

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** Thursday, 18 June 2015

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 7.00 - 7.45 pm

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

Other Councillors: Councillors G Mohindra and J M Whitehouse

Apologies:

Officers Present: R Palmer (Director of Resources), P Maddock (Assistant Director (Accountancy)) and R Perrin (Democratic Services Assistant)

56. Declarations of Interest

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

57. Minutes

RESOLVED:

That the minutes of the meeting held on 19 March 2015 be taken as read and signed by the Chairman as a correct record.

58. Corporate Risk Update

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

The Corporate Risk Register had been considered by both the Risk Management Group on 28 May and Management Board on 3 June 2015. These reviews identified amendments to the Corporate Risk Register and also considered and scored a new risk for Housing Capital Finance. They included the following;

(a) Risk 1 - Local Plan

The Action Plan had been updated to advise the progress made implementing the new Staffing Structure, although one senior planning post remained unfilled.

(b) Risk 2 - Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position of the key sites.

(c) Risk 3 - Welfare Reform

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The Vulnerability had been amended in accordance with the Government pledge to reduce the overall welfare bill by £12 billion.

(d) Risk 4 - Finance Income

The vulnerability had been amended to remove the possible loss of the New Homes Bonus following the outcome of General Election on 2015. A new vulnerability had been added to advise the uncertainty around the outcome of a large number of rating appeals. The Trigger had been updated to now focus on the possibility of reduced demand for services and changes in legislation. The Key Date had been amended to 20 July 2015 for the Financial Issues Paper.

(e) Risk 6 - Data / Information

The effectiveness of controls/actions shows there had been no lapses so far in 2015/16. An additional Required further management action had been added to advise of a working group, set up to eliminate duplication in data storage and the risk of any inadvertent Data Protection issues.

(f) Risk 9 - Safeguarding

The risk had been amended to reflect the progress that had been made and the two triggers centring on training and awareness had been removed. The Action Plan advises that the Council had developed policies to deal with emerging safeguarding issues. The action plan also states that these policies had been used as examples of best practice across Essex. With this progress in mind the risk score had been amended from B2 High Likelihood/Moderate Impact to C2 Medium Likelihood/Moderate Impact.

(g) New, Risk 10 - Housing Capital Finance

At this committee on 19 March 2015 Members asked for an additional risk to be considered, which the vulnerability centres on the need for the Council to spend right to buy receipts on qualifying capital schemes within set timescales. Failure to do so would result in having to pay this money back to the Government along with interest at a penalty rate. To date no funds had been lost, however continued close monitoring was required. Both the Risk Management Group and Management Board Scored the risk B2 High Likelihood/Moderate Impact.

Councillor Stallan raised concerns over the risk in relation to the North Weald Market. The Director of Resources advised that with the reduction in income the risk had reduced.

Councillor Lion commented on the transformation project and whether it should be highlighted as a risk. The Director of Resources advised that this would not be a risk at present although it could be a consideration following the budget announcements on 8 July 2015, if there was a greater need to find efficiencies. The Committee agreed that the transformation project should be kept under review.

Councillor Mohindra commented on potential rate refund increase costs of £3 million, which would need to be monitored.

Recommended:

- (1) That the Action Plan for Risk 1 – Local Plan be updated;

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- (2) That the Effectiveness of controls/actions for Risk 2 – Strategic Sites be updated;
- (3) That the vulnerability within Risk 3 – Welfare Reforms be amended;
- (4) That the Vulnerability, Trigger and Key Date for Risk 4 – Finance Income be amended;
- (5) That the additional Required further management action for Risk 6 – Data/Information be agreed;
- (6) That the Vulnerability, Trigger, Action Plan and score for Risk 9 – Safeguarding be updated;
- (7) That the new Risk, Action Plan and score for Risk 10 – Housing Capital Finance be agreed;
- (8) That the amended Corporate Risk Register be recommended to Cabinet for approval.

Reasons for Decisions:

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

Other Options Considered and Rejected:

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

59. Any Other Business

Decision:

- (1) That, as agreed by the Leader of the Council and in accordance with Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules, the following items of urgent business be considered following publication of the agenda:
 - (a) Provisional Capital Outturn 2014/15; and
 - (b) Provisional Revenue Outturn 2014/15.

60. Provisional Capital Outturn 2014/15

The Assistant Director (Accountancy) advised the Committee that the report set out the Council's capital programme for 2014/15, in terms of expenditure and financing, and compares the provisional outturn figures with the revised estimates. The revised estimates, which were based on the Capital Programme, represent those adopted by the Council in February 2015.

The Assistant Director (Accountancy) stated that the Council's total investment on capital schemes in 2014/15 was £20,114,000, compared to a revised estimate of £24,092,000. The total carry forwards requested in the General Fund totalled £2,555,000 and £1,540,000 on the HRA Capital Programmes; with the largest underspends on the General Fund relating to £1,000,000 on the St John's Road

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Development Scheme, £448,000 on the Museum redevelopment scheme and £557,000 on the Planned Maintenance Programme and on the HRA relating to £436,000 on the New House Building and Conversions and £501,000 on the Kitchen and Bathroom Replacements.

In summary, Members were requested to recommend to Cabinet the approval of the budget overspends savings, carry forwards and brought forwards. Overall, there were budget savings of £2,000 on the General Fund; £1,000 on the HRA; and £7,000 on Revenue Expenditure Financed from Capital under Statute. There were also two overspends totaling £11,000 on the General Fund. The total carry forwards requested were £2,555,000 on the General fund; £1,540,000 on the HRA capital programme; £175,000 on Capital loans and £4,000 on REFCuS respectively. Sums brought forward from 2015/16 include a total of £44,000 on the General Fund and £173,000 on the HRA. Members were also asked to approve the other amendments of £22,000 on the General Fund and £100,000 on REFCuS.

With regard to the use of direct revenue funding, the HRA contribution of £5,200,000 was in line with the revised budget. However, the use of funds from the Major Repairs Reserve was £1,199,000 lower than estimated reflecting the underspend on HRA capital schemes. The impact of this, combined with an increase in the Major Repairs Allowance transfer, was that the balance on the Major Repairs Reserve was £1,474,000 higher than expected at £11,124,000 as at 31 March 2015.

RESOLVED:

- (1) That the provisional outturn report for 2014/15 be noted;
- (2) That retrospective approval for the over and underspends in 2014/15 on certain capital schemes as identified in the report be recommended to Cabinet;
- (3) That approval for the carry forward of unspent capital estimates into 2015/16 relating to schemes on which slippage has occurred be recommended to Cabinet;
- (4) That approval for bringing forward allocations from 2015/16 in respect of a small number of capital schemes on which expenditure has been incurred ahead of schedule be recommended to Cabinet; and
- (5) That approval of the funding proposals outlined in this report in respect of the capital programme in 2014/15 be recommended to Cabinet.

Reasons for Decision:

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

Other Options Considered and Rejected:

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

Another option would be to finance more of the 2014/15 HRA capital expenditure from usable capital receipts. This option was rejected because the Direct Revenue Funding (DRF) level, previously referred to as Revenue Contributions to Capital Outlay (RCCO), suggested in this report was affordable within the HRA, according to current predictions, and greater use of usable capital receipts for HRA purposes would have had the effect of reducing scarce capital resources available for the General Fund.

61. Provisional Revenue Outturn 2014/15

The Assistant Director (Accountancy) provided an overall summary of the revenue outturn for the financial year 2014/15.

The net expenditure (CSB) for 2014/15 totalled £14.547 million, which was £763,000 (5%) above the original estimate and £223,000 (1.5%) above the revised. When compared to a gross expenditure budget of approximately £74 million, the variances were restated as 1% and 0.3% respectively.

There were also improvements in the funding position as this showed an increase of £152,000 when compared to the revised position. Although the Government were reimbursing councils general funds for section 31 income, which had been higher than budgeted, the Council's share of the business rate income exceeded the baseline and a levy had become due to Central Government. There was also the requirement for the provision to cover future rating appeals which were estimated and based on the most up to date information available. The Councils portion of the Business Rates collection fund deficit at the end of March 2015 was some £419,000 which would need to be paid back over the next two years, thus adversely affecting the future funding available to the General fund.

The Continuing Services Budget expenditure was £763,000 above the original estimate and £223,000 higher than the revised. Variances had arisen on both the opening CSB and the in year figures. The opening CSB was £185,000 higher than the revised estimate and the in year figures, £38,000 higher than the revised estimate. Salaries were underpent by £109,000 and the actual salary spending for the authority in total, including agency costs, was some £20.513 million compared against an original estimate of £20.622 million. All of the underspend fell on the General Fund and was within Neighbourhoods and Governance. The HRA salaries were marginally overspent and a vacancy allowance of 1.5% was included in the budget, reducing from 2.5% allowed for in the previous year in the event vacancies were around 2%. Therefore when compared to the Revised Estimate there was a General Fund underspend of around £103,000.

The main movement between the Original estimate and the Revised and Actual position was the creation of the spend and save reserve which had moved £500,000 from the General Fund Balance into an earmarked reserve, which had been set up to fund any initial costs required to achieve on-going CSB savings. This would be the first year of operation for the fund and it would operate in a similar way to the District Development Fund (DDF), in that there would be the ability to move budgetary provision between years as necessary. There was an additional amount added to the General Fund Bad & Doubtful debts provision as a number of uncollectable debts were written off including money relating to the old non-domestic rates regime.

The original in year CSB savings figure of £870,000 became an in year savings figure of £1,089,000. There were a number of items added during 2014/15 which included; savings on the refuse contract (£144,000), additional Development Control and Pre-Application income (£120,000), additional rents from shops (£73,000) and a

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reduction in external Audit fees (£35,000). The level of savings on the waste contract fell short by £81,000 and the other three items turned out broadly as expected. Offsetting this was lost income from the market at North Weald Airfield where a further £310,000 was removed from the ongoing budget. There was concern that despite the actions taken income would fall even further and the future use of the site will need to be reviewed.

The Net DDF expenditure was expected to be £1,863,000 in the original estimate and £1,122,000 in the revised estimate but actually showed net expenditure of £249,000. This was £1,614,000 below the original and £873,000 below the revised. There were requests for carry forwards totalling £575,000, which mainly related to one-off projects that were akin to capital, in that there was regular slippage and carry forward of budgetary provision which created a net underspend of £298,000.

The DDF reduced between the Original and Revised position by some £741,000, which was mainly due to new items identified during 2014/15, such as additional housing Benefit overpayments and Council tax Benefit adjustments and grants (£326,000), additional Development Control income (£120,000), Income from shops (£78,000), slippage on the local plan budget (£91,000) and Building Maintenance (£46,000). There were a number of items contributing to the underspend of £873,000, such as additional Development Control income over and above that allowed for previously (£103,000), A further receipt relating to the Heritable investment (£100,000), Slippage relating to Building Maintenance (£123,000), Asset rationalisation (£101,000), The transformation Programme (£75,000) and NEPP redundancies (£31,000). This resulted in the overall position on the DDF balance on 31 March 2015 being just below £3.6 million.

A Deficit within the Housing Revenue Account of £807,000 and £987,000 was expected within its Original and Revised revenue budgets respectively, the actual outturn were a deficit of £397,000. There were savings on Revenue Expenditure of £488,000 when compared to the revised position and these included reduced energy charges (£61,000), a lower addition to the provision for bad & doubtful debts (£67,000) and a reduction in rents rates and taxes (£43,000). There was also substantial slippage on the enhancement fund with the balance now being £179,000. Income from Dwelling and non-dwelling rents were down by £46,000 and other charges by £47,000. The depreciation charge relating to HRA assets was £461,000 higher than expected, although the underspend showing on the row 'transfer from major repairs reserve' was related to this, so only the difference between the two of £192,000 affected the bottom line of the HRA. There was an underspend on the programme last year and therefore £67,000 was requested for carry forward into 2015/16.

The Committee felt that a three year time limit should be considered for carry forwards due to a number of historic approvals and the continuous carrying forward of the funds. Councillor Whitbread stated that perhaps officers should have to resubmit details on why they require funding and whether it was still relevant. The Committee concluded that Cabinet Members should investigate the carried forwards within their Portfolio budget areas.

Decision:

- (1) That the provisional 2014/15 revenue out-turn for the General Fund and Housing Revenue Account (HRA) be noted;
- (2) That as detailed in Appendix D, the carry forward of £575,000 District Development Fund expenditure be noted ; and

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(3) That the carry forward of £67,000 HRA Service Enhancement Fund expenditure be noted;

Reasons for Decision:

To note the provisional revenue outturn.

Other Options Considered and Rejected:

No other options available.

62. Exclusion of Public and Press

The Cabinet 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

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