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Legal and Democratic Services



STRATEGY AND RESOURCES COMMITTEE

Tuesday 28 July 2020 at 7.00 pm

Place: Remote Meeting

PLEASE NOTE: this will be a 'virtual meeting'.

The link to the meeting is:

<https://attendee.gotowebinar.com/register/1046795950481062415>

Webinar ID: 659-905-667

Telephone (listen-only): 0330 221 9922, Telephone Access code:592-385-509

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 Clive Smitheram (Vice-Chairman)
Councillor Arthur Abdulin
Councillor Steve Bridger
Councillor Kate Chinn

Councillor Nigel Collin
Councillor Hannah Dalton
Councillor David Gulland
Councillor Colin Keane
Councillor Barry Nash

It would be helpful if Councillors who wish to raise any questions of fact or request additional information on any aspect of the agenda contact the relevant report author before the evening of the meeting.

Yours sincerely

Chief Executive

For further information, please contact Democratic Services, email: democraticservices@epsom-ewell.gov.uk or tel: 01372 732000

Public information

Please note that this meeting will be a 'virtual meeting'

This meeting will be held online and is open to the press and public to attend as an observer using free GoToWebinar software, or by telephone.

A link to the online address for this meeting is provided on the first page of this agenda and on the Council's website. A telephone connection number is also provided on the front page of this agenda as a way to observe the meeting, and will relay the full audio from the meeting as an alternative to online connection.

Information about the terms of reference and membership of this Committee are available on the [Council's website](#). The website also provides copies of agendas, reports and minutes.

Agendas, reports and minutes for the Committee are also available on the free Modern.Gov app for iPad, Android and Windows devices. For further information on how to access information regarding this Committee, please email us at Democraticservices@epsom-ewell.gov.uk.

Exclusion of the Press and the Public

There are no matters scheduled to be discussed at this meeting that would appear to disclose confidential or exempt information under the provisions Schedule 12A of the Local Government (Access to Information) Act 1985. Should any such matters arise during the course of discussion of the below items or should the Chairman agree to discuss any other such matters on the grounds of urgency, the Committee will wish to resolve to exclude the press and public by virtue of the private nature of the business to be transacted.

Questions from the Public

Questions from the public are permitted at meetings of the Committee. Any person wishing to ask a question at a meeting of the Committee must register to do so, as set out below.

Up to 30 minutes will be set aside for written or oral questions from any member of the public who lives, works, attends an educational establishment or owns or leases land in the Borough on matters within the Terms of Reference of the Strategy and Resources Committee which may not include matters listed on a Committee Agenda.

All questions whether written or oral must consist of one question only, they cannot consist of multi parts or of a statement.

The question or topic may not relate to a specific planning application or decision under the Planning Acts, a specific application for a licence or permit of any kind, the personal affairs of an individual, or a matter which is exempt from disclosure or confidential under the Local Government Act 1972. Questions which in the view of the Chairman are vexatious or frivolous will not be accepted.

To register to ask a question at a meeting of the Committee, please contact Democratic Services, email: democraticservices@epsom-ewell.gov.uk, telephone: 01372 732000.

Written questions must be received by Democratic Services by noon on the tenth working day before the day of the meeting. For this meeting this is **Noon, 14 July 2020**

Registration for oral questions is open until noon on the second working day before the day of the meeting. For this meeting this is **Noon, 24 July 2020**

AGENDA

It would be helpful if Councillors who wish to raise any questions of fact or request additional information on any aspect of the agenda contact the relevant report author before the evening of the meeting.

1. QUESTION TIME

To take any questions from members of the Public.

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. ASSET MANAGEMENT PLAN (Pages 5 - 80)

This report presents the Strategic Asset Management Plan and provides a strategic framework for managing the Council's land and property assets over the 10 year period to 2030.

4. LOCAL GOVERNMENT ASSOCIATION COMMUNICATIONS PEER REVIEW (Pages 81 - 130)

This report provides details of the LGA Communications Peer Review process and details of their findings.

5. 2019-20 FINANCIAL OUTTURN REPORT (Pages 131 - 142)

This report summarises the Council's financial performance for 2019/20 and details the capital budgets to be carried forward for schemes where costs will be incurred in 2020/21.

6. 2019-20 TREASURY MANAGEMENT YEAR-END PERFORMANCE (Pages 143 - 158)

This report presents the Council's treasury management performance in 2019/20.

7. CAPITAL MEMBER GROUP (Pages 159 - 166)

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group, approve an increase in budget of the Disabled Facilities programme and to agree the capital bidding process for 2021/22 to 2023/24.

8. MINUTES OF PREVIOUS MEETING (Pages 167 - 172)

The Committee is asked to confirm as a true record the Minutes of the meeting of the Strategy and Resources Committee held on 30 January 2020 and to authorise the Chairman to sign them.

9. EXCLUSION OF PRESS AND PUBLIC (Pages 173 - 174)

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 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 outweighs the public interest in disclosing the information.

10. SUPPORT WITH REOPENING LEISURE SERVICES (Pages 175 - 182)

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 financial or business affairs of the Committee and third parties and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

STRATEGIC ASSET MANAGEMENT PLAN

Head of Service:	Mark Shephard, Head of Property and Regeneration
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Appendices (attached):	Appendix 1 – Asset Management Plan 2020-30

Summary

This report presents the Strategic Asset Management Plan and provides a strategic framework for managing the Council's land and property assets over the 10 year period to 2030.

Recommendation (s)

The Committee is asked to:

- (1) **Approve the Asset Management Plan 2020-30**

1 Reason for Recommendation

- 1.1 The Asset Management Plan sets out the Council's approach to the strategic management of its land and property assets totalling circa £120 million, over the next ten years.

2 Background

- 2.1 At its meeting on 13 November 2012, Committee approved the Council's Asset Management Plan 2012-16 (AMP) with subsequent minor amendments approved on 24 March 2015.
- 2.2 The existing AMP provided a framework for managing the Council's property assets in the most efficient and cost effective way.

- 2.3 The new proposed Strategic Asset Management Plan 2020-30 (SAMP) provides a greater emphasis on the strategic overview necessary to ensure the successful delivery of the Council's corporate priorities and objectives.
- 2.4 The SAMP will form part of the Council's policy framework to provide a robust process for governance and decision making. The use and management of property is intrinsically linked to the Council's corporate vision, priorities and values.
- 2.5 With a combined operational and investment property portfolio approaching £120m, it was imperative the Council undertook a comprehensive review of its asset management strategy.
- 2.6 Since the last AMP, the Council has not only been active in property acquisitions, but its future intentions include property development and utilising its property assets to facilitate town centre regeneration.

3 Proposal

- 3.1 The new SAMP is attached at Appendix 1 and in Section 3 sets out how it will adopt the following 4 key strategies to effectively manage the Council's property assets:
 - 3.1.1 **Place Ambition** – to support the Future40 long-term vision and emerging Borough Local Plan.
 - 3.1.2 **To plan and manage property as a corporate resource** - to enable improved cost control, consistent decision making and wider efficiencies to be realised across the whole portfolio.
 - 3.1.3 **Improve environmental sustainability** - the Council's property assets can help to reduce carbon emissions and improve environmental sustainability, for example, by ensuring that energy supplies to operational properties are from renewable sources.
 - 3.1.4 **Sustainable financial returns** - the Medium Term Financial Strategy expects the Strategic Asset Management Plan to contribute an additional £500k per annum net rental income over the four-year period.
- 3.2 In Section 4 of the SAMP, the review and rationalisation criteria is specified for reviewing the Council's property assets. It also proposes in Section 5, the focus of performance management to be taken with property assets over the time of the SAMP.
- 3.3 An overview of the property assets is provided in Section 6 and this is supported by the SAMP Annex 1.

- 3.4 Over the lifespan of the proposed Strategic Asset Management Plan, the Council will rely on a greater proportion of its total income coming directly from the assets it holds.
- 3.5 As well as generating financial returns, the Council's assets also require ongoing capital and revenue expenditure. For some of the Council's assets the projected level of maintenance spend over the next ten years is very high and potentially unaffordable in the current financial climate and when compared with associated rental revenues being generated.
- 3.6 As part of this plan, options will be considered for these assets which may include alongside capital investment, re-provision, disposal, or redevelopment.
- 3.7 It is recommended Committee approve the proposed Strategic Asset Management Plan to enable the Council to adopt the strategic approach necessary to readily align the management of its property assets with its corporate objectives.

4 Risk Assessment

Legal or other duties

4.1 Impact Assessment

- 4.1.1 Where property assets are authorised for redevelopment or substantial reconfiguration, an equality impact assessment will be undertaken at the relevant time. Otherwise, there are no specific equality considerations associated with this report.

4.2 Crime & Disorder

- 4.2.1 There are no specific crime and disorder considerations associated with this report.

4.3 Safeguarding

- 4.3.1 There are no specific safeguarding implications associated with this report.

4.4 Dependencies

- 4.4.1 There are no specific dependencies associated with this report.

4.5 Other

- 4.5.1 An effective Strategic Asset Management Plan will ensure value for money, maximise asset performance and minimise the Council's exposure to avoidable loss of income.

5 Financial Implications

- 5.1 The four year financial plan includes a continuing commitment to the review of property retained by the Council for service delivery or investment purposes.
- 5.2 **Section 151 Officer's comments:** It is important that the Council maximises returns from its property portfolio where possible, to provide financial resources needed to support the delivery of services to residents.

6 Legal Implications

- 6.1 None arising from the contents of this report.
- 6.2 **Monitoring Officer's comments:** None arising from the contents of this report.

7 Policies, Plans & Partnerships

7.1 Council's Key Priorities:

7.2 The following Key Priorities are engaged:

7.2.1 Progression of the SAMP will move the Council closer to delivery of some of the key objectives set out in its 'Vision for Epsom & Ewell' and 4 year Corporate Plan; in particular:

- *Opportunity and Prosperity* – providing built assets that enable business owners to establish and grow their businesses; utilising the councils built assets to ensure that the Borough attracts additional inward investment and is seen by residents and investors alike as a place synonymous with ambition; secure affordable homes for families and local workers.
- *Safe and Well* – prioritise use of the councils assets in a way that contributes to creation of a safer environment; providing opportunities for family friendly activities and use of council owned built assets that encourage a community spirit; protect local employment opportunities and create affordable housing opportunities for families and local workers.
- *Cultural and Creative* – utilising council owned assets to enhance the clear and compelling identity of the Borough; provide opportunities in the Borough for residents and visitors to experience the many creative enterprises that the Borough has to offer; utilising council owned assets to provide opportunities 'Where people work together for the benefit of the community'.
- *Effective Council* – proactively promoting the Councils property assets to assist the delivery of key corporate objectives.

7.3 The SAMP will also support the Council's agreed Statement on Economy and Place:

- Maximising returns from property assets
- Contributing to the Council's Housing Delivery Action Plan by bringing forward the development of new housing and more affordable homes for local people
- Delivery of 'High quality, sustainable and energy efficient buildings which include new green spaces'.

7.4 **Service Plans:** The matter is included within the current Service Delivery Plan.

7.5 **Climate & Environmental Impact of recommendations:** will be assessed on a property by property basis as decisions are sought regarding future acquisition, development or disposal.

7.6 **Sustainability Policy & Community Safety Implications:** When re-developing Council owned assets, improvements or enhancements to community safety will be considered as part of any statutory planning process. Community safety implications will also be considered in assessing assets for purchase, redevelopment or disposal.

7.7 **Partnerships:** The acquisition, development and disposal of council owned assets are all activities of a commercially sensitive nature. As such, partnership working is restricted. The council is more likely to fulfil the role of 'client', Landlord, vendor or purchaser in undertaking its various asset management functions.

8 Background papers

8.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Asset Management Plan 2012-16

Other papers:

- Strategic Statement on Economy and Place

This strategic statement sets out the Council's strategic priorities for economy and place in the context of the Council's new long-term vision for the borough, new Corporate Plan and forthcoming detailed strategies that will emerge over the Autumn through the Council's Local Plan process.

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LOCAL GOVERNMENT ASSOCIATION COMMUNICATIONS PEER REVIEW

Head of Service:	Shona Mason, Head of HR & Organisational Development
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Appendices (attached):	Appendix 1 - LGA Communications Peer Review Feedback Slides Appendix 2 - LGA Communications Peer Review Report

Summary

This report provides details of the LGA Communications Peer Review process and details of their findings.

Recommendation (s)

The Committee is asked to:

- (1) Note the content and recommendations of the LGA Communications Peer Review.**

1 Reason for Recommendation

- 1.1 The Committee are asked to note the content of the report as a first stage. Due to COVID19 and the Council's focus on the emergency response over the past few months, Officers have not been in a position to develop an action plan to date. It is planned that the action plan will be developed over the summer and will be presented to Strategy & Resources Committee in September 2020. Therefore the recommendation is to note the content of the LGA Communications Peer Review report at this stage.

2 Background

- 2.1 In line with ambitions for continual improvement, the Council commissioned the LGA to undertake a peer review of communications across the organisation. This took place in January 2020.
- 2.2 The peer review team comprised of a group of six individuals who were selected on the basis of their relevant experience and expertise and comprised of both Officers and Councillors.
- 2.3 The team visited the Council offices on 15, 16 and 17 January and met with over 40 people including council staff, councillors and external stakeholders. The peer review team gathered information via interviews, focus groups and meetings. The team undertook more than 125 hours of investigation to determine their findings and provide a rounded view of communications across the organisation.
- 2.4 A number of external stakeholders were invited to participate in the review which included the following:
 - Royal Automobile Club
 - Jockey Club
 - Surrey Police
 - Rosebery Housing
 - Epsom BID
 - University of Creative Arts
 - Citizens Advice Bureau
 - Food Bank
 - Whiteway Transport
 - Local media
 - Citizen Panel
- 2.5 A number of internal stakeholders were invited to participate in the review which included the following:
 - Communications Team
 - Consultation Team
 - Leadership Team
 - Staff Consultative Group
 - ICT Team
 - Committee Chair/Chairmen
 - Cross party Members group
- 2.6 On day three of the review (17 January 2020) and upon completion of all the meetings and interviews, the LGA provided initial feedback to the Leadership Team and the Chair of Strategy and Resources. This feedback was provided verbally with accompanying slides as set out in Appendix 1.

- 2.7 The LGA Peer Review report was completed on 9 March, with the next step to report the findings of the review, to Strategy & Resources Committee.
- 2.8 In late February/early March the Council had moved in to the early stages of managing the emerging pandemic. The Council formally started to respond to the pandemic on 9 March when the Council's Pandemic Co-ordination Group was established, ten days before an Emergency was declared. A number of the Leadership Team including the Head of HR & OD were engaged in dealing with the emerging situation before 9 March. As a result, the peer review was deprioritised, allowing Officers to focus on saving lives and reducing harm caused by the pandemic to the borough.
- 2.9 The full peer review report is set out in Appendix 2.
- 2.10 In consultation with the Chair of Strategy and Resources, two of the Peer Review's recommendations have been tested during the past few months with the appointment of an interim Communications and Engagement Manager who has contributed to the Council's COVID19 communications response. The Council appointed to this role in 1 April for a five month placement. This role has had significant impact in supporting Members and the communications team to ensure that our response has been effective.
- 2.11 The Council also undertook a digital "Who Reads What" survey, digitally on 22 May. This survey promoted through the Borough Insight as well as social media, intended to gather insight on respondents' communications preferences. It was timed to coincide with a special Covid-19 edition of Borough Insight, the next edition of which is not due until Nov 2020 and aimed to maximise the opportunity while people were at home in lockdown to complete the survey. The closing date was 3 July. Over 300 responses were received and results are being analysed at the time of writing
- 2.12 It is recognised that the survey was not accessible to all residents in digital format and will provide feedback from only those who could access it on digital platforms. It is intended to be an indication and a guide to help the Council refine communications delivery and direct attention to any areas of reported need, rather than a one off consultation. Further engagement work will need to be undertaken to ensure that all residents have an opportunity to contribute in a fully inclusive and representative way. This will be a feature of the action plan that will be developed over the summer.
- 2.13 The action plan will, subject to a further outbreak of Covid19, be developed over the coming months and will be reported to Strategy & Resources Committee in September 2020 for member consideration

3 Risk Assessment

Legal or other duties

3.1 Impact Assessment

3.1.1 There are no impact assessment implications for this report.

3.1.2 Upon development of the action plan and development of any resulting action from the action plan, impact assessments may be required. These will be outlined in future reports

3.2 Crime & Disorder

3.2.1 There are no crime and disorder implications for this report.

3.3 Safeguarding

3.3.1 There are no safeguarding implications for this report.

3.4 Dependencies

3.4.1 There are no dependencies for this report.

3.4.2 Upon development of the action plan and development of any resulting action from the action plan, a number of dependencies may be identified. As detailed within this report developing a whole Council effective communications approach will require input from many different groups.

3.5 Other

3.5.1 N/A

4 Financial Implications

4.1 The Council is facing significant financial impacts from the result of COVID19, as reported to S&R Committee on 2 July. In developing the action plan it will be vital to ensure that priorities are established and can be funded, particularly in relation to any investment in technology and tools.

4.2 **Section 151 Officer's comments:** None for the purposes of this report.

5 Legal Implications

5.1 There are no legal implications arising from the contents of this report.

5.2 **Monitoring Officer's comments:** none arising from the contents of this report.

6 Policies, Plans & Partnerships

6.1 **Council's Key Priorities:** All of the Council Key Priorities are engaged.

6.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

6.3 **Climate & Environmental Impact of recommendations:** None

6.4 **Sustainability Policy & Community Safety Implications:** None

6.5 **Partnerships:** None

7 **Background papers**

7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- None

Other papers:

- None

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Epsom & Ewell Borough Council

Communications peer review

15 – 17 January 2020

Feedback

17 January 2020

www.local.gov.uk

Agenda Item 4
Appendix 1

Review team

- Fran Collingham, LGA Associate and former Assistant Director for Communications, Coventry City Council
- Cllr Claire Wright, Independent Councillor at Devon County Council
- Leo Whitlock, Head of Communications, Canterbury City Council
- Louisa Dean, Communications and Marketing Manager, Royal Borough of Windsor & Maidenhead
- Éilis O'Connell, Communications Improvement Adviser, LGA
- Chloe Newman, Communications Assistant, LGA

Introduction

- We have been made to feel welcome and been well supported. Thanks to all who have helped with this – especially Clare and Eileen
- People have been encouraged to be open and honest
- Our feedback is based on what we have heard, seen and read
- We have conducted 24 meetings and focus groups and spoke to around 41 people.
- Collectively spent more than 125 hours to determine our findings – the equivalent of one person spending nearly three working weeks in Epsom and Ewell
- Opportunity to discuss our findings and consider next steps and further support

Why is good communications important?

- Supports good political leadership
- Articulates the ambition for your area
- Improves corporate and personal reputation
- Helps engagement – residents, partners and staff
- Builds trust and rallies advocates to drive change (and can help deliver savings)
- Attracts investment (and good people)
- Strengthens public support and understanding

What does good look like?

- **Leadership** - Clarity of purpose and commitment
- **Brand** - What you stand for, values and trust
- **A clear vision** - Be ambitious first...and then realistic!
- Be **authentic** to your local area
- **Strategic approach to communications** - Communication without strategy does not work
A corporately agreed, fully evaluated **annual communications plan** - not just sending out ad hoc stuff
- All **communications** activity **based on research and insight**
- All **campaigns to be linked to corporate priorities** and resourced accordingly
- **Invest in evaluation**
- Ensure **communications** is **owned by everyone**

Agreed focus of review (1)

Strategy and priorities

- How effective is the Council in communicating its strategy, priorities and vision to external and internal stakeholders? Is the Council's communications aligned and integrated with the overall strategic direction of the Council?

Structures, capacity and resources

- What are the communication and engagement skills the Council needs to realise its ambition in terms of communication and engagement? How does the Council ensure its approach to communication and engagement is embedded within the organisation and central to the way they operate? How might the Council improve its approach to communication and engagement whilst recognising the constraint in which it operates?

Agreed focus of review (2)

Governance, commissioning and oversight

- What approach could be used to evaluate the outcomes of the Council's communication and engagement activities? Is the process for commissioning communications activity owned at a senior level?

Ways of working

- How could the Council take a more integrated approach to communication and engagement activities? How effectively does the Council work with partners to communicate its ambitions and priorities for the area?

Channel use and digital communications

- How can the Council make the most of digital channels as a means of communication and engagement? How effective is Borough Insight in getting the Council's message across compared to alternative communication channels?

Overall messages (1)

- Council wants to tell a more positive story about council and place
- Recognition across the Council of the importance of strategic communications and the need to plug the gap in this area
- New vision, four year plan and success of Future40 programme means it's an ideal time to review the role and function of communications in supporting Council's ambitions
- The draft vision is clear, compelling and a great first step in developing a strong narrative for the Council and the place
- Good traditional communications skills but recognition there's now a skills gap around digital and social media, insight, comms planning
- An appetite across the Council to develop new channels and tools for communications and different ways of working
- Communications colleagues are seen as hard working and committed

Overall messages (2)

- Potentially strong network of support across business/partners ready to work with Council on getting messages out
- Communications is currently reactive, tactical and output focused
- Need for clear direction, leadership and strategy for communications
- Urgent need for a clear internal and external communications strategy to launch and embed the vision and four year plan
- Lack of organisational communications strategy, campaign plan and agreement around communications priorities
- Lack of resident and staff insight to underpin communications planning, targeting and evaluation
- Lack of robust emergency planning communications procedures and protocols

Overall messages (3)

- Perception that key corporate messages are lost because they're shared across organisation in ad-hoc way
- Members not always clear about their role and remit as community champions and place leaders and the opportunities available to speak up for Epsom and Ewell
- Disconnect between communications and engagement leading to missed opportunities to deliver proactive, innovative communications

Strategy and priorities - strengths

- Future40, draft vision and four year plan are great opportunities for the Council to lead some exciting place shaping work with a compelling vision for the strategic direction of the Council
- Vision and emerging four-year plan provide strong foundation to develop a communications strategy for the organisation with an annual campaigns plan and agreed communications priorities
- Senior political and managerial leadership understand the importance of developing strategic communications to play a leading role in delivering the Council's vision
- Partners welcome Future40, are keen for bold vision for future of the place and want to work with Council to deliver it
- Plans for sharing vision with staff through face to face briefings are good and should be the start of ongoing conversations with colleagues about delivering the vision

Strategy and priorities - issues

- Lack of strategic approach means communications is ad-hoc, reactive and unable to influence discussions at the right time
- Evidence not used effectively to plan campaigns, help targeting of messages and support evaluation of communications work
- Little evidence of good communications planning for major campaigns, issues and initiatives - comms plans need to include key messages, tools, channels and understanding/targeting of audiences along with evaluation measures
- No strategic communications forward planning or annual campaigns planner means senior political and managerial leadership have no oversight of priorities for communications
- Members understand need for narrative but need to continue to be involved in process for it be fully embedded

Structure, capacity and resources - strengths

- Some real skills in marketing and traditional communications across the Council
- There are good levels of interest in improving communications from officers and members at every level and people understand the role they could play in this
- Pockets of communications and engagement across the Council that could be more effectively utilised
- Colleagues across the organisation appreciate the hard work, commitment and expertise of the team in delivering day to day communications

Structure, capacity and resources - issues

- Resources are there - but not connected. More could be done to facilitate sharing of knowledge and activity across teams
- Engagement expertise elsewhere in the organisation not closely aligned with communications so opportunities for creative communications and engagement are being missed
- Structure and role of communications team needs to evolve to support the Council to deliver its vision and four-year plan
- Lack of senior communications role hampers team's access to key information and its ability to provide strategic comms expertise at an early stage
- Digital and social media expertise and confidence is a challenge
- Communications shouldn't be dealing with routine customer service enquiries on social media
- Unclear if communications is seen as everyone's job here

Governance, commissioning and oversight - strengths

- Senior leaders understand that they must own and lead communications and recognise the importance of embedding strategic communications at an early stage
- The communications team is keen to have early engagement to help shape organisational priorities and campaigns

Governance, commissioning and oversight - issues

- Consultation and communications teams aren't sharing knowledge, insight and understanding of audiences which would help both deliver more effective outcomes
- No insight into residents' perceptions of the Council, how they receive information or how they would like to receive information so can't baseline, track progress or measure against other councils
- Little or no evaluation of communications activity to inform or improve future campaigns and plans
- Communications team do not have always have early access to information or insight into decision-making
- Engagement activity over-focused on surveys/questionnaires but there's enthusiasm for a more creative approach

Ways of working - strengths

- Colleagues see service as responsive and supportive when they need it
- Team is seen as hard-working and reliable
- Appreciation for some of the internal comms tools and channels - What's Hot, Glitterball etc - but there's a challenge around encouraging two way/conversational briefings
- Managers very positive about comms team
- Good working relationship with media on day to day issues

Ways of working - issues

- Tendency to avoid proactive planning around operational sensitive issues – no horizon scanning
- Focus is on broadcasting messages rather than two way conversations on social media
- Limited planning or processes if there's a major incident or emergency and no out of hours comms cover in case of crisis/emergency
- Over-reliance on traditional communications tools and channels
- Sign off process not consistent or efficient
- Communications and consultation and engagement working in siloes – little to no sharing of lessons learned, resource, etc
- No process in place for embedding communications at the first stage of projects
- Working relationship with partners on communications is ad-hoc and reactive leading to missed opportunities

Channel use and digital communications - strengths

- Acknowledgment across the Council that approach to communications has remained 'traditional' over the years and may be outdated
- Appetite for developing digital communications and more sophisticated use of communications channels to support better targeting of communications
- Awareness that Council needs to be more sophisticated in its use and understanding of audiences and communications channels - but not clear about how to do this

Channel use and digital communications - issues

- Social media channels solely controlled by communications
- Customer services not closely involved in using and developing social media channels
- Social media very broadcast focused and not used as an effective engagement tool
- Despite the opportunities, there are concerns about widening access to social media (training and trust)
- Microsites don't support effective and meaningful evaluation
- Channel use isn't factored into communications planning or recognised as part of strategic communications
- Many Members not confident about using social and digital media and its potential in supporting effective communications with residents
- Some very traditional communications channels - Borough boards and Borough Insight.

Key quotes

- *'We need something self-sustaining and co-ordinated to deliver high level communications'*
- *'We recognise there's a gap and there needs to be a better way to manage our reputation'*
- *'Our communications team should be all-seeing, all-knowing, all-media using and proactive when engaging with the public'*
- *'With the challenges and opportunities we are facing, we need residents onside and communications is the key to that'*

Recommendations (immediate)

- Consider establishing a communications and engagement team, bringing in engagement expertise currently elsewhere and fully embedding marketing within the team
- Create new role of strategic communications and engagement manager
- Develop and agree a communications plan, action plan and evaluation measures for the new vision and four-year plan
- New strategic communications and engagement manager to produce an overarching communications strategy (including internal and external communications) and an annual campaigns plan based on priorities

Recommendations (immediate 2)

- Hold social media workshop for Members to support them taking more of a lead on community issues
- Hold social media workshops for key colleagues and widen access to social media channels, supporting a more proactive approach
- Agree process for communications to meet regularly with senior managers to support strategic communications planning, sharing key information etc
- Conduct a 'Who Reads What' survey for insight into how residents currently receive information and their preferences
- Develop a simple process to ensure comms is regularly involved at the earliest stages of a major project, issue or initiative to enable effective planning

Recommendations – medium term

- We're unconvinced about the value of traditional communications channels and tools – Borough Insight and Borough Boards – but you need to understand what your residents want before making decisions around their future
- Once new manager in post, review ways of working with Members so comms can support them to develop their role as community champions and advocates for all residents
- Consider new and potentially more effective communications channels such as e-newsletters
- Understand staff's views on comms and engagement and review and refresh internal comms channels and tools
- Consider regular residents survey to gain insight into how residents feel about the council and to provide a benchmark for future changes in perception

Discussion

- Reflections on our findings
- Next steps
- LGA support

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Epsom & Ewell Borough Council Communications Peer Review

15 – 17 January 2020

Feedback Report

1. Purpose of report

This report provides a summary of the findings of the Epsom & Ewell Borough Council communications peer review. It builds on the messages discussed with lead members and officers from the council at our feedback session on 17 January 2020. It is intended to provide a basis for consideration and action by the council to enhance the effectiveness of its communications activity and to ensure the best use of resources deployed to support those.

2. Context and focus of the review

Epsom & Ewell Borough Council has undergone significant change in recent years, at both political and corporate levels. A new chief executive, chief operating officer, chief legal officer and Head of Planning have joined the senior leadership team over the last couple of years. Following the May 2019 local elections there has also been a new intake of members. Some months on, the council is on the cusp of launching its new four year plan and first ever long-term vision for the Borough which will set the direction for the coming years.

With this in mind, alongside the development of projects such as the new local plan, now was considered an opportune time to review the council's communications function and ensure it is fit to fully support its new plans and priorities.

The council approached the Local Government Association to commission a three-day communications peer review focused on a number of specific priorities. These were:

- **Strategy and priorities.** How effective is the council in getting its message out across the Borough How do we ensure our approach to communication and engagement is embedded within the organisation and central to the way we do business?
- **Structure, capacity and resources.** What are the communication and engagement skills the council needs to realise its ambition in terms of communication and engagement? How does the council ensure its approach to communication and engagement is embedded within the organisation and central to the way it operates? How might the council improve its approach to communication and engagement, whilst recognising the constraints in which it operates?
- **Governance, commissioning and oversight.** What approach could be used to evaluate the outcomes of the council's communication and engagement activities?
- **Ways of working.** How could the council take a more integrated approach to its communication and engagement activities? How effectively does the council work with partners to communicate its ambitions and priorities for the area?
- **Channel use and digital communications.** How can the council make the most of digital channels as a means of communication and engagement? How effective is Borough Insight in getting the council's message across compared to alternative communication channels?

3. The peer team and process

Peer reviews are delivered by experienced elected member and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and were agreed with you. The peer team members were:

- Lead peer: Fran Collingham, LGA Associate and former Assistant Director of Communications at Coventry City Council
- Member peer: Cllr Claire Wight, Independent, Devon County Council
- Senior communications officer peer: Leo Whitlock, Head of Communications, Canterbury City Council
- Senior communications officer peer: Louisa Dean, Communications and Marketing Manager, Royal Borough of Windsor and Maidenhead
- Review manager: Éilis O'Connell, Communications Improvement Adviser, LGA
- Shadow peer: Chloe Newman, Communications Assistant, LGA

It is important to stress that this was not an inspection. Reviews are improvement focused and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement focus. The peer team used their experience and knowledge of local government communications to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information including the council's four year plan, communications strategies and position statement.

The team then spent three days at Epsom & Ewell Borough Council, during which they:

- Spoke to more than 40 people, including a range of council staff, councillors and external stakeholders
- Gathered information and views from around 24 interviews, focus groups and meetings
- Collectively spent more than 125 hours to determine our findings – the equivalent of one person spending three working weeks on site

4. Principles of good communication

In undertaking our work, we were guided by an understanding of the importance of good

communications and how to achieve these. The LGA has found the following to underpin effective communications across the councils that it works with:

Why is good communications important?

- Articulates the ambition for your area
- Improves corporate and personal reputation
- Supports good political leadership
- Helps engagement – residents, partners and staff
- Builds trust
- Rallies advocates
- Drives change and can deliver savings
- Attracts investment (and good people)
- Can be used to manage performance
- Strengthens public support and understanding

What does good communication look like?

- **Leadership** – clarity of purpose and commitment
- **Brand** – what you stand for, values and trust
- **A clear vision** – be ambitious first...and then realistic!
- **Authentic**
- **Strategic** - Communications without strategy does not work
- A corporately agreed, fully evaluated **annual communications plan** – not just sending out ad hoc stuff
- **Based on research and insight**
- Campaigns **linked to corporate priorities** and resourced accordingly
- **Evaluated**
- **Owned by everyone**

5. Executive summary

Epsom & Ewell Borough Council has seen significant change in recent years. With the development of a new four-year plan and its first ever long-term vision, the council is now looking to position itself in a more ambitious direction externally. Delivering effective communications will be vital if the council is to be able to do this, achieve its new goals and effectively embed a new vision and narrative.

It was clear from our time on site that both political and corporate leadership appreciate the important role that strategic communications can and should play in this process. The peer team was impressed by the council's new vision and corporate plan – the final documents and the consultation process itself. Epsom & Ewell's new vision is clear and compelling, and

demonstrates evidence of the council's desire to tell a more positive story to residents about the borough – both as place and a council.

However, there was no communications plan in place for the launch of the council's new vision, which it plans to launch in the coming weeks, and which will ensure that it is effectively embedded over the coming months. We would urge the council to prioritise this activity, ensuring that there is a clear plan for delivery which includes working with partners, articulating the key messages and ensuring there are measurable objectives. The narrative workshop held by the LGA and Epsom & Ewell's senior management team on 28 January provided a starting point for this work.

It was clear from our time on site that the communications team is well regarded by its colleagues, seen as hard-working and committed, and is working hard to deliver for service areas. However, Epsom & Ewell's corporate communications function is largely traditional and operational. The lack of direction-setting by a senior communications professional has impacted upon the team's ability to act strategically and plan effectively. As a result, communications is not always utilised in the most proactive, effective way. It is our view that if the council is to deliver its plans in the medium and short term it should consider appointing a strategic communications and engagement manager to support the delivery of the new corporate plan and vision and develop an overarching communications strategy and messaging.

Whilst this lack of managerial leadership is evidently a barrier for the communications team, a lack of access to information and decision-making at senior leadership level has also impacted upon the team's ability to take a more strategic approach to communications. Current arrangements are hindering an understanding of the role that communications can play when the team is involved in initiatives early on. At present, the team is relying on officers to approach it with information and requests, resulting in ad-hoc, reactive communications. We were told that the chief executive used to have monthly meetings with the communications officers, which was seen as positive, and we would encourage these meetings to be reinstated whilst a manager is recruited.

There are some strong traditional communications skills within the team. However, the peer team identified a noticeable skills gap around digital and social media, evaluation and insight, and strategic planning. Robust evidence and insight should underpin communications planning, targeting and evaluation – at present, the team is not measuring the success of its current approach. As a result, the council does not know which of its channels residents are engaging with, how residents wish to be communicated with and why. This lack of evidence and direction-setting means that Epsom & Ewell's current communications function is traditional and operational, rather than operating as a strategic function. However, there is a clear appetite across the council for developing new channels and tools for communications and to consider different ways of working.

We were asked to consider the structure of the communications team and its way of working with the engagement and consultation team. At present, it appears that there is little to no interaction between these teams. As a result, we believe that the council is missing out on a

great opportunity to share resource, lessons and learnings, and to develop a more modern and creative approach to engagement and consultation. This disconnect between communications and engagement is, in our opinion, leading to missed opportunities to deliver proactive, innovative communications. The Future40 project is just one example of the success that adopting a more innovative approach can bring. For this reason, we recommend bringing the communications and consultation and engagement teams together under a newly-created strategic communications and engagement manager post.

One of the greatest strengths that the council has is the resources and potential that already exist, which in many cases (such as with the engagement and consultation team) remains untapped. Epsom & Ewell also has a potentially strong network of support across local business and partners who are ready and willing to work with the council to get its messages out and support the new vision. We would encourage the communications team to utilise this support network more effectively, both internally and externally, and work collaboratively and strategically with partners on communications going forward.

Additionally, we believe that more can be done to channel the energy and enthusiasm of Members, many of whom are not always clear about their role and remit as community champions and place leaders. There are opportunities not currently being recognised for Members to speak up to champion the interests of all residents of Epsom and Ewell.

Whilst internal communications was not included in the scope of the review, it was evident from our time on site that the council must consider it as part of any future changes if it is to move towards a more strategic communications function. There are a number of internal communications tools such as What's Hot, Team Brief, Glitter Ball and Achievements, however there was a perception amongst the officers we spoke to that key corporate messages are being lost because they're shared across the organisation in an ad-hoc way. We would suggest that the council review its methods of internal communications, ensuring that messages are shared consistently across the Council.

Epsom & Ewell Borough Council has a strong communications and engagement baseline and a clear appetite to succeed. It is our view that by implementing the recommendations outlined in this report the council will be able to build on these solid foundations to deliver greater impact.

6. Key recommendations

We have grouped our findings into 'quick wins', essentially those matters that can and should be dealt with as soon as possible, which, if addressed will create the environment for the medium-term recommendations to also be achieved.

Quick wins

- Consider establishing a communications and engagement team, bringing in the expertise that is currently sitting in the Policy, Performance and Governance service
- Ensure that the marketing role which currently sits within communications is fully integrated into this team to support team members working more collaboratively

- Recruit a strategic communications and engagement manager to coordinate and advise on internal and external activity
- Develop a communications action plan for launching and embedding the new vision and corporate plan, including key messages and measurable objectives
- Once the new strategic communications and engagement manager is in post they should produce an annual campaign based communications plan to support the implementation of the Councils Vision and Four Year Plan including internal and external communications, based on the agreed priorities.
- Develop and deliver bespoke social media training for Members to support them in taking a more of a lead on community issues
- Develop and deliver bespoke social media training for key officers in customer services and widen access to social media channels, supporting a more proactive approach.
- Agree a process for communications to meet regularly with senior managers to support strategic communications planning, sharing key information, etc
- Conduct a 'who reads what' survey for insight into how residents receive information and their preferences
- Develop a simple process to ensure the communications team is regularly involved at the earliest stages of a major project, issue or initiative to enable effective planning
- Introduce an approach to monitoring, evaluating and reporting communications activity

Recommendations – medium term

- We were asked to consider the value of the council's traditional communications channels and tools – Borough Insight and Borough Boards – and if they are fit for purpose. Without any existing evaluation or insight into resident preferences it is hard for us to do so – therefore we would recommend the council conduct this research to reach its conclusion
- Once the strategic communications and engagement manager is in post, review ways of working with Members so that they are supported to develop their role as community champions and advocates for all residents.
- Consider investing in new and potentially more effective digital communications channels such as e-newsletters
- On the back of these findings, consider reviewing and refreshing internal communications channels and tools
- Consider implementing a residents' survey to gain insight into how residents feel about the council and to provide a benchmark for future changes in perception.
- Integrate the questions in the 'who reads what' survey into the regular residents survey to measure and inform any future changes in resident communications

7. Detailed feedback

7.1 Strategy and priorities. *How effective is the council in communicating its strategy, priorities and vision to external and internal stakeholders. Is the council's communications*

aligned and integrated with the overall strategic direction of the council?

Epsom & Ewell Borough Council is on the brink of releasing its first ever long-term vision and new four year plan, which were crafted as the result of its Future40 consultation project. These initiatives present a great opportunity for the council to lead some exciting place-shaping work and provide a compelling vision for the strategic direction of the council and borough. However, Epsom & Ewell's communications and ability to achieve this is currently hampered by a lack of strategy, priorities and campaign planning.

It is clear that both senior political and managerial leadership understand the importance of developing strategic communications within the council and the leading role that it could play in delivering its new vision. However, there is currently no communications plan for the launch or phased delivery. We see this as a priority issue to resolve given that the new vision is just weeks away from being launched. We heard from senior leadership that embedding the vision is a priority for them, however this will not be fully achieved without a considered and measurable communications plan. This is an area that we urge the council to address as soon as possible. The Government Communications Service provides an [OASIS campaign plan template](#) that could be easily adapted for this purpose.

Adding to its ambitious agenda, Epsom & Ewell Borough Council is currently working towards producing a new local plan for the borough.. With consultation due to start in the coming months, it will be vital that the council get communications and engagement right. The council is working with an external agency on the local plan and we would encourage the communications and engagement team to continue to be involved as this is likely to raise issues that may last past the agencies' tenure and filter through to business-as-usual communications.

Due to a lack of strategic approach, communications at Epsom & Ewell are predominately ad-hoc and reactive. Due to the lack of a communications lead the team have limited capacity to advise or influence leadership. With increased capacity at the professional level Greater access to information and decision making at a senior level will greatly help the corporate communications team to forward plan their activity based on council priorities. We heard that last year the corporate and political leadership agreed five key priorities for the council which was detailed in the council's Service Delivery Plans. This could have been further developed into a campaign-based approach for the council's communications activity for that same period.

We heard from officers at all levels of the organisation, as well as from the team themselves, that on occasions there is a lack of information sharing which creates challenges for the communications team. This means that communications activity until now has been largely dictated by the priorities of individual service areas rather than council priorities.. The communications team rely on individual services to brief them in order to plan their activity as they do not attend any regular service briefings. This was brought to our attention as a frustration for officers as it is time consuming and often means that communication officers are missing out on vital information.

The general lack of communications forward planning is impacting on not just the communications team's ability to be strategic but means that neither senior political or corporate leadership have an oversight of the priorities for communications. In order for communications to be effective in any organisation, big or small, it is usual for a senior officer responsible for the function to have access to the top table in order to be able to advise leadership on issues of potential reputational risk and to be able to base their team's activity on current priorities. And while the Head of HR & OD represents communications at Leadership Team supporting the overall strategic direct of the council, there is no lead senior communications professional to translate this into planned communications activity and set the direction and agenda for the team.

The current situation is impacting on the communications team's ability to be alive to the opportunities and issues arising at a senior level. With the council about to embark on the aforementioned local plan and tackling big issues such as climate change, we see it as a big risk to have no communications professional at a management level alert and informed to prevent and mitigate for any reputational risk. It also means there is no one in a proactive communications management position who is the communications professional lead supporting and developing the strategic direction. This is an area of frustration for the team, who are aware this should be the case, but don't have the resource or access to information that they would need to attempt to bridge this gap. The team, and council, would therefore benefit from a strong professional communications lead in this area to give clear direction to the team's focus. We were told that the team used to have monthly meetings with the chief executive, and it was proposed that the comms team attended the corporate monthly team meetings for a period of time which occurred. We would recommend that consideration be given how best to ensure opportunities for the team to have contact with senior officers in the short term while the council considers its resource and structure so that the team can begin to plan more strategically.

The new vision and corporate plan will provide a strong foundation to develop an overarching communications strategy with an annual campaign plan identifying key priorities and initiatives for the year. This strategy should include key messages for the organisation, measurable objectives, details of the audiences and channels that the council needs to engage over the year and how communications activity will be evaluated. The annual campaigns plan should be agreed and signed off by the council's corporate and political leadership, providing the strategic framework that will help ensure that Epsom & Ewell's limited communications resource is dedicated to the issues that matter most to the council.

Communications activity is also compounded by a lack of any real evidence or insight into what residents think about the council, how they currently receive information, and how they would like to. The communications strategy and all subsequent activity should be evidence based. We would strongly recommend the council communications team conduct a survey to gain better insight into how residents currently receive information and how they would like to. This is elaborated on below in section 7.3.

Work has started on crafting a corporate narrative for Epsom & Ewell Borough Council using the new vision as a base. The Leadership Team recently attended an LGA workshop to help

them develop and hone this narrative, and we would encourage the council to continue to progress with this. It is important to keep in mind when developing this narrative that it is not about drafting a general vision statement (“making Epsom & Ewell the best place to live, work and play”), it’s about telling a story about where the council has been, where you are now and where you want to get to. It needs to acknowledge what’s tough or not working, explain how you’ll overcome these challenges, the values and behaviours that will steer you on your journey and what your world will look like when you’ve achieved all you want. Following the workshop, the LGA has resources that can continue to guide you through this process, as well as case studies of councils who have effectively created and embedded a strong narrative. You can find the LGA’s corporate narrative toolkit at [here](#).

The vision has provided a great starting point for this work, and senior leadership is confident in the story that they can tell about Epsom & Ewell and all that makes the borough unique. It was clear from our time on site that Members understand the need for a narrative and the role it should play in council communications. However, we would stress that in order for the narrative to be fully embedded in the organisation, Members should continue to be involved in the process. This narrative will be valuable collateral that can be used by both officers *and* Members to ensure that all local communications reflect the organisation’s wider ambitions and to embed the story that the council wants to tell.

7.2 Structure, capacity and resources. *What are the communication and engagement skills the Council needs to realise its ambition in terms of communication and engagement? How does the Council ensure their approach to communication and engagement is embedded within the organisation and central to the way they operate? How might the Council improve their approach to communication and engagement, whilst recognising the constraint in which they operate?*

Epsom & Ewell Borough Council has a corporate communications team, sitting under the Head of HR and Organisational Development, consisting of two communications officers and a marketing officer. This brings the total dedicated resource to 3 FTE – admittedly small when compared to the average size of a shire district communications team (5.5 FTE¹). However, it was clear from our time on site that there are pockets of communications, engagement and marketing expertise across the council that can be better utilised and could facilitate a more cohesive way of working and communicating..

We recommend implementing regular, scheduled communications meetings, where colleagues can get together to share best practice, update on forward planning, learning and resources. Good work is being done by many teams that could be beneficial to the corporate communications team, for example the consultation and engagement team and venue marketing.

A siloed way of working across several relevant areas of the council was apparent to the peer team. Consultation and engagement sits separately to the communications team, within Policy, Performance & Governance, and we were told has very little interaction with

¹ LGA Heads of Communications survey, 2018

corporate communications, despite their obvious similarities and overlap. There is further marketing expertise outside of the team, with venue marketing and marketing for the Playhouse, as well as a large customer services team with a range of communications skills.

Even within the communications team itself, working appears siloed. There appears to be a clear split between the communications officers and marketing officer who have very different work streams and have little interaction in a professional capacity. We heard praise for the marketing officer and the new skills he has brought to the council. However, we think the team would benefit from ensuring that this role is fully integrated into the corporate communications team and is working collaboratively with communications officers. This has not been helped by the fact that the marketing officer is matrix managed, so his work plan is set between communications and service areas. We would recommend that this role is brought solely within the remit of communications and any work for service areas is commissioned in line with other communications requests.

We were asked to consider whether communications and consultation and engagement could work more effectively together. It is our opinion that bringing these two teams together allows the council to use its existing skills more effectively and enable it to adopt a more modern, strategic approach to engagement and consultation. These teams used to report to the same director and were part of the same team, and it is our opinion that separating them was a retrograde step. There are good skills within the communications and engagement team and a real appetite for doing things differently and in a more creative way.

We have referred to the council's traditional approach to communications several times. Another consequence of this approach has been a lack of appreciation of the importance of resident engagement and an outdated approach that focuses largely on surveys. Future40 work is a great example of communications and engagement done well, the majority of this was undertaken by the in-house teams including engagement, marketing and communications. We would encourage the teams to use this as a model of best practice going forward and to place a greater focus on the 'asking, listening, responding' cycle of resident engagement. The LGA's guide to effective community engagement and consultation will be useful for the council going forward and can be found [here](#).

Whilst most of our recommendations are centred around the council improving the use of existing communications and engagement resources, we would strongly urge the council to create a strategic communications and engagement manager role to coordinate and advise on Epsom & Ewell's communications and engagement activity. As outlined above in section 7.1, having experienced, senior strategic communications expertise will be crucial to developing and embedding a strategic, proactive approach to communications and engagement.

It will be important for the Council to recognise that bringing in additional resource is not simply about the size of the team, but about ensuring that there are the right modern communications skills and strategic experience needed to undertake the work that the council has acknowledged it needs to do. This includes supporting the leadership to embed the new vision, developing a communications strategy and planning proactive

communications activity. The ideal candidate will have experience in project management, developing, delivering and evaluating insight-based communications campaigns and an understanding of how to engage with different audiences. These are all areas of significant skills shortages in the council.

It will be important that should this manager be recruited, they are given the time and space to be the strategic adviser that Epsom & Ewell needs and wants. They will be instrumental in helping to tackle the recommendations we have outlined in this report and will need to work with colleagues across the council to develop the right model for communication and engagement for the future.

7.3 Governance, commissioning and oversight. *What approach could be used to evaluate the outcomes of the Council's communication and engagement activities? Is the process for commissioning communications activity owned at a senior level?*

It is extremely positive that senior leaders at Epsom & Ewell understand that they must own and lead communications activity and that they recognise the importance of embedding strategic communications at an early stage. It is important that senior leaders also recognise what this looks like in practice. We have already outlined in section 7.1 that the lack of structured and systematic information sharing from the top down to the communications team has been an issue for the communications team and as a result the focus remains reactive – for example responding to a local media story rather than planning a proactive campaign based on a council priority. The communications team is keen to have this early engagement to help it shape its own priorities and to plan more effectively.

As part of implementing the desired strategic approach we recommend the council should develop a clear process for commissioning communications activity. To have such a process would allow the council to identify a clear focus for its communications activity directly linked to its own priorities. It is our view that this process will help service areas and the communications team to work together on deciding what messages and channels are most effecting for engaging the desired audiences and the outcomes that service areas are looking to achieve.

Modern, strategic communications must be based on evidence. This is one of the biggest barriers we observed during our time at Epsom & Ewell Borough Council - there is little to no insight into residents' perceptions of the council, how they receive information or how they would like to receive information. This means that the communications team cannot baseline its results, track progress over time or measure their success. We heard that resident engagement happens primarily in the form of formal consultation on specific issues and is something of a 'tick-box' exercise. We would recommend as a first port of call the council commissions a "Who Reads What" survey to establish how residents access information about the council and would prefer to. It is recommended that this is followed up with a residents' survey to gain a better overall understanding of what residents think about the council and the services it provides

The LGA has produced guidance for councils to help ensure resident surveys are tailored so they can be benchmarked against other local authorities. Our [understanding the views of residents resource](#) also offers support on commissioning surveys and suggested questions to understand how residents prefer to be communicated with. In the short term, we would recommend the council quickly conduct a 'who reads what' survey to gain insight into the communications preferences of residents. The LGA has produced [a set of survey questions](#) that the Council can use, designed to gauge residents communications needs and interests. Should the Council choose to invest in a larger resident survey in the future, we would recommend that they include the communications questions in this survey and also benchmark against other councils using the [LGA's Inform service](#).

It was apparent that without any real insight into how residents get their news, decisions about how best to communicate are made on an ad-hoc basis and informed by guesswork. This can often result in choosing the wrong tactics for sharing information and poor outcomes. One example we heard throughout our time on site was that a survey to measure the effectiveness of Borough Insight was sent out in the magazine and online. Whilst testing the effectiveness of the magazine is an activity we think important, sending the survey out in this way means that it will likely only be completed by residents already engaging with the magazine. The team need to be incorporating the views of those outside of this demographic in order to truly test their effectiveness and refine their approach. There is currently little to no process for analysing, evaluating or reporting communications activity, meaning that the communications team does not know how effective its current approach is.

Both the senior management team and the communications team are aware that this is an issue for the council and are keen to adopt an approach to monitoring and evaluating communications activity. We would recommend that the communications team implement a simple dashboard of activity, shared internally, to begin this process. It is important that the focus of any evaluation is on desired and measurable outcomes (changing resident behaviour) rather than outputs (the number of press releases, social media posts, etc). The LGA has guidance on incorporating insight and evaluation available [here](#).

Epsom & Ewell currently has a Citizen's Panel which is consulted on a regular basis on a range of local issues and services. It appears to us that although the principles of the Citizen's Panel are good – a representative group of local residents – the group is no longer effective in practice. It is not representative of the borough residents and fails to capture the views of key demographic groups including students and young professionals. We heard that as the panel is self-selecting, it often consists of people who have a pre-existing relationship to the council or who have their own agenda on a key issue. The council should consider reviewing the Citizen's Panel as part of its review of its consultation and engagement activities.

Internal and external communications are both parts of a strategic approach to communications and are two sides of the same coin. Any communications strategy, delivery plan or campaign must include both internal and external communications. The council has capable and committed staff who deliver good services to residents, businesses and

partners. They want to tell a positive story about their council and borough. With effective internal communications, staff will be invaluable ambassadors for Epsom & Ewell.

It was clear from our time on site that because of a disjointed approach to internal communications, some staff are missing out on receiving key corporate messages. Currently, there appears to be an over-reliance on Heads of Service passing information down, which we think is sometimes the reason for key messages failing to reach staff. We would encourage the team to revise its approach to internal communications and ensure that key corporate messages are made a priority for core channels.

The last staff survey was held over five years ago and we felt a frustration amongst some of the longer serving officers that they had never seen the results or an action plan from it. While these views were from a long time ago there was also a perception that in recent months there had been less two-way communications with staff sometimes feeling unable to ask questions or challenge issues. We would encourage the council to consider undertaking greater engagement with staff to review how staff are feeling and their preferences in regards to communications. We heard positive feedback around existing channels 'What's Hot' and the Glitterball.

5.4 Ways of working. *How could the council take a more integrated approach to communication and engagement activities? How effectively does the council work with partners to communicate its ambitions and priorities for the area?*

The communications team is held in high regard by its colleagues across the council. Colleagues see the service as responsive and supportive and team members are seen as hard-working and reliable. There is an appreciation for some of the internal communications tools and channels managed by the team, in particular 'What's Hot' and the Glitterball. Additionally, we heard about the good relationship that the team has built with local media over time.

Epsom & Ewell has a large and competent customer services team and we suggest that closer working between these two teams could take some pressure off them both. We heard throughout our time on site that there is a lack of coordination between these teams on key issues. It is our opinion that the communications team should not be dealing with routine customer service enquiries, so that their time can be spent focusing on the council's strategic priorities and working around a forward plan. We recommend, after the appropriate training, customer services are given access to the council's social media monitoring service and manage all customer service enquiries. The council has already invested in Hootsuite, a social media monitoring service that will allow them to share ownership, so it is a shame that it is not being used to the best of its ability. The communications team can then lead on content creation and distribution and support the customer services team in dealing with any difficult questions. Equally, it is important that the communications team continue to brief customer services on key issues. This should be part of all communications plans going forward.

Epsom & Ewell Borough Council has an evidently strong network of partners who we were told work well together and have been involved in the development of the council's new vision and plan. This is a great asset to have as a small council, so we were pleased to hear this feedback echoed with partners we spoke to. However, it is our concern that partnership working could be used more effectively when it comes to communications. There is a Surrey communications network that meets on a regular basis and includes the county council and neighbouring districts and boroughs. We would encourage the communications team to prioritise maintaining these strong relationships to bolster the support available to it. We heard that at present this working relationship is ad-hoc and reactive, therefore leading to missed opportunities for the team.

There is an opportunity for the council to work more closely with the voluntary sector. We would encourage the council to build on and make greater use of these relationships. The business breakfast meetings are welcomed as good networking opportunities and seen by partners as an opportunity to engage directly with the council. We were pleased to hear that the council is planning to implement a similar meeting for voluntary sector partners.

7.5 Channel use and digital communications. *How can the council make the most of digital channels as a means of communications and engagement? How effective is Borough Insight in getting the council's message across compared to alternative communication channels?*

There is a genuine passion for the local area across the council, at both political and corporate levels. It seemed to us that because of the unique political makeup of the council, there is a perception that many members speak on behalf of and to their residents only. However, we believe more can be done in supporting Members to take on the role of community champions and in helping them to understand the role that they can play in delivering effective communications to all residents of Epsom and Ewell.

Epsom & Ewell is the only council to have always been led by a Residents Association and this provides the basis for positive communications around the council being truly led by its residents, rather than political parties. The local MP is effective with communicating their political narrative in the area, one example being the hospital, and Members do not always seem to be confident to speak out and speak for the council. The LGA offers a series of events called 'Leadership Essentials' which are learning opportunities for councillors. Our workshop 'Getting your message across' provides councillors with the new ideas, strategies and techniques for achieving more effective communication with both internal and external audiences. They would be supported to learn how to influence others towards achieving mutually beneficial objectives and adapt their communication style to convey messages more persuasively to people who have a different communication style. More information on this course can be found [here](#).

We would recommend that the council consider conducting social media and media training for Members and consider making this part of their new Member induction process to ensure that communications remains a priority for Members regardless of potential political changes. The LGA offers this support, as well as online guidance and resources which can

be found [here](#). Once a communications and engagement manager is in place work should be undertaken to build a strong proactive relationship with Members to advise them on the impacts of decisions and methods of communicating decisions. The council should be driving the agenda and in order to support this, consideration should be given to communications working with the relevant services and Committee Chairman.

As discussed in section 7.3, there is little to no audience segmentation (the breaking up of audiences for specific targeting) or evaluation of the channels that the council is using to communicate. We were asked to consider the use of Borough Insight, the council's printed magazine, and whether this remained fit for purpose. We were met with a variety of opinions from officers and politicians, but without having any evidence we do not feel able to provide a definitive answer to this question. Some months ago, the communications team ran a survey on the effectiveness of the magazine. However, it was only sent to residents who already received and read the magazine. We would encourage the council to base its decision on the results of the 'who reads what' survey. Should the council decide to continue with the production of the magazine, we would encourage it to carefully consider the cost of production and ensure that the content is engaging and meaningful to residents.

The council also produces E-Borough Insight, an online version of the magazine which is produced approximately 10 times per year. Whilst the move to a digital channel is a smart one, we are concerned that the council is not using the most valuable or effective channel available to them. E-Borough Insight is hosted on a microsite, which, in our opinion, is out-dated and difficult to access. Microsites don't support the effective and meaningful evaluation which is needed to improve Epsom & Ewell's communications. We would recommend that the council consider investing in an E-Newsletter system, which can be used for more than delivering E-Borough Insight and could also be adopted across service areas and internal communications. Email marketing platforms such as [Granicus](#), used by the majority of councils, are affordable, easy to use, do not require design skills and will allow the council to gather useful insight such as what links residents are opening, how many residents are opening the newsletter, etc.

Social media is currently used primarily as a broadcast tool to deliver information to residents, rather than as an engagement tool. The communications team uses Hootsuite to manage and monitor the corporate social media channels. The team admit that they are not entirely sure how best to use social media – should they be generating original content or sharing messages from partners? Social media needs to be thought about strategically, carefully considered as part of any future planning and to be used as appropriate depending on the desired audience.

A council's social media pages are important for many reasons. They form part of its public image, are valuable communication channels that reaches new audiences and, perhaps most importantly, connect the council with residents and stakeholders. This is what makes it an important channel for engagement – it enables two-way communication on a platform in which people are already active and allows the council to keep an 'ear to the ground'.

We would recommend that the team take a more proactive and strategic approach to what is

shared on the council's social media pages. Consider what do you want to highlight – and why? Adapt content and copy, including visuals when possible, to suit relevant platforms. When reposting or sharing posts from another organisation, you should aim to add value. Why are you sharing it? The team would benefit from taking a look at what other councils are doing for inspiration. Sandwell Council has a good [Facebook page](#) and you can find a list of councils on Twitter [here](#).

The team should also look at what evaluation can tell it about its social media performance and how it can improve. Like all other areas of communications, evidence is needed to develop a strategic approach to content. Who is your audience and what content works well on which platform? How can you prove and measure the value of the posts? We would recommend using the insight tools provided by each platform to start with. Both Twitter and Facebook analytics provide a good overview.

8. Immediate next steps

We appreciate that you will want to reflect on these findings in order to determine how the council wishes to take things forward.

As part of the communications peer review process, there is an offer of further support. I would be very happy to discuss any areas for development and improvement where the LGA can help you. Mona Sehgal, Principal Adviser, is the main contact between your authority and LGA for any wider support. Her contact details are: Mona.Sehgal@local.gov.uk or 07795291006.

On behalf of the peer team

Éilis O'Connell, Communications Improvement Adviser, LGA

Appendix A: LGA resources and support

- Corporate narrative toolkit - <https://www.local.gov.uk/our-support/guidance-and-resources/comms-hub-communications-support/corporate-narrative-toolkit-0>
- LGA Heads of Communications survey, 2018 - <https://www.local.gov.uk/sites/default/files/documents/Heads%20of%20Communications>

[%20Survey%202018_FINAL.pdf](#)

- Guide to community engagement and consultation - <https://www.local.gov.uk/our-support/guidance-and-resources/comms-hub-communications-support>
- Understanding the view of residents - <https://www.local.gov.uk/our-support/guidance-and-resources/comms-hub-communications-support/resident-communications-0>
- Who Reads What survey - <https://local.gov.uk/our-support/guidance-and-resources/comms-hub-communications-support/resident-communications-3>
- LG Inform platform - <https://lginform.local.gov.uk/>
- Guide to insight and evaluation - <https://www.local.gov.uk/our-support/guidance-and-resources/comms-hub-communications-support/futurecomms-building-local-5>
- LGA Leadership Essentials 'Getting your message across' event - <https://www.local.gov.uk/our-support/highlighting-political-leadership/leadership-essentials>
- Social media guidance - <https://www.local.gov.uk/our-support/guidance-and-resources/comms-hub-communications-support/digital-communications/social-5>

2019-20 FINANCIAL OUTTURN REPORT

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None

Summary

This report summarises the Council's financial performance for 2019/20 and details the capital budgets to be carried forward for schemes where costs will be incurred in 2020/21.

Recommendation (s)

The Committee is asked to:

- (1) Receive the report on financial outturn for 2019/20;
- (2) Note the carry forward £3.682 million budget for capital schemes to be added to the 2020/21 capital programme.
- (3) Approve the change of funding for the Cemetery Extension capital project, as set-out at paragraph 7.2.

1 Reason for Recommendation

- 1.1 The Council's Financial Regulations require that the financial outturn performance and capital programme be reported to Strategy & Resources Committee.

2 Background

- 2.1 The Council's financial performance is reported to members quarterly through the budget monitoring process, and at year-end through this Financial Outturn Report. Provisional outturn was circulated via Members' Update on 29 May 2020.

- 2.2 The external audit of the Council's accounts is progressing well, however, the audit remains ongoing while the Council works to finalise its Annual Governance Statement for 2019/20. It is now expected that the audit will be completed and reported to this Committee in September 2020.
- 2.3 There have been no changes to the outturn position reported on 29 May 2020 arising from the external audit thus far. There has been one change to the reported balance on the Business Rates Equalisation Reserve, which has increased from £0.90m to £1.29m. This change was identified during completion of collection fund accounting returns to MHCLG, and prior to the external audit starting.
- 2.4 The outturn figures in this report are not expected to change, however, should there be any amendments following completion of the external audit, these will be reported back to S&R Committee in September 2020.

General Fund Summary Position

- 2.5 In summary the outturn position for 2019/20 is: -

General Fund Summary	Original Budget £'000	Current Approved Budget* £'000	Actual £'000	Variance £'000
Strategy and Resources	833	-61	-424	-364
Environment & Safe Communities	2,189	2,442	2,878	436
Community & Wellbeing	6,034	6,674	6,591	-83
Capital charges	-2,669	-2,669	-2,669	0
Total Net Expenditure	6,387	6,387	6,376	-11
Funded by:				
Collection fund precept	6,525	6,525	6,525	0
Revenue Support Grant	0	0	0	0
Share of Business Rates	1,585	1,585	1,585	0
Transfer from Collection Fund	-1,723	-1,723	-1,723	0
Total Funding (Budget Requirement)	6,387	6,387	6,387	0
Surplus for the year	0	0	-11	-11

** includes changes to employee and support services allocations, capital charges and IAS 19 pension adjustments from the original budget and reflects required changes in accounting practice.*

- 2.6 Information on the main variations within each policy committee was circulated to all Councillors on 29 May 2020.

- 2.7 Net expenditure for the year is £11,000 less than the original budget. This will result in a contribution of £11,000 to the General Fund Working Balance.

	£'000
Working Balance at 01 April 2019	3,416
Surplus on General Fund for 2019/20	11
Working Balance as at 31 March 2020	3,426

- 2.8 At Q3, a probable outturn of £27,000 under budget had been forecast and reported to Leadership Team and Members.

- 2.9 Revenues and cost pressures were adversely impacted by the Covid-19 crisis from mid-March 2020, with the most significant adverse variances to budget in 2019/20 being:

- Car parking (£310,000) – income at the Ashley Centre underachieved the budget by £320k, as usage was adversely impacted by both Plan E works throughout the year, and by the Covid-19 pandemic from March. This adverse variance was marginally offset by a £10k overachievement of income across all other car parks. The ongoing impact of Covid-19 on usage levels is being continuously monitored and will be addressed within the Council's revised budget plans later in the year.
- Cemetery income (£100,000) – Cemetery income for the year was £100k below budget, principally due to a societal move away from burials to cremations, coupled with the lack of capacity for future sales. However, the ongoing cemetery extension scheme should see the income stream improve in future years. New provision is also being introduced for the burial of cremated remains providing additional income streams for the cemetery.
- The most significant favourable variances in 2019/20 are from:
- Housing Benefits (£270,000) – The Council budgets to recover 98.4% of housing benefit subsidy payments from the Department of Work & Pensions, however, in 2019/20 the recovery rate has exceeded 99%, resulting in a net favourable variance of £270,000. The Council's improved recovery rate from DWP was factored into the 2020/21 budget and future Medium Term Financial Strategy accordingly.
- Corporate Contingency (£176,000) – The Council's corporate contingency budget was not fully drawn on in the year.

- 2.10 Most of the outturn variances were forecast at quarter three and have already been reflected in the preparation of the 2020/21 budget. However, Covid-19 has had a major impact on 2020/21 budgets, as reported to S&R Committee on 2 July 2020. Budget plans are being kept under review and will continue to be reported to Members, with the next scheduled update due at S&R Committee in September.

3 Reserves

- 3.1 Transfers have been made to and from revenue and capital reserves in line with Council policy for the reserves and as approved for specific schemes during the year.
- 3.2 The following table shows the balances of strategic revenue reserves following preparation of the Statement of Accounts:

Strategic Revenue Reserve	Balance at 31/3/19	Balance at 31/3/20
	£'000	£'000
Interest Equalisation (a)	631	400
Repairs and Renewals	274	359
Historic Buildings	3	0
Insurance	466	467
Hospital Cluster Interest (a)	233	0
Community Safety	110	110
Property Maintenance	573	550
VAT Reserve (a)	320	251
Housing & Planning Delivery Grant (b)	176	88
Corporate Project Reserve (c)	3,249	3,957
Personalisation, Prevention & Partnership	73	73
Business Rate Equalisation Reserve (d)	3,066	1,291
Partnerships	28	28
Residential Property Acquisition Fund	1,181	1,161
HIA Hardship Fund	75	89
Sports & Leisure Development Projects Fund	87	86
Property Income Equalisation Reserve (e)	2,180	3,830
Commuted Sums (f)	1,941	1,464
Flexible Housing Support Grant (g)	492	596
Homelessness Reduction Act	19	19
Mortgage Rescue/Arrears Funding MHCLG	11	9
Surrey Homeless Alliance Funding MHCLG	5	1
Community Housing Fund	8	0
Basic Payments Scheme & Environmental Stewardship Grant (h)	31	122
Total Strategic Reserves	15,230	14,948

The major movements in reserves during the year were as follows:

- (a) Transfers of £231k, £233k and £69k from the Interest Equalisation, Hospital Cluster Interest, and VAT Reserves respectively, to the Property Income Equalisation (PIE) Reserve were supported by Financial Policy Panel in September 2019. These transfers will help the PIE reserve target balance to be achieved sooner than would otherwise be the case, thereby enabling the Council to free up future revenue contributions sooner for the delivery of services.
- (b) The Housing & Planning Delivery Grant reserve is being utilised to fund the Council's Local Plan.
- (c) Corporate Project reserve – The increase in the Corporate Project reserve (£710k) is principally due to the budgeted New Homes Bonus Grant transfer from the general fund into the reserve along with unused service and pension strain contingencies transferred at year-end.
- (d) Business Rate Equalisation Reserve – Planned and approved transfers from this reserve of £1.804m to fund the prior year deficit on the business rates account, and £221k to the PIE reserve, have reduced the reserve balance to £1.291m. The majority of the remaining balance is expected to be used to offset potential reductions in business rates income following central government's Fair Funding Review from 2021/22. The reserve may also be used to offset any significant, future successful appeals against business rate bills.
- (e) Property Income Equalisation Reserve – The reserve aims to hold sufficient funds to mitigate the risks associated with future rental income streams from investment properties purchased through the Commercial Property Acquisition Fund, which is supported by external borrowing. The reserve's target is to accumulate sufficient funds to cover the potential loss of one year's rental income from each property, as set out in the following table:

Property Income Equalisation Reserve (PIE)	Opening Reserve Balance	2019/20 Contribution to Reserve	Closing Reserve Balance	2020/21 Budgeted Rental Income
	£'000	£'000	£'000	£'000
Parkside	298	90	388	852
64-74 East Street	346	43	389	367
Marlow	694	671	1,365	1,799
Bracknell	674	793	1,467	1,770
Emerald House, East Street	0	33	33	0
Roy Richmond Way	168	19	187	225
Total	2,180	1,649	3,830	5,013

Following a contribution to the reserve of £1.65m in 2019/20, the reserve balance stands at £3.83m, £1.18m below its target balance of £5.01m. Next year, the budgeted contribution to the reserve is £0.76m; at this rate, the

target balance is on track to be achieved in 2022/23. However, there is a heightened risk that drawdowns may be needed from the reserve during 2020/21, depending on how the Covid-19 pandemic impacts property rental income.

- (f) The Commuted Sums include balances which are funding the restoration of Horton Chapel, through the Horton Chapel Arts and Heritage Society.
- (g) The Flexible Housing Support Grant, used to support homelessness prevention measures and to offset reduced rental income on temporary accommodation arising from benefit changes, has been transferred to reserves to support services in subsequent years. Grants held within reserves will be reviewed as part of the 2021/22 budget setting process.
- (h) The Environmental Stewardship Grant has been transferred to reserves to fund the ongoing management of Epsom Common.

4 Provisions

- 4.1 Income from the recovery of past housing benefit overpayments has previously been used to increase the bad debt provision for outstanding housing benefit overpayments debts, due to the impending transfer of benefits administration to central government. Outstanding debt at the end of 2018/19 totals £1.97 million. The balance of the provision now stands at £1.95m, meaning that 99% of the outstanding debt has been provided for at 31/03/2020 (also 99% at 31/03/2019).
- 4.2 Following an analysis of general debtors, the associated bad debt provision has increased by a net £133k to £376k at 31/03/2020, reflecting the current profile of outstanding debtors and to take account of the increased risk of debtor defaults due to the Covid-19 pandemic.
- 4.3 Pensions have been treated within the accounts in accordance with recommended financial reporting standards for local authorities. The net liability at 31 March 2020 for accounting purposes is £37.4m compared to £39.5m at 31 March 2019. Additional information on pension liabilities are included within the Statement of Accounts, which is prepared in accordance with International Accounting Standard 19 (IAS19). The IAS19 accounting valuation does not comprise a full re-valuation of the fund and does not impact the Council's contributions.
- 4.4 The most recent full valuation was at 31 March 2019 and has been used to determine the Council's contributions from financial year 2020/21.

5 Capital Expenditure 2019/20

Core Capital Programme

- 5.1 A summary report of the 2019/20 capital programme was issued to all Councillors on 29 May 2020. The 2019/20 expenditure per Committee for the core capital programme is shown below:-

Committee	2019/20 Current Approved Schemes £'000	2019/20 Outturn Expenditure £'000	Variance £'000
Strategy & Resources	1,053	290	(763)
Environment & Safe Communities	3,038	383	(2,655)
Community & Wellbeing	2,185	1,634	(551)
Total Core Capital Programme	6,276	2,307	(3,969)

- 5.2 On the core capital programme, actual expenditure was £2.307 million, which is £3.969 million (or 63%) less than the current approved budget. Nearly two-thirds of the underspend, £2.575 million, relates to Plan E works which are being delivered by Surrey County Council.
- 5.3 Budgets totalling £3.682 million are required to be carried forward into 2020/21 for schemes not completed in 2019/20, and a balance of £287,000 is no longer required where projects have either been completed under-budget, or are not being progressed.

Property Acquisition Funds – Commercial Property

- 5.4 During 2016/17 and 2017/18, the Council established funds totalling £80m and £300m for the purchase of in- and out-of-Borough commercial properties respectively, which can be financed from prudential borrowing.
- 5.5 In April 2018, MHCLG issued updated local government investment guidelines, which restrict Councils from borrowing to invest in commercial property purely for profit. The guidelines principally restrict out-of-Borough acquisitions and as such, as part of the Medium Term Financial Strategy 2020-24, Full Council agreed to formally close the remaining 'out-of-Borough' fund to future acquisitions.
- 5.6 The in-borough fund remains open and one such commercial property was purchased in 2019/20, Emerald House on East Street, at a cost of £6.077m.

Property Acquisition Funds – Residential Property

- 5.7 In 2016/17, the Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. To date, no new purchases have been identified during 2019/20, but there has been £20k of further expenditure on the Nimbus Road property to bring it up to operational standard, which was purchased at the end of 2018/19.
- 5.8 The remaining balances on the Property Acquisition Funds are shown in the following table. Please note that the £80m and £300m funds are not reserves that the Council holds; they are limits (approved by Full Council) up to which borrowing could be undertaken. The remaining £239.7m balance on the out-of-Borough fund will not now be spent, following this fund's closure within the MTFS 2020-24.

Property Acquisition Funds	Commercial Property		Residential Property	Total
	In-Borough	Out-of Borough		
	£000	£000	£000	£000
Opening fund balance	80,000	300,000	3,000	383,000
Purchases during 2016/17	(19,206)	0	(811)	(20,017)
Purchases during 2017/18	(5,148)	(60,293)	(562)	(66,003)
Purchases during 2018/19	0	0	(257)	(257)
Purchases during 2019/20	(6,077)	0	(20)	(6,097)
Closing fund balances at 31/03/2020	49,569	239,707	1,350	290,626

5.9 The financing of capital expenditure in 2019/20 is summarised below:

Capital Financing	2019/20 Outturn £'000
<u>Expenditure</u>	
Core Programme	2,307
Property Acquisition Funds	6,097
Total Expenditure	8,404
<u>Financing</u>	
Capital Receipts Reserves	664
Capital Grants-DFG	838
Revenue Reserves	23
Other Revenue Contributions	100
Section 106	16
Community Infrastructure Levy	686
Borrowing	6,077
Total Financing	8,404

6 Capital Receipts 2019/20

6.1 The Council received three capital receipts totalling £252k in 2019/20; £60k for the disposal of small pieces of land, and £192k relating to the disposal of a right-to-buy residential property from Rosebery Housing Association.

6.2 Capital receipts for 2019/20 are summarised below:-

Capital Receipts Reserves	Capital Receipts Reserve £'000
Balance brought forward at 1 April 2019	4,947
Used to fund the 2019/20 capital programme	(664)
Capital receipts received in 2019/20	252
Closing balance at 31 March 2020	4,535
Planned use for 2020/21 programme	(651)
Earmarked for previous schemes not yet complete (balance rolled forward to be agreed by S&R Committee in July 2020)	(545)
Earmarked for Residential Property Programme	(189)
Earmarked for Horton Chapel	(579)
Estimated balance at 31 March 2021	2,571

- 6.1 In July 2019, this Committee agreed an additional £150k budget for the Cemetery Extension project, to be funded from capital receipts. The original project budget would continue funded from Community Infrastructure Levy (CIL).
- 6.2 Owing to the Council's limited balance of capital receipts as set out in the table above, approval is now sought to switch the source of funding of this additional £150k budget from capital receipts to Community infrastructure Levy.
- 6.3 The level of reserves will be re-assessed by the Capital Member Group during this year's capital programme review.

7 Risk Assessment

Legal or other duties

7.1 Impact Assessment

7.1.1 A risk assessment was included in the 2019/20 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.

7.1.2 An updated risk assessment was included in the 2020/21 budget report. Overall the outturn position is broadly in line with what was anticipated when this risk assessment was completed in January. Further budget monitoring will be carried out on any specific service where the financial position was worse than anticipated.

7.2 Crime & Disorder

7.2.1 None.

7.3 Safeguarding

7.3.1 None.

7.4 Dependencies

7.4.1 None.

7.5 Other

7.5.1 None.

8 Financial Implications

8.1 Financial implications are included in the body of the report.

8.2 **Section 151 Officer's comments:** The Council has again performed well to achieve a favourable outturn against the overall budget, particularly in the current challenging financial environment with Covid-19 impacting services from March 2020. The reported outturn position is not expected to change, however, should there be any changes following completion of the external audit, these will be reported to S&R Committee in September 2020.

8.3 The majority of Covid-19's financial impact will be felt from 2020/21 onwards and has been reported to this Committee on 2 July 2020. The impact continues to be monitored and will be reported as appropriate.

9 Legal Implications

9.1 None arising from the contents of this report.

9.2 **Monitoring Officer's comments:** None arising from the contents of this report.

10 Policies, Plans & Partnerships

10.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.

10.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

10.3 **Climate & Environmental Impact of recommendations:** None.

10.4 **Sustainability Policy & Community Safety Implications:** None.

10.5 **Partnerships:** None.

11 Background papers

11.1 The documents referred to in compiling this report are as follows:

Previous reports:

- 2019/20 Budget Report to Full Council, February 2019

Other papers:

- Provisional outturn reports issued to all councillors on 29 May 2020

2019-20 TREASURY MANAGEMENT YEAR-END PERFORMANCE

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1 – Treasury Management Review Appendix 2 – Prudential Indicators

Summary

This report presents the Council's treasury management performance in 2019/20.

Recommendation (s)

The Committee is asked to:

- (1) Receive the report on the Council's treasury management performance 2019/20;
- (2) Approve the 2019/20 prudential indicators.

1 Reason for Recommendation

- 1.1 The Council's Treasury Management Strategy, approved annually at Full Council in February, requires that the year-end performance be reported to Strategy & Resources by the end of July.
- 1.2 The Council's prudential indicators must also be approved by a Committee of members, in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Sector.
- 1.3 Approving the recommendations will enable the Council to meet the above requirements.

2 Background

- 2.1 Income earned from investments is used to help finance Council's services and contributes to the key priority 'Effective Council'.
- 2.2 The Treasury Management Strategy, approved annually by Council in February, sets out the strategy and procedures that are adopted to manage the investment of reserves, provisions and cash flow.
- 2.3 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 Management Strategy approved by Council.
- 2.4 The reporting requirements of the annual performance review meet the requirements of the CIPFA Prudential Code.
- 2.5 The Council, as part of its financial strategy, maintains revenue reserves, provisions and capital reserves. For several years the main part of the Council's cash balances has typically been invested with external fund managers who use their expertise to invest in secure money markets to achieve maximum returns within defined risk parameters. The Council currently uses one external fund manager, Aberdeen Asset Management. During 2019/20, the Council held an average balance of £6.8m invested with this fund manager, although at 31 March 2020, all funds had been withdrawn to meet upcoming cash flow commitments.
- 2.6 Internally managed balances 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 2020 the Council held £9.6 million in money market funds and a £5.0m fixed term deposit with Lloyds Bank.
- 2.7 In total at 31 March 2020, the Council's treasury investments were £14.6m (£12.4m March 2019).
- 2.8 At the same reporting date, the Council had external debt with the Public Works Loans Board of £64.4m (unchanged from March 2019).
- 2.9 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.
- 2.10 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/institutions that offer high investment returns but are at high risk of defaulting.

3 Performance Review

- 3.1 A report on Treasury Management performance for 2019/20 is attached to this report at Annexe 1.
- 3.2 The 2019/20 figures in this report are not expected to change, however, should there be any amendments following completion of the external audit, these will be reported back to S&R Committee in September 2020.
- 3.3 No temporary borrowings were required in 2019/20 except occasional use of the Council's bank overdraft facility.
- 3.4 The average gross return achieved for 2019/20 of 0.94% compares favourably with the benchmark seven day London Interbank Bid (LIBID) rate of 0.53%. This amounted to total income for the year of £217,696, generated on reserves, working balances and cash flow. After deducting fees, net income for the year amounted to £184,550.
- 3.5 The outturn position shows an increase in income by £12,550 compared to the forecast reported in the half year report to Financial Policy Panel in December 2019, when it was anticipated that net income from investments would be £172,000 at the end of the year.
- 3.6 The performance for 2019/20 on the Council's investments were as follows;

	Average Investment	Net Interest Received	Net Average Rate of Return
Internally Managed Funds	£'m	£'000	%
Money Market Funds	11.1	74	0.66
Interest Bearing Account	0.9	3	0.29
Fixed Rate Deposit	4.4	49	1.12

Externally Managed Funds			
Aberdeen Asset Management	6.8	60	0.88
Total	23.1	185	0.80

- 3.7 Net returns on investments for 2019/20 were £88,550 higher than the budgeted income for the year and the average net annualised return on investments was 0.80%.

- 3.8 This performance has been achieved by following the strategy of investing its medium term funds in 1 year fixed term deposits and with its external fund manager, Aberdeen Asset Management and keeping short term funds mainly in money market funds or in an interest bearing instant access account.

4 Internally Managed Funds

Money Market Funds

- 4.1 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.
- 4.2 The return made on money market funds of 0.66% compared favourably to the benchmark of 0.53%. 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

- 4.3 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.
- 4.4 The risk on these investments may be 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.
- 4.5 The return made on interest bearing accounts of 0.29% compared unfavourably to the benchmark of 0.53%. As such, the interest bearing account was utilised only rarely in the year, typically when limits with other counter parties were reached.

Fixed Interest Investments

- 4.6 The Council had one fixed term deposit at the end of March 2020. During the 2019/20 year, the amount invested in fixed term deposits averaged £4.4m. The average return made on these investments was 1.12% compared to the benchmark of 0.53%.
- 4.7 The current strategy and guidance obtained from our independent advisors is to limit fixed term investments to a period of one year.

5 Externally Managed Funds

- 5.1 In continuing difficult market conditions our external fund manager delivered net returns of 0.88% for 2019/20 which compares to 0.89% for 2018/19. During 2019/20, the Bank of England base rate was 0.75% until 11 March 2020, when it decreased to 0.25%, before decreasing further to 0.1% on 19 March 2020. Returns have remained at historically low levels since October 2009 and opportunities for delivering significant returns remain limited.
- 5.2 The Council continues to invest a significant element of its medium to long term funds with Aberdeen Asset Management (formerly known as Scottish Widows).
- 5.3 The main benefit to the Council of using external fund managers is to minimise 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.
- 5.4 At 0.10%, the Bank of England base interest rate is at historic low levels. Any increases in interest rates are expected to be gradual and slow. The Council follows a policy of restricting the length of investments, which reduces the risks of loss of capital invested and investments being tied in at lower rates when interest rates do rise. However, this also reduces the level of return that can be achieved on investments.
- 5.5 The Council's externally managed investments are held within a pooled fund, valued at around £4.3 billion. This spreads the risk across a much wider number of holdings and reduces the level of fluctuation of the fund throughout the year.
- 5.6 It is currently envisaged that the fund manager will be able to achieve investment returns between 0.65% and 0.85% for 2020/21; this compares to an anticipated return built into the budget of 1.0%.

6 Risk Assessment

Legal or other duties

6.1 Impact Assessment

- 6.1.1 The Council approved the Treasury Management Strategy for 2019/20, which includes a risk management approach to investment of funds and returns.

6.2 Crime & Disorder

- 6.2.1 None.

6.3 Safeguarding

6.3.1 None.

6.4 Dependencies

6.4.1 None.

6.5 Other

6.5.1 None.

7 Financial 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, net income was credited to the following accounts:

	£'000	Purpose
General Fund Revenue Account	96	Used to maintain low Council Tax and finance services
Repair and Renewals Fund	3	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	5	Used to fund backlog property repairs
Corporate Project Reserve	30	Provision for any high priority projects
Community Safety Partnership Fund	1	Used to finance community safety projects
Other Reserves/Accounts	7	Nonsuch Park Joint Management Committee and Epsom, Walton Downs Conservators, trust funds and bonds held
Total Net Interest Applied	185	
Funded by:		
Net Interest from Investments	(185)	

Interest Equalisation Reserve

7.2 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.

- 7.3 The overall balance on this reserve as at the end of the financial year stands at £400,000.
- 7.4 **Section 151 Officer's comments:** Effective Treasury Management is essential to ensuring the security of the Council's funds. Interest earned from the investments contributes towards the delivery of services to residents.
- 7.5 Any Councillors who have any questions on the treasury management performance for 2019/20 are requested to contact the Chief Finance Officer prior to the meeting.

8 Legal Implications

- 8.1 The legal issues around treasury management have been addressed within the report. The key issue is to appropriately manage the risks around investment, and to ensure that all decisions are taken in accordance with the governance arrangements.
- 8.2 **Monitoring Officer's comments:** None arising from the contents of this report.

9 Policies, Plans & Partnerships

- 9.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council
- 9.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 9.3 **Climate & Environmental Impact of recommendations:** None
- 9.4 **Sustainability Policy & Community Safety Implications:** None
- 9.5 **Partnerships:** None

10 Background papers

- 10.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Treasury Management Strategy - Annexe 12 of the Budget Report to Full Council on 13 February 2020
- Treasury Management Interim Report 2019/20 to Financial Policy Panel on 3 December 2019

Other papers:

- Fund Manager Performance Reports and Final Accounts Working Papers 2019/20

TREASURY MANAGEMENT – PERFORMANCE REVIEW 2019/20

1. Internally Managed Funds

The internally managed fund for 2019/20 was:

	Balance at 31 March 20 £'000	Balance at 31 March 19 £'000	Difference £'000
Short Term Investments (less than 1 year)	5,000	3,000	2,000

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

	Average balance held in fund £'000	Fund Performance	
		% annual gross return	% annual return net of fees
Goldman Sachs	4,789	0.82	0.67
Deutsche Bank	3,303	0.80	0.65
State Street Bank	396	0.81	0.66
UBS	2,642	0.81	0.66
RBS Special Interest Bearing Account (SIBA)	865	0.44	0.29
Total	11,995	0.78	0.63

The total interest received on internally managed short term investments in 2019/20 was as follows:

	Average Value of Funds Invested £'000	Interest Earned £'000	% Return Gross of Fees	% Return Net of Fees
Short Term Investments	4,368	54	1.23 %	1.12 %

The average gross rate of return achieved on money market funds and temporary internally managed funds (0.90%) exceeds the average seven day deposit rate of 0.53% by 0.37%. This compares to performance of 0.28% above the average seven day rate in 2018/19.

2. Externally Managed Funds

A summary of external fund balances 2019/20 is as follows:-

TREASURY MANAGEMENT – PERFORMANCE REVIEW 2019/20

Aberdeen Asset Management	Value £'000
Fund Value at 1 April 2019	4,139
Net interest and profit for the year	60
Net withdrawals from the fund in year	(4,199)
Fund value at 31 March 2020	0

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 2019/20 was:

Aberdeen Asset Management	Value £'000
Average Value of Funds held during /2019/20	6773
Net interest and profit for the year	60
Percentage return for 2018/19 net of fees	0.88 %
Benchmark Return (7 day LIBID)	0.53 %
Variance 2019/20 to 7 day LIBID rate	+0.25 %
Variance 2018/19 to 7 day LIBID rate	+0.23 %

Actual Treasury Position and Prudential Indicators 2019/20

1. Introduction

The Local Government Act 2003 introduced a new system of capital controls for Local Authorities. 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 Act requires all local authorities to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. 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 treasury management report complies with the requirements of the Code for 2018/19.

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 not take account of local factors and so 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 annexe provides a commentary on each prudential indicator relevant to the Council and sets out the actual 2018/19 prudential indicators for approval as part of the Council's requirement to comply with the Prudential Code.

2. Affordability Prudential Indicator

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 is an indicator of affordability and highlights the revenue implications of capital expenditure by identifying the proportion of the net revenue budget required to meet financing costs, net of investment income.

Actual Treasury Position and Prudential Indicators 2019/20

Ratio of Financing Costs to Net Revenue Streams	2018/19 Actual	2019/20 Estimated	2019/20 Actual
General Fund	10%	19%	13%

The actual ratios above reflect the net cost of borrowing after allowing for investment income. In practice, the financing costs are fully funded by further income generated from both the Council's and Epsom & Ewell Property Investment Company's investment property acquisitions.

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 capital purposes. The year on year change in CFR is influenced by the capital expenditure incurred 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 CFR forms one of the required prudential indicators. It includes the related capital expenditure and financing figures for each year, and the external debt for each year, which are mandatory prudential indicators.

In 2016/17 the Council agreed to borrow up to £80m to finance the acquisition of commercial properties within the Borough. In 2017/18, the Council agreed to borrow up to a further £300m to finance property investments through Epsom & Ewell Property Investment Company Limited. To date, the Council has acquired four investment properties for a combined £31m in-borough and two investment properties for a combined £60m out-of-Borough, all funded from borrowing. As a result, the CFR has increased substantially since 2015/16, when it had been nil.

Following MHCLG statutory investment guidance in April 2018, Council agreed in February 2020 to cease seeking any further out-of-Borough investment property acquisitions, where the main purpose is purely to profit, in order to meet MHCLG's statutory guidance.

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

Actual Treasury Position and Prudential Indicators 2019/20

	2018/19 Actual £'000	2019/20 Estimated £'000	2019/20 Actual £'000
<u>Capital Expenditure:</u>			
Capital programme expenditure	2,032	6,276	8,561
Assets acquired under finance leases	491	32	0
Total Capital Expenditure	2,523	6,308	8,561
<u>Capital Financing:</u>			
Capital receipts	149	1,652	664
Capital grants	1,124	1,246	854
Capital reserves	0	3,278	843
Revenue	759	100	123
Total Capital Financing	2,032	6,276	2,484
Minimum revenue provision	1,200	1,249	1,249
Capital Financing Requirement at 31 March	86,808	85,591	91,636
<u>External Debt:</u>			
External borrowing	64,427	64,427	64,427
Other long term liabilities	3,401	3,433	3,046
Total External Debt at 31 March	67,828	67,860	67,473
Internal borrowing	18,980	17,731	24,163
Capital Financing Requirement at 31 March	86,808	85,591	91,636

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 2019/20 and next two financial years.

The following table sets out the actual levels of borrowing and investment for 2019/20.

Actual Treasury Position and Prudential Indicators 2019/20

	2018/19 Actual £'000	2019/20 Estimated £'000	2019/20 Actual £'000
Gross Borrowing at 31 March	67,828	67,860	67,473
Investments at 31 March	12,439	12,714	14,600
Net Borrowing at 31 March	55,389	55,146	52,873
Capital Financing Requirement Movement	(709)	(1,217)	4,828

The Chief Finance Officer reports that the Council complied with the requirement to keep net borrowing below the CFR in 202019/20, 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

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the absolute maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The Operational Boundary

The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

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

	2018/19 Actual £'000	2019/20 Estimated £'000	2019/20 Actual £'000
<u>Authorised Limit for External Debt</u>			
Borrowing for commercial properties	64,427	145,000	64,427
Other long term liabilities (finance leases)	3,401	4,000	3,046
Total Authorised Limit for External Debt	67,828	149,000	67,473
<u>Operational Boundary for External Debt</u>			
Borrowing for commercial properties	64,427	142,454	64,427
Other long term liabilities (finance leases)	3,401	3,078	3,046
Total Operational Boundary for External Debt	67,828	145,532	67,473

Actual Treasury Position and Prudential Indicators 2019/20

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.

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice at its meeting in April 2012 and Council approved the latest treasury management strategy and procedures in February 2020.

The treasury management policy requires an annual strategy to be reported to Members outlining the expected treasury activity for the forthcoming year. A further report is produced after the year end to report on actual activity for the year.

The treasury management strategy identifies four prudential indicators in respect of treasury management:

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. The Council has no plans to enter into any variable rate borrowing arrangements.

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.

Actual Treasury Position and Prudential Indicators 2019/20

	Figures are for the financial year unless otherwise titled in italics	2018/19 Actual £'000	2019/20 Estimated £'000	2019/20 Actual £'000
1	Capital Expenditure	2,523	6,308	8,561
2	Capital Financing Requirement (CFR) at 31 March	86,808	85,591	91,636
	Treasury Position at 31 March			
	External borrowing	64,427	64,427	64,427
	Other long term liabilities	3,401	3,433	3,046
3	Total Debt	67,828	67,860	67,473
	Investments	12,439	12,714	14,600
	Net Borrowing	55,389	55,146	52,873
4	Maximum Debt (Actual) compared to Authorised Limit (Original Indicator)	67,828	67,860	67,473
5	Average Debt compared to Operational Boundary (Original Indicator)	67,828	67,860	67,473
6	Ratio of financing costs to net revenue stream	10%	19%	13%
7	Upper limits on fixed interest rates (<i>against maximum position</i>) as above	67,828	67,860	67,473
8	Upper limits on variable interest rates (<i>against maximum position</i>) as above	0	0	0
9	Maturity structure fixed rate borrowing (%)	2018/19 Actual	2019/20 Estimated	2019/20 Actual
	Under 12 months	0%	0%	0%
	12 months to 2 years	0%	0%	0%
	2 years to 5 years	0%	0%	0%
	5 years to 10 years	8%	8%	8%
	10 years and above	92%	92%	92%
10	Maximum principal funds invested over 364 days (<i>against maximum position</i>)	0	£10m	0

CAPITAL MEMBER GROUP

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None

Summary

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group, approve an increase in budget of the Disabled Facilities programme and to agree the capital bidding process for 2021/22 to 2023/24.

Recommendation (s)

The Committee is asked to:

- (1) Appoint Members to the Capital Member Group;**
- (2) Approve the increase in budget of £92,090 for the Disabled Facilities programme, in line with the allocation of central government grant funding;**
- (3) Confirm the criteria for considering capital bids as set out in paragraph 9.1;**
- (4) Confirms the criteria for assessing 'spend to save' capital bids as set out in paragraph 9.2.**

1 Reason for Recommendation

- 1.1 Full Council agreed the current Medium Term Financial Plan for 2020/24 in February 2020. The MTFP includes targets for capital investment and capital reserves. These will be reassessed as part of this year's capital programme review.

2 Background

- 2.1 The capital budget timetable requires that the Financial Policy Panel receives a report on the proposed capital programme and funding options for 2021/22 at the December meeting. Service project appraisals are then presented to the policy committees in January and schemes receiving support will be included in the Budget and Council Tax report for Council approval in February 2021.
- 2.2 The Capital Member Group (CMG) co-ordinate the preparation of the new capital programme and review funding, including capital reserves, new capital receipts, grants, Community Infrastructure Levy and Section 106 (planning gain) receipts.
- 2.3 In view of public sector funding restrictions the Capital Member Group has continued to limit schemes recommended for inclusion into the capital programme to those that were a prioritised service or for health and safety considerations or essential to keep services running. Any other schemes included within the capital programme need to be self-financing, either through external grants/contributions or through revenue savings (on a business case evaluation).
- 2.4 In January 2020 Council adopted a Climate Change Action Plan. A number of the initiatives set out in the Plan will require capital investment but may not meet the current stringent criteria for inclusion in the capital programme. A new criteria has therefore been proposed to allow for those initiatives that support the Action Plan as set out in paragraph 9.1.5.

3 Capital Member Group

- 3.1 The Capital Member Group is a working group, appointed by the Strategy and Resources Committee to oversee the work of the officer capital management group (Leadership Team) and review the capital strategy to validate criteria applied to capital project appraisals.
- 3.2 Membership criteria for the Capital Member Group is as follows:
 - 3.2.1 There should be five members on CMG;
 - 3.2.2 Meetings should be chaired by the Chair of Strategy and Resources Committee;
 - 3.2.3 CMG members should be drawn from members of the Financial Policy Panel;
 - 3.2.4 CMG may include committee chairs;
 - 3.2.5 CMG should include opposition party representation.
- 3.3 Last year's membership of the Group comprised Councillors Eber Kington (Chair), Barry Nash, Neil Dallen, Colin Keane and David Gulland.

4 Capital Programme Review Timetable

- 4.1 The proposed capital programme review timetable is shown below with provisional dates for the Capital Member Group meetings. These dates are subject to confirmation with the new members of the Group.

Capital Member Group Action	Date
Review initial bids and identify which should be worked into full bids for review in November.	Wednesday 9 September 2020
Review full project appraisals, funding and draft report for Financial Policy Panel.	Wednesday 11 November 2020

- 4.2 As in previous years some of the work for the group may be during daytime working hours. It is initially proposed that meetings will be held at 4pm. The meetings may need to be held virtually as a result of the Covid pandemic.

5 Overview of Existing Capital Programme and Financing

- 5.1 The current approved programme for 2020/21, as approved at Full Council in February 2020, is £1.508 million, of which £651k is funded from capital receipts, £234k from revenue contributions, £23k from S106 contributions and £600k from central government grant.
- 5.2 Budgets totalling £3.68 million, funding projects from the 2019/20 capital programme which have not yet completed, have provisionally been rolled forward into 2020/21 (subject to this Committee's approval within the Financial Outturn report). The funding sources of these projects are £545k from capital receipts, £2.729 million from CIL, and £407k from central government grant.
- 5.3 The balance on the capital receipts reserve is expected to be at £2.57 million after agreed funding for the 2020/21 capital programme is accounted for. No new capital receipts are currently anticipated for 2020/21.
- 5.4 The balance of uncommitted S106 receipts as at 1 April 2020 was £1.336 million of which £1.134 million is for affordable housing with the bulk of the £202k balance being for open spaces. The balance of uncommitted CIL receipts for strategic infrastructure projects as at 1 April 2020 was £685k, the utilisation of which is determined by Strategy & Resources Committee after receiving recommendations from the Joint Infrastructure Group, which comprises of both Borough and County Members.

6 Budget for the Disabled Facilities Grant Funded Schemes

- 6.1 Each year Epsom & Ewell is allocated grant from central government to fund works to homes in the borough to enable people with disabilities to continue living in their own home. The budget set for 2020/21 was £600k and was based on the 2019/20 allocation.

- 6.2 Officers have now received confirmation of the exact amount of DFG grant funding for 2020/21 which is £692,090, £92,090 more than the estimated budget agreed by Full Council in February 2020.
- 6.3 Members are asked to approve additional budget of £92,090 for the Disabled Facilities Grant funded scheme for the 2020/21 capital programme, to match the central government allocation. Additional staffing resources have been made available to assist in the delivery of this scheme.

7 The Roles of the Capital Member Group and the Leadership Team

- 7.1 The Capital Member Group's role is to review the current three year capital programme, co-ordinate the preparation of the capital programme for 2021/22 whilst reviewing funding, including capital reserves, new capital receipts, grants, CIL (Community Infrastructure Levy) and Section 106 (planning gain) receipts.
- 7.2 Leadership Team will meet to review the full bids on 13 October 2020 to ensure they meet the requirements of the member group. Each scheme will be evaluated for suitability for inclusion within the capital programme and presented to Capital Member Group in November.
- 7.3 The CMG also receives the recommendations of the Leadership Team, reviews the capital strategy and validates the criteria applied to capital project appraisals.

8 Capital Bidding Process 2021/22 to 2023/24

- 8.1 The timetable below identifies each stage of the 2021/22 capital programme:

Action	Deadline
Initial Capital Appraisal Forms returned to Financial Services and copied to Heads of Service	21 August 2020
Capital Member Group meet to discuss approach and identify which of the potential bids should be worked into full bids for review in November	9 September 2020
Full Bid Capital Appraisal Forms updated and distributed	11 September 2020
Deadline for final Capital Appraisal Forms to be returned to Financial Services and copied to Heads of Service	28 September 2020
Leadership Team Workshop (to review schemes and discuss with project managers)	13 October 2020

Capital programme update reports drafted for Capital Member Group and first draft for Financial Policy Panel (FPP)	4 November 2020
Capital Member Group review of appraisals, funding and draft FPP report	11 November 2020
Dispatch for FPP	20 November 2020
Financial Policy Panel advises on capital funding and schemes to be released for 2020/21	1 December 2020
Policy committees receive revenue estimate reports and draft capital programme with appraisal forms	19 – 28 January 2021
Council Agrees Budget and Capital Programme	16 February 2021

9 Criteria for Consideration of Bids

- 9.1 With the level of capital receipts reserves just above £2.6 million after funding this year's capital programme it is proposed that potential bids should only be considered if they meet one of the following;
- 9.1.1 Where there is a guarantee of the scheme being fully externally funded and is classed as a high priority.
- 9.1.2 Spend to save projects (see below).
- 9.1.3 Where it is mandatory for the Council to provide the scheme (e.g. Disabled Facilities Grant and Health and Safety).
- 9.1.4 Minimum required to continue to deliver the services of the Council (e.g. minimum level of building maintenance and IT).
- 9.1.5 Where the scheme is consistent with the Council's Climate Change Action Plan, subject to affordability, supported by a robust business case and value for money can be demonstrated through a maximum payback period of 10 years.
- 9.2 For the purpose of appraising any of the bids funded as a 'spend to save' it is proposed that the criteria set in previous years should be applied;
- 9.2.1 Payback of the amount capital invested within the project within 5 years.
- 9.2.2 The return required on capital employed should be linked to the potential cost of borrowing (MRP) rather than potential loss of investment income.
- 9.2.3 Risk of not achieving return on investment is low.

9.2.4 Clear definition of financial cost/benefits of the scheme.

10 Proposals

10.1 The Committee is asked to appoint five Members to the Capital Member Group in line with the criteria set out in paragraph 3.2. It is proposed that the following nominated Members are appointed:

- Councillor Eber Kington (Chairman) (RA)
- Councillor Neil Dallen (RA)
- Councillor Barry Nash (RA)
- Councillor Colin Keane (RA)
- 1 opposition party representative

10.2 The 2020/21 budget for the Disabled Facilities programme was agreed by Full Council in February 2020 in line with the 2019/20 allocation, as the 2020/21 grant determination had not been received at that time. Approval is now sought to increase this budget in line with the 2020/21 grant allocation as advised by central government.

10.3 Given the limited capital resources detailed in paragraph 5.3, the Committee is asked to agree the approach set out in section 9 to determine which capital bids are successful.

10.4 In order to support initiatives within the Council's Climate Change Action Plan, a new criterion has been included for approval.

11 Risk Assessment

Legal or other duties

11.1 Impact Assessment

11.1.1 None for the purposes of this report.

11.2 Crime & Disorder

11.2.1 None for the purposes of this report.

11.3 Safeguarding

11.3.1 None for the purposes of this report.

11.4 Dependencies

11.4.1 None for the purposes of this report.

11.5 Other

11.5.1 None for the purposes of this report.

12 Financial Implications

12.1 **Section 151 Officer's comments:** All financial implications are included in the body of the report.

13 Legal Implications

13.1 There are no legal implications arising from the contents of this report.

13.2 **Monitoring Officer's comments:** none arising from the contents of this report.

14 Policies, Plans & Partnerships

14.1 **Council's Key Priorities:** The following Key Priorities are engaged:

14.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.

14.3 **Climate & Environmental Impact of recommendations:** An additional criterion has been included to allow for projects which support the Council's Climate Change Action Plan.

14.4 **Sustainability Policy & Community Safety Implications:** None for the purposes of this report.

14.5 **Partnerships:** None for the purposes of this report.

15 Background papers

15.1 The documents referred to in compiling this report are as follows:

Previous reports:

- None.

Other papers:

- Capital Strategy 2020/21
- Budget Book 2020/21

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**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE held on
30 January 2020**

PRESENT -

Councillor Eber Kington (Chairman); Councillor Clive Smitheram (Vice-Chairman);
Councillors Arthur Abdulin, Steve Bridger, Kate Chinn, Nigel Collin, Hannah Dalton,
David Gulland, Colin Keane and Barry Nash

In Attendance: Councillor Bernie Muir

Absent:

Officers present: Kathryn Beldon (Chief Executive), Amardip Healy (Chief Legal Officer), Lee Duffy (Chief Finance Officer), Rod Brown (Head of Housing and Community), Shona Mason (Head of Human Resources and Organisational Development), Mark Shephard (Head of Property and Regeneration), Brendan Bradley (Chief Accountant), Debbie Childs (Senior HR Business Advisor), Tony Foxwell (Senior Surveyor) (Items 38-40 only) and Tim Richardson (Committee Administrator)

38 QUESTION TIME

No questions were asked or had been submitted by members of the public.

39 DECLARATIONS OF INTEREST

No declarations of interest were made regarding items on the agenda.

40 PLANNED MAINTENANCE PROGRAMME 2020-21

The Committee received a report giving a progress update on the 2019-20 planned maintenance programme, and requesting approval for the planned maintenance programme for the next financial year 2020-21.

Following consideration, the Committee resolved:

- (1) To note the anticipated spend at the end of the current year 2019-20;**
- (2) To approve the carry over funds from 2019/20 to complete works from the 2019-20 programme as set out in paragraph 5.7 of the report;**
- (3) To approve the 2020/21 planned maintenance programme at an estimated cost of £455,000 as set out in Annex 2 to the report;**

- (4) Subject to the Council's financial and contract requirements, to delegate authority to the Head of Property and Regeneration to make changes within the 2020/21 planned maintenance programme to cover unforeseen matters (such as tender price variances) of up to, but not exceeding £20,000.**

41 SKILLS HUB INITIATIVE

The Committee received a report requesting it to consider and approve a proposal to fund the establishment of a skills hub to help local people develop skills to seek employment.

The following matters were considered:

- a) **Target outcomes for the skills hub pilot.** The Committee noted that the pilot had a target outcome of at least 15% of participants moving into paid employment following referral to the scheme. Officers informed the Committee that this was a realistic yet challenging target due to the challenges faced by participants, and their low existing skill base.
- b) **Role of Department of Work and Pensions.** Following a question from a Member, the Committee was informed that the Department of Work and Pensions had no role within the scheme, other than the provision of office accommodation at the Epsom Job Centre Plus.

Following consideration, it was resolved:

- (1) The Committee agreed to fund Surrey Life Long Learning for a period of one year to establish and operate a skills hub in Epsom as detailed in the report at a cost of £43,270.**

42 SURREY DOMESTIC ABUSE SERVICES

The Committee received a report requesting it to consider mitigating a shortfall in the funding for Surrey Domestic Abuse Services, through a contribution to the service.

The following matter was considered:

- a) **Funding from other local authorities.** The Committee noted that a funding request had been made to each partner organisation by the Surrey Community Safety Board, in order to address the budget shortfall of the Surrey Domestic Abuse Service. Relevant Borough and District Councils in Surrey were included in this request, and Officers informed the Committee that they believed that all the other Boroughs and Districts had agreed to contribute.

Following consideration, it was resolved:

- (1) That the Committee approved a financial contribution of £6,120 in 2019/20 towards the funding shortfall of Surrey Domestic Abuse Service.**

43 AMENDMENT TO PAY STRUCTURE – SENIOR SALARIES

The Committee received a report providing background information on the independent review of the Council's pay and performance scheme and proposing changes to senior salaries (Grades 2 and 3) of the Councils pay structure and associated budget implications.

Following consideration, it was resolved:

That the Committee:

- (1) Had reviewed the SOLACE report and approved the proposed changes to Grades 2 and 3 of the Council's pay structure (Option 5 as shown in paragraph 3.9 of the report).**

and

- (2) Supported the use of up to £16,190 of the corporate contingency to fund the changes, with effect from 1 April 2020.**

44 EPSOM & EWELL BOROUGH COUNCIL PAY POLICY STATEMENT

The Committee received a report introducing the draft Epsom & Ewell Borough Council Pay Policy Statement for 2020/21 and seeking approval of the statement by the Committee, prior to its presentation to full Council and subsequent publication on the Council's website.

Following consideration, it was resolved:

The Committee:

- (1) Approved the Pay Policy Statement for 2020/21 and recommended it to Council for approval.**

and

- (2) Granted delegated authority to the Head of HR & OD, to update the Pay Policy Statement to reflect the changes to Grades 2 & 3 as per the Amendment to Pay Structure – Senior Salaries report prior to presenting to Council for approval.**

45 PEOPLE FRAMEWORK

The Committee received a report seeking approval of the Council's draft People Framework and associated procedure documents.

The following matter was noted:

- a) **Consideration of draft People Framework by HR Panel.** The Committee noted that the Human Resources Panel had reviewed and commented upon the draft People framework prior to its presentation to this meeting.

Following consideration, it was resolved:

That the Committee:

- (1) **Approved the draft People Framework and associated procedure documents which have been reviewed by HR Panel, attached at Annex 1 through to 29 of the report;**
- (2) **Granted delegated authority to the Head of HR & OD to make the necessary changes and updates to the People Framework as and when required, to meet legislative and organisational requirements.**

46 MARKET PLACE AGREEMENT

The Committee received a report setting out the terms of the proposed Market Place Agreement with Surrey County Council. The proposed agreement enabled Epsom and Ewell Borough Council to exercise much greater day to day control over how the Market Place would be managed as part of encouraging and facilitating more market trading, income generation and cultural activities.

The following matter was considered:

- a) **Liability for insurance claims.** The Committee noted that insurance claims relating to the paving, curb stones or adjacent road would continue to be responsibility of the Highways Authority (Surrey County Council).

Following consideration, it was resolved:

That the Committee:

- (1) **Agreed that this Council enters into an agreement with Surrey County Council for the day to day management of the Market Place on the terms set out in the Market Place Agreement contained in Annex 1 to the report.**
- (2) **Delegated to the Chief Operating Officer and the Chief Legal Officer, in consultation with the Chairman of Strategy and Resources, the conclusion of the negotiations with Surrey County Council and any associated final drafting changes.**
- (3) **Delegated to the Chief Operating Officer the power to implement and maintain the Market Place Agreement.**

47 CAPITAL PROGRAMME 2020/21

The Committee received a report summarising the proposed 2020/21 capital programme for Strategy & Resources Committee. Approval was sought for the programme to be submitted to Council in February 2020.

Two schemes were recommended to the Committee for submission to the Council:

- ICT Programme of Works
- Clocktower envelope repairs

Following consideration, it was resolved:

That the Committee:

- (1) Submitted the Capital Programme for 2020/21 as identified in section 4 of the report to the Council for approval.**

48 REVENUE BUDGET AND FEES & CHARGES 2020/21

The Committee received a report setting out estimates for income and expenditure on services in 2020/21.

The following matters were considered:

- a) **Income from acquisition of commercial property within the Borough.** Following a question from a Member, Officers informed the Committee that the projected revenue from the acquisition of commercial property within the Borough was considered realistic and achievable.
- b) **Borough Insight.** The Committee noted that the report proposed an in-principle decision to reduce the number of Borough Insight publications per annum from three to two. The Chairman informed the Committee that a Local Government Association Peer Review of the Council's Communications activities was currently being undertaken and that its outcome was unknown, but that the proposed reduction in number of publications could be reconsidered if the outcome of the Review indicated it would be appropriate to do so.

Following consideration, it was resolved:

That the Committee:

- (1) Recommended the 2020/21 service estimates for approval at the budget meeting of Full Council in February 2020;**
- (2) Supported in principle the future savings options as set out in paragraph 5.3 of the report for inclusion in the Medium Term Financial Strategy.**

49 MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Strategy and Resources Committee held on 26 November 2019 and Special Meeting held on 14 January 2020 were agreed as a true record and signed by the Chairman.

50 THANKS TO OFFICERS

The Committee recorded its thanks to Officers for their work on its behalf in progressing a number of important local initiatives.

The meeting began at 7.30 pm and ended at 8.06 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)

EXCLUSION OF PRESS AND PUBLIC

Under Section 100(A)(4) of the Local Government Act 1972, the Committee may pass a resolution to exclude the public from the Meeting for Part Two of the Agenda on the grounds that the business involves 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 outweighs the public interest in disclosing the information.

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