	£88.00	£88.00	Subject to Statutory consultation
Vehicle plate	£30.00		£30.00		Initial fee, refundable on return
Driver badge	£10.00		£10.00		
Drivers Test	£40.00		£40.00		Refundable if 2 days notice of cancellation given
Drivers re-sit of test	£21.00		£21.00		Refundable if 2 days notice of cancellation given

Service area	2012/13		Proposed 2013/14		Notes
	Application/ Event	Renewal	Application/ Event	Renewal	
Private Hire Operators					
Annual operator licence (1 vehicle only)	£36.00		£36.00		Subject to Statutory consultation
Annual Operators (> 1 vehicle)	£136.00		£136.00		Subject to Statutory consultation
Plate exemption	£88.00	£88.00	£88.00	£88.00	
Miscellaneous					
Special treatment premises	£119.00		£150.00		
Special treatments person	£64.00		£80.00		
Small Society Lotteries	£40.00	£20.00	£40.00	£20.00	Set by Statute
Sex Shops and Cinemas	£441.00	£441.00	£500	£500	
Sexual Entertainment Venues -	£3,300	£1,650.00	£4,000	£2,000	
Street Trading Consents	£330.00	£330.00	£355.00	£355.00	If not successful at sub-committee then half fee refunded
Licensing Act 2003					All fees set by statute based upon premises rateable value plus occupancy for premises holding more than 5,000 people. Personal licences valid for 10 years EFDC cannot amend these charges, therefore not included in this table

Gambling Act 2005

Betting Premises	New application		Annual fee		Variation, Transfer, Re-instatement	
	Current	Proposed	Current	Proposed	Current	Proposed
Betting premises (not tracks)	£350.00	£375.00	£320.00	£340.00	£231.00	£256.00

Betting Premises	Licence copy		Notification of change	
	Current	Proposed	Current	Proposed
Betting premises (not tracks)	£27.00	£28.00	£27.00	£28.00

Waste management

Bulky household waste

Item	Current	Proposed	Notes
1 to 3 items	£26.00	£27.00	50% concession for pensionable age
4 to 7 items	£32.00	£33.00	50% concession for pensionable age
8 to 10 items	£45.00	£47.00	50% concession for pensionable age
11 to 15 items	£53.00	£56.00	50% concession for pensionable age
More than 15 items	Assessment	Assessment	50% concession for pensionable age

Trade waste

Item	Current	Proposed	Notes
Commercial properties (per collection)	£13.00	£13.50	Service provided on request
Schools and Community premises (per collection)	£8.00	£8.50	Service provided on request

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Fees and Charges 2013/14 - HOUSING RELATED SERVICES

Service	2013/14		2012/13		VAT
	Amount	Period	Amount	Period	
Communal Halls:					
Pelly Court Hall, Epping	£9.45	per hour	£9.45	per hour	
Oakwood Hill Hall, Loughton	£132.00	per annum	£132.00	per annum	
Barrington Hall, Loughton	£7.65	per session	£7.65	per session	
Hire of Halls for Elections	£83.40	per day	£81.30	per day	
Guest Rooms - Sheltered Housing	£8.45	per person per night	£8.25	per person per night	Y
Telecare Packages:					
Alarm and up to 4 sensors (Monitoring only)	£95.30	per annum	£95.30	per annum	Y
Monitoring of additional sensors (per sensor)	£10.00	per annum	£10.00	per annum	Y
Monitoring of alarms for other organisations (per speech module)	£95.35	per annum	£95.35	per annum	Y
Large Button Telephone	£20.50	per telephone	£20.50	per telephone	
Leasehold Vendors' Enquiries	£134.25	per enquiry	£130.85	per enquiry	Y
Certificates of Buildings Insurance - Leaseholders	£42.75	per copy	£41.65	per copy	Y
Hardstandings	£29.10	per annum	£28.35	per annum	Y
Scooter Stores:					
Rental	£3.70	per week	£3.70	per week	
Electricity	£1.90	per week	£1.90	per week	
Dishonoured cheques	£25.00	per cheque	£25.00	per cheque	
Homeless Hostel Accommodation:					
One Room	£44.10	per week	£43.00	per week	
Two Rooms	£68.85	per week	£67.10	per week	
Three Rooms	£92.75	per week	£90.40	per week	
Chalets	£80.35	per week	£78.30	per week	
Bed and Breakfast Accommodation (Contracted rates):					
Single Room	£38.15	per night	£33.32	per night	
Double Room	£50.23	per night	£48.87	per night	
Mortgage references	£39.10	per enquiry	£38.10	per enquiry	Y
Request for covenant approval	£62.45	per request	£60.85	per request	Y
Licences for vehicular access across housing land	£103.95	per annum	£101.30	per annum	
Condition surveys to respond to Party Wall Act Notices	£70.60	per Notice	£68.80	per Notice	Y
Copies of Structural Reports on RTB Properties	£35.00	per report	£34.15	per report	Y
Replacement Door Entry and Suited Keys	£13.15	per key	£12.80	per key	Y
Garage rents:					
Tenants	£7.90	per week	£7.90	per week	
Non-tenants	£7.90	per week	£7.90	per week	Y
Small Land Sales Valuation Charge	£342.50	per sale	£334.00	per sale	Y
File Copying Charge	£10.00	per request	£10.00	per request	Y
Valuation & Legal Charge - Re-sale of RTB Property within 5 years / Sale of property to EFDC within 10 years	£345.00	per application	£336.00	per application	Y
Consideration of Right to Re-purchase Former RTB Property within 10 years of Original Purchase	£60.00	per application	£58.45	per application	Y

Careline Service to Home Group for Wickfields sheltered housing scheme, Chigwell	£227.00	p/a per speech module	£221.00	p/a per speech module	Y
Caring And Repairing in Epping Forest (CARE) Fees:					Y
Disabled facilities grants (DFGs)	15%	of works cost	15%	of works cost	
Decent Homes Repayable Assistance	15%	of works cost	15%	of works cost	
Empty Homes Repayable Assistance	15%	of works cost	15%	of works cost	
Small Works Repayable Assistance	10%	of works cost	10%	of works cost	
Licences - Houses in multiple occupation:					
3 storey HMO with up to 5 units of accommodation	£646.00	per licence	£630.00	per licence	
Additional units of accommodation	£60.00	per additional unit	£58.00	per additional unit	
Landlord Accreditation Scheme for Student Accom.					
Bed-sit	£50.00	per property accredited	£50.00	per property accredited	
1-2 bedroom flats	£100.00	per property accredited	£100.00	per property accredited	
House/bungalow with up to 6 bedrooms	£150.00	per property accredited	£150.00	per property accredited	
3 storey houses (non-licensable)	£175.00	per property accredited	£175.00	per property accredited	
Sewerage charges for individual sewerage systems	2.6%	Increase in all charges	5.2%	Increase in all charges	
Use of Jessopp Ct Lounge by Essex CC as a Day Centre	£9,250.00	per annum (wef 12.7.13)	£9,000	per annum (wef 12.7.12)	
Lease for Jessopp Ct Office to Family Mosaic	£4,100.00	per annum (wef 24.10.13)	£4,000	per annum (wef 24.10.12)	

(#) The majority of recipients of Telecare packages are over 60 years of age and have been given VAT exemptions. However, some do pay VAT on their charges.

General percentage uplift for next year	2.6%	Fees shaded in grey are recommended to be frozen for 2013/14
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Gambling Act 2005 - Premises Licences currently not granted within the District

Appendix 3

	New application		Annual fee					
	Current	Proposed	Current	Proposed				
New small casino	£5,000	£5,000	£5,000	£5,000				
New large casino	£10,000	£10,000	£10,000	£10,000				
Regional casino	£15,000	£15,000	£15,000	£15,000				
Bingo club	£350.00	£500.00	£350.00	£500.00				
Tracks	£350.00	£500.00	£350.00	£500.00				
Family entertainment centres	£350.00	£500.00	£350.00	£500.00				
Adult gaming centre	£350.00	£500.00	£350.00	£500.00				
	Application to vary		Application to transfer		Application to re-instate		Application for provisional statement	
New small casino	£4,000	£4,000	£1,800	£1,800	£1,800	£1,800	£8,000	£8,000
New large casino	£5,000	£5,000	£2,150	£2,150	£2,150	£2,150	£10,000	£10,000
Regional casino	£7,500	£7,500	£6,500	£6,500	£6,500	£6,500	£15,000	£15,000
Bingo club	£231.00	£350.00	£231.00	£350.00	£231.00	£350.00	£231.00	£350.00
Tracks	£231.00	£350.00	£231.00	£350.00	£231.00	£350.00	£231.00	£350.00
Family entertainment centres	£231.00	£350.00	£231.00	£350.00	£231.00	£350.00	£231.00	£350.00
Adult gaming centre	£231.00	£350.00	£231.00	£350.00	£231.00	£350.00	£231.00	£350.00
	Licence application (prov. statement holders)		Licence copy		Notification of change			
New small casino	£3,000	£3,000	£27.00	£28.00	£55.00	£57.00		
New large casino	£5,000	£5,000	£27.00	£28.00	£55.00	£57.00		
Regional casino	£8,000	£8,000	£27.00	£28.00	£55.00	£57.00		
Bingo club	£231.00	£350.00	£27.00	£28.00	£55.00	£57.00		
Tracks	£231.00	£350.00	£27.00	£28.00	£55.00	£57.00		
Family entertainment centres	£231.00	£350.00	£27.00	£28.00	£55.00	£57.00		
Adult gaming centre	£231.00	£350.00	£27.00	£28.00	£55.00	£57.00		

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