EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 19 September 2013
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	6.00 - 8.05 pm

Members Present: Councillors Ms S Stavrou (Chairman), D Stallan, G Waller and C Whitbread

Other Councillors: Councillors J Knapman

Apologies: R Bassett

Officers Present: R Palmer (Director of Finance and ICT) and R Perrin (Democratic Services Assistant)

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8. Declarations of Interest

Pursuant to the Council's Code of Member Conduct, Councillors S Stravrou, J Knapman and D Stallan declared a personal interest in item 9 of the agenda, in so far as it relates to Parish Council precepts as they are Parish Councillors. They understood that there are no binding decisions being made by the Committee at the meeting and therefore would advise that when the decisions were due on this later in the budget cycle, they would seek a dispensation from the Standards Committee to participate.

9. Minutes

RESOLVED:

That the minutes of the meeting held on 20 June 2013 be confirmed and signed by the Chairman as a correct record.

10. Treasury Management - Outturn Report 2012/13

The Director of Finance and ICT presented a report regarding the Annual Outturn on Treasury Management and Prudential Indicators 2012/13. The annual treasury report was a requirement of the Council's reporting procedures and covered the treasury activity and the Prudential Indicators for 2012/13. The Council had financed all of its capital activity through capital receipts, capital grants and revenue contributions with no additional borrowing added to the £185.456m taken out last year in relation to the self-financing of the HRA.

The Director advised that when the authority's Capital Financing Requirement (CFR) became positive as a result of the Housing self-financing the normal requirement to charge Minimum Revenue Provision (MRP) to the General Fund in respect of non-HRA capital expenditure funded by borrowing was not required due to the CLG regulations to mitigate the impact.

The Council's overall treasury position for 2012/13 showed £185.456m as total external debt and total investments at £45.25m which results in net investment position of £140.206m.

Further dividends of 16.7% (£420,000) had now been received from the Icelandic Investment, which had taken the return to 94% of the £2.5m in invested in Heritable bank. This resulted in 6.0% more than the impairment had allowed for and would be credited back to the District Development Fund in 2013/14.

The report provided Members with a summary of the treasury management activity during 2012/13, in which none of the Prudential Indicators had been breached and a prudent approach had been taken in relation to investment activity with priority given to security and liquidity over yield.

Resolved:

(1) That the 2012/13 outturn for Prudential Indicators be noted; and

(2) That the Treasury Management Outturn Report for 2012/13 be noted.

Reasons for Proposed Decision:

The report was presented for noting as scrutiny was provided by the Audit and Governance Committee who make recommendations on amending the documents, if necessary.

Other Options Considered and Rejected:

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

11. Government Financial Consultations

The Director of Finance and ICT presented a report regarding three financial consultation papers, a guidance note on capitalisation procedures and a prospectus for business rates pooling from the Government. Two of these consultations ran for eight weeks to 24 September 2013 and other for ten weeks up until 2 October 2013.

The Director advised that the Technical Consultation regarding the Local Government Finance Settlement 2014/15 and 2015/16 sought views on a range of detailed and technical issues. The illustrative figures for the 2014/15 Settlement were published on 4 February 2013 and already showed a significant reduction in funding with a further 1% reduction from the local government spending control totals. The increased amount of funding held back would cover safety net payments, as part of the local retention of business rates. The Spending Review earlier in the year had shown a headline reduction in local government funding in 2015/16 of 10%, for individual district councils the reductions would exceed 15%. The updated Medium Term Financial Strategy (MTFS) and Financial Issues Paper had been adjusted to reflect the greater funding reductions in 2014/15 and 2015/16.

The Director advised that the Technical Consultation for New Homes Bonus and the Local Growth Fund sought views on the suggested mechanism for the pooling of £400 million of New Homes Bonus (NHB) through Local Enterprise Partnerships to support strategic housing and other local economic growth priorities.

The key issue in the consultation was on how much individual authorities would lose to fund the £400 million. Question two proposed that the same percentage reduction be applied to the NHB of all authorities to achieve the required top slice of £400 million which would be approximately 35%, and in monetary terms for the Council would be close to £800,000 in 2015/16 and approaching £1 million in subsequent years (when the scheme would have been in place for a full six years). Question 3 proposed an alternative for two tier areas that would see county councils lose all their NHB and districts making up the additional amount to reach £400 million overall. The proposal would reduce the loss from 35% to 19% and in monetary terms it would be £425,000 in 2015/16 rising above £500,000 in later years.

The Local Government Association had criticised the top slicing of NHB but given the conflict that questions 2 and 3 inspired between counties and districts, had not expressed a view on the method. It was likely that counties would respond in favour of question 2 and so it is important that districts respond in favour of question 3. The MTFS had been prepared on the prudent basis that the Council would lose 35% of the NHB from 2015/16.

The Director advised on the consultation document regarding the proposals for the use of capital receipts from asset sales to invest in reforming services aimed to gauge the level of interest from local government for the use of capital receipts to pay for the revenue costs of reforming, integrating or restructuring services, which required authorities to draw up detailed business cases and disposal plans that could be aborted if they were unlucky in the lottery of the application process.

The Cabinet Committee remarked on the usefulness of the comments and that they should be included with the draft responses, to make the Council's responses more robust. Members requested that the draft responses be agreed in liaison with the Chairman.

Resolved:

(1) That the proposed responses to the Technical Consultation regarding the Local Government Finance Settlement 2014/15 and 2015/16, New Homes Bonus and the Local Growth Fund and the Proposals for the use of Capital Receipts from Asset Sales to Invest in Reforming Services are more robustly worded in favour of the council's views and include the officers comments within the draft responses.

Reasons for Proposed Decision:

To determine the responses to be made to the consultations.

Other Options Considered and Rejected:

Members could decide to not respond, to respond in part or to respond in full to each of the three consultations.

12. Quarter 1 Financial Monitoring

The Finance and ICT Director presented a report on the revenue and capital financial monitoring for the first quarter of 2013/14.

The report considered the financial monitoring on key areas of income and expenditure within the first quarter of 2013/14. The salaries schedule showed an underspend of £99,000 or 2.0%, compared to this time last year of 3.4%. Also the investment interest levels in 2013/14 were slightly below expectation and significantly below the previous year, with no sign of rates improving even in the longer term. Investment returns in previous years were also higher due to the longer term deals maturing at better rates than available now. The Council had received £1.940m of the original £2.5m investment placed with Heritable Bank which brought the recovery to 77.28%, with a further payment of £420,161 received in August 2013, bringing the recovery to 94%. Development control was £19,000 below expectations, although pre-applications income had exceeded the full year budget and the income estimated for 2013/14 would be reassessed during the 2014/15 budget process to see whether or not adjustments to budget would be required. Building Control income was also down by £35,000 and expenditure was down by £20,000. This would probably fall into overall deficit during the financial year unless remedial action was taken. Licensing income was also below expectation with fewer renewals on other licensing, which appears to relate to the recession. The income from MOT's carried out by the fleet operations were below expected and expenditure on salaries was down, which meant the £11,000 expected surplus was unlikely to be achieved unless things improved quickly. Local Land charges were in line with the previous year and above the original estimate which suggested income would exceed the budget for the year. The Housing Repairs Fund was currently showing an underspend of £323,000, but a large proportion of the expenditure was seasonal falling within the winter months. Overall it was too early in the financial year to be certain of the final outcome but income levels were down.

From the 1 April 2013 the Council was entitled to share the business rates collected. Changes in the rating list were important because of the local retention and the overall funds available to the Council would increase or decrease as the total value increased or decreased. The non-domestic rate estimated for 2013, started with a gross yield of £40,208,899 which was reduced by various reliefs for charities and small businesses to £31,897,379. At the end of June 2013 the net rate yield had reduced by £157,824 and whilst the Council retained 40% of the gains and losses, this would mean a reduction in funding of £63,130. The position could be improved over the rest of the year but concerns had been raised as the district was losing businesses to the Enterprise Zone in a neighbouring district. The cash collection was also important as the Council would be required to make payments to the Government and other authorities based on their share of the rating list, even if the Council did not collect any money. It was important that effective collections were made, as this would generate a cash flow advantage to the Council. As of June 2013 the total collected was £10,846,362 and payments out were £10,435,861 which meant that the Council held £410,501 of cash and so the Council's overall cash position had benefited from the effective collection of non-domestic rates.

The major capital schemes included the House building programme which was primarily aimed at the development of difficult to let garage sites, with the first phase starting in Waltham Abbey early in 2014. At this stage expenditure had been limited to some initial fees. The current Capital Programme had an allocation of around £11.7m for the various schemes, which would be revised in line with the latest cost estimates and cashflow forecasts provided by the development agent, East Thames.
The Cabinet Committee requested that with the likelihood of cash collection becoming a more prominent problem in the financial climate, they would like to have a presentation from Officers on the collection methods.

Resolved:

(1) That the Quarterly Financial Monitoring report for the period 1 April 2013 to 30 June 2013 regarding the revenue and capital budgets be noted.

Reasons for Proposed Decision:

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

Other Options Considered and Rejected:

No other options available.

13. Corporate Risk Update

The Finance and ICT Director presented a report regarding the Corporate Risk Register. The Risk Management Group and the Corporate Governance Group had reviewed and amended the Corporate Risk Register but no additional risks had been added.

The Director reported that a number of amendments had been identified and incorporated into the register. Firstly, Risk 1 - Local Plan had been amended for both the trigger and consequence to provide a more accurate picture of the risk. The Action Plan had also been amended to show key dates for the preferred options and draft plan consultations, pre-submit publication and the examination in public and adoption. Secondly, Risk 3 - Welfare Reform, the effectiveness of control had been amended within the Action Plan to advise on the updated position of the Welfare Reform Mitigation Action Plan. Thirdly, Risk 4 – Finance Income, the scoring of the risk had been changed from B2 (high likelihood, moderate impact) to A1 (very high likelihood, major impact). This was to reflect the worsening financial outlook.

The Cabinet Committee commented on Risk 3, Welfare Reform and that more clarity was required on the risk register.

Resolved:

(1) That the Corporate Risk Register be noted;

(2) That no new risks were incorporated into the current Corporate Risk Register; and

(3) That Risk 3, Welfare Reform, required further clarity.

Reasons for Proposed Decisions:

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

Other Options for Considered and Rejected:

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

14. Annual Governance Report

The Finance and ICT Director presented a report regarding the key issues raised in the Annual Governance Report. The International Standard on Auditing 260 required that the External Auditor report to those charged with governance on certain matters before they gave an opinion on the Statutory Statement of Accounts. The External Auditor had indicated that their audit of the Council's Statutory Statement of Accounts for 2012/13 would be presented to the Audit and Governance Committee on the 23 September 2013.

The purpose of the report was to communicate the significant findings of the audit of the financial statements of the Council for the year ending 31 March 2013. The Director advised the Cabinet Committee of the key findings arising from the audit:

- The Financial statements had no material misstatements identified as a result of the audit and although some areas were outstanding, any significant issues would be advised at the Audit and Governance Committee.
- Subject to satisfactory completion of the outstanding work, they anticipated issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2013.
- There were a number of unadjusted audit differences identified by the audit work and the net effect of adjusting for these differences would to be to reduce the deficit for the year by £116,000.
- No significant deficiencies were identified during the review, although some areas of improvement were identified which were discussed verbally with management.
- The Audit commission were satisfied that the Annual Governance Statement was not misleading or inconsistent with other information and that it complies with “Delivering Good Governance in Local Government”.
- A verbal update on the whole of Government Accounts would be given verbally at the Audit and Governance Committee on 23 September 2013.
- Within the value for money conclusion the report advised that they were satisfied in all significant respects and that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in the Council’s use of resources for the year ended 31 March 2013 and proposed to issue an unqualified value for money conclusion.

The Cabinet Committee congratulated the officers on an excellent report.

Resolved:

(1) That the Annual Governance Report for 2012/13, prepared by the External Auditors, be noted.

Reasons for Proposed Decisions:

To ensure that Members are informed of any significant issues arising from the audit of the Statutory Statement of Accounts.

Other Options for Considered and Rejected:

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

15. Budget 2014/15 - Financial Issues Paper

The Director of Finance & ICT presented the Financial Issues Paper, which provided the framework for the Council’s budget in 2014/15 and highlighted a number of financial issues that would affect the Council in the short to medium term.

The Director reported that the greatest area of current financial uncertainly and risks to the Council were:

- Central Government Funding – the assumption that the overall reductions of 13.6% and 14.1% were common to each element of the Funding Assessment and on that basis it had been proposed that reduced funding to parish councils would be applied 13.6% (£43,621) for 2014/15 and 14.1% (£39,007) for 2015/16.
- Business Rates Retention – the cash collection had not been a concern but the reduction on the overall value of the rating list had been a concern as the Council retained 40% of the gains and losses and the effect of potential loss of businesses to the Enterprise zone in a neighbouring district, coupled with the lack of progress on the appeals position for non-domestic rates paid prior to 1 April 2013. There was also a possibility of pooling with other authorities to share the risk and possibly reduce levy payments through the Essex Leaders Strategic Finance Group which should be in place for 2014/15.
- Welfare Reform – the Local Council Tax Support settlement figures had been sufficient to cover the loss to parish and the districts expenditure with a small surplus. The other welfare reforms Benefit Cap and Spare Room Subsidy had only just been implemented and early indications showed that the collection rate for housing rents for the first quarter had fallen to 92.17% with the target being 96%. The Universal Credit had been subjected to delays and therefore clarity would still be required on the Councils role.
- New Homes Bonus – The Council would receive £495,000 in 2014/15, which would be allocated to the Continuing Services Budget. A prudent position had been adopted for future years with £445,000 built into the Medium Term Financial Strategy.
- Development Opportunities – These would not be prudent to be included in the Medium Term Financial Strategy until firm decisions on the different projects had been made.
- Reducing Income Streams – The actual figures up to date had not been encouraging and the North Weald Market remained on a reduced rent, with the profit share element not being triggered so far in 2013, which would reduce the CSB income by £200,000 and adjust the Medium Term Financial Strategy.
- Waste and Leisure Contracts Renewals – The waste contract would not be included in the Medium Term Financial Strategy as it had been too early in the procurement and the Leisure Management Contract had been extended for another three years, whilst a Leisure Strategy was being prepared and the Council's role in leisure provisions was considered.
- Organisational Review – Any potential changes, in the structure of the Council had not yet been included, although it had been anticipated that it would be included in the final figures for the 2014/15 budget.

The Director reported that the Council was in a stronger financial position than had been anticipated due to the greater level of savings in 2012/13 and reductions in underspent budgets. However the greater challenge lay ahead with future funding reductions in Government grants, top slicing of the NHB and a drop in local income streams. The net CSB savings required £2.3million of savings across the forecast period and this would lead to tough decisions on fees and charges and future level of service provisions, in particularly in discretionary areas. The balance at the end of 2013/14 on the general fund reserve was predicted to be £9.466m and a balance of £2m in DDF, which means that the Council does not need to make savings in year one but can take a measured approach to reduce net spending.

Recommended:

(1) That the establishment of a new budgetary framework including the setting of budget guidelines for 2014/15 be set including:

(a) The ceiling for Continuing Services Budget net expenditure be no more than £14,069million including net growth;

(b) The ceiling for District Development Fund expenditure be no more than £142,000;

(c) The balances continue to be aligned to the Council's net budget requirement and that balances be allowed to fall no lower than 25% of the net budget requirement; and

(d) The District Council Tax not be increased, with Council Tax for a Band 'D' property remaining at £148.77.

(2) That a revised Medium Term Financial Strategy for the period to 2017/18 be developed accordingly:

(3) That communication of the revised Medium Term Financial Strategy to staff, partners and other stakeholders be undertaken;

(4) That a detailed review of fees and charges, specifically parking charges be undertaken; and

(5) That reductions of 13.6% and 14.1% in parish support, in line with the reductions in the central funding this Council receives be taken forward.

Reasons for Proposed Decisions:

By setting out clear guidelines at this stage the Committee establishes a framework to work within in developing growth and savings proposals. This should help avoid late changes to the budget and ensure that all changes to services have been carefully considered.

Other Options Considered and Rejected:

Members could decide to wait until later in the budget cycle to provide guidelines if they felt more information, or a greater degree of certainty, were necessary in relation to a particular risk. However, any delay will reduce the time available to produce strategies that comply with the guidelines.

16. Any Other Business

It was noted that there was no other urgent business for consideration by the Sub-Committee.

17. Exclusion of Public and Press

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

CHAIRMAN