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Simon Young, Solicitor
Head of Legal and Democratic Services



STRATEGY AND RESOURCES COMMITTEE

Tuesday 21 June 2016 at 7.30 pm

Town Hall

The members listed below are summoned to attend the Strategy and Resources Committee meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Councillor Eber Kington (Chairman)
Councillor Neil Dallen (Vice-Chairman)
Councillor Tony Axelrod
Councillor Richard Baker
Councillor Rekha Bansil

Councillor Kate Chinn
Councillor Omer Kokou-Tchri
Councillor Keith Partridge
Councillor Mike Teasdale
Councillor Clive Woodbridge

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Young', written over a faint, larger version of the same signature.

Head of Legal and Democratic Services

For further information, please contact Fiona Cotter, 01372 732124 or fcotter@epsom-ewell.gov.uk

AGENDA

1. QUESTION TIME

To take any questions from members of the Public

Please Note: Members of the Public are requested to inform the Democratic Services Officer before the meeting begins if they wish to ask a verbal question at the meeting

2. DECLARATIONS OF INTEREST

Members are asked to declare the existence and nature of any Disclosable Pecuniary Interests in respect of any item of business to be considered at the meeting.

3. MINUTES OF PREVIOUS MEETING (Pages 5 - 28)

The Committee is asked to confirm as a true record the Minutes of the meeting of the Strategy and Resources Committee held on 17 November 2015 and 27 January 2016 and the Minutes of the Special Meeting held on 8 December 2015, and to authorise the Chairman to sign them.

4. LOCAL COUNCIL TAX SUPPORT SCHEME 2017/18 (Pages 29 - 42)

This report provides option for the Local Council Tax Support Scheme for 2017/18 and asks Members to choose their preferred option in order that any consultation required can be undertaken over the summer.

5. FINAL ACCOUNTS 2015/16 (Pages 43 - 52)

This report summarises the Council's financial performance for 2015/16, seeks approval to the Annual Governance Statement for 2015/16 and notes the carry forward of capital provision for schemes where costs will be incurred in 2016/17.

6. TREASURY MANAGEMENT: YEAR END PERFORMANCE 2015/16 (Pages 53 - 68)

This report reviews the performance of the council's treasury management function in 2015/16 and seeks changes to the treasury management strategy.

7. PLANNED MAINTENANCE PROPOSALS 2016/17 (TO FOLLOW)

This report requests the allocation of the planned maintenance budget to schemes in 2016-17

8. REVIEW OF CONTRACT STANDING ORDERS (Pages 69 - 92)

The Contract Standing Orders set out the rules for letting contracts. This report outlines the proposed changes to the Contract Standing Orders to reflect the Public Contract Regulations 2015.

9. HORTON CHAPEL (Pages 93 - 102)

This report updates members in relation to the community bid process previously agreed by the Committee, and seeks guidance on the way forward

10. EXCLUSION OF PRESS AND PUBLIC

The Committee is asked to consider whether it wishes to pass a resolution to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involves the likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

11. MINUTES OF THE PREVIOUS MEETING - ICT SHARED SERVICE; LAND IN WEST EWELL; PROCUREMENT (Pages 103 - 106)

These Minutes from the meeting of the Strategy and Resources Committee held on 27 January 2016 have not been published because the meeting was closed to the press and public on the grounds that the nature of the business to be transacted/nature of the proceedings dealt with information which could identify individuals and relating to the financial or business affairs of the Council and a third party and information in respect of which legal privilege could be maintained in legal proceedings.

12. PAYROLL SOLUTIONS (Pages 107 - 114)

This report has not been published because the meeting is likely to be closed to the press and public in view of the nature of the business to be transacted/nature of the proceedings. The report deals with information relating to, or likely to reveal, the identity of any individual and the business affairs of the Council and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

13. EBBISHAM CENTRE (Pages 115 - 124)

This report has not been published because the meeting is likely to be closed to the press and public in view of the nature of the business to be transacted/nature of the proceedings. The report deals with information relating to the business affairs of the Council and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

14. LAND AT ASHLEY AVENUE, EPSOM (Pages 125 - 130)

This report has not been published because the meeting is likely to be closed to the press and public in view of the nature of the business to be transacted/nature of the proceedings. The report deals with information relating to the business affairs of the Council and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

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Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE held on 17 November 2015

PRESENT -

Councillor Neil Dallen (Chairman); Councillor Clive Woodbridge (Vice-Chairman); Councillors Tony Axelrod, Richard Baker, Kate Chinn, Eber Kington, Omer Kokou-Tchri, Keith Partridge and Mike Teasdale

In Attendance: Councillor Michael Arthur (For items 42 to 50)

Absent: Councillor Rekha Bansil

Officers present: Frances Rutter (Chief Executive), Kathryn Beldon (Director of Finance and Resources), Simon Young (Head of Legal and Democratic Services), Mark Berry (Head of Place Development), Judith Doney (Head of Revenues and Benefits), Lee Duffy (Head of Financial Services), Doug Earle (Head of Corporate Risk), Michael Smith (Chief Accountant), Peter Wells (Benefits Manager) and Fiona Cotter (Democratic Services Manager)

35 QUESTION TIME

A written question had been submitted by a member of the public in relation to Horton Chapel to which the Chairman responded verbally.

Note: Councillor Eber Kington indicated that he would be declaring a disclosable pecuniary interest in item 6 on the Agenda (Horton Chapel) and left the meeting during question time.

36 MINUTES OF PREVIOUS MEETING

Note: Councillor Eber Kington returned to the Chamber.

The Minutes of the Meeting of the Strategy and Resources Committee held on 29 September 2015 were agreed as a true record and signed by the Chairman.

37 DECLARATIONS OF INTEREST

Local Council Tax Support Scheme 2016/17

Councillor Omer KoKou-Tchri, Other Interest: Councillor Omer Kokou-Tchri declared that section 106 of the Local Government Finance Act 1992 currently applied to him and that he would not therefore be voting on any question in relation to this item.

Budget Targets 2016-17

Councillor Omer KoKou-Tchri, Other Interest: Councillor Omer Kokou-Tchri declared that section 106 of the Local Government Finance Act 1992 currently applied to him and that he would not therefore be voting on any question in relation to to this item. No vote was taken.

Horton Chapel

Councillor Eber Kington, Disclosable Pecuniary Interest: Councillor Kington owned a property in the vicinity of Horton Chapel.

38 LOCAL COUNCIL TAX SUPPORT SCHEME 2016/17

As a result of revised figures tabled at the meeting which affected the bottom line in relation to the Council's projected share of Council Tax Income, it was agreed to defer consideration of this item. The Committee was reminded that a local scheme had to be adopted by 31 January for the following financial year. It was agreed that a Special Meeting of the Committee would be held before the Council Meeting on 8 December 2016.

39 BUDGET TARGETS 2016-17

The Committee received and considered a report informing members of its revenue budget targets. The report sought support for changes to services and any further guidance on the preparation of the Committee's estimates for 2016/17 and for the next 3 financial years.

It was noted that as a result of the deferral of item 4 (Minute 38 refers), the Committee would not be able to confirm its support for the changes to services identified in paragraph 3.4 of the report in relation to the Council Tax Support Scheme and Hardship Fund. In order to meet the Council's statutory obligation to have a Local Council Tax Scheme adopted by the Council by the 31 January 2016, as already agreed, a special meeting of this Committee would be held to consider the revised figures prior to the Council meeting on 8 December. The Committee's estimates would be amended according to the decision taken at the special meeting.

The report highlighted that the following saving options had been put forward for 2017/18 to assist in addressing the funding shortfall over the three year period 2017/18 to 2019/20:

- Alternative payroll provision (£10,000)
- Cap on discretionary rate relief for business rates (£22,000)
- Shared ICT Service (£12,000)

In addition, it was noted (paragraph 3.6 of the report referred) that it was proposed to undertake work in the following areas:

- 5 -10 year Asset Management Plan
- Plant, Equipment and Vehicle Replacement Schedule
- Asset Disposal Programme
- Investigating the possibility of reducing the number of councillors
- Promoting digital interaction with customers e.g. online payments
- Tree Maintenance Service Review

Accordingly, the Committee:

- (1) Noted the implications of the budget targets approved by the Strategy and Resources Committee;
- (2) Noted that as a result of revised figures tabled at the meeting which affected the bottom line in relation to the Council's projected share of Council Tax Income, the savings option in relation to the Council Tax Support Scheme would need to be revisited;
- (3) Supported in principle the future savings options set out in paragraph 3.5 of the report for further work and inclusion in the Medium Term Financial Strategy;
- (4) Did not provide any further guidance on specific issues to be covered in the preparation of service estimates for 2016/17;
- (5) Endorsed the work plan as set out in paragraph 3.6 of the report.

40 HORTON CHAPEL

Note: Councillor Eber Kington withdrew from the meeting during consideration of this item and left the meeting following consideration of item 19 (Land at Fairview Road, Epsom).

The Committee received a report which summarised the position in relation to Horton Chapel. The report further sought agreement to a way forward leading to the disposal of the property by the Council either to an organisation for the provision of a community facility or on the open market.

It was noted that a final decision on the Chapel's future would not be possible until the issues which impacted on the property resulting from the Review of the Social Centres had been resolved. However, it was not considered that this should prevent the marketing exercise from proceeding.

Officers considered that four months was a sufficient period for bids to be put together – this period could be extended if it was thought appropriate to do so further along the line. It was recognised that community bids submitted might

well be dependent on external funding and that would be something for members to consider when evaluating and deciding which bid, if any, to accept.

In response to concerns that community groups were being expected to compete against commercial organisations, it was reiterated that the Council had tried on a number of occasions since 2004 to achieve a purely community use for the building without success. There had been a number of public consultations over the years and it was not disputed that the majority of people would like to see this building in community use. However, the issue had always been that no financially viable plan had been put forward. On balance, taking into account how the property market had changed since 2004, it was considered that the property should now be marketed so that all interested parties had the same opportunity to bid for the property. It was intended to engage a property agent to market the property on the Council's behalf, taking into consideration the most appropriate and cost effective means of doing so.

It was stressed that irrespective of whether the successful bid came from the community or commercial sector, it would be a disposal and the Council would be relinquishing all responsibility for the premises. Any commercial operator would be taking the property on subject to the restrictive covenants. If these were lifted the value of the building would rise but in that case the largest share of any increase in value would benefit the Secretary of State for Health and Charles Church Developments Ltd and not the Council.

The Committee:

- (1) noted the position to date;
- (2) Did not authorise Officers to engage an agent to market the property for freehold disposal;
- (3) Did not authorise Officers to agree allocation of funds for the purposes off the marketing exercise;
- (4) Did not agree that the period for submission of bids be 4 months;
- (5) Requested that a report be brought back to the Strategy and Resources Committee in January 2016.

41 MINUTES OF THE FINANCIAL POLICY PANEL: 13 OCTOBER 2015

Note: Councillor Eber Kington returned to the Chamber.

The Committee received the Minutes of the Financial Policy Panel meeting held on 13 October 2015.

It was noted that the Panel had received an interim report on Treasury Management and a mid-year progress report on backlog maintenance. The Panel had made the following recommendations to this committee in respect of backlog maintenance:

- that a regulatory property maintenance works budget of £35,000 be held separately from the backlog maintenance budgets; and
- that the additional emergency schemes listed below be approved:
 - a) hard surfaces – repairs to paving and walkways (£15,000)
 - b) relining Level 4 of Ashley Centre Car Park (£2,000)
 - c) Alterations at Bourne Hall to accommodate Conquest Art (£8,500)
 - d) Roof replacement and repairs at Bourne Hall Lodge (£20,000)

Accordingly, the Committee:

- (1) Approved the change in budget heads to hold regulatory property maintenance budgets separate from backlog works, but still can be subject to in-year officer budget virements;
- (2) Approved the inclusion of emergency schemes set out in paragraph 3 of the report totalling £45,500.

42 PERFORMANCE MANAGEMENT 2015/16: PROGRESS REPORT ONE

The Committee received and considered a report which set out performance against the Committee's actions for Progress Report One 2015/16.

During the discussion, the following points were noted:

- **EV1** *“to monitor the impact of the parking charging regime and set charges in consultation with local businesses”* It was acknowledged that this had not been conducted in the fashion originally intended and that this had been taken into account when setting the fees and charges
- **EV4** *“planning application submitted and determined for new retail store and housing on Depot Road and Upper High Street”*: The proposed development scheme for Upper High Street/Depot Road had fallen through. Speculative discussions with the new landowner had not been taken forward at this time. The overall objective was the delivery of Plan E of which this scheme had been just one element and other elements were currently being progressed.
- **EV4** *“implement the agreed plan and deliver the junction improvements at the Spread Eagle”*: In response to concern about delays in Plan E, Officers still considered that there was a realistic prospect of making progress on a detailed project plan by the end of November. Substantive works were not expected to start until early July next year.
- **MR4** *“implement changes to deliver venues subsidy targets”*: The Committee was disappointed to note that the current action status was “not met”. However, members were assured that Officers were continuing

to work hard to address this. Targets for venues had been stretching but, notwithstanding, subsidies were reducing.

Having noted performance to date, whilst assured that Officers were looking at more realistic targets and not speculating on increasing demand, the Committee identified the need, particularly in regard to venues, for clearly measurable and realistic targets as an area to be addressed in the 2016-17 Performance Management system.

43 ANNUAL INSURANCE REPORT

The Committee received and considered a report which provided an annual update on the Council's insurance cover arrangements provided by the London Borough of Sutton. The report also sought agreement to the progression of discussions regarding entering into a longer term arrangement.

The report indicated that direct costs to the Council were reducing and Officers considered that good progress had been made in relation to tree related claims. This had proved a difficult area in the past with a need to balance an increased risk of claims against the amenity value of a large number of trees in the Borough.

The Committee:

- (1) Noted the annual report prepared by the London Borough of Sutton in respect of the new insurance arrangements and continues action taken to improve the handling of claims;
- (2) Agreed that the Head of Corporate Risk progress discussions with the London Borough of Sutton for a longer term arrangement to achieve potential savings and economies of scale with a view to extending the current Collaboration Agreement.

44 WRITE OFFS

The Committee agreed the write off of debts totalling £35,671.77 in relation to business rates.

The report highlighted that resources were focussed on the recovery of debt whenever this was possible or economic to do so and, where appropriate, the Council was prepared to prosecute those in default of payment.

45 THE EPSOM-BANSTEAD SUSTAINABLE TRANSPORT PACKAGE

A report, marked to follow and circulated following publication of the Agenda, was presented to the Committee. The report discussed a proposed capital transport scheme being sponsored by Surrey County Council. The scheme was known as the Epsom-Banstead Sustainable Transport Package and it was proposed that this Council should indicate that it was willing, in principle, to contribute towards the delivery of the scheme.

It was recognised that the information provided in the report was broad brush and provided at short notice. The status of the potential bid had been elevated by the Local Enterprise Partnership following a proposal by the County Council to prioritise it above other projects and to bring it forward in an earlier time frame than previously anticipated. However, the LEP would be looking for matched funding to progress the scheme. At this stage it was not possible to say how much that might be but any contribution would need to be funded from the Community Infrastructure Levy and could potentially tie up these funds exclusively on highways and transportation schemes for several years. The County Council was therefore looking for in principle support regarding a contribution towards this project.

Having noted that members of this Council were on a County Council task group relating to this project, the Committee:

- (1) Gave a commitment, in principle, to contribute towards the delivery of the Epsom-Banstead Sustainable Transport Package;
- (2) Noted that the precise amount of any contribution would be dependent upon the scheme being successful in obtaining external funding, the precise scope of the scheme, and the final balance of anticipated expenditure between the two constituent Boroughs; and
- (3) Noted that actual commitment would be dependent upon future approval.

Note: Report circulated to the Committee on Friday 13 November 2015.

46 CALENDAR OF MEETINGS 2016/17

The Committee received and considered a proposed Calendar of Meetings for 2016/17.

It was agreed that the Council be recommended to approve the Calendar of Meetings for 2016/17 as set out in the Annexe attached to the report. This was subject to the Democratic Services Manager investigating the possibility of moving the date of the Planning meeting in April 2017 and including the dates for the Licensing and Planning Policy Committee which were out to consultation at the time of publication of the Agenda.

47 OUTSTANDING REFERENCES

The Committee received and noted the outstanding references to officers as at 17 November 2015.

48 EXCLUSION OF PRESS AND PUBLIC

The Committee resolved to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public

interest in maintaining the exemption outweighed the public interest in disclosing the information.

49 MINUTES OF PREVIOUS MEETING - PROPOSED EAST SURREY BUILDING CONTROL PARTNERSHIP

The Committee agreed as a true record the Minutes of the Meeting of the Strategy and Resources Committee held on 29 September 2015 considered officially sensitive and exempt from publication.

50 LAND AT FAIRVIEW ROAD, EPSOM

The Committee agreed that Land at Fairview Road, Epsom be sold at auction in accordance with the recommendations set out in the report.

Note: The details of the disposal are considered officially sensitive and the Minute of this item will be exempt from publication.

The meeting began at 7.35 pm and ended at 10.00 pm

COUNCILLOR NEIL DALLEN (CHAIRMAN)

Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE held on 27 January 2016

PRESENT -

Councillor Neil Dallen (Chairman); Councillor Clive Woodbridge (Vice-Chairman);
Councillors Tony Axelrod, Richard Baker, Rekha Bansil, Kate Chinn, Eber Kington,
Omer Kokou-Tchri, Keith Partridge and Mike Teasdale

Officers present: Frances Rutter (Chief Executive), Kathryn Beldon (Director of Finance and Resources), Simon Young (Head of Legal and Democratic Services), Rod Brown (Head of Housing & Environmental Services) (for items 53 - 65), Lee Duffy (Head of Financial Services), Mark Lumley (Head of ICT), Shona Mason (Head of Human Resources and Organisational Development) (For items 53 - 65), Annette Snell (Housing Operations Manager) (For items 53 - 65) and Fiona Cotter (Democratic Services Manager)

53 QUESTION TIME

The following written question had been submitted on behalf of Horton Chapel Arts and Heritage Society in connection with Item 13 (Horton Chapel):

“Our community bid for Horton Chapel is seeking some support from the Heritage Lottery Fund and we are at the first stage of the two-stage HLF application process. The set HLF timetable means that is not realistically possible for any community organisation that is seeking such support to submit a bid for the Chapel within 4 months of now (i.e. the end of May). Therefore will the Council amend its proposed 4-month timetable for bids so as to allow community organisations a more realistic timescale to incorporate the results of their Heritage Fund applications in their bid?”

The Chairman provided a verbal response in which he indicated that a revised set of recommendations would be tabled in relation to the matter which suggested that the situation should be reviewed again in June. However, the Chairman was not prepared to give a commitment that the Chapel would not be marketed until the end of 2016.

54 DECLARATIONS OF INTEREST

Question Time

Councillor Eber Kington, Other Pecuniary Interest: Councillor Eber Kington declared a disclosable pecuniary interest in that he owned a property in the

vicinity of Horton Chapel but received advice that it was not necessary for him to leave the room.

Fees and Charges 2016/17

Councillor Omer KoKou-Tchri, Other Pecuniary Interest: Councillor Omer Kokou-Tchri declared that section 106 of the Local Government Finance Act 1992 currently applied to him and that he would not therefore be voting on any question in relation to this item. No vote was required.

Capital Programme 2016-17

Councillor Omer KoKou-Tchri, Other Pecuniary Interest: Councillor Omer Kokou-Tchri declared that section 106 of the Local Government Finance Act 1992 currently applied to him and that he would not therefore be voting on any question in relation to this item. No vote was required.

Revenue Budget 2016-17

Councillor Omer KoKou-Tchri, Other Pecuniary Interest: Councillor Omer Kokou-Tchri declared that section 106 of the Local Government Finance Act 1992 currently applied to him and that he would not therefore be voting on any question in relation to this item. No vote was required.

Horton Chapel

Councillor Eber Kington, Disclosable Pecuniary Interest: Councillor Kington owned a property in the vicinity of Horton Chapel.

55 PAY AWARD 2016-17 AND PAY POLICY 2016-20

A report was presented to the Committee which provided background information on the budget implications of the Council's proposed pay award for 2016/17 and Pay Policy for 2016/20.

It was confirmed that the salary budget included a separate element to cover progression related costs (£60,000), the overall salary budget provision for 2016/17 being £230,000.

The aims of the proposed Pay Policy included an intention to benchmark salaries with a view to these being mid-range although it was recognised that the Council's geographical location presented some challenges being close to London. Market anchors were published but senior management reserved the right to review any job rate if there were problems in recruiting in a certain area.

It was confirmed that the Pay Policy allowed for an across the board pay award if appropriate in 2017/18 but this depended on the outcome of the review of the salary scales and performance appraisal scheme. It was further confirmed that an annual staff turnover rate of between 12 – 18% was considered a reasonable policy statement. Annual staff turnover (which included all leavers including redundancies) was currently running at 15%. Whilst not Council policy, the

Council had made an unofficial commitment to pay the Living Wage and the potential implications of the new Living Wage (to be introduced shortly) would be considered.

Accordingly, in accordance with the recommendations of the Joint Staff Committee, held on 13 October 2015, the Committee agreed:

- (1) a 1.5% pay award for 2016/17;
- (2) the Pay Policy 2016/20 with a full review of the Council's pay structure and performance pay scheme

56 FEES AND CHARGES 2016/17

A report was presented to Members which made recommendations as to the level of fees and charges for 2016/17 for which this Committee was responsible. Any new charges would be effective from 1 April 2016.

Whilst the charges proposed for this Committee would produce negligible additional income compared with the 2015/16 estimates, it was noted that fees and charges in general would generate an additional £752k income for the Council across the board. Some charges would be controversial but members needed to be mindful of the financial situation.

Accordingly, the Committee agreed its fees and charges for 2016/17 subject to the approval of Council.

57 CAPITAL PROGRAMME 2016-17

The Committee received and considered a report which proposed a Capital Programme for 2016/17 and a provisional programme for 2017-19.

Based on the advice of the Capital Member Group and recommendations of the Financial Policy Panel, no schemes had been put forward as part of the Core Programme for 2016/17 but three bids to be funded from capital reserves had been included in the provisional programme for 2017-19 (in 2017/18) as follows:

- ICT Programme of Work (£250k)
- Installation of LED lighting (£50k)
- Installation of Solar Panels to Council Buildings (£100k)

Bids for these three schemes would be prepared and submitted for consideration for inclusion within the agreed Capital Programme for 2017 – 19.

Having noted that there were no capital schemes being submitted to Council. The Committee agreed:

- (1) To submit the Capital Programme for 2016/17 as identified in section 4 of the report to Council for approval on 11 February 2016;

- (2) To confirm that it supported all of the schemes included in the provisional programme for 2017-19 as identified in section 5 of the report
- (3) Noted that schemes for 2017-19 were provisional pending an annual review of funds available for capital investment.

58 REVENUE BUDGET 2016-17

The Committee received and considered a report which set out estimates for income and expenditure on its services for 2016/17.

The report set out a summary of the forecast outturn for 2015/16 which had been taken into consideration in preparing next year's budget and the resulting budget proposals for 2016/17. In particular, it was highlighted that, since publication of the agenda, there had been a change in the financial situation regarding variation in pay, pension (IAS19) & support service recharges costs which had reduced to £220K. An equivalent £180K had been drawn down from the Corporate Project Reserve set out in the report as £127K (which now stood at - £53K) to fund this. The overall net effect on the base position for 2016/17 was therefore Nil.

It was further noted that it had recently been announced by the Government that it intended to withdraw Revenue Support Grant from 15 local authorities sooner than previously anticipated. 8 of those authorities were in Surrey, including Epsom and Ewell Borough Council. This Council had anticipated that it would be phased out over four years, not two, and had made strong representations on the matter to the MP and Department of Communities and Local Government. All those authorities affected were drafting a collective representation and suggesting measures to help ameliorate its accelerated withdrawal. It was requested that the letter to the MP and his response be circulated to members.

Accordingly, the Committee recommended the 2016/17 service estimates for approval at the budget meeting of the Council on the 11 February 2016.

59 BOROUGH INSIGHT CONTRACT

The Committee received and considered a report which set out the benefits of producing the Council's magazine and which sought approval to continue with its production for the next two years following a successful tender exercise to secure an experienced supplier.

The report highlighted that it was important to offer a number of channels of communication, including digital, through which the Council could communicate with residents. Borough Insight offered an opportunity to ensure that each household could receive information (in accordance with the Code of Recommend Practice on Local Authority Publicity) about what was going on in the Borough.

Officers were mindful that the use of printed communications was diminishing nationally and would continue to evaluate feedback on the printed magazine's contribution to the dissemination of information over the contract period.

However, at the current time, taking into consideration that not everyone had access to the internet and that the magazine worked out at roughly 30 pence a copy for a good quality product, the Committee agreed:

- (1) Borough Insight should continue as a printed magazine delivered to households and venues in the Borough three times a year;
- (2) The contract for the production, delivery and advertising management of the printed magazine should be awarded to Frontline;
- (3) The Council should continue to produce e-Borough Insight in-house and endeavour to increase the number of residents subscribing to it.

In so doing, the Committee requested that Officers investigate the possibility of securing sponsorship to further bring down production costs.

60 PERFORMANCE MANAGEMENT MONITORING - PROGRESS REPORT 2 2015/16

The Committee received and considered a report which set out performance against the Committee's actions for Progress Report Two 2015/16.

In relation to MR2 (Managing Resources: continuing to ensure all our activities are customer focussed and provide good value for money), it was noted that a combination of factors had led to no further service changes were being implemented. The Council had gone live with all the entities it had planned to do so and staffing resource was stretched. Further significant developments would be at a cost for which there were no financial resources at the present time.

It was further noted that, in relation to MR6 (Managing Resources: seeking to generate saving of at least £1.5m over the next three years) the only cost saving required within the 2015/16 budget was the closure of the Cash Office which had been achieved.

The Committee did not identify any issues requiring action over and above that set out in the Progress Report.

61 BLENHEIM ROAD - RENOVATION OF PROPERTIES FOR TEMPORARY ACCOMMODATION

The Committee received and considered a comprehensive report which sought approval to renovate 1- 3 Blenheim Road to provide 9 x 1 bed units for the purposes of temporary accommodation within the Borough.

The report concluded that there had been significant changes since the previous decision taken in June 2014 by this Committee to demolish the building. These included the continued housing pressures surrounding the Council's statutory duty regarding homelessness and the increased costs of meeting this duty. In addition, previous concerns about creating a new access to the Longmead Depot had receded following alternative methods of mitigating this risk having been put forward.

The benefits of disposal by way of a lease rather than entering solely into a management agreement for the properties were noted and the rent to the Council would be geared to rents received by the Housing Association. It was recognised that condensation had been a problem in these properties in the past and the refurbishment would centre on overcoming this issue. The management agreement would provide for regular inspections. On-going maintenance and repair of the properties would be the responsibility of the Housing Association. Whilst the location of this accommodation was not ideal, and would not lend itself to settled accommodation, as temporary accommodation it was preferable to Bed and Breakfast. Exemption from creating secure tenancies applied to the Council or any party discharging the function on its behalf.

It was further noted that, whilst income from residential property was exempt from VAT, there was a potential VAT liability arising from the works. The amount of VAT recoverable on expenditure related to exempt income was currently 5% of total VAT recovered. The Head of Financial Services was optimistic that this 5% limit would not be exceeded in the current financial year but Officers would be investigating options to reduce liability on other properties by potentially exercising the opt to tax to mitigate the risk of exceeding this limit. However, it was stressed that this exemption did not reduce the overall amount of VAT incurred by the Council.

It was confirmed that Rosebery Housing Association's only concern regarding taking on the management of these properties was over the issue of condensation. This would form part of the negotiations over the terms of the agreement and no works would be undertaken until agreement had been reached and the lease signed.

Accordingly, the Committee:

(1) Recommended to Council the use of:

- The £200,000 of capital reserves previously approved for the demolition of 1-3 Blenheim Road; and
- Up to a further £173,500 from S106 affordable housing developer contributions.

to bring 9 x 1 bedroom flats at Blenheim Road into use as temporary accommodation, subject to first entering into a full repairing Agreement to Lease with a Social Housing Provider.

(2) Authorised the Head of Housing and Environmental Services to negotiate and agree terms of the agreement for lease with the Social Housing Provider, following consultation with the Head of Legal and Democratic Services, Director of Finance and Resources and the Chairman of the Strategy and Resources Committee.

62 RESIDENTIAL PROPERTY ACQUISITION FUND

A report was presented to the Committee which recommended the creation of a Residential Property Acquisition Fund of £3 million. It was proposed that this fund be used to purchase properties suitable for use as temporary accommodation. This would create an income stream, reduce emergency temporary accommodation costs and provide a long term asset value growth.

The supply of social rented accommodation in the Borough had fallen significantly in recent years and the social rented sector was struggling but demand for this type of accommodation was increasing. Increasing the supply of temporary accommodation within or close to the Borough boundary had both social and financial advantages, enabling tenants to be close to their support network of family and friends as well as being in a better position to seek employment.

Whilst it was fully understood why it was proposed to make decisions to purchase a property in consultation with elected members, it was proposed that this should be with more than just the Chairman of the Strategy and Resources Committee.

Accordingly, the Committee:

- (1) Recommended to Council the creation of a residential property acquisition fund of £3 million for the purchase of properties to use a temporary accommodation;
- (2) Approved the use of New Homes Bonus up to a maximum of £2 million, £275,000 capital reserves and the remainder to be funded from available Section 106 funds;
- (3) Approved the decision making process for this fund as set out in the report subject to the decision to purchase a property being made by the Head of Housing and Environment in consultation with the Chief Executive, Director of Finance and Resources, Head of Legal and Democratic Services and two of the three following members: the Chairman of Strategy and Resources Committee and/or the Vice Chairman of the Strategy and Resources Committee and/or the Chairman of the Social Committee.

63 PRIVATE SECTOR LEASING SCHEME

Members considered a report which proposed the establishment of an in-house private sector leasing scheme for the provision of temporary accommodation for homeless households.

This scheme was a relatively quick means of acquiring accommodation whilst other options (such as those considered in items 9 and 10 – Minutes 61 and 62 refer) were being worked up. It was also financially more attractive than putting up families in nightly-paid emergency accommodation. It was highlighted that

the figures in the table at paragraph 4.9 of the report were £00's per year and not £000's – this was a typographical error.

Repairing obligations in the lease would be very specific and the Council would draw on best practice from elsewhere. The Council had already been approached by potential landlords and, having spoken to estate agents, Officers were confident that they could overcome some of the barriers to letting to this sector. Should the proposals be agreed, there would be a property specific process for determining fit and proper landlords.

Concern was expressed that Officers should be expected to take such decisions on their own and, as a safeguard, it was proposed that the decision on setting the level of rent if the current LHA rent levels did not attract enough interest from landlords should, as in the case of acquiring properties under the Residential Property Acquisition Fund, be made in consultation with elected members.

The rent charged under this scheme would depend on the size of the property but averaged around £800 per month which was on par with rents in temporary accommodation. Housing Benefit was means tested but tenants should not find themselves financially worse off in terms of housing costs.

The causes for properties lying empty were varied. It was noted that an informal Officer group had been established to look at whether properties could be brought back into use.

The Committee:

- (1) Noted the report and endorsed its support for the establishment of a Private Sector Leasing Scheme;
- (2) Authorised the Head of Housing and Environmental Services to take leases of up to 15 private residential properties on such terms as he considers appropriate, following consultation with the Director of Finance and Resources, the Head of Legal and Democratic Services and either one of the following: the Chairman of Strategy and Resources Committee, the Vice Chairman of the Strategy and Resources Committee or the Chairman of the Social Committee;
- (3) Receive a review of the operation of the scheme within 12 months of its operation

Note: The Committee wished to record its thanks to all the officers involved in bringing forward options to assist the Council in improving the quality of life for vulnerable residents and reducing the financial risk associated with its obligations in relation to homelessness.

64 LAND ON LONGMEAD ESTATE

This item was withdrawn.

65 HORTON CHAPEL

Note: Councillor Eber Kington left the meeting/Chamber and took no part in the debate or decision on this matter.

A report summarising the position in relation to Horton Chapel was presented to the Committee. The report also sought agreement to a way forward with a view to the Council disposing of the Chapel either to an organisation for provision of a community facility or on the open market.

A revised set of recommendations were tabled by the Chairman for discussion.

A note setting out the background to how the Council acquired Horton Chapel and the numerous attempts to bring it back into use was set out in Annexe 1 to the report. In regard to the sum of money it was proposed to make available to any purchaser to expend on refurbishment and renovation, it was noted that various sums were held in accordance with previous decisions and contractual obligations and it therefore it made sense to transfer these sums with the property. In the intervening years, the Council had not expended significant sums on the building over and above what was required to facilitate bringing it back into use. Using the earmarked funds would not be at the detriment to the Council's financial position.

The following points were also noted:

- Community groups would have a period of up to 4 months to submit bids at which point a decision would be taken on whether or not any bids were viable, taking into account that bids may be dependent on external funding;
- The Council did not have the internal expertise to evaluate such bids and external assistance would be sought to agree objective evaluation criteria;
- There would be no public open day and the Chapel could not be used by the community in the interim for health and safety reasons. It was likely that the Council would engage an agent, as in the case of Downs House and supervised viewings would take place as part of this process;
- Bidding for lottery funding was not a competitive process and therefore there would be no conflict of interest in the Council supporting a bid submitted in relation to Horton Chapel and any bid in relation to Nonsuch Park. In any event, there were various streams of lottery funding and it was unlikely that the bids would be made to the same fund;
- A small sum was being held back to cover the Council's costs in facilitating the disposal of the Chapel.

Accordingly, the Committee:

- (1) Noted the position to date;

- (2) Authorised Officers, following consultation with the Chairman of the Strategy and Resources Committee, to finalise a pack of information to be available for anyone interested in putting forward a bid for the building: such pack to be available by the end of February 2016;
- (3) Agreed the allocation of funds as follows:
 - a) Up to £450,000 to be available to any purchaser to be expended on the refurbishment and renovation of Horton Chapel;
 - b) Up to a further £1 million to be available to any purchaser proposing a wholly community/charitable end use for the building;
 - c) Any mixed use incorporating community/charitable uses and commercial use to be entitled to a sum between the above figures depending on the nature of the mix proposed, with the intention that it be limited to a sum up to £500,000 in addition to the sum at (a)
 - d) Additional sums to be held at this point as a contingency and to meet the cost of all professional advice and assistance.
- (4) Agreed that bids be invited for community/charitable proposals to be submitted by the end of June 2016; and
- (5) Agreed that a further report be brought to the Committee at its meeting on 28 June 2016 to update on progress and to consider whether/when/how marketing for commercial bids should commence.

66 EXCLUSION OF PRESS AND PUBLIC

The Committee resolved to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involved the likely disclosure of exempt information as defined in paragraphs 1, 2, and 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

67 ICT SHARED SERVICE

Note: Councillor Eber Kington returned to the meeting/Chamber for the remainder of the meeting.

The Committee agreed a way forward as set out in the Minutes.

Note: The details are considered officially sensitive at this time and the Minute for this item will be exempt from publication

68 LAND IN WEST EWELL

The Committee agreed a way forward as set out in the Minutes.

Note: The details are considered officially sensitive at this time and the Minute for this item will be exempt from publication.

69 PROCUREMENT

The Committee agreed a way forward as set out in the Minutes.

Note: The details are considered officially sensitive at this time and the Minute for this item will be exempt from publication

The meeting began at 7.30 pm and ended at 9.49 pm

COUNCILLOR NEIL DALLEN (CHAIRMAN)

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Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE held on 8 December 2015

PRESENT -

Councillor Neil Dallen (Chairman); Councillor Clive Woodbridge (Vice-Chairman);
Councillors Tony Axelrod, Richard Baker, Rekha Bansil, Kate Chinn, Eber Kington and
Mike Teasdale

Absent: Councillor Omer Kokou-Tchri and Councillor Keith Partridge

Officers present: Frances Rutter (Chief Executive), Kathryn Beldon (Director of Finance
and Resources), Simon Young (Head of Legal and Democratic Services) and Fiona
Cotter (Democratic Services Manager)

51 DECLARATIONS OF INTEREST

No declarations of interest were made by councillors regarding the item on the
Agenda.

52 LOCAL COUNCIL TAX SUPPORT SCHEME 2016/17

The Committee received and considered a report setting out three options in
relation to a Local Council Tax Support Scheme for the 2016/17 financial year.
The Council was required to approve the 2016/17 Local Council Tax Support
Scheme by 31 January 2016 and implement it from 1 April 2016. Where
significant changes were to be made the Council was required to undertake a
consultation with the public and precepting authorities.

At its June 2015 meeting this Committee had received a report on the financial
impacts of continuing the current scheme for 2015/16 and agreed to consult on
potentially increasing the percentage minimum contribution made by work age
recipients of Council Tax Support (currently 20%).

The three options consulted upon were:

Option A: to continue with the current scheme for a further year with the
underlying means tested applicable amounts being uplifted by the same
percentage as the Housing Benefit rates applicable from April 2016.

Option B: to increase the percentage minimum payment on the current scheme
to 25% for the 2016/17 financial year with the underlying means tested
applicable amounts being uplifted by the same percentage as the Housing
Benefit rates applicable from April 2016.

Option C: to increase the percentage minimum payment on the current scheme to 30% for the 2016/17 financial year with the underlying means tested applicable amounts being uplifted by the same percentage as the Housing Benefit rates applicable from April 2016.

The report indicated that the majority of respondents to the consultation (69%) were in favour of an increase in the minimum payment, with an increase to 25% being the most popular. Table 3 in the report (which had been amended following deferral of this report in November) demonstrated that increasing the minimum percentage would only reduce the expected 2016/17 shortfall if the Council could achieve a higher than expected rate of collection. The recovery team could take a more forceful approach on recovery with Support recipients but with other 2016/17 welfare changes affecting so many of these recipients it was difficult to assess the effectiveness of a more stringent recovery process on collection rates.

Officers had concerns that adopting Option C in particular could have the effect of reducing the amount collected from Council Tax Support claimants. The Community Equality Impact Assessment highlighted that certain groups could be more severely affected by the scheme although due to their status all Support recipients would be negatively affected by a minimum payment scheme and any increase in the minimum payment. Building in protections for certain vulnerable groups was an option but this would worsen the effect of the minimum payment scheme for others, if savings were to be made, and further effect recovery. A more targeted approach to protections using the existing Discretionary Hardship Fund appeared to be a more efficient way to help those most in need. For the 2015/16 scheme an additional £10k had been set aside to provide for any increase in take up from the Hardship Fund. This could be reviewed at the end of the financial year to assess whether the budget for the Fund could be reduced for 2016/17.

It was noted that Surrey County Council had stated that “without a full analysis of the 20% minimum contribution introduced in April 2015 Surrey County Council (saw) it as a risk to increase this further without knowing the extent of its impact”. It was confirmed that a full analysis could not be completed until June 2015 after the end of the financial year.

The point was again made that it needed to be recognised that the funding gap created by the withdrawal of Government grants effectively meant that council tax payers generally would be required to bridge the gap or services would have to be cut and representations needed to be made on this. Council Tax increases were limited to around 2% unless Members wished to go to a public referendum; reserves were currently only £600k above the minimum level and Council Tax Support was an ongoing cost.

It was highlighted that Surrey County Council had withdrawn its financial support of the Discretionary Hardship Fund despite benefiting from it. Whilst the full impact of the “bedroom tax” on the 103 families affected had yet to be assessed, it was confirmed that the amount held in the Discretionary Hardship Fund had

been reduced because there had not been a significant call on this to date. However, this would be kept under review.

Accordingly, having noted the findings of Community Equality Impact Assessment, on a show of hands, it was agreed to recommend that the Council:

- (1) should continue with the current scheme for a further year with the underlying means tested applicable amounts being uplifted by the same percentage as the Housing Benefit rates applicable from April 2016 (Option A);
- (2) should continue the Discretionary Hardship Fund for exceptional cases, reducing the provision to £25,000 per year

The meeting began at 7.30 pm and ended at 7.46 pm

COUNCILLOR NEIL DALLEN (CHAIRMAN)

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LOCAL COUNCIL TAX SUPPORT SCHEME

<u>Report of the:</u>	Head of Revenues and Benefits
<u>Contact:</u>	Judith Doney
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	None
<u>Other available papers</u> (not attached):	Strategy & Resources Committee Report 17 November 2015

REPORT SUMMARY

This report provides options for the Local Council Tax Support Scheme for 2017/18 and asks Members to choose their preferred option in order that any consultation required can be undertaken over the summer.

RECOMMENDATIONS

That Members advise which of the following options they wish to consider for the Local Council Tax Support scheme from 2017/18

Option A – continue with the current scheme for a further year and agree not to undertake a public consultation.

Option B – consider increasing the percentage minimum payment on the current scheme by between 5% and 10% for the 2017/18 financial year and undertake a public consultation for consideration by Members in November 2016.

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

1.1 The Council's Safer and Stronger Communities service plan includes the following target:-

- The Council's priority "Supporting the Local Community" can be achieved by managing the changes in welfare benefit in a way that reduces the impact on the most vulnerable.

2 Introduction

- 2.1 Under changes made by the Local Government Finance Act 2012 to the Local Government Finance Act 1992, the responsibility for determining the arrangements for Local Council Tax Support passed to local authorities; previously a national scheme was in place. The first Local Council Tax Support Scheme had to be adopted by 31 January 2013. There were certain limitations on what local authorities could include in their schemes, for example, pensioners were protected.
- 2.2 Epsom & Ewell Borough Council's Local Scheme for Council Tax Support was based on the previous Council Tax Benefit scheme and continued means testing for pensioners and for those of working age on low incomes. The scheme provides additional protection for those with extra expenses or needs through a series of premiums and income disregards and these protections continue under the current scheme.
- 2.3 Each year the Council is required under the Local Government Finance Act 1992 to consider whether to revise its scheme or to replace it with another scheme. Any revision or replacement must be adopted no later than 31 January in the financial year preceding that for which the revision or replacement is to take effect.
- 2.4 If any revision or replacement has the effect of reducing or removing support to any class of persons, then the revision or replacement must include such transitional provision as the Council thinks fit.
 - 2.4.1 Before making a scheme the Council must (in the following order) -
 - 2.4.2 Consult major precepting authorities (Surrey County Council and Surrey Police).
 - 2.4.3 Publish a draft scheme in such manner as we think fit, and
 - 2.4.4 Consult such other persons as we consider are likely to have an interest in the operation of the scheme.
- 2.5 On 8 December 2015 Council approved continuing the 2015/16 scheme for 2016/17. The current scheme is therefore based on working age recipients of Council Tax Support making a 20% minimum payment with the underlying means tested applicable amounts being uplifted by the same percentage as the Housing Benefit rates applicable from April 2016. It also agreed the continuation of the Discretionary Hardship Fund to assist those experiencing financial hardship due to the changes but reduced the provision by £5,000 to £25,000.

3 Current scheme evaluation

- 3.1 The current Minimum Payment scheme where everyone of working age pays a minimum of 20% of their Council Tax charge has now been in place for a full year and we are now able to provide an analysis of the effects for Epsom & Ewell Borough Council.
- 3.2 As at 31 March 2016 there were 1,748 working age claimants in receipt of Council Tax Support of which 1,552 also received Housing Benefit. Details of the number of working age claimants in each ward are shown below for information.

Table 1

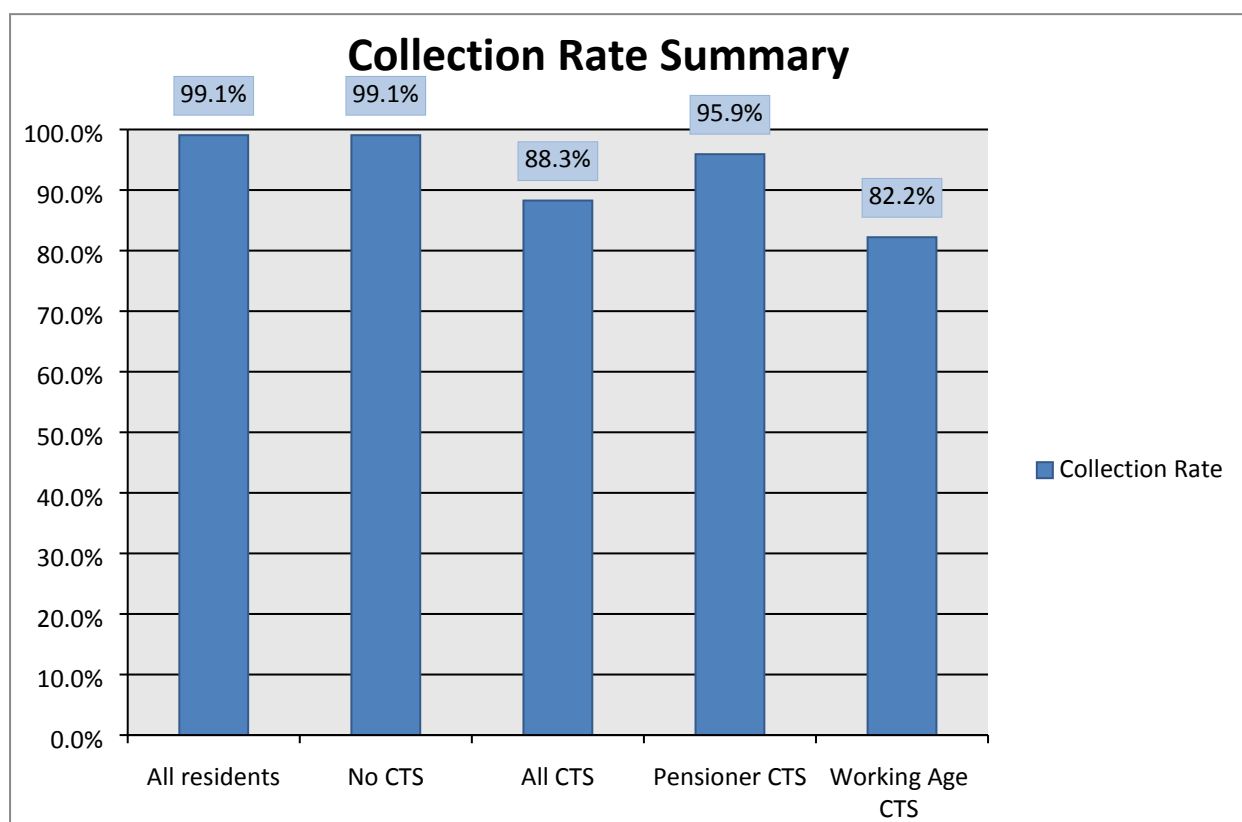
Ward	No. of working age CTS claimants
Auriol	38
College	62
Court	396
Cuddington	86
Ewell	131
Ewell Court	60
Nonsuch	13
Ruxley	227
Stamford	144
Stoneleigh	33
Town	350
West Ewell	116
Woodcote	92
Total	1,748

- 3.3 Under our previous schemes (for 2013/14 and 2014/15) 1085 working age claimants received full Council Tax Support due to the low level of their income or earnings and have therefore not been used to making any payments toward their Council Tax.
- 3.4 Of the 1,748 claimants currently in receipt of Council Tax Support 876 are in receipt of income support, jobseekers allowance or employment support allowance, 587 are employed and of these 304 earn the minimum wage or below. The remaining claimants are on a variety of other benefits such as disability benefits or tax credits.

3.5 In 2015/16 1,419 working age claimant had paid their Council Tax in full by the end of the year. 231 had made a partial payment and 98 have made no payment. The Recovery team issued 500 summonses for Council Tax Support claimants and continue to chase defaulters. For those on a social security benefit the most common action following the granting of a liability order would be an attachment to a social security benefit. The current statutory rate of recovery from these benefits is £3.75 a week for 2016/17 which even on a Band A property would only cover half of the 20% minimum payment required. For those on low earnings the Recovery Team try to make a suitable arrangement but ultimately if the debtor will not engage with ourselves or CAB we have to pass the debt to enforcement agents to collect.

3.6 We had reduced our estimated collection rate for 2015/16 to 98.4% to take account of the expected lower collection on the Council Tax Support accounts. However at 31 March 2016 our collection was 99.1%. The table below shows the levels of collection for different categories

Table 2



3.7 Last year, of the 1,748 who could get assistance from the Discretionary Hardship Fund, we received 137 applications and granted a total of £15,356 on 101 of those.

- 3.8 Last year for a number of the 101 successful applicants we trialled a new approach with the support of Citizens Advice Bureau where we give a limited period of full assistance and then a phased reduction in assistance to help claimants adjust to budgeting to pay some Council Tax and this has helped reduce some claimants reliance on Discretionary Hardship Fund payments. By 20 May 2016 34 applications have been received and a total of £4,962 payments made on these. If the experience from previous years is repeated we would expect a surge in applications once the more formal recovery processes for Council Tax Support begin at the end of June.

4 Background information

- 4.1 National trends for 2016-17 Council Tax Support schemes are examined in a New Policy Institute report. It includes the following information:

- 66 authorities have changed their scheme for 2016/17.
- Of these 66, 39 have either introduced or increased a Minimum Payment.
- 259 (of 326) authorities have a Minimum Payment.
- 50 authorities have a Minimum Payment of 8.5% or less.
- 65 authorities have a Minimum Payment between 8.5% and 20%.
- 77 authorities have a 20% Minimum Payment.
- 67 authorities have a Minimum Payment greater than 20% (of which 11 authorities have a Minimum Payment over 30% and 1 authority has a Minimum Payment of 45%).

- 4.2 Nationally the introduction and effects of Council Tax Support schemes was statutorily reviewed this year by the Government. Some of the recommendations to central government which may be of use to us if the government is minded to pass the relevant legislation for 2017 onwards could include:

- allowing multi-year or rolling schemes. Councils being required to review their schemes at Full Council only when changes are being proposed.
- the statutory consultation requirements being clarified by Government, so that councils can take a less risk-averse approach. This should make consultations less burdensome on councils, and more engaging to residents.

- Government should enable Council Tax Support recipients to pay off arrears through a voluntary attachment to benefits agreed with the council, without the requirement to obtain a liability order. Safeguards should be put in place to ensure that individuals have had the time, information and capacity to consider the option and make an informed decision.
- Government should confirm that Council Tax Support will remain a local discount scheme for a local tax, and that it will not be rolled into Universal Credit.
- Government should consider localising at least part of the Council Tax Support scheme for pensioners, allowing councils to decide how much support they wish to provide for all low-income residents.
- Government should consider granting more local flexibility over other nationally-set council tax discounts, such as the single person discount.
- Government should take steps to better understand the impact of Council Tax Support on individuals and councils, widening the data it holds on Council Tax Support. This will enable future policy evaluation.
- Government should commission in-depth academic research on the impact of Council Tax Support within the wider context of other welfare and socioeconomic changes.
- Government should be transparent about how much funding for Council Tax Support is paid through Revenue Support Grant, and it should be explicit about the future funding of Council Tax Support schemes, including any expectations on how Council Tax Support should be locally funded.

5 Financial and Manpower Implications

- 5.1 When localised Council Tax Support was introduced in April 2013 the government reduced its funding and Epsom & Ewell Borough Council received £337,000 towards the local scheme as part of the Revenue Support Grant (RSG) settlement for 2013/14.
- 5.2 The overall cost of the Local Council Tax Support Minimum Payment scheme for 2015/16 was £2,802,241, this total includes Council Tax Support payments where the Council was unable to alter the recipients Council Tax liability because the recipient is of pensionable age.
- 5.3 The Council's share of the cost of providing this support for 2015/16 was £308,247 before any contribution from the recipients.

5.4 The Revenues Support Grant has been reducing year on year and will disappear in 2017/18 at which time we expect to receive a transitional grant of £83,000.

5.5 Last year in planning for the 20% Minimum Payment scheme we estimated additional collection of £31,636. Actual figures for the 2015/16 scheme showed additional income of £57,354 (including £15,356 Discretionary Hardship Fund payments) for Epsom & Ewell Borough Council from the Council Tax collected. The table below shows this in column two. Columns three through six illustrate what could have been the picture should we have applied a 25% or 30% Minimum Payment based on the actual 2015/16 figures.

Table 3

	2015/16 20% minimum payment scheme (actual)	25% minimum payment (expected worst case collection)	25% minimum payment (expected best case collection)	30% minimum payment (expected worst case collection)	30% minimum payment (expected best case collection)
Amount of Council Tax to be collected from Support recipients based on 2015/16 rates	635,859*	794,824	794,824	953,789	953,789
Estimated recovery rate	82%	75%	80%	70%	80%
Forecast Council tax income collectable	521,404	596,118	635,859	667,652	763,031
EEBC Share of Council Tax Income (11%)	57,354	65,572	69,944	73,442	83,933

* In addition to the 20% payment this figure includes other Council Tax Support reductions such as non-dependent deductions which increase the amount to be collected.

- 5.6 In considering the figures quoted in the final row of Table 3 we must offset this collection by awards from the Discretionary Hardship Fund (paid for entirely by Epsom & Ewell Borough Council) and the additional cost of the resources used to collect these sums. Therefore whilst the introduction of the Minimum Payment scheme from 1 April 2015 reduced the expenditure on Council Tax Support by £635,859 and collected an additional £57,354 for Epsom & Ewell Borough Council, and any further increase in the Minimum Payment would continue to reduce expenditure, the actual gain from this would depend on the level of collection achieved. With the Minimum Payment increasing, and no increase in the recovery resources to collect this, we would expect a reduction in collection rates. (Currently the recovery team consists of 2 ½ recovery staff costing £85,000 a year.) With an increase in the Minimum Payment we would also expect to see an increase in awards from the Discretionary Hardship Fund.
- 5.7 The number of claimants the recovery staff are now dealing with has risen and the majority of those have little means to make these payments. The effect of a lower collection rate from the Council Tax Support claimants does not have significant effect on the overall collection rate since the Council Tax Support claimants only account for approximately 5.5% of the total tax base. The increased work for the recovery team on this group is high and if the Minimum Payment is increased we may we may need to review the resources on the team in order to maintain the collection rate for the Council Tax Support recipients. Given the difficulties in recovering the charge from those on such low incomes, increasing the Minimum Payment will also leave a greater percentage unpaid adding to the Council Tax arrears position.
- 5.8 Realistically Members have few other options available to fund the growing cost of Council Tax Support. Raising the Council Tax is limited to around £5 per annum on a Band D equivalent property unless Members wish to go to a public referendum; reserves are currently only £600,000 above the minimum level and Council Tax Support is an ongoing cost. The only other option is to reduce services further. With the Council facing significant future deficits Members will need to consider carefully future service levels to assist with finding the £1million to £1.5m to balance future year's budgets..
- 5.9 **Chief Finance Officer's comments:** *Epsom & Ewell Borough Council will only retain approximately 11% of any additional income received from reducing the level of Council Tax Support provided.*
- 5.10 *A reduction in Council Tax Support could see an increase in the demand on the hardship fund which is fully funded by Epsom & Ewell Borough Council. Currently £25,000 has been included within next year's projections and around £15,000 was allocated during 2015/16.*
- 5.11 *Increasing the financial burden for families may cause additional pressure on homelessness budgets if families are unable to meet their financial obligations.*

6 Options for 2017/18

- 6.1 Next year Councils can continue with the scheme as approved for 2016/17 or may modify their schemes. Any significant changes would require further consultation. Under the Prescribed Regulations those of pension age must continue to be protected from any changes and currently our caseload consists of 1,228 pensioners (41%) who are in receipt of Council Tax Support.
- 6.2 There are 2 main options for a 2017/18 Council Tax Support scheme:
- Option A. Continue with current scheme
 - Option B. Increase the percentage of the Minimum Payment for the 2017/18 financial year

Option A: continuing with the current scheme

- 6.3 The collection rate for working age Council Tax Support claimants is around the level estimated prior to the introduction of the scheme. Continuing with the scheme has the disadvantage of not increasing the income from Council Tax but would add less to the arrears provision. Although those affected were not happy with having to pay part of their charge 20% was accepted as relatively fair and kept the reduction in support to around £5 per week for claimants.
- 6.4 The simpler Minimum Payment scheme is easier to explain to claimants than one with different elements. The main call on staff resources prior to its introduction was the public consultation which resulted in a large volume of calls.

Option B: Increasing the percentage of the Minimum Payment for the 2017/18 financial year

- 6.5 This option could provide more income for Epsom & Ewell Borough Council if the Council Tax owed by working age claimants can be collected at a reasonably high level and reasonably low cost of staff resources.
- 6.6 The percentage payment can be set as a standard amount with assistance to vulnerable households provided by the Discretionary Hardship Fund as now or by setting different levels of percentages for vulnerable groups. If differing levels of percentages are introduced the overall percentage would need to take account of these reductions and information on this aspect would be included in any scheme proposed.
- 6.7 Should Members wish to pursue this option it is recommended that we go out to consultation on a range of % increases from 5-10%.

- 6.8 Option B would require full consultation and Committee will need to decide at its November meeting which percentage Minimum Payment level they wished to introduce for 2017/18.
- 6.9 The current Discretionary Hardship Fund enables officers to consider claims on an individual basis rather than as just belonging to specific groups. If Option A continues the existing £25k provision would need to be continued to mitigate the results of the Community Equality Impact Assessment. If Option B is chosen it may be prudent to increase the provision to mitigate the findings of the Community Equality Impact Assessment. This would be considered in conjunction with other options such as the use of differing percentages for Options B. This work will be undertaken as part of any proposals for the 2017/18 scheme.
- 6.10 For those current recipients who will be disadvantaged by any new scheme Options B would also require consideration of whether transitional provisions are thought fit. More details will be provided in a follow up report to be presented at the November Committee meeting.
- 6.11 Following the recent Haringey ruling it is felt that currently a multiyear settlement could leave us vulnerable to challenge. Although the government may change the legislation to allow for this we do not know if or when this might happen.

7 Other factors impacting on future schemes

- 7.1 It is important that any scheme agreed by the Council is capable of being administered effectively. This Council uses Academy software, one of a small number of systems available for this purpose. The costs of implementing changes to the scheme are relevant, in the context of the likely sums to be recovered from council tax payers and claimants. The Council's software company along with other similar providers stated its intention not to make any further changes to its software until after the national review. It is now discussing possible changes with councils in particular with a view to making changes when the full roll out of Universal Credit is due in 2020. It seems unlikely there will be any major change to the software's functionality for 2017/18 or that any changes, should they occur, will be known prior to our decision deadlines for our 2017/18 scheme.
- 7.2 Current and future Welfare Reforms will bite deeper. 2016 will see the introduction of a harsher Benefit Cap, with perhaps five times more EEBC residents subject to its reductions in Housing Benefit. (approximately 125) The freezing of benefit rates at their 2015 amounts is leaving claimants worse off through 2016, and will continue to strain their budgets as the freeze continues for the next 4 years

- 7.3 Universal Credit has been introduced small-scale into our borough and the number of claimants should remain relatively insignificant through the next 18 months. Calculating Council Support for a Universal Credit recipient does present challenges and we will need to consider how to apply changes to our future Council Tax Support schemes once Universal Credit is rolled out.

8 Equalities and Other Legal Implications

- 8.1 The Council has a duty under the Equality Act 2010, in the exercise of any of our functions, to have regard to the need to: eliminate discrimination, harassment, victimisation and other prohibited conduct; advance equality of opportunity; and foster good relations. This requires an assessment of the impact of any changes to the Local Council Tax Support Scheme on those with the relevant “protected characteristics”.
- 8.2 The Community Equality Impact Assessment (CEIA) that was carried out for the introduction of the current Minimum Payment scheme and the criteria for the Discretionary Hardship Fund which takes into account the findings in the Community Equality Impact Assessment would need to be reviewed if the Minimum Payment percentage is increased.
- 8.3 Options B which changes the Minimum Percentage would require the Council to undertake a full consultation process of at least 8 weeks. This would be similar to that carried out for the initial scheme. It would involve consulting with current Council Tax Support recipients who would be directly affected by the changes, general taxpayers by use of a survey on the website and use of the Citizen’s panel, monthly eBorough Insight, the Equalities Forum and local advice groups, residents associations and political groups and precepting authorities. Paper copies of the survey would again be made available at the Town Hall and Venues to get as wide a consultation as possible.
- 8.4 In order for the results of any consultation to inform final recommendations on the Council Tax Support scheme for 2017/18 the exercise must start at the beginning of July. An analysis can then be provided for the November Committee meeting.
- 8.5 There has been a Supreme Court Judgment on the consultation carried out a few years ago by the London Borough of Haringey. All Councils must have regard to the judgment when undertaking further consultation exercises. Councils are required to detail in their consultation what other options might be available to meet the shortfall in central government funding, such as raising the council tax, using reserves or reducing the funding of other services, and the reasons why the Council is not proposing to adopt any of these.

- 8.6 It is not absolutely clear from the legislation whether Councils may adopt a scheme under which the maximum level of support will change (reduce) year on year for a number of years, without this constituting a “revision” to the scheme each year, requiring consultation etc. There is therefore currently a risk that a decision to do that may be susceptible to challenge.
- 8.7 For example, matters to be included in a scheme, as set out in the 1992 Act, include “A scheme must set out **the reduction** to which persons in each class are entitled...” indicates an expectation that the reduction will not change. Similarly, it states that a reduction may be “a discount”, calculated in a specific way. This must also be read in the context of the clear requirement to consider each year whether to revise or replace the scheme, and to follow the consultation requirements if it wishes to do so.
- 8.8 There is nothing, however, to stop the Council from indicating in a consultation this year that it intends to reduce the maximum available support for some classes of person in future years, and can take responses into account in deciding whether/how to revise the scheme in future years.
- 8.9 Other options which have been disregarded include, for example, adopting the “default scheme” published by the Secretary of State in accordance with the 1992 Act, or absorbing the funding shortfall in other ways (for example by reducing the sums spent on other services). Reference to these matters ought to be included in any consultation.
- 8.10 **Monitoring Officer’s comments:** *The cost of dealing with any challenge to our scheme would be substantial. It would therefore be important to ensure that the consultation and approval process was conducted correctly in accordance with the law and good practice. This would be of particular importance if the revised scheme was at all out of the ordinary.*

9 Sustainability Policy and Community Safety Implications

- 9.1 None for the purposes of this report

10 Partnerships

- 10.1 None.

11 Risk Assessment

- 11.1 The main risks identified remain the adverse impacts on claimants and financial risks to the council and therefore the council taxpayer. The figures identified in Table 3 relate solely to Epsom & Ewell Borough Council but decisions made on the Local Scheme will also affect Surrey County Council and Surrey Police who must be consulted on any proposed changes.

- 11.2 It would be expected that increasing the percentage Council Tax Support recipients have to pay will affect collection rates. It is difficult to predict the possible loss in revenue at this stage given the lack of information from other sites. A prudent approach to collection will need to be taken when setting the taxbase forecast for 2017/18 and the following 3 years.
- 11.3 It would be expected that the higher the minimum percentage set for Council Tax payment the lower the amount that could be collected. It would be necessary to ensure a substantial bad debt provision was made within the Council's collection fund to cover this.
- 11.4 If a Discretionary Hardship Fund assisting vulnerable households continues the Director of Finance & Resources would regularly monitor the expenditure against the provision.

12 Conclusions and Recommendations

- 12.1 For the 2017/18 scheme members can choose to consider to either continue with the current scheme for a further year or to increase the Minimum Payment percentage which may provide more income from the Council Tax.
- 12.2 We have sufficient time to undertake a public consultation over the summer months on the possible levels of percentage increase and on methods to protect the most vulnerable residents for the effects of the scheme. Following recent cases highlighting shortcomings in other Council's consultation exercises we will take legal advice prior to our own consultation to ensure all aspects are covered.

WARDS AFFECTED: ALL

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FINAL ACCOUNTS 2015/16

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Draft Annual Governance Statement
<u>Other available papers</u> (not attached):	Final Accounts Working Papers 2015/16 Financial Statements 2015/16 Papers issued to all councillors 2016: <ul style="list-style-type: none">• General Fund Summary Position 2015/16• Major Budget Variances 2015/16• Capital Expenditure Position 2015/16

REPORT SUMMARY

This report summarises the Council's financial performance for 2015/16, seeks approval to the Annual Governance Statement for 2015/16 and notes the carry forward of capital provision for schemes where costs will be incurred in 2016/17.

RECOMMENDATION (S)

That the Committee:-

- (1) Receives the report on financial performance for 2015/16;**
- (2) Agrees the Annual Governance Statement as attached as an Annexe to this report;**
- (3) Notes the carry forward £2,065,000 provision for capital schemes to be added to the 2016/17 capital programme;**
- (4) Agrees that delegated authority be granted to the Head of Finance in consultation with the Vice Chairman of the Strategy and Resources Committee to make any amendments to the draft annual governance statement.**

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

1.1 The revenue budget and capital programme comprise the resources available for the delivery of Council services.

2 Introduction

2.1 Local Authorities are required to prepare a statement of accounts at the end of each financial year. In so doing authorities must comply with the Accounts and Audit Regulations and 'proper accounting practice' as defined in the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

2.2 The Accounts and Audit (England) Regulations 2011 regulations require that the Financial Statements are signed/certified by the responsible financial officer (the Director of Finance and Resources) by 30 June each year. The statements must then be reported to, and approved by, committee and published by 30 September, together with the external audit report which should be available by that date.

3 General Fund Summary Position

3.1 In summary the final position for 2015/16 is: -

General Fund Summary 2015/16

	Original Budget £'000	Current Approved * £'000	Actual £'000	Variance £'000
Strategy and Resources Committee	2,400	2,067	1,187	(880)
Capital charges	(2,736)	(2,769)	(2,769)	0
Environment Committee	2,443	2,445	2,524	79
Social Committee	2,392	2,510	3,182	672
Leisure Committee	3,375	3,621	3,788	167
Total Net Expenditure	7,874	7,874	7,912	38
Funded by:				
Collection fund precept	5,581	5,581	5,581	-
Revenue Support Grant	1,007	1,007	1,007	-
Share of Local Business Rates	1,374	1,374	1,374	-
Transfer from Collection Fund	(317)	(317)	(217)	100
Total Funding (Budget Requirement)	7,645	7,645	7,745	100
Surplus (deficit) for the year	(229)	(229)	(167)	62

** includes changes to employee and support services allocations and asset rental recharges from the original budget and reflects required changes in accounting practice.*

3.2 Information on the main variations within each policy committee was circulated to all Councillors in May.. Minor changes have since been made to these circulated figures. The central overhead allocations have now been finalised providing some changes between committee budgets but not significantly affecting the bottom line.

3.3 Net expenditure for the year is £62,000 less than the original budget. This will result in a contribution of £167,000 to be made from the General Fund Working Balance.

3.4 The working balance was £3,166,000 at 31 March 2016, calculated as follows:-

	£'000
Working Balance b/f at 31 March 2015	3,333
Deficit on General Fund for 2015/16	(167)
Working Balance as at 31 March 2016	3,166

3.5 The final net expenditure for 2015/16 compares to the forecast position reported in Quarter 3, which anticipated a contribution from the working balance of £276,000.

3.6 The most significant adverse variances in 2015/16 are:

- Homelessness (£615,000) – The number of households requiring accommodation reached over 90 in the year but various measures introduced resulted in reducing to 52 at year end.
- On Street Parking (£97,000) – This was mainly attributable to a large reduction in Penalty Charge Notices (PCNs) being issued, possibly as a result of successful enforcement in the previous year, coinciding with a review of the optimum number of staff to carry out enforcement duties and recruitment issues.

3.7 The most significant favourable variances in 2015/16 are from:

- In year savings, General Expenses (£499,000) – Savings held centrally after in year review by managers and the Finance Team to reduce the large deficit forecast at Quarter 1 and Quarter 2.
- Salaries and Central Support Costs (£360,000) – Savings were from a reduction in salaries and central support costs.
- General contingency, General Expenses (£200,000) – This contingency was earmarked early in 2015/16 to help address the significant overspend on homelessness.

- 3.8 Most of the outturn variances were forecast at quarter three and have already been reflected in the preparation of the 2016/17 budget. The on-going impact of other variances is being considered to identify the impact for 2016/17 and where relevant be incorporated into budget planning for 2017/18.

4 Reserves

- 4.1 Transfers have been made to and from revenue and capital reserves and provisions in line with Council policy for the reserves and as approved for specific schemes during the year.

- 4.2 The following transfers have been made in preparing the draft accounts: -

4.2.1 **Insurance Reserve** - £20,000 was drawn from this reserve to finance individual claims. At the end of 2015/16 the balance on this reserve was £473,000

4.2.2 **VAT Reserve** - £12,000 was transferred from this reserve to fund a claim against HMRC for the recovery of VAT from postal charges. The balance on the VAT reserve as at the end of 2015/16 is £216,000

4.2.3 **Repairs and Renewals Reserve** – £269,000 was transferred out of this reserve to finance approved expenditure. Budgeted contributions were made into this reserve of £24,000. At the end of 2015/16 the balance of this reserve, stands at £451,000.

4.2.4 **Property Maintenance Reserve** – £17,000 contribution made to this reserve to fund future backlog maintenance work. The balance on this reserve at the end of 2015/16 was £239,000.

4.2.5 **Corporate Projects Reserve** – contributions totalling £50,000 have been made from this reserve to finance authorised expenditure. A contribution of £1,458,000 has been made into this reserve from New Homes Bonus Grant which has been set aside to enable the acquisition of residential properties. Further contributions into this reserve totalling £12,000 have been made relating to grants received from DCLG. The overall balance on this reserve at the end of 2015/16 is £1,816,000.

4.2.6 **Personalisation, Prevention & Partnership Reserve** - £180,000 for third year of grant funding has been transferred to this reserve; the monies received via Surrey County Council will finance projects that can demonstrate support for health and social care. £153,000 worth of projects has been financed from this reserve in 2015/16. The balance on this reserve at the end of 2015/16 is £385,000.

4.2.7 **Housing and Planning Delivery Grant** – As agreed by S&R £34,000 has been transferred from this fund to finance expenditure. The balance on this reserve at the end of 2015/16 is £176,000.

4.2.8 **Civic Investment Fund** – As agreed by S&R £30,000 has been transferred from this fund to finance civic investment and expenditure on economic vitality. The balance on this reserve at the end of 2015/16 is £15,000.

4.2.9 **Business Rates Equalisation Reserve** – £300,000 has been drawn from this reserve to finance the Council's share of the deficit on business rates. A contribution of £53,000 and £100,000 have been made to this reserve from a balance previously held as a NNDR pool liability and to cover deficit payments due next year from the fund. The balance on this reserve as at 31/3/16 will be £582,000.

4.2.10 **CIL** – £2.5 million of receipts have been transferred into this reserve for future part funding of revenue or capital projects, however, only £1.6 million has been received with the remainder still owed to the Council. The Council's policy is to only apply actual cash received rather than amount invoiced for funding of projects.

4.3 A review of current balances held on revenue and capital reserves will be reported to the Financial Policy Panel on 13 September 2016.

5 Provisions

5.1 Part of the additional income from the recovery of housing benefit overpayments has been used to increase the bad debt provision for housing benefit overpayments. This was to mitigate the possible effects of the phased transfer of administration of benefits to central government under 'universal credit'. The outstanding debt as at the end of 2015/16 stands at £2.4 million. After making an additional net contribution of £570k to this provision this year, provision for bad debts stands at £1,734k, approximately 72% of the outstanding debt. The provision will be increased annually to reduce the risk of a shortfall when the transfer of the service is completed.

5.2 This provision will continue to be strengthened to manage the risk that the Council cannot recover debts once claimants are transferred to the new Universal Credit.Pension Fund

5.3 Pensions have been treated within the statements in accordance with recommended financial reporting standards for local authorities, additional information on pension costs and liabilities are included within the Core Financial Statements. The disclosure notes within the financial statements have been prepared in accordance with Financial Reporting Standard IAS 19. The net liability as at 31 March 2016 for accounting purposes is £28.1m compared to £31.1m at 31 March 2015. This does not comprise a full re-valuation of the fund.

5.4 The last valuation was in March 2013 and the next valuation will be carried out as at 31 March 2016.

6 Capital Expenditure 2015/16

6.1 A summary of the actual expenditure for each capital scheme was issued to all Councillors in May. In summary, expenditure in 2015/16 was as follows:-

Committee	Original Budget £000	Latest Budget * £'000	Actual £'000	Balance £'000
Strategy & Resources Committee	490	1,314	415	(899)
Environment Committee	2,799	635	195	(440)
Social Committee	801	875	448	(427)
Leisure Committee	310	2,389	1,883	(506)
Hospital Cluster	0	495	4	(491)
Total	4,400	5,708	2,945	(2,763)

** includes schemes rolled forward from 2014/15, the 2015/16 original programme plus new schemes approved during 2015/16*

6.2 The balance of £2.8 million in the above table includes capital schemes not yet delivered including the allocation of Section 106 planning gain funds for externally funded schemes. This is mainly due to difficulties in progressing schemes such as Horton Chapel a change in scheme for Blenheim Road flats, and completion date for work on IT.

6.3 The capital programme includes variances on a number of schemes where works have either been completed below the original estimate or where the scheme has not yet been completed, and project managers have requested that the provision be carried forward to 2016/17.

6.4 Provisions totalling £2,065,000 have been carried forward for schemes not completed in 2015/16, in line with Council approval on 11 February 2016, and a balance of £161,000 will be transferred back to capital reserves as savings. The level of commitment on schemes carried forward into 2016/17 will be examined by the Capital Member Group as part of the capital programme review.

6.5 The financing of capital expenditure in 2015/16 is summarised below:

	£'000
Capital reserves	807
Capital Grants	273
Other Capital Contributions (includes S106 and revenue reserves)	1,865
Total Capital Funding	2,945

7 Capital Receipts 2015/16

7.1 Capital receipts for 2015/16 are summarised below:-

	£'000
General Fund Property Receipts	1,285
Housing Receipts	377
Total Capital Receipts	1,662

7.2 The balance of capital reserves, grants and contributions unapplied as at 31 March 2016 subject to confirmation at audit, is as follows:-

Reserves	2014/15 £'000	2015/16 £'000
General Fund Capital Reserves	3,499	4,388
Hospital Cluster Capital Reserves	584	580
Total Capital Reserves	4,083	4,968

7.3 A forecast for receipts from asset disposals was taken into account when the capital programme was reviewed by the Financial Policy Panel in December 2015.

7.4 The level of reserves will be re-assessed by the Capital Member Group during this year's capital programme review.

8 Approval of Statement of Accounts

8.1 The Accounts and Audit (England) Regulations 2011 require a local authority to ensure that a statement of accounts is prepared and published in accordance with the provisions of the regulations and proper accounting practice.

- 8.2 The draft Financial Statements have been prepared in accordance with the new Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 8.1 The Council must prepare, in accordance with proper practices, a statement of accounts for each year which includes the following:-
- An explanatory foreword;
 - A statement of accounting policies adopted, drawing attention to any changes of policy which have a significant effect on the results shown by the statement of accounts;
 - A statement of responsibilities for preparing the statements of accounts;
 - An annual governance statement;
 - A comprehensive income and expenditure statement;
 - A movement in reserves statement;
 - A balance sheet;
 - A cash flow statement;
 - The Collection Fund;
 - Other statements of the income and expenditure for funds which the Council is required by any statutory provision to keep a separate account;
- 8.2 The Annual Governance Statement is due to be submitted to the Audit, Crime & Disorder and Scrutiny Committee on 28 June 2016, as this falls after this S&R Committee it is being recommended that delegated authority be given to the Head of Finance in consultation with the Vice Chairman of the Strategy and Resources Committee to make any amendments to the draft annual governance statement. The draft governance statement is attached as an Annexe to this report.
- 8.3 The accounts will be signed by the Head of Finance by 30 June 2016, audited by the District Auditor and then submitted to this committee for approval on 27 September 2016.
- 8.4 A copy of the unaudited statements is available in the Members Room and will be made available on the web site from 30 Jun 2016.
- 8.5 **It would be helpful if any points of clarification on the accounts could be raised with the Head of Financial Services prior to the meeting.**

9 Legal Implications (including implications for matters relating to equality)

- 9.1 **Monitoring Officer's comments:** The legal implications pertaining to the Council's duties in respect of the preparation of accounts have been taken into account in the body of the report.

10 Risk Assessment and Conclusions

10.1 A risk assessment was included in the 2015/16 budget report. Monitoring arrangements during the year have allowed some corrective action to be taken on a number of budget variances, either during the year or as part of the Council's longer term service and financial planning.

10.2 An updated risk assessment was included in the 2016/17 budget report. Overall the final account position is broadly in line with what was anticipated when this risk assessment was completed in January. Further examination will however need to be carried out on any specific service where the financial position was worse than anticipated.

10.3 Key points on the accounts for 2015/16 are as follows:-

10.3.1 The Council incurred increased costs on homelessness and on-street parking.

10.3.2 The Council managed to reduce expenditure across most of its services to address the forecast overspend as a result of the increase in the cost of homelessness.

10.3.3 Overall net expenditure for the Council was less than budgeted, however, income was less than expenditure for the year resulting in a transfer of £167,000 needing to be made from the working balance.

10.3.4 The level of delivery on capital projects will be reviewed by the Capital Member Group.

10.4 Overall in 2015/16 the Council has maintained a prudent level of balances on revenue and capital reserves:-

	31 March 2015 £'000	31 March 2016 £'000
General Fund Working Balance	3,333	3,166
General Fund Provisions	6,350	7,318
CIL	612	2,526
Revenue Total	10,295	13,010
Capital Reserves	4,083	4,968

- 10.5 The Council faces a challenge to deliver future savings that will achieve a balanced budget with further substantial reductions in government grant funding.
- 10.6 The capital programme included a number of schemes where provision needs to be carried forward into 2016/17. Funding remains in place to allow completion of these schemes however the Capital Member Group should examine the reason for slippage on individual schemes as part of the capital programme review. There was no significant capital overspend in 2015/16.
- 10.7 The Financial Statements will be reported to this Committee for approval in September following the completion of the external audit.
- 10.8 The draft financial statements have been made available in the Members Room and will be placed on the Council's website.

WARD(S) AFFECTED: ALL

TREASURY MANAGEMENT YEAR END PERFORMANCE 2015/16

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Annexe 1 - Treasury Management Review 2015/16 Annexe 2 - Prudential indicators 2015/16
<u>Other available papers</u> (not attached):	Fund Manager Performance Reports 2015/16 and Final Accounts Working Papers 2015/16.

REPORT SUMMARY

This report reviews the performance of the council's treasury management function in 2015/16 and seeks changes to the treasury management strategy

RECOMMENDATION (S)

That the Committee:-

- (1) receives the report on the Council's treasury management performance 2015/16;**
- (2) approves the actual 2015/16 prudential indicators;**

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 Income earned from investments is used to help finance Council's services. The Treasury Management Statement sets out the strategy and procedures that are adopted by the Council to manage the investment of reserves and provisions and cash flow.

2 Introduction

- 2.1 A review of treasury management performance and activity is prepared on an annual basis. This is completed in line with Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Sector and the Treasury Policy Statement and Procedures approved by this Committee.

- 2.2 The reporting requirements of the annual performance review meet the requirements of the CIPFA Prudential Code.

3 Background

- 3.1 The Council, as part of its financial strategy, maintains revenue reserves and provisions and has also generated income from the disposal of property (capital reserves). For several years the main part of the Council's cash balances have been invested with external fund managers who use their expertise to invest on the money market to achieve maximum returns within defined risk parameters. The Council currently uses one external fund manager, Aberdeen Asset Management and at the end of March 2016 the Council had £11.4 million invested with this fund manager.
- 3.2 Internally managed balances (managed by the Finance Team) can be invested in long term gilts or deposits with a balance retained to meet short term cash flows invested in temporary loans or Money Market Funds. At the end of March 2016 the Council had £16.1 million held in short term deposits of less than one year duration remaining.
- 3.3 As a result at the end of 2015/16 the Council had a total of £27.5 million invested.
- 3.4 The Council has no external debt. In accordance with the approved financial strategy no borrowings are undertaken except to meet temporary in year requirements.
- 3.5 The Committee will note that the Pension Fund does not form part of the Council's investments and is managed on our behalf by Surrey County Council.
- 3.6 The aim of treasury management is to ensure that funds are invested with institutions that balance the need to maximise investment returns with that of minimising risk on the monies invested. This means not investing in banks/building societies that are offering high investment returns but are at high risk of defaulting.

4 Performance Review

- 4.1 A report on Treasury Management performance for 2015/16 is attached to this report at Annexe 1.
- 4.2 No temporary borrowings were required in 2014/15 except use of the Council's bank overdraft facility.
- 4.3 The average return achieved for 2015/16 of 0.81% compares favourably with the benchmark seven day London Interbank Bid (LIBID) rate of 0.36%. This amounted to total income for the year of £246,000, generated on reserves, working balances and cash flow.

4.4 The final outturn position shows an increase in income by £42,000 on what was reported in the half year report which went to Financial Policy Panel in October 2015, at this stage where it was anticipated that income from investments would be £204,000 at the end of the year.

4.5 The performance for 2015/16 on the Council's investments were as follows;

	Average Investment	Interest Received	Average Rate of Return
Internally Managed Funds	£'m	£'000	%
Money Market Funds	3.3	19	0.58
Interest Bearing Account	0.3	1	0.40
Fixed Rate Deposit	6.7	72	1.07

Externally Managed Funds			
Aberdeen Asset Management	20.1	154	0.76
Total	30.4	246	0.81

4.6 Returns on investments for 2015/16 were £69,000 more than the budgeted income for the year and the average annualised return on investments was 0.81%.

4.7 Epsom and Ewell Borough Council has achieved this performance by following the strategy of investing its long to medium term funds in 1 year fixed term deposits and with its external fund manager, Aberdeen Asset Management and keeping its short term funds mainly in money market funds or in an interest bearing instant access account.

5 Internally Managed Funds

Money Market Funds

5.1 Money market funds are pooled investments that allow instant access to withdraw monies. The benefit of MMFs is that the risk on the investment is very low as the money invested in the fund is spread across a range of counterparties, which limits the exposure of a significant sum be invested with a defaulting counterparty.

5.2 The return made on money market funds of 0.58% compared favourably to the benchmark of 0.36%. Investment in money market funds has been limited to short term investments from surplus funds which can be called back with no notice required.

Interest Bearing Accounts

- 5.3 Interest bearing accounts offer the same instant access as the money market funds and deliver a rate of return linked to base rate set by the Bank of England.
- 5.4 The risk on these investments is higher than the money market funds as money is deposited with one counterparty. Funds invested in this type of investment tend to be surpluses of daily cash flows which need to be called back at short notice.
- 5.5 The return made on interest bearing accounts of 0.40% compared to the benchmark of 0.36%.

Fixed Interest Investments

- 5.6 The Council currently has six fixed term deposits of £2,500,000 all in 1 year fixed rate deposits and maturing during 2016/17.
- 5.7 The current strategy and guidance obtained from our independent advisors is to limit fixed term investments to a period of one year.
- 5.8 The return made on these investments is 1.07% compared to the benchmark of 0.36%.

6 Externally Managed Funds

- 6.1 In continuingly difficult market conditions our external fund manager delivered returns of 0.76% for 2015/16 which compares to 0.88% for 2014/15. Returns have remained at historically low levels since October 2009 as opportunities for delivering significant returns have become very limited.
- 6.2 The Council continues to invest a significant element of its medium to long term funds with Aberdeen Asset Management (formerly known as Scottish Widows).
- 6.3 The main benefit to the Council of using external fund managers is it minimises the Council's risk, as the funds invested with Aberdeen Asset Management are spread across a wide portfolio of financial institutions. This results in the overall exposure to a potential defaulting bank being limited to a small percentage of the overall holding.

7 Financial and Manpower Implications

- 7.1 In line with previously agreed policy, income is credited to revenue reserves, trust funds and other accounts based on the total return for the year. In summary, income was credited to the following accounts:

	£'000	Purpose
General Fund Revenue Account	187	Used to maintain low Council Tax and finance services
Hospital Cluster Interest Reserve	2	Contingency for funding Hospital Cluster works
Repair and Renewals Fund	6	Used to fund the replacement of equipment
Insurance Reserve	4	Used to finance self-insured losses (e.g. sums below excess limits)
Hospital Cluster Commuted Sums	39	Used to fund maintenance costs
Property Maintenance Reserve	2	Used to fund backlog property repairs
Corporate Project Reserve	3	Provision for any high priority projects
Community Safety Partnership Fund	1	Used to finance community safety projects
Other Reserves/Accounts	9	Nonsuch Park Joint Management Committee and Epsom, Walton Downs Conservators, trust funds and bonds held
Total Interest Applied	253	
Funded by:		
Interest from investments	(246)	
Other interest	(7)	
Total Funding	(253)	

8 Interest Equalisation Reserve

- 8.1 The interest equalisation reserve was set up to enable variations in investment returns to be accommodated within the general fund budget without having an adverse effect on the levels of funds available for the delivery of services in year.
- 8.2 With base rates and investment returns remaining at historically low levels for a prolonged period and with no immediate sign of these increasing, the funds in this reserve are under increasing pressure.

The overall balance on this reserve as at the end of the financial year remains at £631,000. However, it was agreed in 2013/14 that some funds would be transferred to finance agreed property / maintenance works, the total cost of these works are estimated to be around £70,000. Therefore, as at the end of 2015/16 the uncommitted balance on this reserve is currently £561,000.

- 8.3 The budget for 2016/17 agreed a drawdown of £42,000 from this reserve to fund services.

9 Legal Implications (including implications for matters relating to equality)

- 9.1 *Monitoring Officer's comments: Treasury management activities must be carried out in compliance with the law. Compliance with the approved treasury management strategy ensures that this is the case. The legal risks arising from treasury management activities are adequately managed.*

10 Risk Assessment and Conclusion

- 10.1 Investment performance exceeded the benchmark level in 2015/16. The appointed external fund manager, Aberdeen Asset Management, performed well against the benchmark and the industry average for the year of 0.63%.
- 10.2 The Strategy and Resources Committee approved the Treasury Management Strategy for 2015/16, which includes a risk management approach to investment of funds and returns.
- 10.3 Interest rates remain at historically low levels and are not expected to rise until at least next year. The Council is still following a policy of restricting the length of investments, which reduces the risk of loss of capital invested and investments being tied in at lower rates when interest rates start to increase. However, this reduces the level of return that can be achieved on investments.
- 10.4 The Council's externally managed investments of approximately £11million are held within a pooled fund, valued at around £1 billion, in contrast to previous holdings in specific institutions. This spreads the risk across a much wider number of holdings and reduces the level of fluctuation of the fund throughout the year.
- 10.5 It is currently envisaged that the fund manager will be able to achieve investment returns at around 0.9% for 2016/17; this compares to an anticipated return built into the budget of 1.25%.
- 10.6 Any Councillors who have any questions on the treasury management performance for 2015/16 are requested to contact the Head of Financial Services prior to the meeting.

WARD(S) AFFECTED: N/A

TREASURY MANAGEMENT – PERFORMANCE REVIEW 2014/15

1. Internally Managed Funds

The internally managed fund for 2015/16 was:

	Balance at 31 March 16 £'000	Balance at 31 March 15 £'000	Difference £'000
Short Term Investments (less than 1 year)	15,000	0	15,000
Short Term Investments (more than 1 year)	0	0	0
Total	15,000	0	15,000

The Council made six short term investment during the year, as follows:

Banks / Building Societies	Matured in 2015/16	Value £'m	% Return Achieved Net of Fees
National Counties Building Society	No	2.5	1.10
West Brom Building Society	No	2.5	1.05
Progressive Building Society	No	2.5	1.05
Newcastle Building Society	No	2.5	1.10
Principality Building Society	No	2.5	1.07
Nottingham Building Society	No	2.5	1.03

The Council used two Money Market Funds and one special interest bearing account for all short term investments. Performance of the three funds was as follows:

	Value of investments made in 15/16 £'000	Average balance held in fund £'000	% Return Achieved from Investments	Fund Performance	
				% annual gross return	% annual return net of fees
Goldman Sachs	23,700	2,245	0.59	0.59	0.44
Deutsche Bank	46,200	1,083	0.55	0.55	0.40
RBS Special Interest Bearing Account (SIBA)	27,400	262	0.40	0.40	0.25
Total	97,300	3,590	0.56		

TREASURY MANAGEMENT – PERFORMANCE REVIEW 2014/15

The total interest received on internal temporary investments in 2014/15 was as follows:

	Average Value of Funds Invested £'000	Interest Earned £'000	% Return Gross of Fees
Internal Funds	10,300	92	0.90 %

The average rate of return achieved on money market funds and temporary internally managed funds (0.90%) exceeds the average seven day deposit rate of 0.36% by 0.54%. This compares to performance of 0.19% above the average seven day rate in 2014/15.

2. Externally Managed Funds

A summary of external fund balances 2015/16 is as follows:-

Aberdeen Asset Management	Value £'000
Fund Value at 1 April 2015	19,760
Gross interest and profit for the year	154
Net withdrawals from the fund in year	(8,500)
Fund value at 31 March 2016	11,414

Fund managers performance is assessed on the rate of return excluding prior year adjustments for unrealised profits and losses against the benchmark of the 7 day LIBID rate. Performance against benchmark for 2015/16 was:

Aberdeen Asset Management (Formerly Scottish Widows)	Value £'000
Average Value of Funds held during 2015/16	20,093
Gross interest and profit for the year	154
Percentage return for 2015/16 gross of fees	0.76 %
Benchmark Return (7 day LIBID)	0.36 %
Variance 2015/16 to 7 day LIBID rate	+0.40 %
<i>Variance 2014/15 to 7 day LIBID rate</i>	<i>+0.53 %</i>

Estimated and Actual Treasury Position and Prudential Indicators

1. Introduction

The Local Government Act 2003 introduced a new system of capital controls for Local Authorities, which replaced Part IV of the Local Government and Housing Act Regulations 1989, and came into effect from April 2004. The key principle of the system of controls is that local authorities have the freedom to borrow for capital investment purposes providing that they can demonstrate that borrowing is affordable, sustainable and prudent.

The previous system of credit approvals, Basic Credit Approvals (BCA) and Supplementary Credit Approvals (SCA), has been abolished and there is no restriction on capital investment, subject to government reserving powers to restrict borrowing for national economic reasons. With the abolition of the BCA/SCA framework, capital investment is supported through supported capital expenditure (revenue) which is incorporated in the capital finance Formula Spending Share calculations in a similar way to that of credit approvals.

In addition the Act requires all local authorities to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential. The Code is a professional code that sets out a framework for self-regulation of capital spending. It sets out the approach that all authorities must take in undertaking integrated medium term revenue and capital budget planning and a set of indicators that must be considered and/or approved in order to demonstrate that annual capital investment and treasury management decisions are affordable, sustainable and prudent.

Members' involvement through the process is essential in order that the Council can demonstrate that capital expenditure plans are affordable, external borrowing is prudent and sustainable and that treasury decisions are taken in accordance with good practice. The structure and content of the budget report complies with the requirements of the Code for 2015/16.

To facilitate the decision making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators. These indicators are mandatory, but can be supplemented with local indicators if this aids interpretation and many will cover three years forward. The indicators cover affordability, prudence, capital expenditure, external debt and treasury management. These indicators will also form the basis of in year monitoring and reporting.

The indicators are purely for internal use by the Council and are not to be used as comparators between councils, as any comparisons will be meaningless. In addition the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and the year on year changes.

This Annex provides a commentary on each Prudential Indicators relevant to the Council and sets out the actual prudential indicators for approval as part of the Council's requirement to comply with the prudential code.

Estimated and Actual Treasury Position and Prudential Indicators

2. Affordability Prudential Indicators

Prudential indicators are required to assess the affordability of the capital investment plans. These indicators provide an indication of the impact of the capital investment plans on the overall Council finances.

Actual and Estimates of the Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the net revenue stream.

As the Council is debt free and has net investment income this indicator is negative and represents the extent to which the Council is reliant on investment income to support its revenue budget provision.

Estimates of the Incremental Impact of Capital Investment Decisions on the Council Tax

This indicator identifies the trend in the cost of proposed changes in the three year capital programme recommended in the budget report compared to the Council's existing commitments and plans. The forward assumptions are based on the those included in the budget report, but will invariably include some areas, such as the level of government support, which is not published over a three year period.

The incremental impact on council tax for each year is expressed as a percentage increase. This increase equates to the level investment in capital expenditure funded from reserves that could have alternatively been invested to generate investment income. Capital expenditure plans are financed from newly identified capital receipts rather than existing capital reserves and there are no identified significant revenue consequences arising from capital expenditure plans or disposal of properties.

3. Capital Expenditure and the Capital Financing Requirement

The Prudential Code requires the calculation of the Council's Capital Financing Requirement (CFR). This figure represents the Council's underlying need to borrow for a capital purpose, and the change year on year will be influenced by the capital expenditure in each year and how it is financed. The expected movement in the CFR over the next three years is dependent on the level of supported and unsupported capital expenditure decisions taken during the budgeting cycle.

The supported element of capital expenditure is that expenditure financed from existing reserves or capital receipts plus borrowing that is the supported capital expenditure under the previous capital controls regime. The unsupported element is the part of the capital expenditure freedom allowed under the Prudential Code financed from borrowing.

Estimated and Actual Treasury Position and Prudential Indicators

The CFR forms one of the required prudential indicators. Included also is the related capital expenditure figures for each year, split between supported and unsupported spending, and the expected external debt for each year. Both these are also mandatory prudential indicators.

A key risk of the plan is that the level of government grant and other sources of funding have been estimated and are therefore subject to change.

The Council has been debt free since 1994 and has no underlying need to borrow for a capital purpose. The Council's Financial Strategy and Capital Strategy for the four year period 2012-16 does not anticipate any borrowing requirement for capital expenditure plans. The CFR for the Council over this period is, therefore nil.

The Council is asked to approve the actual and estimated CFR and actual debt figures set out below.

	2014/15 Actual £'000	2015/16 Original £'000	2015/16 Actual £'000
<u>Capital Expenditure:</u>			
Total Capital Expenditure	3,485	4,400	2,945
<u>Capital Financing:</u>			
Borrowing	0	0	0
Capital reserves	612	796	807
Capital grants	245	2,500	273
Other capital contributions	757	839	440
Revenue	1,871	265	1,425
Total Capital Financing	3,485	4,400	2,945
Capital Financing Requirement (CFR)	(161)	(161)	(161)
Movements in CFR	Nil	Nil	Nil
<u>External Debt:</u>			
Borrowing	Nil	Nil	Nil
Other long term liabilities	Nil	Nil	Nil
Total External Debt at 31 March	Nil	Nil	Nil

Estimated and Actual Treasury Position and Prudential Indicators

4. External Debt

A key control over the Council's activity is to ensure that over the medium term net borrowing will only be for a capital purpose. The Council needs to ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of additional capital financing requirement for 2015/16 and next two financial years.

The following table sets out the actual and estimated levels of borrowing and investment for 2015/16.

	2014/15 Actual £'000	2015/16 Original £'000	2015/16 Actual £'000
Gross Borrowing at 31 March	0	0	0
Investments at 31 March	21,380	17,696	27,860
Net Borrowing at 31 March	(21,380)	(17,696)	(27,860)
Capital Financing Requirement	(161)	(161)	(161)

The Director of Finance and Resources reports that the Council complied with the requirement to keep net borrowing below the relevant CFR in 2015/16, and no difficulties are envisaged for the current or future years. This view takes into account current commitments and plans in the budget report.

A further two Prudential Indicators control the overall level of borrowing. These are:

The Authorised Limit

This represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements.

The Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

In line with the Council's Financial Strategy and Capital Strategy which does not anticipate any borrowing over the four year period 2012-16 the operational boundary will be set at nil. An authorised limit has been set to take into account any potential short term borrowings which may arise during the year due to temporary cash flow shortfalls.

Estimated and Actual Treasury Position and Prudential Indicators

The Council is asked to approve the authorised and operational limits set out below.

	2014/15 Actual £'000	2015/16 Original £'000	2015/16 Actual £'000
<u>Authorised Limit for External Debt</u>			
Borrowing	0	5,000	0
Other long term liabilities	-	-	-
Total Authorised Limit for External Debt	0	5,000	0
<u>Operational Boundary for External Debt</u>			
Borrowing	-	-	-
Other long term liabilities	-	-	-
Total Operational Boundary for External Debt	-	-	-

5. Treasury Management Indicators

The purpose of the treasury management prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However if these are set to be too restrictive they will impair the opportunities to reduce costs or maximise investment income.

The treasury management service is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. It covers the borrowing and investment activities and the effective management of associated risks. Its activities are strictly regulated by statutory requirements and a professional code of practice, the CIPFA Code of Practice for Treasury Management in Local Authorities. This Council adopted the Code of Practice on Treasury Management and Strategy and Resources Committee approved a revised treasury management policy statement and procedures in April 2004.

The treasury management policy requires an annual strategy to be reported to Strategy and Resources Committee outlining the expected treasury activity for the forthcoming 3 years. A further report is produced after the year end to report on actual activity for the year. In line with Department of Communities and Local Government (DCLG) guidance it is expected that an Investment Strategy will also be required for approval at the beginning of each year.

Estimated and Actual Treasury Position and Prudential Indicators

In view of this potential additional requirement and the limited borrowing expected to be undertaken in the four year period 2016-20 a treasury management Strategy was approved by Strategy and Resources Committee in March 2016 and set out those specific treasury management prudential indicators required by the Code in this Annexe for approval.

The introduction of the Prudential Code replaced the s45 limits imposed by the Local Government and Housing Act 1989, with four new prudential indicators:

Upper Limits on Fixed Rate Exposure

This indicator identifies a maximum limit for the Council's exposure to fixed interest rates for borrowing based upon the debt position net of investments.

Upper Limits on Variable Rate Exposure

This indicator identifies a maximum limit for the Council's exposure to variable interest rates for borrowing based upon the debt position net of investments.

Maturity Structures of Borrowing

This indicator sets out these gross limits on borrowing which are set to limit the Council's exposure to large fixed rate sums falling due for refinancing.

Total Principal Funds Invested for Periods Longer Than 364 Days

This indicator limits the amount of long term investments which can be sold in each year, to reduce the need for early sale of an investment.

In line with the indicators for external debt set out above the Council will not have any net debt at any time over the next three years. The limits on fixed and variable borrowing on net debt are therefore set at nil. The limits on gross borrowing and investments at fixed and variable rates will be set as part of the Annual Financial Strategy reported to Strategy and Resources in March.

Any borrowing over the next three years will be undertaken on a temporary basis and repaid within twelve months. The upper limit maturity structure for repayment is therefore set at 100% within twelve months.

The limits on fund invested longer than 364 days is based on the forecast level of investments over the next three years.

	Figures are for the financial year unless otherwise titled in italics	2014/15 Actual	2015/16 Original Indicator	2015/16 Actual
1	Capital Expenditure	3,485	4,400	2,945
2	Capital Financing Requirement (CFR) at 31 <i>March</i>	(161)	(161)	(161)

Estimated and Actual Treasury Position and Prudential Indicators

	Figures are for the financial year unless otherwise titled in italics	2014/15 Actual	2015/16 Original Indicator	2015/16 Actual
3	Treasury Position at 31 March			
	Borrowing	0	0	0
	Other long term liabilities	0	0	0
	Total Debt	0	0	0
	Investments	21,380	17,696	27,860
	Net Borrowing	(21,380)	(17,696)	(27,860)
4	Maximum Debt (Actual) compared to Authorised Limit (Original Indicator)	0	5,000	0
5	Average Debt compared to Operational Boundary (Original Indicator)	0	0	0
6	Ratio of financing costs to net revenue stream	-2%	-2%	-2%
7	Incremental impact of capital investment decisions on the Band D council tax	1%	1%	1%
8	Upper limits on fixed interest rates (<i>against maximum position</i>) as above	0	0	0
9	Upper limits on variable interest rates (<i>against maximum position</i>) as above	0	0	0

10	Maturity structure fixed rate borrowing (%)	2014/15 Actual	2015/16 Original Indicator	2015/16 Actual
	<u>Under 12 months</u>	0	100	0
	<u>12 months to 2 years</u>	0	0	0
	<u>2 years to 5 years</u>	0	0	0
	<u>5 years to 10 years</u>	0	0	0
	<u>10 years and above</u>	0	0	0
11	Maximum principal funds invested over 364 days (<i>against maximum position</i>)	0%	50%	0%

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CONTRACT STANDING ORDERS

Report of the: Director of Finance & Resources
Contact: Simon Young/ Lee Duffy/ Gillian McTaggart
Urgent Decision?(yes/no) No
If yes, reason urgent decision required:
Annexes/Appendices (attached): Contract Standing Orders (CSO's)
Other available papers (not attached):

REPORT SUMMARY

The Contract Standing Orders set out the rules for letting contracts. This report outlines the proposed changes to the Contract Standing Orders to reflect the Public Contract Regulations 2015.

RECOMMENDATION (S)

That the Committee approves the new Contract Standing Orders and recommends to the Council that the Constitution be updated accordingly.

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The updated Contract Standing Orders (CSOs) will support the delivery of the Council's Corporate Plan.
- 1.2 The managing resources service plan covers exploring opportunities for cost savings, joint working and collaborative service delivery with others.

2 Background

- 2.1 During 2015, an internal audit review identified a number of weaknesses in the Council's procurement arrangements, concluding that they were not adequate and the controls in place could not be relied on. A further independent healthcheck was carried out in August 2015 by Procurement Partners which stated that the Council's arrangements were overall below average. Both these reviews made a number of recommendations and an action plan was agreed to address these. As part of this, the Council agreed to review and update its CSOs.

- 2.2 The Contract Standing Orders form part of the Constitution and apply to all contracts entered into by the Council for the procurement of goods, works, and services.
- 2.3 The purpose of the Contract Standing Orders is to provide a structure within which purchasing decisions are made and implemented which ensures that the Council can meet its corporate objectives, use resources effectively, purchase quality goods and services and safeguard its reputation from any implications of dishonesty or completion.
- 2.4 The new Public Contract Regulations 2015 (PCR) came into force in February 2015 which changed the existing procurement regulations. The stated objectives of the Public Contracts Regulations are to improve quality and value for money in the public sector procurement of goods and services in particular in making procurement opportunities more accessible to smaller businesses and voluntary organisations. As a result the CSOs have been rewritten to reflect the changes in legislation and make them easier to understand. The main changes include:
 - 2.4.1 Contracts must be awarded to the most economically advantageous.
 - 2.4.2 Below EU thresholds Pre-Qualification Questionnaires (PQQs) are prohibited and above EU thresholds standard PQQs must be used meaning that in most cases open tenders must be used and therefore all expressing an interest must be sent an invitation.
 - 2.4.3 Contracts over £25,000 should be advertised on Contracts Finder and award notices should also be recorded.
 - 2.4.4 E-procurement should be used to improve record keeping and reporting obligations, (now deferred to April 2018)
 - 2.4.5 Encourage contracts to be split into lots to make them more attractive to smaller businesses.
- 2.5 The Council are also looking to improve strategic procurement through a joint working arrangement with the London Borough of Sutton. This was previously agreed by the Committee at the meeting on 25th January, to restructure the procurement function to address performance issues.
- 2.6 Their proposal covers strategic procurement whilst transactional procurement will remain in-house. Strategic procurement encompasses updating our procurement strategy aligning it to the new Corporate Plan, analysis of spend and the implementation of an e-tendering system.. The Council will use the Due North e-procurement platform with implementation support from the London Borough of Sutton. The updated CSOs will be required to set the relevant workflows and authorisation limits on the system.
- 2.7 Transactional procurement which will remain in-house covering day to day transactions within departments which will be supported by a new Data Analyst role.
- 2.8 The Contract Standing Orders were last updated in 2007.

- 2.9 The CSOs do not provide guidance on the best way to purchase these will be set out in the Procurement Strategy and the Procurement Toolkit which will be updated at a later time as part of the Implementation Plan.

3 Proposals

- 3.1 The Contract Standing Orders have been streamlined to give greater clarity and take into account the Public Contracts Regulations. The main changes are:

3.1.1 Clarification on the Council's processes and responsibilities for starting a procurement exercise, evaluating tenders, awarding contracts and contract management and administration.

3.1.2 Clarification on the use of frameworks.

3.1.3 Provide an updated list of exemptions and waiver provision.

3.1.4 The new thresholds are similar to the previous thresholds but are more streamlined across evaluation and award criteria. The lowest threshold remains £5,000. The previous threshold of £5,000 to £75,000 has been split into two, £5,000 to £24,999 and £25,000 and £74,999 in line with PCR requirements that contracts over £25,000 be advertised on contract finder. A new threshold level of £75,000 to EU threshold has been included as restricted procedures can no longer be used for tendering below EU threshold levels.

3.1.5 The Committee should note that the existing threshold of £750,000 for strategic procurement being reported to Committee will remain unchanged.

3.1.6 The independent Procurement Healthcheck had recommended that the lowest threshold be reduced to below £2,500. This was felt to be too low and overly bureaucratic. However this will be reviewed after a year in order to assess the impact of the current level.

3.2

	NEW THRESHOLDS			
CONTRACT VALUE	Award Procedure	Accepting Quotes/ Tenders	Evaluation	Award
Below £5,000	One (but preferably three)	Contract Manager with delegated authority	Officer with delegated authority	Contract Manager with delegated authority
£5,000 to £24,999	At least three Quick Quotes & OR Request for Quotation	Contract Manager with delegated authority	At least two officers, one of whom not previously involved in the	Head of Service

			procurement	
£25,000 to £74,999	3 quotes and all on Contract Finder over £25,000	Head of Service	At least two officers one of whom must be a representative from the Finance department	Head of Service in conjunction with a representative from Finance
£75,000 to below EU Threshold	A minimum of five organisations who express interest must be asked to formally tender	Open procedures must be used	At least three officers including one representative from Finance and one from Legal	Head of Service in conjunction with the Director of Finances & Resources
EU Threshold to £750,000	Five	EU Procurement / tender using Open/ Restricted/ others	At least three officers including one representative from Finance and one from Legal	The Director of Finances & Resources in conjunction with the relevant committee chairman
All Over £750,000	Five	EU Procurement / tender using Open/ Restricted/ others	At least three officers including one representative from Finance and one from Legal	The Director of Finance & Resources in conjunction with the relevant committee chairman
EU LIMITS	Works £4,104,394	EU Compliant		
	Supplies £164,176	EU Compliant		

4 Financial and Manpower Implications

4.1 There are no financial implications for this report. Although the annual spend with suppliers is around £9million.

4.2 **Chief Finance Officer's comments:**

5 Legal Implications (including implications for matters relating to equality)

5.1 Pursuant to section 135 of the Local Government Act 1972, local authorities are required to make standing orders in respect of contracts. These have been drafted to reflect current completion requirements as set out in the Public Contracts Regulations 2015.

5.2 ***Monitoring Officer's comments.*** *It is important that the Council conducts its procurement activities in accordance with the law. The new CSOs, together with the new procurement arrangements should assist us in doing that.*

6 Sustainability Policy and Community Safety Implications

6.1 The policy will have no negative sustainability and community safety implications.

7 Partnerships

7.1 The Council will be working with the Procurement Team at the London Borough of Sutton to strengthen arrangements and ensure compliance with legislation and best practice.

8 Risk Assessment

8.1 Failure to update the Contract Standing Orders could result in officers making illegal or poor procurement decisions leading to a legal challenge and/ or increased costs.

9 Conclusion and Recommendations

9.1 That the Strategy & Resources Committee agree the updated Contract Standing Orders.

WARD(S) AFFECTED: ALL

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**Section F - CONTRACT STANDING ORDERS
2016**

June

1. SCOPE AND APPLICABILITY

Introduction

- 1.1 These Contract Standing Orders (CSOs) apply to all contracts entered into by the Council.
- 1.2 CSOs apply to the procurement of all works, services (including consultants), supplies and the disposal of assets.
- 1.3 The Council is required to adopt CSOs under section 135 of the Local Government Act 1972.
- 1.4 If UK or EU legislation changes in a way which affects these CSOs then that change must be observed until the CSOs can be revised. If there is a conflict between UK or EU legislation and these CSOs then the legislation will take precedence.
- 1.5 These CSOs set out the principles of how the Council will administer contract procurement and management. Officers must comply with the procedures set out in the Council's Procurement Toolkit which can be found on E-Hub.
- 1.6 Any reference in these CSOs to "the Council" shall refer to a committee or person acting in accordance with delegated authority on behalf of the Council.
- 1.7 Any reference to Procurement Practitioner shall refer to any other person referred to in the Procurement Toolkit.

Value of Contracts

- 1.8 In these CSOs references to the value of contracts are exclusive of VAT.
- 1.9 For the purposes of these CSOs, the value of a contract is the total value of the works, supplies or services for the duration of the contract including any contract extensions, variations (including day works or additional activities) and any provision for the indexation of sums to be paid under the contract.
- 1.10 These CSOs apply to all contracts except contracts referred to in CSO 7.
- 1.11 Expenditure must not be sub-divided to avoid the provisions of these CSOs.

2. STATUTORY REQUIREMENTS

- 2.1 Every contract entered into by the Council shall comply with the EU Treaty and any relevant directives of the EU for the time being in force in the United Kingdom together with any UK law and any relevant Council policy.

2.2 Where the estimated value of a contract exceeds the relevant EU Procurement Directive threshold then the EU tendering requirements set out in the Public Contracts Regulations 2015 (PCR 2015) must be complied with in conjunction with and in addition to these CSOs. For the purpose of these CSOs, the EU threshold means the threshold set out within the Public Contract Directive as amended from time to time for public supply contracts, public works contracts and public service contracts awarded by local authorities. See Annex A for further details.

3. CONTRACT TERMS

3.1 All contracts entered into by the Council shall be in writing utilising the e-procurement system with the exception of the disposal of Council assets, land and property referred to in CSO 9.

3.2 Before commencing any tender process or other procurement exercise officers must consider the need to consult with a Procurement Practitioner, their Head of Service and/or the Head of Legal & Democratic Services as necessary who will advise on the conditions of the contract required and the appropriate methods and procedures to be used. The Head of Legal & Democratic Services shall be consulted on any bespoke conditions of contract which might be required. Officers must have regard to all necessary legal, financial, procurement, insurance and other professional advice.

3.3 All contracts shall be made on the conditions of contract approved by the Head of Legal & Democratic Services.

3.4 All contracts shall:

- (i) contain a specification of requirements and the outcomes to be achieved;
- (ii) state the price to be paid with a statement of discounts or other deductions;
- (iii) state the time or times within which the contract is to be performed;
- (iv) require contractors to comply with all relevant policies of the Council;
- (v) require a contractor to comply with the provisions of the Human Rights Act 1998 as if it were a public body within the meaning of that act;
- (vi) require the contractor to indemnify and keep indemnified the Council against all actions, claims, demands, proceedings, damages, losses, costs, charges and expenses whatsoever in respect of any breach of CSO 3.4(v);
- (vii) require the Council to pay all undisputed invoices within 30 days (subject to any contractual or statutory obligation to pay earlier);
- (viii) require the Council to consider and verify all invoices submitted by a contractor in a timely fashion; and
- (ix) require any sub-contract awarded by the contractor to include the provisions of CSOs 3.4(vii) and (viii) and that such terms are passed down the supply chain.

- 3.5 Every contract which exceeds £25,000 in value or amount and is for the provision of works, supplies or services other than at one time shall provide for adequate redress in the event of default by the contractor as agreed by the Head of Legal & Democratic Services.
- 3.6 Every contract over £75,000 shall:
- (i) provide for liquidated damages to be paid by the contractor where the terms of the contract are not duly performed if financial loss is likely to arise from delay in performing the contract; and
 - (ii) provide that where the cost of purchasing other goods, materials or services exceed the amount which would have been payable to the contractor, this amount shall be recoverable from the contractor.
- 3.7 Every contract shall include a clause allowing the Council to immediately terminate the contract and to recover from the contractor the amount of any loss resulting from the termination of the contract if the contractor shall have offered or given or agreed to give any person any gift or consideration of any kind as an inducement or reward for doing or procuring to be done or for having done or having procured to be done any action in relation to the obtaining of the contract or any other contract with the Council or for showing, procuring to show favour or disfavour to any person in relation to the contract or any other contract with the Council or if like acts shall have been done by any person employed by the contractor or acting on his behalf (whether with or without the knowledge of the contractor) or, if in relation to any contract with the Council the contractor or any person employed by him or acting on his behalf shall have committed an offence under the Bribery Act 2010 or shall have given any fee or reward the receipt of which is an offence under section 117 of the Local Government Act 1972.
- 3.8 Every contract valued at £750,000 or more shall be sealed with the common seal of the Council.
- 3.9 For all contracts under £750,000 the awarding officer may sign the contract on behalf of the Council. See CSO 5.14 for further details.

4. QUALITY ASSURANCE

- 4.1 Requirements for quality and quality assurance shall be included in every contract entered into by the Council.
- 4.2 Where an appropriate British Standard or European Standard specification and/or code of practice issued by the British Standards Institute or equivalent European institution is current at the date of tender every contract, where such a standard is proportionate to the requirements of the specification, shall require that all goods and materials used or to be supplied and all workmanship shall be to a standard not less than the British Standard or European Standard.

5. PROCUREMENT PROCESS

- 5.1 All contracts shall be awarded following the procedures set out in these CSOs or by such other public body's CSOs as provided for in CSO 7.1(ii).
- 5.2 All supplies, services and works will be procured in accordance with the requirements and value thresholds set out in CSO 5.14 unless the procurement falls within an exempt category or a waiver is obtained.
- 5.3 Where an external person or organisation is required to supervise a contract or procurement on the Council's behalf, the relevant Head of Service shall ensure that the external person or organisation complies with the requirements of these CSOs as though that external person or organisation were a Council officer.
- 5.4 Every tender issued shall include such documents as the Procurement Practitioners and Head of Finance may require. Where procurements are above the EU threshold all procurement documents, including the contract, must be available at the time the contract opportunity is advertised via the Council's e-procurement system. Procurements above £25,000 must be advertised on Contracts Finder within 24 hours of the initial advertisement having been placed via the Council's e-procurement system.
- 5.5 Every tenderer shall be required to accept the specification of requirements and terms and conditions of contract including a certificate of non-collusion (except where Quick Quotes (QQ) is used) and confirm as a minimum that they have answered in good faith the questions in the tender documentation correctly, accurately, in good faith and there is no conflict of interest.
- 5.6 Officers must take such steps as may be required to confirm the identity and bona fides of any prospective contractor and in relation to the transaction generally. This may require compliance with the client identification procedures required by the Money Laundering Regulations 2007 or the Land Registry (where applicable). Any suspicions in relation to money laundering must be reported immediately to the Council's Money Laundering Reporting Officer.
- 5.7 All invitations to tender, with the exception of Quick Quotes, must include the criteria and sub-criteria upon which tenders will be evaluated together with the respective weighting to be applied to each.

Framework Agreements

- 5.8 Officers must consider and, where required, use EU compliant contracts and framework agreements already tendered by the Council or those contracts and frameworks procured by other public sector bodies or consortia which are available to the Council.
- 5.9 Where the Council has a tendered contract or framework agreement for a category of supplies, services and/or works, officers must use such contracts

or framework agreements for the procurement of relevant supplies, services or works unless they obtain the agreement in writing of the Head of Finance.

- 5.10 Where supplies, services or works cannot be obtained through an existing contract or framework agreement, officers must comply with the competition requirements in CSOs 5.14.
- 5.11 Further requirements relating to framework agreements can be found at CSO 5.25 – 5.33.

Competition Requirements

- 5.12 The tables in CSO 5.14 are compiled to take account of the PCR 2015 and the EU thresholds.
- 5.13 All tendering procedures are to be carried out in accordance with the requirements and timescales set out in the Procurement Toolkit which can be found on E-Hub.

TABLE 1 SERVICES, SUPPLIES AND WORKS (INCLUDING CONSULTANTS) (EXCLUDING SERVICES SET OUT WITHIN SCHEDULE 3 OF THE PCR 2015)					
Estimated value	Advertising requirement	Minimum number of organisations to be invited to tender	Tender procedure	Evaluation	Authorisation required for contract award
Under £5,000	E-Procurement system	One (but preferably three)	QQ	Officer with delegated authority	Officer with delegated authority
£5,000 - £24,999	E-Procurement system	At least three	QQ or Request for Quotation (RFQ) if quality weighting is required for evaluation	At least two officers, one of whom not previously involved in the procurement	Head of Service
£25,000 - £74,999	E-Procurement system, Contracts Finder, trade journal where appropriate	Five	RFQ	At least two officers one of whom must be a representative from the Finance department	Head of Service in conjunction with a representative from Finance
£75,000 – below EU threshold	E-Procurement system, Contracts Finder, trade journal where appropriate	N/A – open procedure to be used	RFQ	At least three officers including one representative from Finance and one from Legal	Head of Service in conjunction with the Director of Finances & Resources
EU threshold - £750,000	OJEU, E-Procurement system, Contracts Finder, trade journal where appropriate	Five	EU compliant – open, restricted, others	At least three officers including one representative from Finance and one from Legal	The Director of Finances & Resources in conjunction with the relevant committee chairman
Over £750,000	OJEU, E-Procurement system, Contracts Finder, trade journal where appropriate	Five	EU compliant – open, restricted, others	At least three officers including one representative from Finance and one from Legal	The relevant committee

5.14 Competition - Threshold Requirements

TABLE 2 HEALTH, SOCIAL, EDUCATION, RECREATIONAL, CULTURAL, SPORTING, LEGAL SERVICES AND CERTAIN OTHER SERVICE CONTRACTS WITHIN SCHEDULE 3 OF THE PCR 2015					
Estimated value	Advertising requirement	Minimum number of organisations to be invited to tender	Tender procedure	Evaluation	Authorisation required for contract award
Under £5,000	E-Procurement system	One (but preferably three)	QQ	Officer with delegated authority	Officer with delegated authority
£5,000 - £24,999	E-Procurement system	At least three	QQ or Request for Quotation (RFQ) if quality weighting required for evaluation	At least two officers, one of whom not previously involved in the procurement	Head of Service
£25,000 - £74,999	E-Procurement system, Contracts Finder, trade journal where appropriate	Five	RFQ	At least two officers one of whom must be a representative from the Finance department	Head of Service in conjunction with a representative from Finance
£75,000 – below EU threshold	E-Procurement system, Contracts Finder, trade journal where appropriate	N/A – open procedure to be used	RFQ	At least three officers including one representative from Finance and one from Legal	Head of Service in conjunction with the Director of Finances & Resources
EU threshold - £750,000	OJEU, E-Procurement system, Contracts Finder, trade journal where appropriate	Five	EU compliant – open, restricted, others	At least three officers including one representative from Finance and one from Legal	The Director of Finances & Resources in conjunction with the relevant committee chairman
Over £750,000	OJEU, E-Procurement system, Contracts Finder, trade journal where appropriate	Five	EU compliant – open, restricted, others	At least three officers including one representative from Finance and one from Legal	The relevant committee

Tender Procedures

- 5.15 All procurement processes must comply with the requirements and thresholds set out in CSO 5.14 and the procedures set out in the Procurement Toolkit which can be found on E-Hub.
- 5.16 The open procedure will normally be used for EU threshold procurements.
- 5.17 The restricted, competitive procedure with negotiation, competitive dialogue procedure and the innovative partnership procedure may only be used, or a dynamic purchasing system established, after officers have agreed the appropriateness of the procedure with the Head of Legal & Democratic Services.
- 5.18 Every procurement process shall be conducted in an equitable, fair, non-discriminatory and transparent manner for each contract.

Permission to Tender

- 5.19 Heads of Service have the authority to commence a tendering process provided there is a business case for the procurement and financial provision has been obtained.
- 5.20 Where the value of the contract is in excess of £750,000, the procurement must be approved by the relevant committee prior to the commencement of the procurement process.

Tendering – Selection of Tenderers

- 5.21 Where the number of organisations expressing an interest in an advertisement is fewer than the number set out in CSO 5.14 then all such organisations applying will be asked to tender subject to meeting the requirements of CSO 5.23.
- 5.22 The Head of Service with permission to tender a contract will be responsible for ensuring audit trail records are completed on the e-procurement system showing how tenderers are selected for each contract and the reasons why they were chosen.
- 5.23 Where contracts are subject to the PCR 2015 and are above the relevant EU threshold, the suitability to pursue a professional activity, the economic and financial standing and technical and professional ability of any contractor or supplier shall be assessed if relevant and proportionate to the contract being procured. Such assessment will take place prior to the contractor or supplier being invited to tender. It is not permissible to use a pre-qualification stage for contracts below the EU threshold although suitability assessment questions may be used provided those questions are relevant to the subject matter and are proportionate as advised by the Head of Legal & Democratic Services.

- 5.24 Where contracts are subject to the PCR 2015 and are above the EU threshold, in relation to economic and financial standing, the minimum annual turnover that a contractor or supplier is required to have shall not exceed twice the estimated annual contract value except in duly justified cases. Where the minimum annual turnover required exceeds twice the estimated contract value the justification must be included in the report required by PCR 2015 regulation 84(1).

Tenderers sought from Framework Agreements

- 5.25 This CSO applies where tenders are sought from either a framework agreement set up in compliance with the PCR 2015, as established by the Council, another public body, a local authority consortium, a national agency which is recognised as carrying out procurement for the benefit of public bodies or another local authority as part of a joint purchasing arrangement of which the Council is permitted to use in accordance with the PCR 2015.
- 5.26 Call offs either by mini competition and/or direct award from a framework agreement must be undertaken in accordance with the rules of the relevant framework agreement. Mini competition and/or direct awards, where required by the relevant framework agreement, must be conducted through the Council's e-procurement system.
- 5.27 Tenders will not be required where a framework agreement is with a single supplier or allows the call off of supply without competition. In such cases officers will need to demonstrate that they have obtained value for money.

Council Framework Agreements

- 5.28 Where there is a frequent occasion to go out for tender for a category of work, supply or service, a framework agreement of organisations may be compiled for the Council.
- 5.29 For a multi-supplier framework, each framework agreement must include a minimum of two suitable organisations. Where the Council has decided to enter into a single supplier framework, a single supplier must be appointed to the single supplier framework.
- 5.30 Each framework agreement shall clearly state the rules for call off by mini competition and/or direct awards of contract under the framework as applicable.
- 5.31 Each framework agreement will be compiled in accordance with the competition requirements set out in CSO 5.14.
- 5.32 The suitability of applicants will be evaluated in accordance with the criteria and sub-criteria stated in the contract documentation and upon the information provided in the applicant's submission to be included on the framework agreement.

- 5.33 Framework agreements may exist for a maximum of four years unless the subject matter of the framework agreement justifies a longer contract period as agreed by the Head of Legal & Democratic Service.

Submission of Tenders – Electronic Submission

- 5.34 All tenders for the procurement of supplies, services and works will be submitted securely through the Council's e-procurement system. For the avoidance of doubt, the term "tenders" includes Quick Quotes (QQ) and Request for Quotation (RFQ).
- 5.35 For low value procurements (under £5,000), officers may obtain tenders without using the QQ system where it is expedient to do so. Prior authorisation must be obtained from the Head of Finance to obtain low value tenders without using the QQ system.

Submission of Tenders – Paper Submission

- 5.36 Paper tenders shall only be used in below EU level procurements where the e-procurement system is unavailable. The Head of Finance will set out the requirements for submitting a paper tender where this is required.

Tender Opening – Electronic and Paper Tenders

- 5.37 Tenders, QQs and RFQs will be opened through the e-procurement system within an hour of the time specified in the invitation to tender documentation.
- 5.38 No tender, QQ or RFQ received after the time and date specified in the invitation to tender documentation will be considered.
- 5.39 For tenders with a threshold of over £750,000 opening will be carried out by a representative nominated by the Head of Finance.
- 5.40 No person shall disclose the value, number or any other detail of the tenders received to any tenderer or anyone not involved in the tender evaluation procedure.

Tender Evaluation

- 5.41 For low value procurement (under £5,000) the awarding officer shall evaluate the tenders received.
- 5.42 For procurement valued between £5,000 and £25,000 tenders shall be evaluated by at least two officers one of whom must not have been directly involved in the procurement previously.
- 5.43 For procurement valued between £25,000 and £75,000 tenders shall be evaluated by at least two officers, one of whom must be a representative from the Finance department.

- 5.44 For procurement valued above £75,000, tenders shall be evaluated by at least three officers including a representative from the Finance department and a representative from the Legal department.
- 5.45 In all cases tender evaluation shall be carried out in an equitable, fair, non-discriminatory and transparent manner in accordance with the award criteria set out in the tender documentation and the procedures contained in the Procurement Toolkit.
- 5.46 Where a tender contains errors or discrepancies affecting the tender sum or rates the relevant Head of Service may, during the tender evaluation providing no information is given to the tenderer regarding the effect of such action, give the tenderer the option to:
- (i) correct the prices or rate concerned;
 - (ii) continue without correcting the prices or rates; or
 - (iii) withdraw the tender.
- 5.47 If a tender is received with an abnormally low price in proportion to the contract requirement the Council officer leading the procurement shall require the tenderer to explain the costs proposed in the tender.
- 5.48 If, after consulting the tenderer, the officer is not satisfied that the evidence or explanation provided can satisfactorily account for the low level of price or costs proposed, the officer must discuss what action should be taken with the Head of Finance.
- 5.49 Where QQ is used, the tenderer providing the cheapest quote will be awarded the contract and no qualitative assessment will be undertaken.
- 5.50 RFQ and EU procurement will be assessed using the most economically advantageous tender (MEAT) approach. MEAT uses both quality and price to evaluate tenders.
- 5.51 Where MEAT is to be used and prior to the tender being issued, the officer leading the procurement will, in conjunction with the Procurement Practitioner or Head of Finance, agree the criteria and weighting against which tenders will be assessed.

Criteria may include:

- (i) price;
- (ii) technical merit;
- (iii) aesthetic and functional characteristics;
- (iv) environmental characteristics;
- (v) running costs;
- (vi) cost effectiveness;
- (vii) after sales service;
- (viii) technical assistance;
- (ix) delivery date, delivery period and period of completion;
- (x) agility and ability to respond to contingencies;

- (xi) customer care;
- (xii) performance standards, quality monitoring and complaints;
- (xiii) accessibility; and
- (xiv) organisation, qualification and experience of staff.

5.52 This list is not exhaustive. Further details concerning MEAT can be found in the Procurement Toolkit.

Post Tender Negotiations

5.53 Officers shall not enter into post tender negotiations with a tenderer in an open or restricted procurement procedure. This principle also applies to QQ and RFQs.

Acceptance of Tenders

5.54 The authority to award contracts is set out in CSO 5.14 and is subject to:

- (i) the award being made to the cheapest tenderer where QQ is used or the most economically advantageous tender in all other cases; and
- (ii) all tender award notifications being conducted through the Council's e-procurement system.

Contract Notification and Standstill Period

5.55 All successful and unsuccessful tenderers for a contract must be notified simultaneously and as soon as possible as to the outcome of the tender process via the e-procurement system.

5.56 For all contracts with a value exceeding the EU threshold the council will apply a standstill period for a minimum of 10 days to comply with the PCR 2015. The day of notification is considered day 0. This requirement applies to call offs from framework agreements which exceed the EU threshold.

5.57 For QQs and RFQs telephone debriefs, if requested by tenderers, are permissible.

5.58 Where the standstill period in CSO 5.56 applies, the Council will send a notification to all organisations submitting a tender stating as a minimum the following:

- (i) the award criteria;
- (ii) the sub criteria weightings;
- (iii) the ranking of the tenderer in the tender evaluation; and
- (iv) the name of the successful tenderer.

5.59 If the decision to award is challenged by an unsuccessful tenderer the contract will not be awarded and the matter shall be referred to the Head of Legal & Democratic Services for advice.

- 5.60 The advice of the Head of Legal & Democratic Services must be sought in any situation where a face to face debrief is being considered.

Commencement of Work

- 5.61 No supply of works, supplies or services is to commence until a sufficiently binding contractual arrangement is in place between the Council and the contractor to the satisfaction of the Head of Legal & Democratic Services.

6 CONTRACT MANAGEMENT

- 6.1 The relevant Head of Service will maintain accurate and proper records of all contracts for which he/she is responsible
- 6.2 The relevant head of Service shall be responsible for ensuring that all contracts for which he/she is responsible are properly performed and managed.

Variations to Contracts

- 6.3 Where a contract is varied by addition to, omission from or amendments to, such variations must be made promptly in writing noting that any variations must fall within the scope of the original contract.
- 6.4 All variations issued must include the scope and an estimate of the value of the variation and the method by which the final value of the variation will be determined. Where tender clarifications occur between the invitation to tender and the award, all such variations must be captured on the e-procurement system.
- 6.5 Where the total value of the contract including any variation is not more than £25,000 and the Council has an approved budget for this amount, the relevant Head of Service may agree the variation. In all other circumstances the Council's s151 officer's written approval must be obtained.
- 6.6 Where contract variations generate a lower contract value and no significant change to the contract specification is envisaged, no such authorisations are necessary.

Contract Storage and Audit

- 6.7 As soon as possible, the relevant Head of Service must ensure that the original signed contract is passed to the Legal department for storage.
- 6.8 As soon as possible after completion of the procurement, the relevant Head of Service must inform the Procurement Practitioner of all contracts which must be registered on the Council's contracts register.
- 6.9 The relevant Head of Service must ensure that all relevant paperwork relating to the tender, the tender opening procedure, the tender evaluation and award

of contract is retained, for at least 6 months, in case of legal challenge or for audit purposes.

7 EXEMPTIONS FROM TENDERING

7.1 These CSOs apply to all procurement undertaken by the Council unless the procurement is below the EU threshold and falls within one of the following categories:

- (i) call offs from framework agreements which have been tendered;
- (ii) the Council is acting as an agent for another organisation and is acting in accordance with that organisation's CSOs;
- (iii) employment contracts;
- (iv) disposal or acquisition of land (see CSO 9); and
- (v) legal advice and expert witnesses.

8 WAIVER

8.1 The requirement for the Council to conduct a competitive procurement process for contracts in excess of £5,000 but below the EU threshold may be waived in exceptional circumstances by a Director or Chief Executive.

8.2 All waivers from CSO are to be:

- (i) fully documented; and
- (ii) the subject of a written report in an approved format which is submitted in advance to the Monitoring Officer and s151 officer for approval and shall include the reasons why the waiver is sought.

8.3 All decisions on whether or not to grant a waiver must take into account:

- (i) probity; and
- (ii) best value for money principles.

8.4 Applications for waivers which are as a result of poor contract planning will rarely be considered genuinely exceptional.

8.5 The relevant Head of Service will inform the relevant committee when a waiver has been granted and an annual report setting out the waivers granted will be presented to the Audit, Crime & Disorder and Scrutiny Committee.

9 DISPOSAL OF LAND AND OTHER ASSETS

Disposal of Land and Property

9.1 All land and property which is considered to be surplus to the Council's service requirements must be notified to the Head of Legal & Democratic Services who will be responsible for the disposal or other reallocation of such land and property in accordance with the Council's Asset Management Strategy.

Disposal of Other Council Assets

- 9.2 Assets may be declared as being surplus to requirements by a Head of Service who shall assess the value of the assets using such expert assistance as they consider necessary and to dispose of the asset in accordance with this CSO.
- 9.3 The value of an asset shall be the estimated price for which the asset might reasonably be expected to be sold to a willing purchaser in the open market. Similar assets declared surplus to requirements at or about the same time shall be aggregated in value.
- 9.4 Assets having no realisable value or where the costs of disposal is likely to likely to exceed the price received may be disposed of as waste provided that the assets shall be recycled wherever reasonably practical and financially viable.
- 9.5 Assets with a value of £5,000 or less may be sold for the best price possible. Such assets may be advertised on internet based marketplaces (such as EBay). Where such sites are used, the Head of Finance will nominate a single council officer to be responsible for the disposal of assets using this method.
- 9.6 In the case of assets valued above £5,000, disposal shall be carried out by inviting bids for the assets through the open procedure or auction.
- 9.7 Council officers or members are not permitted to purchase any Council assets.
- 9.8 Assets which require secure disposal such as computers, tablets, mobile telephones and any other equipment containing personal or confidential material must be disposed of only to an approved contractor. The relevant Head of Service on in the case of IT equipment, the Head of ICT, must ensure that the personal information or confidential material is destroyed and documentation confirming this must be obtained from the contractor and retained by the Council.
- 9.9 Where items have to be written off and disposed of the write off must be approved in accordance with the following limits:
- (i) for items valued up to £5,000 Head of Service in consultation with the Director of Finance & Resources;
 - (ii) for items valued between £5,000 and £20,000, Director of Finance & Resources in consultation with the relevant committee chairman; and
 - (iii) for items valued over £10,000 the relevant committee.

10 OTHER PROVISIONS

Work for Third Parties

- 10.1 The Head of Legal & Democratic Services must approve the contractual arrangements for any work carried out by the Council for third parties or external bodies.

Partnerships

- 10.2 Partnerships with other local, public, private, voluntary and community sector organisations will be entered into subject to the approval of the relevant committee who shall agree:
- (i) the terms of reference; and
 - (ii) where appropriate, a scheme of delegation to officers to operate within the partnership.
- 10.3 Unless specifically agreed by the relevant committee, partnership arrangements shall only be entered into in accordance with the provisions of these CSOs.
- 10.4 The heads of terms for all partnership arrangements shall be approved by the relevant committee and full terms and conditions by the relevant committee and the Head of Legal & Democratic Services.
- 10.5 The Head of Legal & Democratic Services shall be responsible for ensuring that adequate arrangements for governance are set up within each partnership entered into. Such arrangements shall include provisions for arranging contracts with external bodies.

Council Members and Contracts

- 10.6 No member shall have authority to enter into any contract on behalf of the Council.
- 10.7 No member shall have authority to issue any instruction or variation to a contractor of the Council.

ANNEX A

EU THRESHOLD LEVELS

The financial thresholds are amended on a regular basis, generally every 2 years.

The current thresholds set out below are valid from 1st January 2016 to 31st December 2017.

		Supplies	Services	Works
A	Local authorities	£164,176	£164,176	£4,104,394
		€209,000	€209,000	€5,225,000
B	Social and other specific services (sch 3 PCR 2015)	N/A	£589,148 €750,000	N/A

Note: The threshold for social and other specific services in row B of the table above is a higher threshold as the European Commission decided that these services are not likely to attract cross-border interest and this gives local authorities flexibility in procuring these services. Whilst in the past services were divided into Part A and Part B services this distinction no longer exists and instead there are services which are subject to the full extent of the regulations and other services which are subject to the light touch regime.

The new threshold in row B for social and other specific services applies to procurements of the following services:

Health, social and related services;
 Administrative social, educational, healthcare and cultural services;
 Compulsory social security services;
 Benefit services;
 Other community, social and personal services including services furnished by trade unions, political organisations, youth associations and other membership services;
 Religious services;
 Hotel and restaurant services;
 Some legal services;
 Other administrative services and government services;
 Provision of services to the community;
 Some prison related services, public security and rescue services;
 Investigation and security services;
 International services; and
 Postal services.

Where the officer is seeking to procure any of the above services you should contact a Procurement Practitioner in order to check if the service falls within one of these areas and is therefore subject to the higher threshold set out in row B.

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HORTON CHAPEL – UPDATE

<u>Report of the:</u>	Head of Legal & Democratic Services
<u>Contact:</u>	Simon Young
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Annexe 1 – Summary of Horton Chapel Arts & Heritage Society work so far Annexe 2 – Draft assessment criteria
<u>Other available papers</u> (not attached):	Previous reports to committee and various project papers.

REPORT SUMMARY

This report updates members in relation to the community bid process previously agreed by the Committee, and seeks guidance on the way forward.

RECOMMENDATION (S)

It is recommended that the Committee

- (1) Notes the progress so far.**
- (2) Considers the draft criteria and process for assessment of bids, and provides such comments as are considered appropriate.**
- (3) Agrees that officers should continue to work with the interested parties who submit formal expressions of interest by the end of June 2016, and close the opportunity for other expressions of interest following the end of June.**

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 Resolving the position in respect of Horton Chapel, preferably by way of giving it over to a beneficial community-led use was a service plan action under the former Corporate Plan. Whilst it is not specifically an action under the new plan, resolving the position will contribute to the Council's current Key Priorities of Supporting our Community and Managing our Resources.

2 Background

2.1 Horton Chapel has a long history, which was more fully set out in the report to Strategy & Resources Committee on 27 January 2016. The main point to note is that the Council has consistently sought to ensure that Horton Chapel is preserved, refurbished and subsequently used for the benefit of the community. A number of projects have failed to proceed, mainly due to lack of sufficient funding. It was considered appropriate to give a final opportunity for a community proposal to be implemented, failing which we would look to dispose of the building on the open market.

2.2 At its meeting on 27 January 2016, the Committee agreed the following:
That:

- the position to date be noted
- officers be Authorised, following consultation with the Chairman of the Strategy & Resources Committee, to finalise a pack of information to be available for anyone interested in putting forward a bid for the building, such pack to be available by the end of February 2016.
- the allocation of funds be as follows:
 - Up to £450,000 to be available to any purchaser to be expended on the refurbishment and renovation of Horton Chapel.
 - Up to a further £1 million to be available to any purchaser proposing a wholly community/charitable end use for the building
 - Any mixed use incorporating community/charitable uses and commercial use would be entitled to a sum between the above figures, depending on the nature of the mix proposed, with the intention that it be limited to a sum up to £500,000 in addition to the sum at a).
- Additional sums be held at this point as a contingency and to meet the cost of all professional advice and assistance.
- bids be invited for community/charitable proposals to be submitted by the end of June 2016, and
- a further report be brought to the Committee at its meeting on 28 June 2016 to update on progress and to consider whether/when/how marketing for commercial bids should commence.

- 2.3 It was not possible to engage agents to prepare the pack of information anticipated. However, information has been sent to those who have expressed interest, site visits have taken place and we are working with interested parties in order to assist with them submitting bids for consideration.
- 2.4 We have had interest from several parties. Whilst it is not clear what bids we may or may not receive, the following have expressed a clear intention to submit a bid:
- Horton Chapel Arts & Heritage Society (see the attached information at Annexe 1)
 - Oasis Church Auriol (linked with Oasis Church, Colliers Wood)
 - Mr C Parker (Mo-ichido Martial Arts)
- 2.5 The different bids are at different stages of preparation, and there are different issues which pertain to each organisation. For example, it seems clear that the Horton Chapel Arts & Heritage Society will be dependent on the success of an application to the Heritage Lottery Fund. Due to the heritage lottery bid process, a first round application is not likely to receive a decision until December 2016. Oasis Auriol have only become aware of the opportunity at a late stage, and are therefore not in a position to submit a complete bid at this time, but should be able to do so over the next few months.

3 Proposals

- 3.1 It is proposed that we continue to work with the interested parties who express interest by the end of June, and close the opportunity for other expressions of interest at that time. By the Committee meeting in September it is hoped that we will be in a position to select a preferred bidder.
- 3.2 It is necessary to set out the criteria by which competing bids will be assessed. Some draft heads for the criteria are attached at Annexe 2, and members are invited to provide such comments as are considered appropriate before these are finalised prior to assessment bids.
- 3.3 The criteria will be scored and will be weighted. Again, comments are sought on the proposed scoring and weighting.

4 Financial and Manpower Implications

- 4.1 There are no financial implications arising directly from this report. The financial implications of the bids will be considered in full at a later date, when the relevant information is known.

- 4.2 **Chief Finance Officer's comments:** *The funding currently earmarked for use in relation to the refurbishment of Horton Chapel comes from a number of different sources. It is important in assessing bids that we are mindful of the purposes for which the funding has been allocated and any restrictions on use.*

5 Legal Implications (including implications for matters relating to equality)

- 5.1 There are no legal implications arising directly from this report. The implications arising from specific bids will be considered in full at a later date.

- 5.2 **Monitoring Officer's comments:** *It is important that each bid is considered objectively and fairly, and that there is transparency about the process followed. More work is required on the mechanism by which bids will be assessed, in order that a recommendation can be made in due course.*

6 Sustainability Policy and Community Safety Implications

- 6.1 There are no Sustainability or Community Safety implications arising from this report.

7 Partnerships

- 7.1 The bid process gives the Council the opportunity to work in partnership with an organisation in order to bring Horton Chapel into use for the benefit of the local community.

8 Risk Assessment

- 8.1 There are no significant risks arising from this report.

9 Conclusion and Recommendations

- 9.1 In conclusion, a number of bids are expected to be received by the end of June. These will be in varying states of completeness and will be qualified in a number of ways, for example, in respect of the sources of funding required. However, it is possible that each may be feasible. In order to bring the matter to a conclusion, it is considered that officers should continue to work with each of the parties over the next few months in the hope that a preferred bidder will be able to be selected. It is considered that this process should run its course before the fall-back option, to dispose of the building on the open market, be implemented.

WARD(S) AFFECTED: Court, Ruxley, Stamford

Briefing note for Epsom & Ewell Borough Council from Horton Chapel Arts & Heritage Society

Overview and vision

Our vision is to renovate and convert Horton Chapel into a new community arts centre that will provide a suitable space for local people of all ages and backgrounds to enjoy a programme that enriches, educates, entertains and inspires. Our aims are:

- to provide a year---round focus for the vibrant artistic talent, culture and creativity in Epsom and Ewell
- to provide creative and educational opportunities for the local community
- to preserve and maintain Horton Chapel on a sustainable income generating model and,
- to ensure the heritage of the area is retained and promoted through a permanent exhibition, accessible free of charge.

Further details are on our website: <http://hortonchapelarts.org>

Current status/work completed to date:

The following lists the key achievements since we were formed in January 2016:

- The establishment of a strong Committee with wide--ranging skills
- Receipt of a Heritage Lottery Fund Start---up grant of £10,000 in April, to fund
- preliminary architect's drawings, costings, and market research
- Architects drawings have been completed, retaining the key elements of the building's heritage, and reconfiguring its internal space to allow for galleries, exhibitions, performances (approximately 120 seats), learning spaces, café and bar, hireable community spaces and artists' studios. Plans have been submitted for pre-application planning advice
- Market research was completed by Chrysalis Research in May 2016 with extremely positive findings. There were 430 respondents – of which 91% agreed or strongly agreed with our vision

- Targeted consultation mailshot to Livingstone Park residents carried out (specifically those houses covered by one of the covenants on the building). These had a 22% response rate, with respondents unanimously in favour of our plans
- Received confirmation of our status as a Charitable Incorporated Organisation on 6 June. Our constitution includes provision allowing us to ask the Council to nominate a Trustee if we so wish.
- Extensive commercial fact-finding research carried out across other similar arts centre sites, and potential users and suppliers of services.
- Establishment of a viable financial business plan, showing a self-supporting organisation after Year 3 of operation. The plan includes a broad portfolio of revenue streams, including: learning and education; hospitality; performance; community space hire; corporate hire; events; studio hire; exhibitions; fairs.
- Initial costings for the building and related costs received from Quantity Surveyor, based on architect's design to our brief.
- Draft First Round grant application for HLF prepared, seeking c£1.8m of funds to support building, fitting out costs and over-runs until self-supporting.
- Other potential sources of supplementary grants have been identified, but currently being treated as contingency sources, with emphasis being on HLF.
- Links with other stakeholders created (community, heritage, art, educational)

Future work & timescales:

- The main piece of outstanding work needed prior to submitting Heritage Lottery Fund grant application is a formal valuation of the Chapel now and post-renovation. This is needed due to mechanics of grant assessment. Quotes for this work are being obtained.
- We originally intended to submit a First Round application for the grant to HLF by 13 June, so as to meet the timetable for the quarterly assessment of bids by the HLF. (First Round applications are expected to be less detailed in terms of, for example, building costs, than Second Round).
- However, HLF gave us a very strong message that they would not

expect applicants to move so quickly from receiving a Start-up Grant to submission of a First Round application for a main grant. In particular HLF would like to work closely with us to develop our application, rather than just receiving it "cold". We have accepted this advice.

- Hence the next deadline is to submit the First Round application by 5 September, for a decision by HLF in December 2016.
- If that decision is favourable we would use the funds received in December 2016 to finance structural and other surveys that are necessary to finalise quotes for building and other expenditure, to submit planning and listed building applications, to conduct further market research, and to pay for consultants to appraise our business case, as required by the HLF .
- That information would form part of the detailed Second Round application to be submitted in 1Q2017 for a decision by HLF by 2Q2017 (precise dates for 2017 are not yet available on the HLF website).
- If that decision was favourable then building work would commence as soon as legal details were finalised, with an indicative start date for work in 3Q2017

Ian Reeves – Chair
David Gulland – Treasurer
Horton Chapel Arts & Heritage Society
8 June 2016

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Draft Assessment Criteria

1. Nature of proposed use (weighted to form 30% of the overall score).

Under this heading we will consider matters such as the following:

- a. the proposed end use(s) of the building
- b. the range of those uses,
- c. how inclusive or exclusive the uses could be,
- d. what engagement there has been with the public
- e. the provision of novel facilities for the borough or locality (is a facility being proposed which does not currently exist within the borough)
- f. the benefits for the community as a whole (considering the economic, social and environmental benefits).

Facilities which meet unmet demand and which will be widely available for use by the community, both in the locality and the wider area, will score more highly.

2. Financial viability and deliverability (weighted to form 40% of the overall score). Under this heading we will consider matters such as the following:

- a. The level of subsidy required above £450,000 from the funding held by the Council.
- b. The source of any other funding required and how certain this is.
- c. The refurbishment programme proposed and how this has been costed.
- d. What assessment has been made of the ongoing running/ maintenance costs and how it is proposed that these will be funded.
- e. Whether any “purchase price” is proposed to be paid.

Whilst the minimal use of Council subsidy is preferred, bids will score most highly which indicate that a proposal is financially viable. Where an application for third party funding has been made, it will initially be assumed that such application would be successful – acceptance of the bid would then be conditional on funding being secured in a reasonable time (to be specified).

3. The balance of risks (weighted to form 20% of the overall score). Under this heading we will consider the likely balance of risks between the Council and the bidder, should the matter proceed. Under this heading we will consider matters such as the following:

- a. The governance structure of the bidder – whether it will be an individual, company, registered charity or other form of entity.
- b. The interest which the bidder proposes to acquire – freehold, leasehold etc.
- c. The bidder’s proposals in respect of accessing the Council’s subsidy funding.

The proposal which best manages the assessed risks, and in respect of which the level of risk retained by or transferred to the Council is minimised, will score most highly.

4. Quality /Environmental factors (weighted to form 10% of the overall score). Under this heading we will consider such matters as:

- a. The type/quality of materials proposed.
- b. The proposed method of construction.
- c. Whether any features are proposed which will improve the environmental sustainability of the building, compared with previous uses and/or other comparable buildings in the area.

The proposal will score most highly which best preserves this listed building, whilst at the same time reduces the impact of the operation of the building on the environment.

Scoring Matrix

The above criteria will be scored in accordance with the table below, before the scores are then weighted in accordance with the percentages set out above to produce an overall score.

0	Completely fails to meet appropriate standard or does not provide a proposal.
1	Proposal significantly fails to meet the appropriate standard, contains significant shortcomings or is inconsistent with other proposals.
2	Proposal falls short of achieving appropriate standard in a number of identifiable respects.
3	Proposal meets the appropriate standard in several material respects, but is lacking or inconsistent in others.
4	Proposal meets the appropriate standard in most material respects, but is lacking or inconsistent in some.
5	Proposal meets the appropriate standard in all material respects.

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