

Public Document Pack

Legal and Democratic Services



STRATEGY AND RESOURCES COMMITTEE

Tuesday 17 November 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/1026203199036810251>
Webinar ID:136-125-563

Telephone (listen-only): 02037135022, Telephone Access code:447-834-654

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

Yours sincerely

A handwritten signature in black ink that reads 'J.C. Beldan'.

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, 3 November 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, 13 November 2020**

AGENDA

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. 2019-20 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS ADDENDUM (Pages 5 - 150)

This report presents the 2019/20 Statement of Accounts and Grant Thornton's Audit Findings Addendum following the external audit.

4. LOCAL COUNCIL TAX SUPPORT SCHEME 2021 (Pages 151 - 200)

This report provides an update on the current Local Council Tax Support Scheme and seeks approval for the introduction of an income banded Council Tax Income Discount scheme, for those of working age, from 1 April 2021.

5. VENUES UPDATE (Pages 201 - 210)

This report notifies Committee on the recent report taken to Community & Wellbeing Committee and the measures taken to safeguard Bourne Hall's key income streams during the current lockdown.

6. MINUTES OF PREVIOUS MEETING (Pages 211 - 218)

The Committee is asked to confirm as a true record the Minutes of the meeting of the Strategy and Resources Committee held on 22 September (attached), the Restricted Minutes of the meeting held on 22 September (attached) and Minutes of 27 October 2020 (to follow) and to authorise the Chairman to sign them.

This page is intentionally left blank

2019-20 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS ADDENDUM

| | |
|---|--|
| 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: Audit Findings Report Appendix 2: Audit Findings Addendum Appendix 3: 2019/20 Statement of Accounts (includes Annual Governance Statement) Appendix 4: Letter of Representation |

Summary

This report presents the 2019/20 Statement of Accounts and Grant Thornton's Audit Findings Addendum following the external audit.

Recommendation (s)

The Committee is asked to:

- (1) Re-approve the Statement of Accounts for the year ended 31 March 2020;**
- (2) Consider the amendment to the Statement of Accounts since 22 September S&R Committee, as set-out in the Audit Findings Addendum;**
- (3) Agree the management action in response to the audit recommendations within the Audit Findings Addendum;**
- (4) Agree that the Chairman or Vice Chairman of Strategy and Resources Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;**
- (5) Delegate any further amendments to the 2019/20 Statement of Accounts to the Chief Finance Officer in consultation with the Chairman or Vice Chairman of Strategy and Resources Committee.**

1 Reason for Recommendations

- 1.1 Approving the recommendations will enable the Council to meet its statutory requirements under the Accounts and Audit Regulations (England), regarding the preparation of its year-end accounts for 2019/20.

2 Background

- 2.1 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 require Councils to publish the audited Statement of Accounts by 30 November this year.

- 2.2 On 22 September 2020, EEBC's external auditor, Grant Thornton, presented their Audit Findings Report, attached at Appendix 1, to this Committee. The Audit Findings Report stated that Grant Thornton anticipated issuing an unqualified (favourable) opinion on the Council's accounts, subject to resolution of a number of outstanding items which included:

2.2.1 Completion of our [Grant Thornton's] final senior level review of the accounts and resolution to any queries raised;

2.2.2 Receipt from the auditors of Surrey County Council Pension Fund assurances over controls surrounding the validity and accuracy of membership data; contributions data and benefits data.

3 Outcome of Senior Level Review

- 3.1 Grant Thornton have now completed the final senior level review, which has resulted in an Audit Findings Addendum being issued at Appendix 2. In summary, the final senior level review identified the following:
 - 3.1.1 Surrey Pension Fund have disclosed a material valuation uncertainty with respect to pooled property and private equity investments. As such, the Council has now disclosed this material uncertainty in Disclosure Note 4 of the Statement of Accounts, with no impact on the Council's reserves, outturn position or core financial statements.
 - 3.1.2 An adjustment is required to the Council's operating leases Disclosure Note 31, to include expected income, from a recent commercial property acquisition (Emerald House in February 2020), in projected figures from financial year 2022 onwards. Prior year projected income within the same disclosure note has also been restated. There is no impact on the Council's reserves, outturn position, or core financial statements.
 - 3.1.3 Two other immaterial misstatements, as set out in the Addendum, which have not been corrected due to being below the materiality threshold.

- 3.2 At the time of writing, Grant Thornton has not yet received assurances, from the auditors of Surrey County Council Pension Fund, around controls surrounding the validity and accuracy of membership data; contributions data and benefits data. This is outside the control of Epsom & Ewell Borough Council.
- 3.3 The Audit Findings Addendum will be presented to the committee by a senior officer from Grant Thornton, who will also answer any questions members may have on the audit. Subject to receipt of the above assurance at paragraph 3.2, the auditors still anticipate issuing an unqualified (favourable) opinion on the Council's accounts. The auditors expect to receive the assurance by 30 November.
- 3.4 The audited Statement of Accounts are included as Appendix 3 to this report. The accounts are complex and so Members are asked to raise any detailed queries with the Chief Finance Officer prior to the meeting.
- 3.5 The Annual Governance Statement (AGS) was approved at both Audit, Crime and Disorder, and Scrutiny Committee and Strategy and Resources Committee in September. There have been no changes to the AGS.
- 3.6 The Council is required to provide Grant Thornton with a Letter of Representation, attached at Appendix 4. The Letter of Representation provides the auditor with assurance that the Council has fulfilled its responsibilities relating to the audit and financial statements.
- 3.7 Appendix C of the Audit Findings Addendum includes the recommendations where management action has been agreed with the auditors.

4 Risk Assessment

Legal or other duties

4.1 Impact Assessment

- 4.1.1 The Council has a statutory requirement to approve and publish its audited Statement of Accounts by 30 November 2020, under the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

4.2 Crime & Disorder

- 4.2.1 None.

4.3 Safeguarding

- 4.3.1 None.

4.4 Dependencies

- 4.4.1 None.

4.5 Other

4.5.1 None.

5 Financial Implications

5.1 The external audit fee is expected to be within the £44,175 budget previously reported on 2 July 2020.

5.2 The Committee received a separate report on 28 July 2020 setting out the General Fund position for 2019/20 and the financial reserves at 31 March 2020. The Committee has also received details of expenditure on the capital programme on 28 July 2020.

5.3 **Section 151 Officer's comments:** The Statement of Accounts are extensive and detailed so please raise any queries regarding Appendix 3 with the Chief Finance Officer prior to the Committee meeting.

6 Legal Implications

6.1 The requirements for external audit are set out in the executive summary of the Audit Findings report.

6.2 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 require that the audited Statement of Accounts and Annual Governance Statement be approved by a member committee and published on the Council's website by 30 November 2020.

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

7 Policies, Plans & Partnerships

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

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

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

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

7.5 **Partnerships:** None.

8 Background papers

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

Previous reports:

- 2019/20 Statement of Accounts and Audit Findings report to Strategy & resources Committee, 22 September 2020
- External Audit Update report to Strategy & Resources Committee, 2 July 2020
- Financial Outturn reported to Strategy & Resources Committee on 28 July 2020.

Other papers:

- None.

This page is intentionally left blank



The Audit Findings for Epsom and Ewell Borough Council

Page 11
Year ended 31 March 2020
September 2020



Agenda Item 3
Appendix 1

Contents



Your key Grant Thornton team members are:

Page 12

Sarah Ironmonger

Engagement Lead

T: +44(0)20 78565 2997

E: Sarah.L.Ironmonger@uk.gt.com

Sheena Phillips

Audit Manager

T: +44 (0)20 7728 2625

E: Sheena.S.Phillips@uk.gt.com

Tafadzwa Nembaware

Audit Assistant Manager

T: +44(0)2073835100

E: Tafadzwa.Nembaware@uk.gt.com

Section

| | Page |
|--------------------------------------|------|
| 1. Headlines | 3 |
| 2. Financial statements | 5 |
| 3. Other statutory powers and duties | 15 |
| 4. Value for money | 16 |
| 5. Independence and ethics | 20 |

Appendices

| | |
|----------------------|----|
| A. Audit adjustments | 22 |
| B. Fees | 23 |

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we have identified control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as the report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Agenda Item 3
Appendix 1

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Epsom and Ewell Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:

- give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during July. Our findings are summarised on pages 7 to 13.

Our work is substantially complete and to date, and subject to the satisfactory resolution of the outstanding matters detailed on page 5 we anticipate an unqualified audit report including an Emphasis of Matter paragraph in relation to the valuer's material uncertainty disclosure. An emphasis of matter paragraph is not a qualification.

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. The impact has been widespread causing volatility of financial and property markets which impacted on your asset valuation. We also expected the current circumstances to have an impact on the production and audit of the financial statements. Additionally, changes in the regulatory framework as set out in our Audit Plan require us as your auditors to introduce additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the Council.

The implementation of IFRS 16 has been deferred until 01 April 2021 and as such the related disclosures do not need to be made in the 2019/2020 financial statements.

In line with government directive, both the production and audit of the financial statements were done remotely. Furthermore, obtaining and review of audit evidence remotely proved more challenging and took longer than it would normally take to review. Our audit testing of information provided by the Council was completed remotely however this would be a more efficient process via on site visits. The combination of remote working and the challenges of gaining an understanding of complex spreadsheets via video links have impacted on the length of time to complete the audit.

In terms of the financial statements:

- you provided us with a complete set of financial statements together with supporting documents and good working papers before the agreed date.
- you prepared high quality draft financial statements and the volume and quality of the supporting working papers was good
- your finance team was responsive, helpful and fully engaged with the audit process and provided responses in line with agreed turnaround times which enabled us to carry out the audit efficiently in June and July.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Epsom and Ewell Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19

The outbreak of the Covid-19 pandemic has had a significant impact on the normal operations of the Council.

The main impact has been on income from services which has been severely hit. There has been a loss of £1.7 million in income from fees and charges in the first quarter of 2020/21. The services which are most affected are car parks, refuse, venues and the Rainbow leisure centre. There has also been reduced income from commercial properties. You had budgeted to receive £1.5 million income from commercial in the first quarter of 2020/21 however you have only received £500k in the first quarter of the year, with deferrals agreed for outstanding sums. Council Tax receipts, at the end of April 2020, were 5.5% down compared to April 2019.

Finance Staff are either working from home or the office where necessary as normal. Controls continue to operate effectively.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.

We updated our audit risk assessment to consider the impact of the pandemic on our audit, to include the risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 7.

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to new remote access working arrangements i.e. remote accessing financial systems, video calling, physical verification of assets and completeness and accuracy of information produced by the entity.

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements. We have concluded that Epsom and Ewell Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised on pages 16 to 19.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Summary

Overview of the scope of our audit

- This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with Strategy and Resources Committee.
- As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

- Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:
- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have included a significant risk of the impact of Covid 19 to reflect our response to the Covid-19 pandemic. We communicated this to you at the Strategy and Resources Committee meeting on 02 July 2020.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Strategy and Resources Committee meeting in September 2020. These outstanding items include:

- Completion of our final senior level review and resolution to any queries raised
- Receipt from the auditors of Surrey County Council Pension Fund assurances over controls surrounding the validity and accuracy of membership data; contributions data and benefits data
- Review of the final copy of the financial statements
- Receipt of letter of representation from the Chair of the Strategy and Resources Committee; and
- Confirming post balance sheet events at the date of signing.

Summary

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our approach to materiality

| | Group Amount (£) | Council Amount (£) |
|--|------------------|--------------------|
| Materiality for the financial statements | 950,000 | 855,000 |
| Performance materiality | 710,000 | 640,000 |
| Trivial matters | 47,000 | 40,000 |

Significant findings – audit risks

Risks identified in our Audit Plan

1 Covid- 19 Impact

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front-line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

Auditor commentary

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 08 June 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

Our audit work has not identified any issues in respect of Covid 19 impact.

We note your independent valuer has declared a 'material valuation uncertainty' in the valuation report issued on the basis of uncertainties in markets caused by Covid-19.

Refer to our section Significant findings – judgements and estimates on page 13 for further details.

Significant findings – audit risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| <p>2 The Revenue Cycle includes fraudulent transactions.</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, mean that all forms of fraud are seen as unacceptable <p>There have been no changes to our assessment reported in the audit plan. Therefore we do not consider this to be a significant risk to Epsom and Ewell Council and the Group</p> |


Significant findings – audit risks

| Risks identified in our Audit Plan | Commentary |
|---|--|
| <p>5 Valuation of pension fund net liability</p> <p>Your net pension fund liability, as reflected in the balance sheet, represents a significant estimate in the financial statements.</p> <p>The net pension fund liability is considered a significant estimate due to the size of the numbers involved (£37 million in your balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of your pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> • Updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of the information provided to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • obtained assurances from the auditor of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>Our audit work is substantially complete and awaiting the resolution of residual queries.</p> <p>We were awaiting receipt from the auditors of Surrey County Council Pension Fund assurances over the controls surrounding the validity and accuracy of membership data; contributions data and benefits data.</p> <p>Subject to the conclusion of our remaining audit work in this area, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified risk.</p> |





Significant findings – audit risks

| | Risks identified in our Audit Plan | Commentary |
|---|---|--|
| 3 | <p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> documented and evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals gained an understanding of the accounting estimates and critical judgements made by management and consider their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Audit Findings</p> <p>We tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. Our testing did not identify any material issue in respect to this significant risk.</p> |
| 4 | <p>Valuation of land and buildings</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£82 million of PPE in 2019-20) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management need to ensure the carrying value in your financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme of valuation is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>Auditor commentary</p> <p>We have</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding of the valuer's report and the assumptions that underpin the valuation tested a sample of revaluations made during the year to ensure that they have been input correctly into your asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>Our work has not identified any issues in respect of valuation of land and building.</p> |


Significant findings – key judgements and estimates

| | Summary of management's policy | Audit Comments | Assessment |
|---|--|--|--|
| Land and Buildings – Other - £70 million | <p>Other land and buildings comprises £33.5 million of specialised assets such as the leisure centre and theatre, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£35.9m) are not specialised in nature and are required to be valued at existing use in value (EUUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2020 on a cyclical basis. 58% of total assets were revalued during 2019/20.</p> <p>The council's investment property has a value of £55.8 million as 31 March 2020. The valuer valued all investment properties have been valued fair value.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £4.2 million. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2019, applying industry average indices and rental income to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the property's value.</p> <p>After applying indices, depreciation and impairment, the total year end net carrying value of Other land and buildings was £69.4 million, a net increase of £6.0 million from 2018/19 (£63.4 million).</p> | <p>The Council has engaged new valuers (Wilks Head and Eve) this year for the valuation of land and buildings and investment properties other than for the investment property which was acquired in 19/20. This was valued by Cushman and Wakefield.</p> <p>We have considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> assessment of management's expert, completeness and accuracy of the underlying information used to determine the estimate impact of any changes to valuation method consistency of estimate against Gerard Eve report reasonableness of decrease in estimate adequacy of disclosure of estimate in the financial statements obtaining supporting evidence to confirm that assets classified as investment properties are being held solely for rental income or capital appreciation or both. <p>We note in line with RICS guidance, the valuer disclosed a material uncertainty in the valuation of the land and buildings at 31 March 2020 as a result of Covid-19.</p> <p>You have referred to the material valuation uncertainty within Sources of Estimation Uncertainty note disclosures in Note 4 for both Other Land and Building and Investment properties.</p> <p>We will issue an emphasis of matter within our audit report drawing attention to your estimation uncertainty disclosure.</p> | <p> (Green)</p> |

Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

| | Summary of management's policy | Audit Comments | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|------------|---------------|-----------|------------|---------------|------|------|---|-----------------------|------|---------------------|---|---------------|------|-------------|---|---|------------|-----------------|---|---|------------|-------------------|---|--|
| Net pension liability – £37.4m | <p>The Council's total net pension liability at 31 March 2020 is £37.4 million (PY £39.5m), as part of the Surrey County Council Pension Fund. The Council uses Hyman Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £4.6 million net actuarial gain during 2019/20.</p> | <p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> Assessment of management's expert Assessment of actuary's roll forward approach taken, based on the full valuation as at 31 March 2020 to confirm reasonableness of approach Use of PwC as auditor's expert to assess actuary and assumptions made by actuary – the table below compares your Actuary's assumptions <table border="1" data-bbox="698 520 1935 994"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.3%</td> <td>2.3%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>1.9%</td> <td>1.8% - 2% per annum</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>2.8%</td> <td>2.7% - 2.9%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 65</td> <td>22.1 years</td> <td>20.5-22.2 years</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 65</td> <td>24.3 years</td> <td>22.9 – 24.3 years</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Completeness and accuracy of the underlying information used to determine the estimate Impact of any changes to valuation method Reasonableness of the Council's share of LGPS pension assets. Reasonableness of increase/decrease in estimate Adequacy of disclosure of estimate in the financial statements. <p>We are waiting for assurances from auditors of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation. Subject to the satisfactory completion of the outstanding work mentioned, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified risk</p> | Assumption | Actuary Value | PwC range | Assessment | Discount rate | 2.3% | 2.3% | ● | Pension increase rate | 1.9% | 1.8% - 2% per annum | ● | Salary growth | 2.8% | 2.7% - 2.9% | ● | Life expectancy – Males currently aged 65 | 22.1 years | 20.5-22.2 years | ● | Life expectancy – Females currently aged 65 | 24.3 years | 22.9 – 24.3 years | ● |  Green |
| Assumption | Actuary Value | PwC range | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 2.3% | 2.3% | ● | | | | | | | | | | | | | | | | | | | | | | | | |
| Pension increase rate | 1.9% | 1.8% - 2% per annum | ● | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary growth | 2.8% | 2.7% - 2.9% | ● | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Males currently aged 65 | 22.1 years | 20.5-22.2 years | ● | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Females currently aged 65 | 24.3 years | 22.9 – 24.3 years | ● | | | | | | | | | | | | | | | | | | | | | | | | |

Significant findings - Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

The consideration and assessment of the relevance of the going concern basis of accounting is incorporated the ongoing budget planning and monitoring. This assessment was:

- Cash flow periods
- Judgements and assumptions taken

Work performed

We:

- held regular discussions with officers about the financial standing of the Council;
- reviewed management's assessment of going concern assumptions and supporting information, including the Budget 2020/21, Medium Term Financial Strategy and Reserves Strategy; and
- reviewed the completeness and accuracy of going concern disclosures in the financial statements
- Reviewed the impact of Covid 19 on the going concern assumption.

Concluding comments

Auditor commentary

Management's formal assessment of the use of the going concern basis of accounting covered the period 01 April 2020 to 31 March 2021. We considered Management's process in reaching its judgements to be reasonable. There are transparent disclosures of the key risks that are likely to impact the 2020/21 financial plans.

Auditor commentary

Management has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Our work has confirmed that you have set a balanced budget for the proceeding financial year, hold a level of reserves that would enable you to continue to provide services beyond 2021 and hold a good level of liquid assets compared to short term liabilities.

For this reason, you continue to adopt the going concern basis in preparing the financial statements

Auditor commentary

We concur with management's assessment that the going concern basis is appropriate for the 2019/20 financial statements

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| | Issue | Commentary |
|---|---|---|
| 1 | Matters in relation to fraud | <ul style="list-style-type: none"> We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. |
| 2 | Matters in relation to related parties | <ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed at this stage of the audit. |
| 3 | Matters in relation to laws and regulations | <ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| 4 | Written representations | <ul style="list-style-type: none"> A letter of representation has been requested from you. |
| 5 | Confirmation requests from third parties | <ul style="list-style-type: none"> We obtained direct confirmations from the PWLB loans and requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted, and the requests sent. We have received direct confirmations requested other confirmation of investments from fund managers.. |
| 6 | Disclosures | <ul style="list-style-type: none"> Our review has not found any material omissions in the financial statements. |
| 7 | Audit evidence and explanations/significant difficulties | <ul style="list-style-type: none"> All information and explanations requested from management was provided. |

Page 24

Agenda Item 3
Appendix 1

Other responsibilities under the Code

| Issue | Commentary |
|--|---|
| 1 Other information | <p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified</p> |
| 2 Matters on which we report by exception | <p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p> |
| 3 Specified procedures for Whole of Government Accounts | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> • Note that work is not required as you do not exceed the threshold. |
| 4 Certification of the closure of the audit | <p>We intend to certify the closure of the 2019/20 audit of Epsom and Ewell Borough Council in the audit report.</p> |

Page 25

Agenda Item 3
Appendix 1

Value for Money

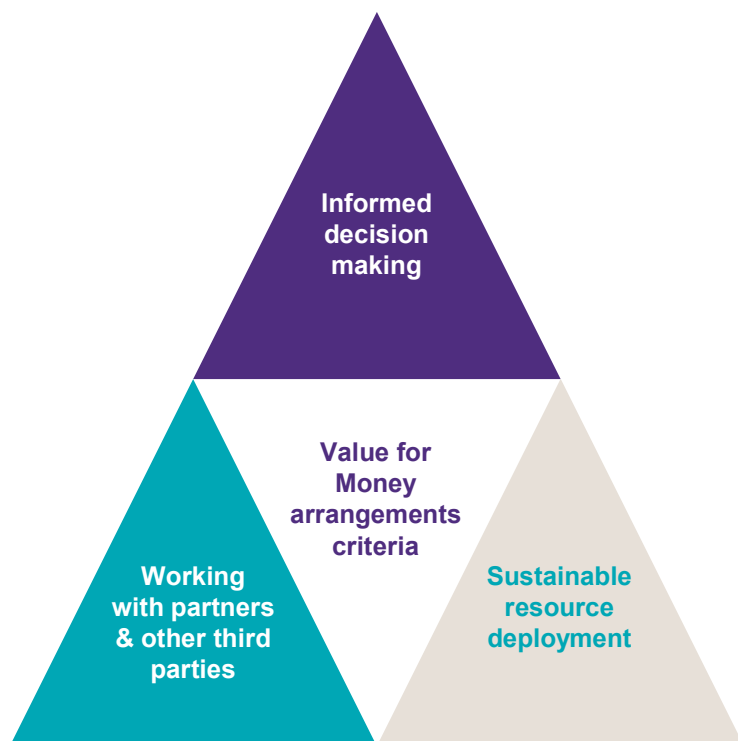
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Page 26

Risk assessment

We carried out an initial risk assessment in February 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 31 March 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Agenda Item 3
Appendix 1

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Evaluating your Medium Term Financial Strategy (MTFS) and its assumptions for reasonableness and relevance;
- Evaluating your 2020/21 budget setting process and determining the reasonableness of your plans to resolve budget gaps;
- Assessing the 2019/20 outturn position against the 2019/20 budget to determine the potential effect on medium term financial sustainability;
- Understanding your reserves policy and evaluating the actual use of reserves against planned usage
- Understanding the impact of Covid 19 on 2020/21 budget and on reserves

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 18 to 19.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found in our audit opinion.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| | Significant risk | Findings |
|---|---|--|
| <p>1</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 28</p> <p>The overall Local Government sector has been facing a challenging financial outlook in recent years, which is to continue for 2019/20 and for the medium term. Further pressure is expected across the sector as a result of continued increasing demand for services and falling central government funding on the factors which are also affecting Epsom & Ewell Borough Council.</p> <p>In addition to this, there is uncertainty surrounding the impact of Covid 19 Pandemic on your finances.</p> <p>We will update our understanding the Authority's financial arrangements. Evaluating the robustness of their medium term financial plan and budgeting to ensure that resources are deployed to achieve planned and sustainable outcomes for local tax payers</p> | <p>Sustainable Resource Deployment – Financial Sustainability in the Medium Term</p> | <ul style="list-style-type: none"> • You have demonstrated that you have a robust budget setting process. This process incorporates an appropriate level of challenge and scrutiny from member committees to ensure budgets are achievable operationally, a good level of support from finance to ensure budgets are achievable from a resourcing perspective and that there is ongoing budget monitoring throughout the year to ensure budgets remain relevant and any risks identified quickly. • In terms of outturn position you have demonstrated control over spending in 2019/20 and recorded an underspend of £11k on your revenue account, which was within 1% of the agreed budget. The £11k underspend has been added to the General Fund balance at year-end. You have performed well to achieve an outturn close to the overall budget, particularly in the current challenging financial environment with continued funding cuts from central government and the impact of Covid 19 in the last few weeks in March 2020. • During 2019/20, you have dealt with financial challenges including zero revenue support grant and just £25k emergency Covid-19 grant funding from central government. • The financial challenges also included star chamber service delivery savings and additional income required of £406k; and an increase of over £200k in budgeted income from fees and charges. • You have maintained a strong reserve position by increasing the level of usable reserves by £1.6 million in the year to £30.6 million including community infrastructure levy and capital receipts reserve. You have demonstrated robust financial planning by earmarking 49% of these reserves for specific strategic purposes which will allow you to meet your strategic objectives over the medium term. This demonstrates planned spending for specific purposes which will ensure you are able to deliver the services and developments committed to for the benefit of residents of the Borough • You have set yourself a minimum general fund balance of £2.5 million which you wish to hold to ensure a minimum level of funds is available for non-specific expenditure should it be required. You have demonstrated that you have exceeded this minimum threshold for 2019/20 by holding a general fund reserve of £3.4 million and your plans maintain the minimum level in the medium term. • Prior to Covid-19: <ul style="list-style-type: none"> • you successfully planned for the medium and long term by producing a Medium-Term Financial Plan (MTFP) for 2020/2021 based on realistic assumptions which allows you to identify and plan for savings. • You produced a balanced budget for 2020/21 which was realistic in its assumptions and includes appropriate risks and opportunities. • You were able to fully identify and plan for savings required in 2020/21 leaving no budget gaps to identify moving into next year. |

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| | Significant risk | Findings |
|---|--|--|
| 1 | Sustainable Resource Deployment – Financial Sustainability in the Medium Term - Continued | <ul style="list-style-type: none"> • You have carried out a detailed assessment of the impact of Covid 19 on your 2020/21 budget. In quarter 1 of 2020/21, you have identified a loss of £2.5 million as the estimated cost of dealing with Covid 19. You have identified services which have been worst hit as income from fees and charges specifically car park income, income from council tax and income from commercial property. • To date the Government has agreed one-off funding specifically for you totalling £918k. The Government has also provided £11m funding for local businesses through the small business grant schemes, £4k funding for rough sleepers and £344k hardship funding for council taxpayers • Your Income from services has been severely hit during the outbreak. In quarter 1, you have had £2.5m losses from income as a result of Covid 19. Out of the £2.5m losses from Covid 19, income from fees and charges makes up the majority of the loss (£1.7m). <ul style="list-style-type: none"> • You budgeted for an income from fees and charges of around £900,000 per month however this income has reduced to £300k per month. The services which are most affected are car parks, refuse, venues and the Rainbow leisure centre. • You budgeted to receive £1.5m income from commercial property in the first quarter of 2020/21 however you have only received £500k in the first quarter of the year, with deferrals agreed for unpaid sums. • Your Council Tax receipts at the end of April 2020 were 5.5% down compared to April 2019. If the level of recovery remains at this level throughout 2020/21, this would materialise into a loss on the collection fund of £3.6m, with EEBC's share of the loss being £375k. You budgeted for an income from business rates of £1.617m for the year, however as a result of Covid 19, you could see a reduced income from your share of business rates by up to £600k for 2020/21. • You have considered the impact of Covid 19 on your reserves for 2020/21 and have identified that you could be facing losses between £4.7 million to £8 million which would require funding by the end of 2020/21. You have identified funding from alternative strategic reserves and sources to fund the projected Quarter 1 deficit of £2.5 million. Your useable reserves at nearly £18 million could sustain these losses for 2020/21 by releasing earmarked reserves, but you will not be able to rely on using reserves as a medium to long-term solution to fund the deficit in your finances caused by Covid-19. Where you need to release earmarked reserves to respond to financial pressures from Covid-19, you will need to give future consideration of when and how to rebuild reserves set aside for a specific reason. • We have reviewed the Institute of Fiscal Studies report on the Coronavirus risk and financial resilience of local Government authorities which shows <ul style="list-style-type: none"> • Your reserves as a proportion of revenue expenditure as at March 2020 when compared to other authorities is within the low risk category • Your revenue risk for fees and charges is in the high risk category • This is consistent with your own assessment where you have identified income from fees and charges as one of the worst hit income source. You have taken steps to identify alternative sources of funding to address this issue as described above. |
| | Conclusion | <p>Based on the work we performed to address the significant risk, we are satisfied that you have proper arrangements for securing economy, efficiency and effectiveness in your use of resources.</p> |

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

| Page 30 | Fees £ | Threats identified | Safeguards |
|--|--------|---|--|
| Audit related | | | |
| Certification of Housing Benefit Claim | 11,000 | Self-Interest because this is a recurring fee | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,000 in comparison to the total fee for the audit of £44,175 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 |
|---|--|--|---------------------------------------|
| 1 DR CIES -depreciation charge for the year for Other Land and Building | 1,894 | | |
| Credit Other Land and Buildings | | (1,894) | |
| Dr Revaluation Reserve | | 1,894 | |
| Credit Accumulated depreciation | (1,894) | | |
| Overall impact | £0 | £0 | |

Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. Our work to date has not identified any non-trivial misstatement. We will update this section once we have completed our work.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission | Auditor recommendations | Adjusted? |
|---|---|-----------|
| <p>EFA showed £3,752k as the adjustments between accounting and funding basis, which doesn't agree to the MIRS or Note 9 which state that the adjustment between accounting and funding basis is £4,583k. Therefore there is a difference of £831k. This error only effects the EFA disclosure,</p> | <p>We recommend that management update the EFA disclosure to show the correct figures and also ensure consistency between the different parts of the accounts.</p> <p>Management response</p> <ul style="list-style-type: none"> • Management has agreed to update this | ✓ |
| <p>The total balance of short-term debtors for 2018/19 in was incorrectly shown in the draft accounts as the 2017/18 figure of £5,725k, instead of £6,986k.</p> | <p>We recommend that management update the accounts to show the correct figure.</p> <p>Management response</p> <ul style="list-style-type: none"> • Management has agreed to update this. | ✓ |

Appendix B

Fees

We confirm below our final fees charged for the audit and

| Audit Fees | Proposed fee | Final fee |
|---|---------------------|------------------|
| Council Audit | 44,175 | TBC |
| Total audit fees (excluding VAT) | £44,175 | £TBC |

The proposed fee above is subject to agreement by PSAA.

Page 33

| Non Audit Fees for other services | Proposed fee | Final fee |
|---|---------------------|------------------|
| Audit Related Services Certification of Housing Benefit Subsidy claim | 11,000 | TBC |
| Total non- audit fees (excluding VAT) | £11,000 | £ TBC |



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.



The Audit Findings Addendum for Epsom and Ewell Borough Council

Page 35
Year ended 31 March 2020
November 2020



Headlines

Purpose

We presented our Audit Findings Report in September 2020 to the Strategy and Resources Committee as those charged with governance for Epsom and Ewell Borough Council. At that time there were a small number of outstanding items that have now been concluded. This addendum updates you on the findings in resolving the outstanding items and covers

- IAS19 Pension Fund findings (see page 3)
- Audit adjustments for
 - A new lease omitted from the disclosure note on leases (see page 4)
 - An incorrect analysis in the prior period between disclosure categories in the note on leases (see page 5)
- Unadjusted misstatements identified (see page 6)

IAS 19 Pension Fund findings

Surrey Pension Fund has disclosed a material valuation uncertainty with respect to pooled property investments and private equity investments. Of this the Council's share of these assets is

- £4.5 million for pooled property investments
- £5 million for private equity investments

As these values are material to the Council's financial statements, additional disclosure has been added to Note 4 of the financial statements to reflect the material valuation uncertainty for with respect to pooled property investments and private equity investments for pension. In response we will include an emphasis of matter in the audit opinion in relation to this matter.

Please note we had already agreed with you our emphasis of matter paragraph in relation to the material uncertainty in the valuation of your property and the paragraph will be amended to now include the material uncertainty in relation to pension assets held in pooled property investments and private equity investments.

Our work on pension fund is concluded except for receipt of the IAS19 Assurance letter from the auditor of the Surrey Pension Fund. We understand that the outstanding letter will be received in time to meet the 30 November audit deadline.

Page 27

Audit Adjustments

We are required to report all nontrivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of additional misclassification and disclosure changes identified since we issued the audit findings report to those charged with governance in September 2020. The disclosure changes have been made in the final set of financial statements.

| Disclosure omission | Auditor recommendations | Adjusted? |
|--|---|-----------|
| <p>The Council acquired an office building which is classified in the accounts as an investment property in 2019/20.</p> <p>The Council has a lease agreement in place from September 2019 for this building however the building is rent free until July 2022, from when the rent will be £430k per annum until September 2029.</p> <p>This should have been disclosed as part of the operating lease note. Per the Code of Practice on Local Authority Accounting, Section 4.2 ; Income from operating leases shall be recognised on a straight-line basis over the lease term .</p> <p>There should have been a disclosure to reflect the transactions associated with the above lease as part of the operating lease disclosure.</p> | <p>We recommend that management include this disclosure in their accounts since the income which will be received across the leases term is material to the accounts. .</p> <p>Management response</p> <ul style="list-style-type: none"> Management has agreed to update the operating lease disclosure note to include the income from Emerald House | Yes |

Audit Adjustments

Prior Period Adjustment.

We have shown below details of misclassification and disclosure changes identified during the audit which have resulted in a prior period adjustment. The changes have been made in the final set of financial statements.

In 2018/19, the disclosure note for income from operating leases was incorrectly analysed between the following categories:

- later than one year and not later than 5 years
- later than 5 years

The 'later than one year and not later than 5 years' category only included 3 years of income at £8,244k when it should have included 4 years of income and the additional year was incorrectly included within the 'later than 5 years' category at £81,701k

The restated figures are

- later than one year and not later than 5 years of £10,433k
- later than 5 years of £79,175k

The income recorded in the primary statements for 2018/19 was correct and this adjustment relates to the disclosure note only.

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of additional adjustments which have been identified since we issued the audit findings report to those charged with governance in September 2020. The adjustments have not been made within the final set of financial statements.

The Strategy and Resources Committee is required to approve management's proposed treatment of all items recorded within the table below:

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|--|---|---|--|---|
| 1 Undervaluation of Other Land and Buildings- The valuer omitted a floor area of 92 sq. m in their calculation of the value of the Town Hall. This resulted in the value of the town hall being understated by £160k in the valuation report and the accounts as at 31 March 2020. | 0 | 160 | 0 | Management are of the view that this overstatement is not material to the financial statements. We have satisfied ourselves that there is not a risk of material error as a result of this issue. |
| 2 The Council submitted an earlier version 1.0. of NNDR 3 to MHCLG as a result of an administration error. The updated version of the form – 1.1 should have been submitted. | 0 | | 0 | Management are of the view that this overstatement is not material to the financial statements. We have satisfied ourselves that there is not a risk of material error as a result of this issue. |
| The version 1.0 calculated, in Part 5 of the NNDR3 form, incorrect opening and closing shares of the NDR bad debt provision and appeals provision, between Surrey County Council, MHCLG and The Council which resulted in | | | | |
| • a decrease in short term creditors of £114k and | | +114 | | |
| • an increase in long term liabilities of 102k . | | -102 | | |
| • A decrease in short term debtors of £12k | | -12 | | |
| The net impact on the balance sheet is nil | | | | |
| Overall impact | £0 | £160 | £0 | |



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank



Statement of Accounts

2019/20

| CONTENTS | Page |
|--|-------------|
| Certificate from the Chief Finance Officer | 3 |
| Narrative Report | 4 |
| <u>Core Statements</u> | |
| Comprehensive Income and Expenditure Statement (CIES) | 9 |
| Movement in Reserves Statement (MIRS) | 10 |
| Balance Sheet | 11 |
| Cash Flow Statement | 12 |
| <u>Disclosure Notes</u> | |
| Note 1 Accounting Policies | 13 |
| Note 2 Accounting Standards issued but not yet adopted | 26 |
| Note 3 Critical Judgements in Applying Accounting Policies | 26 |
| Note 4 Assumptions Made about the Future and other Major Sources of Estimation Uncertainty | 27 |
| Note 5 Material Items of Income and Expenditure | 28 |
| Note 6 Events After the Balance Sheet Date | 28 |
| Note 7 Expenditure and Funding Analysis | 29 |
| Note 8 Expenditure and Income analysed by Nature | 32 |
| Note 9 Adjustments between accounting basis and funding under Regulations | 33 |
| Note 10 Movements in Usable Reserves | 36 |
| Note 11 Other Operating Expenditure in CIES | 37 |
| Note 12 Financing and Investment Income and Expenditure in CIES | 37 |
| Note 13 Taxation and Non-Specific Grant Incomes in CIES | 37 |
| Note 14 Other Government Grants Credited to Services | 38 |
| Note 15 Property, Plant and Equipment | 39 |
| Note 16 Investment Properties | 45 |
| Note 17 Intangible Assets | 46 |
| Note 18 Financial Instruments | 47 |
| Note 19 Debtors | 53 |
| Note 20 Cash and Cash Equivalents | 53 |
| Note 21 Creditors | 54 |
| Note 22 Provisions | 54 |
| Note 23 Reserves | 55 |
| Note 24 Adj to (Surplus) or Deficit on the provision of services for non-cash movements | 58 |
| Note 25 Cash flow from Investing Activities | 59 |
| Note 26 Cash flow from Financing Activities | 59 |
| Note 27 Members' Allowances | 60 |
| Note 28 Executive Remuneration Bands and Exit Packages | 60 |
| Note 29 Audit costs | 62 |
| Note 30 Capital Financing Requirements | 62 |
| Note 31 Finance and Operating Leases | 63 |
| Note 32 Pension costs | 65 |
| Note 33 Contingent Assets and Liabilities | 69 |
| Note 34 Related Parties | 70 |
| Note 35 Collection Fund | 71 |
| Group Accounts | 74 |
| Statement of Responsibilities | 82 |
| Annual Governance Statement | 83 |
| Independent Auditor's Report | 97 |
| Glossary | 102 |

Certificate of the Chief Finance Officer

I certify that the audited Statement of Accounts, set out on the following pages 4 to 82, presents a true and fair view of the financial position of the Council at 31 March 2020 and of its income and expenditure for the year ended 31 March 2020.

Lee Duffy (CPFA)

Chief Finance Officer (S151 Officer)

Councillor Eber Kington

Chairman of Strategy and Resources Committee

Narrative Report

1. Introduction

Welcome to Epsom and Ewell Borough Council's Statement of Accounts for 2019/20, which reports the Council's financial performance during the year.

Epsom and Ewell Borough Council (EEBC) sits within Surrey and provides a wide range of services to residents and businesses, including waste & recycling, planning, parking, environmental health, housing and economic development. The Council's full range of services are delivered by three Committees – Environment & Safe Communities, Community & Wellbeing, and Strategy & Resources – and can be accessed online at www.epsom-ewell.gov.uk.

EEBC has a new Four Year Corporate Plan for the period 2020-2024, which is also available on the Council's website. The plan identifies six key themes for the Borough – Green & Vibrant, Safe & Well, Opportunity & Prosperity, Smart & Connected, Cultural & Creative, and Effective Council.

The Council's governance arrangements are set-out in the Annual Governance Statement, which is appended to the Statement of Accounts. The Council's key performance indicators are reported to Audit, Crime and Scrutiny Committee and are publicly available through the Council website.

EEBC's financial health has been maintained over 2019/20, despite the very challenging financial climate across the UK public sector. In February 2020, the Council agreed a new Medium Term Financial Strategy 2020-2024, providing a firm financial foundation to continue delivering quality services to residents over the medium term. However, following the widespread societal & economic disruption caused by the Covid-19 pandemic, the Council will need to review its future financial plans in due course.

2. Financial Performance

The Council's financial performance is summarised by the table below, as reported to Members in June 2020:

| 2018/19 | Committee | 2019/20 | | |
|-----------------|--------------------------------------|-----------------|-----------------|-------------------|
| Actual £'000 | | Budget £'000 | Actual £'000 | Variance £'000 |
| 1,709 | Strategy and Resources | (61) | (424) | (364) |
| 2,479 | Environment & Safe Communities | 2,442 | 2,878 | 436 |
| 6,406 | Community & Wellbeing | 6,674 | 6,591 | (83) |
| 10,595 | TOTAL | 9,056 | 9,045 | (11) |
| (2,879) | Asset Rent / Capital Charges Account | (2,669) | (2,669) | 0 |
| (7,783) | External Funding | (6,387) | (6,387) | 0 |
| 68 | Contribution to General Fund Reserve | 0 | 11 | 11 |
| 0 | TOTAL | (0) | 0 | 0 |

The Council recorded an underspend of £11k on its revenue account for 2019/20, which was within 1% of the agreed budget. The £11k underspend has been added to the General Fund balance at year-end.

The Council has performed well to achieve an outturn close to the overall budget, particularly with the Covid-19 crisis adversely impacting revenues and creating additional cost pressures from mid-March 2020. During 2019/20, other financial challenges included zero revenue support grant and just £25k emergency Covid-19 grant funding from central government; star chamber service delivery savings and additional income required of £406k; and an increase of over £200k in budgeted income from fees and charges.

The Council achieved a collection rate of 99% for both council tax and business rates, above the historic national averages of 97% and 98% respectively. Outstanding council tax arrears remain subject to recovery action until such times as these sums are fully paid or written off.

3. Reserves

The Council's General Fund balance stands at £3.426m at 31 March 2020 (£3.416m at 31 March 2019). In-year net withdrawals from strategic earmarked reserves totalled £0.282m and are included in Committee actuals in the table above. Reserve balances are summarised by the following table; a full breakdown is shown in the notes to the Statement of Accounts.

| Usable Reserves | 2019/20 Opening Balance £'000 | 2019/20 Movement £'000 | 2019/20 Closing Balance £'000 |
|-----------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| General Fund Balance | (3,416) | (11) | (3,426) |
| Strategic Earmarked Reserves | (15,230) | 282 | (14,948) |
| Sub-Total Revenue Reserves | (18,646) | 271 | (18,374) |
| Community Infrastructure Levy | (5,389) | (2,288) | (7,677) |
| Capital Receipts Reserve | (4,947) | 412 | (4,535) |
| Total Usable Reserves | (28,982) | (1,605) | (30,586) |

The Council has a policy of maintaining a minimum, prudent General Fund balance of £2.5m to provide for unforeseen requirements.

4. Capital Expenditure

Capital investment on the Council's core capital programme amounted to £2.307m in 2019/20 (£1.775m in 2018/19). A summary of expenditure by Committee is shown below:

| 2018/19 Actual £'000 | Core Capital Programme Expenditure | 2019/20 | | |
|----------------------------|------------------------------------|-------------------------|-----------------|-------------------|
| | | Current Budget £'000 | Actual £'000 | Variance £'000 |
| 309 | Strategy & Resources Committee | 1,053 | 290 | (763) |
| 284 | Environment & Safe Communities | 3,038 | 383 | (2,655) |
| 1,182 | Community & Wellbeing Committee | 2,185 | 1,634 | (551) |
| 1,775 | Total | 6,276 | 2,307 | (3,969) |

In addition to the core capital programme, the Council purchased one commercial property for £6.08m and spent £20k to make a residential property ready for use as temporary accommodation. A further £157k was spent on the CIL 15% Neighbourhood Scheme.

The capital expenditure has been funded as shown in the following table:

| 2018/19 Re-stated* £'000 | | 2019/20 £'000 |
|--------------------------------|--|------------------|
| | <u>Expenditure</u> | |
| 1,775 | Core Programme | 2,307 |
| 257 | Property Acquisition Funds | 6,097 |
| 95 | CIL Neighbourhood Scheme | 157 |
| 2,127 | Total Expenditure | 8,561 |
| | <u>Funding</u> | |
| 149 | Capital Reserves | 664 |
| 520 | Government Grants | 838 |
| 759 | Revenue | 123 |
| 0 | Grants from Other Local Authorities | 0 |
| 82 | Contributions from Other Bodies | 0 |
| 208 | Section 106 Receipts | 16 |
| 409 | Community Infrastructure Levy Receipts | 843 |
| 0 | Long Term Borrowing | 0 |
| 0 | Internal Borrowing | 6,077 |
| 0 | Prior year funding | 0 |
| 2,127 | Total Capital Funding | 8,561 |

*2018/19 re-stated to include the CIL Neighbourhood Scheme expenditure for comparative purposes.

The Council's capital investment is required to maintain existing levels of service provision, and to generate additional income streams for the Council which can be used to fund the delivery of services.

The Council generated £252,000 of net capital receipts during the year, and applied £664,000 to fund in-year capital expenditure. The balance of the Council's usable capital reserves at 31 March 2020 is £4,535,000 (compared to £4,947,000 at 31 March 2019), of which £650,000 is committed to funding the Council's approved capital programme in 2020/21.

5. Pension Liability

For accounting purposes, a valuation of the pension fund is carried out under IAS19 to produce an accounting surplus or deficit at the balance sheet date. The balance of the Council's pension liability decreased from £39.5m to £37.4m at 31 March 2020, a favourable movement of £2.1m. The Council's actuary estimated that at 31 March 2020, future liabilities amount to £101m (£110m at 31 March 2019) with assets of £64m (£70m at 31 March 2019).

The financial assumptions used by the actuary to calculate the future liability – such as those for inflation and discount rates – are set-out in the pension liability disclosure note. The main reason for the favourable movement in 2019/20 is a reduction, from 2.5% to 1.9%, in the assumed rate of future annual pension increases.

Although the IAS19 pension liability has a significant impact on the Council's Balance Sheet, the valuation methodology is affected by short-term economic market conditions and is not used to determine the impact on council tax of the cost of paying pensions. There are separate statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the scheme over the remaining working lives of the staff.

6. Investments and Borrowings

The annual treasury management strategy, which was approved by Councillors in February 2020, is available on the Council's website.

At 31 March 2020, the Council held £24.1m long-term investments and £36.2m loans to its wholly owned subsidiary company, these balances were unchanged from the prior year. The Council also held £5m in short term deposits (£3m at 31 March 2019). During 2019/20, the Council generated £2.03m of interest income (£1.97m in 2018/19) and received £1.399m dividend income (£1.045m in 2018/19).

The Council has undertaken external borrowing specifically to invest in commercial properties, to generate long term income streams. Long-term borrowing at 31 March 2020 remained at £64.4m, unchanged from the prior year. The Council paid £1.63m interest on these borrowings during the year (also £1.63m in 2018/19).

7. Epsom & Ewell Property Investment Company Limited

In September 2017, the Council established a 100%-owned subsidiary, Epsom & Ewell Property Investment Company Limited, principally to invest in out-of-Borough, high quality, commercial property. The company aims to achieve rental yields from commercial property, delivering a long term income stream to the Council, which will assist the Council in becoming more financially self-sufficient and sustaining high-quality services to local residents and businesses. The company owns two commercial properties, with a combined value of £60.3m. The property portfolio remained unchanged during 2019/20, with the company delivering a net £1.06m benefit, after transfers to earmarked reserves, to the Council's general fund in the year (net £818k benefit in 2018/19). The assets, liabilities, reserves, income and expenditure figures for the company have been consolidated into group accounts from page 73.

8. Future and Economic Outlook

The ongoing Covid-19 pandemic is expected to have a significant impact on society and on the economy in 2020/21 and beyond.

Income from council tax, business rates and from fees and charges – such as car park income, Council venues, building control and planning fees – is dependent on the ability, of individuals and businesses to pay. These income streams will all be impacted in some way by the Covid-19

pandemic, as the wider economy adapts to new ways of operating. The Council's income streams are monitored closely to ensure that any adverse trends are identified and addressed early.

Brexit will continue to create uncertainty this year and beyond. The financial impacts are not currently quantified and could be positive or negative in relation to; interest rates for both capital borrowing and investments; general inflation; labour costs/mobility; property values and rents.

Central Government funding also remains uncertain due to the Fair Funding Review, although the review has been deferred to 2021/22. New Homes Bonus has also been further reduced, which will impact upon the funding available for projects in future financial years.

Demographic growth and an increasing ageing population will continue to present challenges for this Council and County in years to come.

In 2020/21, the Council will participate in a Surrey business rates pool - the Council continues to monitor possible future reforms to local government finance based around business rates retention.

The Council agreed a new Medium Term Financial Strategy 2020-2024 in February 2020 (report available on the Council's website). The new MTFS requires the delivery of identified annual savings totalling £1.8 million between 2020 and 2024, in order to achieve a balanced revenue budget over the period. In light of the current Covid-19 pandemic, the Council will review its future financial plans in the forthcoming period.

9. Statement of Accounts

The Statement of Accounts follow this narrative section and comprise the following:

- Comprehensive Income and Expenditure Statement (CIES)
- Movements in Reserve Statement (MIRS)
- Balance Sheet (BS)
- Cash Flow Statement (CFS)
- Notes to the Financial Statements including Accounting Policies
- Collection Fund Accounts
- Group Accounts
- Statement of Responsibilities

10. Further Information

Additional information about the accounts is available from Lee Duffy (Chief Finance Officer), at Epsom and Ewell Borough Council, Town Hall, The Parade, Epsom, Surrey KT18 5BY. Telephone:- 01372-732210 email:- lduffy@epsom-ewell.gov.uk

Comprehensive Income and Expenditure Statement for year ended 31 March 2020

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| 2018/19 | | | | 2019/20 | | |
|-------------------|-----------------|-----------------|---|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | Committee | £'000 | £'000 | £'000 |
| 11,333 | (7,877) | 3,456 | Environment & Safe Communities | 9,914 | (7,287) | 2,628 |
| 12,355 | (5,342) | 7,013 | Community and Wellbeing | 12,335 | (5,246) | 7,088 |
| 25,082 | (21,731) | 3,351 | Strategy and Resources | 23,708 | (20,205) | 3,503 |
| 48,770 | (34,949) | 13,821 | Cost of Services | 45,957 | (32,738) | 13,219 |
| 178 | (210) | (32) | Other Operating Expenditure (Note 11) | 34 | (252) | (218) |
| 3,286 | (8,241) | (4,955) | Financing and investment Income and Expenditure (Note 12) | 3,241 | (6,666) | (3,425) |
| 0 | (11,996) | (11,996) | Taxation and non-specific grant income and expenditure (Note 13) | 0 | (11,991) | (11,991) |
| 52,234 | (55,396) | (3,161) | (Surplus) or Deficit on Provision of Services | 49,232 | (51,648) | (2,416) |
| | | (2,352) | (Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23) | | | (6,704) |
| | | 3,278 | Remeasurement of net defined benefit liability/(asset) (Note 32) | | | (4,629) |
| | | 926 | Other Comprehensive (Income) and Expenditure | | | (11,333) |
| | | (2,235) | Total Comprehensive (Income) and Expenditure | | | (13,750) |

Movement in Reserves Statement for the year ended 31 March 2020

This statement shows the movement on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The statement shows how the movements of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to amounts chargeable to council tax for the year.

| | Usable Reserves | | | | Unusable Reserves | | | | | Total Reserves |
|---|-----------------------|--------------------------|--------------------------|--------------------------|----------------------|----------------------------|------------------------------------|-----------------|----------------------------|------------------|
| | General Fund Balances | Capital Receipts Reserve | Capital Grants Unapplied | Subtotal Usable Reserves | Revaluation Reserves | Capital Adjustment Account | Collection Fund Adjustment Account | Pension Reserve | Subtotal Unusable Reserves | |
| 2019/20 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 01 April 2019 | (18,646) | (4,947) | (5,390) | (28,982) | (39,224) | (60,006) | 392 | 39,534 | (59,305) | (88,287) |
| Movement in Reserves | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (2,416) | 0 | 0 | (2,416) | (6,704) | 0 | 0 | (4,629) | (11,333) | (13,750) |
| Adjustments between accounting basis and funding under regulations (Note 9) | 2,689 | 412 | (2,288) | 813 | 0 | (1,733) | (1,529) | 2,449 | (813) | 0 |
| Increase or Decrease | 273 | 412 | (2,288) | (1,603) | (6,704) | (1,733) | (1,529) | (2,180) | (12,146) | (13,750) |
| Balance at 31 March 2020 carried forward | (18,374) | (4,535) | (7,677) | (30,586) | (45,929) | (61,739) | (1,136) | 37,354 | (71,450) | (102,036) |
| General Fund analysed over: | | | | | | | | | | |
| Amounts earmarked (Note 10) | (14,948) | | | | | | | | | |
| Amounts uncommitted | (3,426) | | | | | | | | | |
| Total | (18,374) | | | | | | | | | |
| 2018/19 | | | | | | | | | | |
| Balance at 01 April 2018 | (16,197) | (4,889) | (5,037) | (26,123) | (36,873) | (58,950) | 1,860 | 34,035 | (59,928) | (86,052) |
| Movement in Reserves | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (3,161) | 0 | 0 | (3,161) | (2,352) | 0 | 0 | 3,278 | 926 | (2,235) |
| Adjustments between accounting basis and funding under regulations (Note 9) | 713 | (58) | (353) | 302 | 0 | (1,056) | (1,467) | 2,221 | (302) | 0 |
| Increase or Decrease | (2,449) | (58) | (353) | (2,859) | (2,352) | (1,056) | (1,467) | 5,499 | 624 | (2,235) |
| Balance at 31 March 2019 carried forward | (18,646) | (4,947) | (5,390) | (28,982) | (39,224) | (60,006) | 392 | 39,534 | (59,305) | (88,287) |
| General Fund analysed over: | | | | | | | | | | |
| Amounts earmarked (Note 10) | (15,230) | | | | | | | | | |
| Amounts uncommitted | (3,416) | | | | | | | | | |
| Total | (18,646) | | | | | | | | | |

Balance Sheet as at 31 March 2020

The Balance Sheet shows the value of assets and liabilities recognised by the Council. The Council's net assets are matched by its reserves. Reserves are reported in two categories. The first category are usable reserves, which the Council may use to provide services or capital investment, subject to the need to maintain a prudent level of reserves and any statutory limitations. The second category is those that cannot be used to provide services. This category includes reserves holding unrealised gains/losses (e.g. the Revaluation Reserve), where amounts only become available if assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement.

| 2018/19 £'000 | | Note | 2019/20 £'000 |
|------------------|------------------------------------|------|------------------|
| | Long-term Assets | | |
| 75,371 | Property, Plant and Equipment | 15 | 81,730 |
| 49,383 | Investment Properties | 16 | 55,776 |
| 722 | Heritage Assets | | 722 |
| 307 | Intangible Assets | 17 | 294 |
| 24,117 | Long Term Investments | 18 | 24,117 |
| 36,176 | Long Term Debtors | 19 | 36,176 |
| 65 | Surplus Assets | 15 | 592 |
| 186,141 | Total Long-term Assets | | 199,406 |
| | Current Assets | | |
| 80 | Inventories | | 63 |
| 0 | Assets Held for Sale | 15 | 0 |
| 6,986 | Short-term Debtors | 19 | 5,819 |
| 3,000 | Short-term Investments | 18 | 5,000 |
| 10,580 | Cash and Cash Equivalents | 20 | 10,236 |
| 20,646 | Total Current Assets | | 21,118 |
| | Current Liabilities | | |
| (8,463) | Short-term Creditors | 21 | (10,582) |
| (355) | Lease Liability - Within One year | 31 | (380) |
| (8,818) | Total Current liabilities | | (10,962) |
| | Long-term Liabilities | | |
| (64,427) | Long Term Borrowing | 18 | (64,427) |
| (39,534) | Defined Benefit Pension Liability | 32 | (37,354) |
| (2,370) | Capital Grants Receipts in Advance | 14 | (2,652) |
| (305) | Long-term Provisions | 22 | (426) |
| (3,046) | Deferred Liabilities | 31 | (2,666) |
| (109,682) | Total Long-term Liabilities | | (107,526) |
| 88,287 | NET ASSETS | | 102,036 |
| | Total Reserves | | |
| (28,982) | Usable Reserves | 23 | (30,586) |
| (59,305) | Unusable Reserves | 23 | (71,450) |
| (88,287) | TOTAL RESERVES | | (102,036) |

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 8 June 2020.

Cash Flow Statement as at 31 March 2020

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

| 2018/19 | | | 2019/20 |
|----------------|---|------|----------------|
| £'000 | | Note | £'000 |
| (3,161) | Net (Surplus) or Deficit on the Provision of Services | CIES | (2,416) |
| 146 | Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements | 24 | (3,688) |
| 1,310 | Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 24 | 1,516 |
| (1,705) | Net cash flows from Operating Activities | | (4,589) |
| 3,086 | Net cash outflow / (inflow) from Investing Activities | 25 | 8,199 |
| 1,028 | Net cash outflow / (inflow) from Financing Activities | 26 | (3,267) |
| 2,409 | Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period | | 344 |
| | | | |
| 12,989 | Cash and Cash Equivalents at the Beginning of the Period | | 10,580 |
| (2,409) | Net Increase/(decrease) in Cash and Cash Equivalents | | (344) |
| 10,580 | Cash and Cash Equivalents at the End of the Reporting Period | 20 | 10,236 |

Notes to the Core Statement of Accounts

Note 1: Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future. The going concern assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies, with limits on their revenue-raising powers arising only at the discretion of central government.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue (incl NNDR, Council Tax and Grants) and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Employee leave/overtime carried forward from previous year is not accrued unless material.

3. Employee Benefits

Benefits Payable During Employment: Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. car loans) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits: Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits: Employees of the Council are members of the Local Government Pensions Scheme, administered by Surrey Pension Fund. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bonds as measured by the yield on the iBoxx AA Corporate Bond Index).
- The assets of Surrey Pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities - current bid price;
 - Unquoted securities - professional estimate;
 - Unitised securities - current bid price; and
 - Property - market value.

The change in the net pensions liability is analysed into the following components:

1. Current service cost: the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2. Past Service Cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
3. Net interest on the net defined benefit liability: the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
4. Remeasurement on the return of plan assets: the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return is credited to the Pension Reserve as Other Comprehensive Income and Expenditure.
5. Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
6. Contributions Paid to the Pension Fund: cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits: The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

4. Events after the Balance Sheet Date

Amounts are adjusted in the Statement of Accounts if an event arises after the Balance Sheet date which provides additional evidence of conditions that existed at that date and materially affects the amounts to be included. If an event arises after the Balance Sheet date which concerns conditions which did not exist at that date, it is disclosed in the notes if it is considered material. Once audited, the Statement of Accounts will be authorised by the Chief Finance Officer, events will be considered up to the authorisation date.

5. Financial Instruments

Financial Liabilities: Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument; they are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets: The Council holds financial assets that are classified into two types:

1. Amortised cost
2. Fair value through profit or loss (FVPL)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The Council assesses expected credit losses on all of its financial assets held at amortised cost. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured

and carried at fair value. Any material fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on market prices wherever possible.

The only such financial assets in this category held by the Council are Money Market Fund and Global Liquidity Fund investments, as detailed in the financial instruments disclosure notes. The Council has assessed that the fair value of these assets is not materially different to amortised cost.

6. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

7. Interest in Subsidiary Company

The Council has a material interest in its wholly owned subsidiary company, Epsom & Ewell Property Investment Company Limited. Group accounts, which present the combined financial position of the Council and the subsidiary, are published following the Council's disclosure notes. In the Council's own single-entity accounts, the interest is recorded in the balance sheet as a long term investment at cost.

8. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participant's perspective. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. An exception is made for properties valued under the Council's de minimis threshold of £20,000. These properties are instead valued every 5 years in line with operational properties, as any annual movement would not be material to presenting a true and fair view of the accounts. Any material change in Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

9. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases: Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases: Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Operating Leases: Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

10. Overheads and Support Services

The costs of overheads and support services hosted within Strategy and Resources Committee are re-charged to other service segments in accordance with the Council's arrangements for accountability and financial performance. The Strategy and Resources segment does not report such overhead recharges as income, but as a reduction of gross expenditure.

11. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council operates a de-minimis level of £20,000 below which the total costs of a capital scheme or rolling programme of schemes will not be charged to capital on the grounds of materiality.

Measurement: Assets are initially measured at cost, comprising:

- The purchase price, including any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating as intended by management; and
- The costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and operational properties are valued at current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where this cannot be assessed because there is no open market for the asset because of the specialist nature of an asset, the depreciated replacement cost (DRC) is used as an estimate of current value. The exception are new buildings included at the cost of construction and re-valued at the end of the year in which they become fully operational
- Infrastructure and community assets are not revalued but included in the balance sheet at historic cost
- Vehicle, plant and equipment, where not integral to the fabric of the building, are shown separately at depreciated historic cost.
- Assets under construction are valued on the basis of those costs incurred up to 31 March and are held as non-operational assets until the asset becomes available for use. At that point it is transferred to the appropriate asset class on the Balance Sheet depending on its use or nature.
- Non-operational assets (investment properties) are valued on open market value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Investment properties are re-valued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation: Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer, up to a maximum of 50 years.
- Vehicles, plant and equipment – straight-line allocation over the useful life of the asset

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item and with different estimated useful lives, the components are depreciated separately (Componentisation).

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other

Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve, and are only used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

12. Charges to Revenue for Non-Current Assets

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Amortisation of intangible non-current assets attributable to the service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

13. Heritage Assets

The Council is required to separately identify Heritage Assets on its Balance Sheet. Heritage Assets can be tangible or intangible and are defined as assets with historical, cultural, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture

Recognition: The Council will recognise all Heritage Assets on the Balance Sheet where the cost of obtaining a valuation is commensurate to the benefit of the users of the accounts. The de-minimis levels applied to all Non-Current Assets will be applied to this asset class.

Where a Heritage Asset is operational this will be treated as Property, Plant and Equipment (PPE) rather than as a Heritage Asset.

Measurement: Heritage Assets will be valued in line with the existing policies for Property, Plant and Equipment. Where Heritage Assets do not fall into this category they will be valued in line with the Council's insurance valuation. The carrying amounts of Heritage Assets will also be reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised in accordance with the Authority's policies on impairment. Heritage Assets with an indefinite life will not be subject to annual depreciation.

14. Provisions

Provisions: Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

15. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, local taxation and employee retirement benefits and do not represent usable resources for the Council.

16. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

17. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect council tax and non-domestic rates (NDR). The funds' key features relevant to accounting for council tax in the core Statement of Accounts are:

- In its capacity as a billing authority an authority acts as an agent. The Council collects and distributes council tax income on behalf of the major preceptors (Surrey County Council and Surrey Police) and itself. Also, the Council collects and distributes NDR on behalf of the major preceptors (Surrey County Council, itself and central government).
- While the council tax and NDR income for the year credited to the Comprehensive Income and Expenditure Statement and Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Council. The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the Council's share of any surplus or deficit on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with code, although in practice the difference would usually be small.
- The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
- The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

18. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government Grants, third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors / receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied

reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once applied.

Grants that can't be directly allocated to a service are credited to Taxation and Non-Specific Grants.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL) on chargeable developments within the borough. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

19. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

20. Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Note 2: Accounting Standards that have been issued but have not yet been adopted

There are no accounting standards due to come into force in 2020/21 that would have a material effect on the Council's transactions for 2019/20 and balances at 31 March 2020.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. The Council has a de-minimis level of £20,000 when recognising assets and liabilities to be disclosed within the financial statements. Exception to this rule is employee untaken leave has not been accrued due to the amount being immaterial to the accounts and the year on year difference not being material.

Property, Plant and Equipment assets are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end; as a minimum, revaluations occur at least once every five years. In addition the Council instructs its valuers to undertake a review of assets held in the other land and buildings category not re-valued in the year, to ensure that the carrying value is not materially different from their current value.

The Council has assessed its investment portfolio for signs of impairment, in accordance with the requirements of IFRS 9. All treasury investments are held in low risk funds and/or with low risk counterparties. As such, any impairment to the investment portfolio has been judged as immaterial and has not been recognised in the CIES.

The Council has a material interest in its wholly owned subsidiary company, Epsom & Ewell Property Investment Company Limited. Group accounts, which present the combined financial position of the Council and the subsidiary, are published following the Council's disclosure notes. In the Council's own single-entity accounts, the Council's shareholding in the company is recorded in the balance sheet as a long term investment at cost.

Note 4: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| <p>Property, Plant and Equipment £81.7m</p> | <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets and valuation assumptions, including estimates of remaining useful life. Due to the ongoing Covid-19 pandemic, Wilks, Head and Eve reported the property valuations on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.</p> | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>The depreciation charge for PPE in 2019/20 was £2.664m. A movement of 1% would result in a change in the depreciation charge of approximately £266k.</p> |
| <p>Investment Properties £55.8m</p> | <p>The Council's investment properties have been independently valued by Wilks, Head and Eve.</p> <p>Due to the ongoing Covid-19 pandemic, Wilks, Head and Eve reported the property valuations on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.</p> | <p>A movement of 1% in the value of the investment property portfolio would result in an additional debit/credit to the CIES of £550k, which would be charged against the Revaluation Reserve or Capital Adjustment Account balances. The impact on usable reserves would be nil.</p> |
| <p>Pension Liability £37.4m</p> | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> | <p>The assumptions interact in complex ways – the pension disclosure note contains a sensitivity analysis of the impact of changes to individual assumptions.</p> |

| | | |
|---|---|---|
| | The actuary has disclosed a material valuation uncertainty with respect to pooled property investments and private equity investments held within the pension fund's assets. However, the valuations represent the best estimate at the current time. | |
| NNDR Appeals £0.43m | Appeals notified by the Valuation Office Agency still include a large number of appeals lodged when the government changed the appeal rules. The VOA does not provide sufficient information, all possible appeals are included for NNDR collection fund purposes. A new list came into effect on 1 April 2017 and further estimates have been made to include an appeals provision pertaining to the new list. | The total £0.43m provision reflects an estimate of the potential effects of the Council's share of appeals that may be settled in future years. If the actual proportion of successful appeals is different to the expected proportion, the current provision would need to be adjusted and any change would feed through the collection fund calculation in future years. |
| General Bad Debt Provision £0.38 million | "The ongoing Covid-19 pandemic and current economic climate make it uncertain that all the monies/debts will be collected and an adequate allowance has been made for this in the measurement of these debtors. The Council impairs the doubtful debts where appropriate using a consistent methodology and regularly writes off irrecoverable debts after all reasonable steps have been taken". | Council debt does not tend to fluctuate heavily. We assess the bad debts annually and will if necessary increase the impairments and write off to CIES. For example, a 1% increase in the provision would result in an increase of £3,800. |

Note 5: Material Items of Income and Expenditure

There are no material items of income and expenditure that are not detailed in the notes below.

Note 6: Events after the Balance Sheet Date

Covid-19

The Covid-19 pandemic continues to impact the Council's services and financial position in 2020/21. There remains uncertainty about the pandemic's financial impact on this Council, both in terms of the additional expenditure that will be incurred and the income that will be forgone in the coming year. Income from council tax, business rates and from fees and charges – such as car park income, Council venues, building control and planning fees – is dependent on the ability, of individuals and businesses to pay. These income streams will all be impacted in some way by Covid-19, as the wider economy adapts to new ways of operating. The Council's income streams are monitored closely to ensure that any adverse trends are identified and addressed early.

The Council currently estimates Covid-19 related losses in the 2020/21 financial year to be in the range of £5m - £8m. With usable revenue reserves totalling £18m at 31 March 2020, the Council expects to be able to manage these losses in 2020/21.

To date, Central Government has provided one-off grant funding of £1,018k to the Council, which will assist in mitigating lost income and increased expenditure.

Central Government has also announced a scheme to fund 75% of Councils' lost "non-tax income", after the application of a five percent threshold. While the package will not fund all aspects of the crisis, the Council's relative financial strength should ensure that these solutions that protect the whole sector are sufficient to maintain our financial sustainability in the medium term.

The pandemic has also increased uncertainty around valuations of the Council's assets at 31 March 2020, as disclosed in Notes 4 and 15 to the accounts. However, valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.

Local Government Structure in Surrey

On 10 July 2020, the Leader of Surrey County Council, Tim Oliver, wrote [this letter](#) to the Secretary of State at MHCLG, requesting an invitation "to submit a business case, as soon as possible, to set-out proposals for a single county unitary council for Surrey, as a continuing authority". In the letter, Tim Oliver committed "to work with District and Borough Council colleagues as well as the business community, voluntary, community and faith sector, alongside our residents, to develop our plans as part of a more integrated set of public services across the county".

With a business case not yet produced, the proposal is at a very early stage. However, the letter does mean there is uncertainty around the future structure of local government in Surrey. Any plans involving significant change would likely take several years to implement.

Note 7: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

| 2018/19 | | | | Committee | 2019/20 | | | |
|--|--|--|-----------------------------|--------------------------------|--|--|--|-----------------------------|
| Net Expenditure Chargeable to General Fund | Adjustments between Funding and Accounting Basis | Adjustments between internal and statutory reporting | Net Expenditure in the CIES | | Net Expenditure Chargeable to General Fund | Adjustments between Funding and Accounting Basis | Adjustments between internal and statutory reporting | Net Expenditure in the CIES |
| £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 |
| 2,479 | 1,953 | (976) | 3,456 | Environment & Safe Communities | 2,878 | 688 | (938) | 2,628 |
| 6,406 | 2,193 | (1,585) | 7,013 | Community & Wellbeing | 6,591 | 2,038 | (1,541) | 7,088 |
| 1,709 | (1,236) | 2,878 | 3,351 | Strategy & Resources | (424) | (1,243) | 5,171 | 3,503 |
| 10,595 | 2,910 | 317 | 13,821 | Net Cost of Services | 9,045 | 1,482 | 2,692 | 13,219 |
| (10,663) | (3,623) | (2,697) | (16,983) | Other Income and Expenditure | (9,056) | (4,170) | (2,409) | (15,635) |
| (68) | (713) | (2,380) | (3,161) | (Surplus) or Deficit | (11) | (2,689) | 283 | (2,416) |
| (3,348) | Opening General Fund balance | | | | (3,416) | | | |
| (3,416) | Closing General Fund balance | | | | (3,426) | | | |

Note to the Expenditure & Funding Analysis 2019/20

| Committee | Net Expenditure Chargeable to General Fund | Adjustments for Capital Purposes (Note 1) | Adjustments for Pensions Benefits (Note 2) | Other Differences (Note 3) | Total Adjustments between Funding and Accounting Basis | Adjustments between internal & statutory reporting | Net Expenditure in the CIES |
|---|--|---|--|----------------------------|--|--|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund | | | | | | | |
| Environment & Safe Communities | 2,878 | (389) | 1,076 | 0 | 688 | (1,421) | 2,144 |
| Community & Wellbeing | 6,591 | 1,064 | 973 | 0 | 2,038 | (2,722) | 5,908 |
| Strategy & Resources | (424) | (669) | (574) | 0 | (1,243) | 4,980 | 3,312 |
| Net Cost of Services | 9,045 | 7 | 1,475 | 0 | 1,482 | 837 | 11,364 |
| Other Income and Expenditure | (9,056) | (3,615) | 974 | (1,529) | (4,170) | (2,448) | (15,675) |
| Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services | (11) | (3,609) | 2,449 | (1,529) | (2,689) | (1,611) | (4,311) |
| Opening General Fund at 1 April 2019 | £'000 (3,416) | | | | | | |
| (Surplus)/Deficit | (11) | | | | | | |
| Closing General Fund balance at 31 March 2020 | (3,426) | | | | | | |

Note to the Expenditure & Funding Analysis 2018/19

| Committee | Net Expenditure Chargeable to General Fund | Adjustments for Capital Purposes (Note 1) | Adjustments for Pensions Benefits (Note 2) | Other Differences (Note 3) | Total Adjustments between Funding and Accounting Basis | Adjustments between internal & statutory reporting | Net Expenditure in the CIES |
|---|--|---|--|----------------------------|--|--|-----------------------------|
| General Fund | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Environment & Safe Communities | 2,479 | 1,046 | 907 | 0 | 1,953 | (976) | 3,456 |
| Community & Wellbeing | 6,406 | 1,453 | 739 | 0 | 2,193 | (1,585) | 7,013 |
| Strategy & Resources | 1,709 | (909) | (327) | 0 | (1,236) | 2,878 | 3,351 |
| Net Cost of Services | 10,595 | 1,590 | 1,320 | 0 | 2,910 | 317 | 13,821 |
| Other Income and Expenditure | (10,663) | (3,057) | 901 | (1,467) | (3,623) | (2,697) | (16,983) |
| Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services | (68) | (1,467) | 2,221 | (1,467) | (713) | (2,380) | (3,161) |
| Opening General Fund at 1 April 2018 | £'000 (3,348) | | | | | | |
| (Surplus)/Deficit | (68) | | | | | | |
| Closing General Fund balance at 31 March 2019 | (3,416) | | | | | | |

Note 1. Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2. Adjustments for Pension Benefits

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Note 3. Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Note 8: Expenditure and Income analysed by Nature

The Council's expenditure and income is analysed as follows:

| 2018/19 £'000 | Expenditure/Income | 2019/20 £'000 |
|------------------|---|------------------|
| | Expenditure | |
| 14,415 | Employee benefits expenses | 15,048 |
| 31,141 | Other services expenses | 30,097 |
| (449) | Support Services recharges | (477) |
| 3,677 | Depreciation, amortisation, impairment, & revaluation | 1,098 |
| 2,717 | Interest payments | 2,826 |
| 555 | Precepts and Levies | 606 |
| 178 | Losses on the disposal of assets | 34 |
| 52,234 | Total expenditure | 49,232 |
| | Income | |
| (16,990) | Fees, charges and other service income | (18,751) |
| (3,118) | Interest and investment income | (3,536) |
| (10,260) | Income from Council tax, non-domestic rates, district rates, district rate income | (8,230) |
| (22,465) | Government grants and contributions | (20,573) |
| (2,353) | Movement in Investment Properties | (306) |
| (210) | Gain on the disposal of assets | (252) |
| (55,396) | Total Income | (51,648) |
| (3,161) | (Surplus) or Deficit on the Provision of Services | (2,416) |

Note 9: Adjustments between Accounting basis and Funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

| 2019-20 | Usable Reserves | | | Unusable Reserves |
|---|----------------------|------------------|--------------------------------|-------------------|
| | General Fund Balance | Capital Receipts | Capital Grants Unapplied (CIL) | |
| | £000 | £000 | £000 | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | |
| <u>Reversal of items debited or credited to the CIES</u> | | | | |
| Charges for depreciation and impairment of non current assets | (2,664) | | | 2,664 |
| Revaluation losses on Property Plant and Equipment | (474) | | | 474 |
| Reversal of movements in the market value of Investment Properties | 306 | | | (306) |
| Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year | 1,846 | | | (1,846) |
| Amortisation of intangible assets | (111) | | | 111 |
| Revenue expenditure funded from capital under statute | (869) | | | 869 |
| Non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (34) | | | 34 |
| <u>Insertion of items not debited or credited to the CIES</u> | | | | |
| Statutory provision for the financing of capital investment | 1,249 | | | (1,249) |
| Capital expenditure charged against General Fund balances | 123 | | | (123) |
| Adjustments primarily involving Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the CIES | 3,131 | | (3,131) | |
| Application of grants to capital financing transferred to the CAA | 854 | | 843 | (1,697) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | 252 | (252) | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | 664 | | (664) |
| Other transfers | | | | |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (4,711) | | | 4,711 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 2,262 | | | (2,262) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements | (28) | | | 28 |
| Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements | 1,557 | | | (1,557) |
| Total Adjustments | 2,689 | 412 | (2,288) | (813) |

| 2018/19 | Usable Reserves | | | Unusable Reserves |
|---|----------------------|------------------|--------------------------------|-------------------|
| | General Fund Balance | Capital Receipts | Capital Grants Unapplied (CIL) | |
| | £000 | £000 | £000 | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | |
| <u>Reversal of items debited or credited to the CIES</u> | | | | |
| Charges for depreciation and impairment of non current assets | (3,810) | | | 3,810 |
| Revaluation losses on Property Plant and Equipment | (41) | | | 41 |
| Reversal of movements in the market value of Investment Properties | 2,353 | | | (2,353) |
| Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year | 262 | | | (262) |
| Amortisation of intangible assets | (88) | | | 88 |
| Revenue expenditure funded from capital under statute | (684) | | | 684 |
| Non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (169) | | | 169 |
| <u>Insertion of items not debited or credited to the CIES</u> | | | | |
| Statutory provision for the financing of capital investment | 1,200 | | | (1,200) |
| Capital expenditure charged against the General Fund balance | 759 | | | (759) |
| Adjustments primarily involving Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the CIES | 667 | | (667) | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 810 | | 314 | (1,124) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | 207 | (207) | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | 149 | | (149) |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (4,411) | | | 4,411 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 2,190 | | | (2,190) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements | (104) | | | 104 |
| Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements | 1,572 | | | (1,572) |
| Total Adjustments | 713 | (58) | (353) | (302) |

Note 10: Movements in Usable Reserves

| | Balance at 31 March 2018 £'000 | Transfers | | Balance at 31 March 2019 £'000 | Transfers | | Balance at 31 March 2020 £'000 |
|--|---|----------------|--------------|---|----------------|--------------|---|
| | | In | Out | | In | Out | |
| | | £'000 | £'000 | | £'000 | £'000 | |
| General Fund | (3,348) | (68) | 0 | (3,416) | (11) | 0 | (3,426) |
| Strategic Reserves | | | | | | | |
| Insurance | (437) | (29) | 0 | (466) | (4) | 4 | (466) |
| Repairs and Renewals | (237) | (40) | 2 | (274) | (92) | 6 | (360) |
| Interest Equalisation | (631) | 0 | 0 | (631) | 0 | 231 | (400) |
| VAT Reserve | (319) | 0 | 0 | (320) | 0 | 69 | (251) |
| Housing & Planning Delivery Grant | (176) | 0 | 0 | (176) | (29) | 118 | (87) |
| Property Maintenance | (423) | (235) | 85 | (573) | (95) | 118 | (550) |
| Commuted Sums | (1,965) | 0 | 24 | (1,941) | (39) | 516 | (1,464) |
| Hospital Cluster Interest | (231) | (2) | 0 | (233) | (3) | 236 | 0 |
| Corporate Project Reserve | (2,575) | (745) | 71 | (3,249) | (991) | 284 | (3,956) |
| Community Safety | (82) | (28) | 0 | (110) | (18) | 17 | (111) |
| Historic Buildings | (3) | 0 | 0 | (3) | 0 | 3 | 0 |
| Local Partnership Fund | (28) | 0 | 0 | (28) | 0 | 0 | (28) |
| Prevention, Personalisation & Partnership Fund | (111) | 0 | 38 | (73) | 0 | 0 | (73) |
| Business Rates Equalisation | (2,245) | (992) | 171 | (3,066) | (441) | 2,216 | (1,291) |
| Residential Property Acquisition Fund | (1,438) | 0 | 257 | (1,181) | 0 | 20 | (1,161) |
| Property Income Equalisation | (1,349) | (879) | 48 | (2,180) | (893) | (757) | (3,830) |
| HIA Hardship fund | (71) | (4) | 0 | (75) | (17) | 4 | (88) |
| Hollymoor Lane - Orbit contribution | (90) | 0 | 90 | 0 | 0 | 0 | 0 |
| Linden Homes contribution | (82) | 0 | 82 | 0 | 0 | 0 | 0 |
| Sports & Leisure Development | (92) | 0 | 5 | (87) | (4) | 5 | (86) |
| Flexible Housing Support Grant | (185) | (307) | 0 | (492) | (104) | 0 | (596) |
| Homelessness Reduction Act | (19) | 0 | 0 | (19) | 0 | 0 | (19) |
| Mortgage Rescue Funding | (16) | 0 | 5 | (11) | 0 | 2 | (9) |
| Surrey Homeless Alliance Funding | (10) | 0 | 5 | (5) | 0 | 4 | (1) |
| Basic Payments Scheme | (28) | (3) | 0 | (31) | (92) | 0 | (123) |
| Community Housing Fund | (8) | 0 | 0 | (8) | 8 | 0 | 0 |
| Subtotal Strategic Reserves | (12,851) | (3,263) | 884 | (15,230) | (2,814) | 3,096 | (14,948) |
| Community Infrastructure Levy | (5,036) | (761) | 408 | (5,389) | (3,230) | 942 | (7,677) |
| Capital Receipts Reserves | (4,889) | (207) | 149 | (4,947) | (252) | 664 | (4,535) |
| Total Usable Reserves | (26,123) | (4,299) | 1,441 | (28,982) | (6,307) | 4,702 | (30,586) |

Note 11: Other Operating Expenditure in CIES

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| (32) | (Gains) /Losses on the Disposal of Non-Current Assets | (218) |
| (32) | Total | (218) |

Note 12: Financing and Investment Income and Expenditure in CIES

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| 1,816 | Interest Payable and Similar Charges | 1,858 |
| 901 | Net Interest on the Net Defined Benefit Liability | 968 |
| (2,353) | Movement in Investment Property Valuations | (306) |
| (2,202) | Investment Property Rentals Trading Account | (2,410) |
| (1,969) | Interest Receivable and Similar Income | (2,026) |
| (1,149) | Other Income from Subsidiary | (1,510) |
| (4,955) | Total | (3,425) |

Note 13: Taxation and Non Specific Grant Income in CIES

The Council recognised the following taxation and non-specific grant income in the year:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| (6,327) | Council Tax Income | (6,577) |
| (3,370) | Non Domestic Rates | (695) |
| (388) | NDR- Small Business Rate Relief Grant | (511) |
| (175) | NDR Other Section 31 Grants | (447) |
| (834) | New Homes Bonus Grant* | (444) |
| (902) | Capital Grants and Contributions | (3,317) |
| 0 | Revenue Support Grant (inc Transitional Grant) | 0 |
| (11,996) | Total | (11,991) |

*New Homes Bonus received in 2019/20 was £0.444m, however, this sum was transferred to the Corporate Project Reserve and is not used to fund the general fund budget. Further grants credited to services are detailed in Note 14.

Note 14: Other Government Grants Credited to Services

In addition to Taxation and Non Specific Grant Income in Note 13 the following significant grants, contributions and donations were credited to Cost of Services in the Comprehensive Income and Expenditure Account:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| (51) | Council Tax Support | (51) |
| (149) | Benefit Admin Grant | (236) |
| (19,867) | Rent Allowances- Housing Benefit and Rebate | (17,918) |
| (15) | Election | (286) |
| (156) | Personal Services | (158) |
| (77) | Highways and parking | (66) |
| (121) | Venues | (102) |
| (452) | Homelessness | (357) |
| (520) | Disabled Facilities Grant | (767) |
| (224) | Other Smaller Grants | (189) |
| (21,631) | Total | (20,129) |

Capital Grants and Contributions Receipts in advance

These are grants held that were received in advance or where the Council has not yet satisfied the condition attached to the grant but expects to meet the conditions in the future.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| (2,370) | Other grants and Section 106 Contributions | (2,652) |
| (2,370) | Total | (2,652) |

Note 15: Property, Plant and Equipment

Property, Plant and Equipment Valuation

The Borough Council's property portfolio is valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end; as a minimum, revaluations occur at least once every five years. In line with the Code of Practice the Council maintains a valuation programme that concentrates on categories of assets. Valuations are undertaken by Wilks, Head and Eve, Chartered Surveyors. The properties that were revalued in 2019/20 account for £40.4 million of the gross book value of assets at 31 March 2020.

Due to the ongoing Covid-19 pandemic at the reporting date, Wilks, Head and Eve reported the property valuations on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the review/ valuations than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.

Infrastructure, community assets and assets under construction are held at historical cost and have not been formally re-valued.

Properties are also revalued to take into account any potential impairment in their value and also consequently upon construction and the completion of any material improvements.

Depreciation

Assets are depreciated in accordance with the requirements of IAS 16 and IAS 36. The following useful lives have been used in the calculation of depreciation:

- Other Land and Buildings – 15 to 50 years
- Vehicles, plant and equipment – 1 to 39 years

Movements on Non Current Assets – Property, Plant & Equipment 2019/20

| TANGIBLE NON CURRENT ASSETS | Other Land and Buildings £'000 | Vehicle Plant and Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Assets Under Construction £'000 | Surplus Assets £'000 | Totals £'000 |
|---|-----------------------------------|--------------------------------------|--------------------------------|---------------------------|------------------------------------|-------------------------|-----------------|
| Gross Book Carrying Value as at 1 April 2019 | 70,863 | 10,861 | 160 | 4,305 | 835 | 65 | 87,089 |
| Additions | 314 | 41 | 0 | 113 | 1,050 | 0 | 1,518 |
| Revaluation Movement Recognised in the Revaluation Reserve | (407) | (229) | 0 | 0 | 0 | 0 | (636) |
| Derecognition - Disposals | 0 | (1,044) | 0 | (34) | 0 | 0 | (1,078) |
| Assets Reclassified | (251) | 114 | 0 | 0 | (390) | 527 | 0 |
| Other Movements | 0 | 0 | (2) | 0 | 0 | 0 | (2) |
| Gross Book Carrying Value at 31 March 2020 | 70,519 | 9,743 | 158 | 4,384 | 1,495 | 592 | 86,891 |
| Accumulated Impairment & Depreciation as at 1 April 2019 | (7,502) | (3,209) | 0 | (942) | 0 | 0 | (11,653) |
| Depreciation Charge for the Year | (1,894) | (759) | (10) | 0 | 0 | 0 | (2,664) |
| Depreciation written out to the Surplus/Deficit on the Provision of Service | 26 | 0 | 0 | 0 | 0 | 0 | 26 |
| Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service | 1,372 | 0 | 0 | 0 | 0 | 0 | 1,372 |
| Derecognition - disposals | 0 | 1,044 | 0 | 0 | 0 | 0 | 1,044 |
| Depreciation Written out to the Revaluation Reserve | 6,846 | 469 | 0 | 0 | 0 | 0 | 7,315 |
| Other Movements | 0 | 0 | (11) | 0 | 0 | 0 | (11) |
| Accumulated Impairment & Depreciation as at 31 March 2020 | (1,152) | (2,455) | (21) | (942) | 0 | 0 | (4,570) |
| TOTAL NET CARRYING BOOK VALUE at 31 March 2020 | 69,367 | 7,288 | 137 | 3,442 | 1,495 | 592 | 82,321 |

Movements on Non Current Assets – Property, Plant & Equipment 2018/19

| TANGIBLE NON CURRENT ASSETS | Other Land and Buildings | Vehicle Plant and Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Surplus Assets | Totals |
|---|--------------------------|-----------------------------|-----------------------|------------------|---------------------------|----------------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross Book Carrying Value as at 1 April 2018 | 68,892 | 11,134 | 158 | 4,153 | 595 | 0 | 84,932 |
| Additions | 376 | 540 | 0 | 152 | 675 | 0 | 1,743 |
| Revaluation Movement Recognised in the Revaluation Reserve | 1,511 | 0 | 0 | 0 | 0 | (75) | 1,436 |
| Revaluation movement recognised in the Surplus/Deficit on the Provision of Service | (52) | 0 | 0 | 0 | 0 | 0 | (52) |
| Derecognition - Disposals | 0 | (813) | 0 | 0 | 0 | 0 | (813) |
| Assets Reclassified | 136 | 0 | 0 | 0 | (435) | 140 | (159) |
| Other Movements | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| Gross Book Carrying Value at 31 March 2019 | 70,863 | 10,861 | 160 | 4,305 | 835 | 65 | 87,089 |
| Accumulated Impairment & Depreciation as at 1 April 2018 | (6,164) | (2,736) | 0 | (942) | 0 | 0 | (9,842) |
| Depreciation Charge for the Year | (2,523) | (1,272) | (11) | 0 | 0 | (4) | (3,810) |
| Depreciation written out to the Surplus/Deficit on the Provision of Service | 52 | 0 | 0 | 0 | 0 | 0 | 52 |
| Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service | 221 | 0 | 0 | 0 | 0 | 0 | 221 |
| Derecognition - disposals | 0 | 799 | 0 | 0 | 0 | 0 | 799 |
| Depreciation Written out to the Revaluation Reserve | 912 | 0 | 0 | 0 | 0 | 4 | 916 |
| Other Movements | 0 | 0 | 11 | 0 | 0 | 0 | 11 |
| Accumulated Impairment & Depreciation as at 31 March 2019 | (7,502) | (3,209) | 0 | (942) | 0 | 0 | (11,653) |
| TOTAL NET CARRYING BOOK VALUE at 31 March 2019 | 63,361 | 7,652 | 160 | 3,363 | 835 | 65 | 75,436 |

Capital Expenditure

Capital expenditure and revenue expenditure funded from capital under statute (REFCUS) of £8.561m was incurred in 2019/20 as follows:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| 1,253 | Non Current Assets - PPE | 1,518 |
| 0 | Investment Assets | 6,077 |
| 0 | Investment in Subsidiary | 0 |
| 95 | Intangibles | 97 |
| 684 | Revenue Expenditure Funded from Capital Under Statute | 869 |
| 2,032 | Total Capital Expenditure | 8,561 |

Funding of capital expenditure is detailed below:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 149 | Capital Reserves | 664 |
| 520 | Government Grants | 838 |
| 759 | Revenue | 123 |
| 0 | Grants from Other Local Authorities | 0 |
| 82 | Contributions from Other Bodies | 0 |
| 208 | Section 106 Receipts | 16 |
| 314 | Community Infrastructure Levy Receipts | 843 |
| 0 | Long Term Borrowing | 0 |
| 0 | Internal Borrowing | 6,077 |
| 0 | Prior year funding | 0 |
| 2,032 | Total Capital Funding | 8,561 |

A net contribution of £123k (£759k contribution in 2018/19) was set aside from revenue to finance capital expenditure in 2019/20.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2020 amounts to £3.196m as detailed below.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---------------------------------------|------------------|
| 687 | Epsom Cemetery Extension | 155 |
| 2,579 | Plan E Town Centre works | 2,575 |
| 103 | Epsom Datacentre | 2 |
| 265 | Electronic Service Delivery | 0 |
| 0 | Replacement of CRM and Data Warehouse | 464 |
| 247 | Ashley Centre Car Park Improvements | 0 |
| 63 | Poole Rd Pavilion Heating System | 0 |
| 3,944 | Total Capital Commitments | 3,196 |

Disposals

Assets relating to Vehicles, Plant & Equipment with a net book value of £0k were disposed of in 2019/20 (£13k in 2018/19).

Assets under Construction

Assets under Construction are valued on the basis of those costs incurred up to 31 March and are held as non-operational assets until the asset becomes available for use. At that point it is transferred to the appropriate asset class on the Balance Sheet depending on its use or nature.

There are 7 Assets under Construction held in the balance sheet for 2019/20 totalling £1.495m. (£0.835m in 2018/19).

Assets Held for Sale

Assets Held For Sale are those properties which are expected to be sold within 12 months and are recorded at the lower of its carrying amount and fair value less costs to sell.

There are no Assets Held for Sale in the balance sheet for 2019/20.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| 156 | Balance at the Start of the Year | 0 |
| 0 | Assets reclassified from Investment Properties | 0 |
| 0 | Assets reclassified from Other Land & Buildings | 0 |
| (156) | Disposals | 0 |
| 0 | Balance at the Year End | 0 |

Componentisation

When valuing the assets for the five-year rolling programme, the valuer considered component accounting requirements. Typically operational properties are split into land and building components.

Revaluations

The Council ensures that all property, plant and equipment required to be measured at fair value is re-valued, under a rolling five year programme. In 2019/20, the Council engaged a new property valuing firm, Wilkes, Head & Eve, following a competitive procurement exercise. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The timing and amounts of the valuations of those classes of asset held at current value are summarised in the following table:

| Valued at fair value as at: | 31 March 2017 £'000 | 31 March 2018 £'000 | 31 March 2019 £'000 | 31 March 2020 £'000 |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|
| Operational Assets | | | | |
| Land and Buildings | 28,982 | 19,345 | 13,518 | 40,412 |

Infrastructure, community assets and assets under construction are held at historical value and have not been formally re-valued.

Note 16: Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

| 2018/19 | | 2019/20 |
|----------------|--|----------------|
| £'000 | | £'000 |
| (2,739) | Rental Income from Investment Property | (2,819) |
| 537 | Other Net Expenditure Arising from Investment Property | 409 |
| (2,202) | Net (Income)/Expenditure | (2,410) |

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property.

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2020 by Wilks Head and Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Due to the ongoing Covid-19 pandemic at the reporting date, Wilks, Head and Eve reported the property valuations on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the review/ valuations than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time. The following table summarises the movement in the fair value of investment properties over the year.

| 2018/19 | | 2019/20 |
|---------------|---|---------------|
| £'000 | | £'000 |
| 47,041 | Balance at the Start of the Year | 49,383 |
| 0 | Purchases | 6,077 |
| 0 | Disposals | 0 |
| 2,353 | Net gains/(losses) from Fair Value Adjustments | 305 |
| (11) | Transfers to Assets Held For Sale/Other adjustments | 11 |
| 49,383 | Balance at the Year End | 55,776 |

Note 17: Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both the purchased licenses and any internally generated software.

All software is given a finite useful life of 4 years. The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on Intangible Assets balances during the year is as follows:

| 2018/19 | | 2019/20 |
|--------------------|---|------------|
| *Restated £'000 | | £'000 |
| | Balance at the start of the year | |
| 609 | Gross Carrying Amounts | 605 |
| (468) | Accumulated Amortisation | (298) |
| 141 | Net Carrying Amount at the Start of the Year | 307 |
| 95 | Additions | 97 |
| 159 | Assets under construction brought into use | 0 |
| (258) | Disposals | (163) |
| 258 | Amortisation written out on disposal | 163 |
| (88) | Amortisation for the Period | (110) |
| 307 | Net Carrying Value at the End of the Year | 294 |

*Prior year figures have been updated to include disposals and related amortisation; the overall impact is nil on the net carrying value.

Note 18: Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. For the Council this means that all treasury contracts (borrowings and investments) are recognised as financial instruments as well as trade receivables, loans for policy purposes, trade payables and bank deposits. Statutory charges and payments (e.g. amounts due from Council Tax) are not recognised as financial instruments as these do not arise from contractual agreements and are outside the scope of the accounting treatment for financial instruments.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

| 2018/19 | | | 2019/20 | |
|----------------------|------------------|---|----------------------|------------------|
| Non-Current £'000 | Current £'000 | | Non-Current £'000 | Current £'000 |
| | | Financial Assets - Loans and Investments | | |
| 60,293 | 3,000 | Loans and Investments (Amortised Cost) | 60,293 | 5,000 |
| 0 | 9,439 | Loans and Investments (FVPL) | 0 | 9,600 |
| 60,293 | 12,439 | Total Loans and Investments | 60,293 | 14,600 |
| | | Financial Assets - Debtors | | |
| 0 | 1,077 | Trade Debtors (Amortised Cost) | 0 | 3,131 |
| 0 | 12 | Other Debtors (Amortised Cost) | 0 | 10 |
| 0 | 1,089 | Total included in Debtors | 0 | 3,141 |
| | | Financial Liabilities - Borrowings | | |
| (64,427) | 0 | Borrowings (Amortised Cost) | (64,427) | 0 |
| (64,427) | 0 | Total included in Borrowings | (64,427) | 0 |
| | | Other Financial Liabilities | | |
| (3,046) | (355) | Finance Lease (Amortised Cost) | (2,666) | (380) |
| (3,046) | (355) | Total included Other Financial Liabilities | (2,666) | (380) |
| | | Financial Liabilities - Creditors | | |
| 0 | (4,035) | Creditors (Amortised Cost) | 0 | (3,192) |
| 0 | (4,035) | Total included in Creditors | 0 | (3,192) |

Cash is also a financial asset and is disclosed separately in Note 20.

Material Soft Loans made by the Council

The Council has no material soft loans outstanding at 31 March 2020.

Employee Loans

The Council may provide loans for season tickets, cycles, computers and cars, where these are necessary for the employee's work. The total value of employee loans outstanding at 31 March 2020 is £10,215 (£12,403 at 31 March 2019).

No interest is charged on the loans, the Council assesses an unsubsidised rate for such loans would be 5%.

Unquoted Equity Instruments Measured at Cost

The Council has a shareholding in Epsom & Ewell Property Investment Company Limited (representing 100% of the company's capital). The shares are carried at cost of £24,117,000 and have not been re-valued, as a fair value cannot be measured without incurring excessive expense. The company was formed in September 2017. There are no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. There is no indication that the investment may be impaired. The Council has no current intention to dispose of the shareholding.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

| 2018/19 | | | | 2019/20 | | |
|---|---|----------------|---|---|---|----------------|
| Financial Liabilities - Borrowings £'000 | Financial Assets - Loans and Investments £'000 | Total £'000 | | Financial Liabilities - Borrowings £'000 | Financial Assets - Loans and Investments £'000 | Total £'000 |
| 191 | 0 | 191 | Interest expense - finance leases | 233 | 0 | 233 |
| 1,625 | 0 | 1,625 | Interest expense - borrowings | 1,625 | 0 | 1,625 |
| 0 | 0 | 0 | Fee expense | 0 | 0 | 0 |
| 1,816 | 0 | 1,816 | Total expense in Surplus or Deficit on the Provision of Services | 1,858 | 0 | 1,858 |
| 0 | (160) | (160) | Interest Income - treasury investments | 0 | (217) | (217) |
| 0 | (1,809) | (1,809) | Interest Income - loans to subsidiary | 0 | (1,809) | (1,809) |
| 0 | (1,969) | (1,969) | Total Income in Surplus or Deficit on the Provision of Services | 0 | (2,026) | (2,026) |
| 1,816 | (1,969) | (153) | Net (Income)/Expenditure for the Year | 1,858 | (2,026) | (168) |

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central Treasury Team, under policies approved by Strategy & Resources Committee in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management including written policies.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Risk to the Council is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors. The Annual Investment Strategy also imposes a £5m maximum sum to be invested with financial institutions located within each category.

The financial assets held by the Council at 31 March 2020 are detailed below.

| Financial Asset Category | Counterparty | Investment at 31 March 2020 |
|--|---------------|-----------------------------|
| Cash Equivalents - Fair Value Through Profit & Loss | | |
| Deposits with Money | Goldman Sachs | £ 5.0m |
| Market Funds | UBS | £ 3.6m |
| | RBS | £ 1.0m |
| Total Cash Equivalents | | £ 9.6m |
| Short Term Investments - Amortised Cost | | |
| Fixed Term Deposit with Building Societies and bank | Lloyds Bank | £ 5.0m |
| Total Short Term Investments | | £ 5.0m |

The Authority's maximum exposure to credit risk in relation to its investments is £14.6m. The Council has assessed its investment portfolio for signs of impairment, in accordance with the requirements of IFRS 9. All treasury investments are held in low risk funds and/or with low risk

counterparties. As such, any impairment to the investment portfolio is immaterial and has not been recognised in the CIES.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The following analysis summarises the Council's potential maximum exposure to credit risk, based upon experience of default over the last five financial years, adjusted to reflect current market conditions:

| | Amount at 31 March 2020 | Historical experience of default | Historical experience adjusted for market conditions at 31-Mar-20 | Estimated maximum exposure to default and uncollectability at 31 March 2020 | Historical experience adjusted for market conditions at 31-Mar-19 | Estimated maximum exposure at 31-Mar-19 |
|---------------|-------------------------|----------------------------------|---|---|---|---|
| | £'000 | % | % | £'000 | % | £'000 |
| | A | B | C | (A x C) | C | |
| Goldman Sachs | 5,000 | 0 | 0 | 0 | 0 | 0 |
| UBS | 3,600 | 0 | 0 | 0 | 0 | 0 |
| RBS | 1,000 | 0 | 0 | 0 | 0 | 0 |
| Customers | 3,131 | 2.99% | 12.02% | 376 | 22.61% | 244 |

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council does not generally allow credit for customers, but of the £3.1m balance £1.1m is overdue for payment. The overdue amount can be analysed by age as follows:

| 31-Mar-19 £'000 | | 31-Mar-20 £'000 |
|--------------------|------------------------|--------------------|
| 183 | Less than three months | 190 |
| 45 | Three to Five months | 390 |
| 321 | More than Five Months | 550 |
| 549 | Total | 1,130 |

Liquidity Risk

All trade and other amounts owing are due to be paid in less than one year.

Market & Interest rate risk: The Council is exposed to relatively modest risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have an impact on the Council. For instance, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

However, interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | £'000 |
|--|------------|
| Increase in interest receivable on variable rate investments | 179 |
| Impact on Surplus or Deficit on the Provision of Services | 179 |
| Decrease in fair value of fixed rate investment assets | 44 |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

There have been no changes to the method and approach for compiling the risk information for 2019/20 compared to 2018/19.

The Council uses external fund managers to manage the majority of its cash backed reserves. Other surplus cash may be invested in gilts or in temporary investments with other public sector authorities, major clearing banks and building societies.

These investments are included in the balance sheet at amortised cost less any expected credit loss (if material) and distinguished between those due for maturity within the next financial year (current asset investments) and those not due within the next year (long term investments).

Fair Values of Financial Assets and Financial Liabilities

All financial assets and financial liabilities held by the Authority are carried in the Balance Sheet at amortised cost or fair value through profit or loss. The fair values are calculated as follows; where cost is used as the proxy for fair value, this falls within Level 3 of the fair value hierarchy.

Financial Assets

The Other Investments and Trade Debtors are short term in nature, and therefore the fair value is not materially different for the book value. There is no impairment implication for investments. Short term debtors are carried at cost less any impairment, as this is a fair approximation of their value.

| 31-Mar-19 | | | 31-Mar-20 | |
|--------------------------|---------------------|---|--------------------------|---------------------|
| Carrying Amount £'000 | Fair Value £'000 | | Carrying Amount £'000 | Fair Value £'000 |
| | | Financial Assets | | |
| 24,117 | 24,117 | Unquoted Equity Investment (Amortised Cost) | 24,117 | 24,117 |
| 36,176 | 66,485 | Loans to Subsidiary (Amortised Cost) | 36,176 | 63,456 |
| 3,000 | 3,020 | Other Investments (Amortised Cost) | 5,000 | 5,043 |
| 9,439 | 9,439 | Other Investments (FVPL) | 9,600 | 9,600 |
| 1,077 | 1,077 | Trade Debtors (Amortised Cost) | 3,131 | 3,131 |
| 73,809 | 104,138 | Total Financial Assets | 78,024 | 105,347 |

It has not been possible to establish fair value of the Council's equity investment in its subsidiary company. There are no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. There is no indication that the investment may be impaired. The Council has no current intention to dispose of the shareholding.

Financial Liabilities

| 31-Mar-19 | | | 31-Mar-20 | |
|--------------------------|---------------------|---|--------------------------|---------------------|
| Carrying Amount £'000 | Fair Value £'000 | | Carrying Amount £'000 | Fair Value £'000 |
| | | Financial Liabilities held at amortised cost | | |
| 64,427 | 70,758 | PWLB Loans | 64,427 | 67,501 |
| 3,401 | 3,401 | Finance Lease Liabilities | 3,046 | 3,046 |
| 4,035 | 4,035 | Creditors | 3,192 | 3,192 |
| 71,863 | 78,194 | Total Financial Liabilities | 70,665 | 73,739 |

The Council's PWLB loans and loans to its subsidiary have been fair-valued by Link Asset Services, using Level 2 inputs based on both redemption and new borrowing rates. Financial Lease Liabilities and Short Term Creditors are carried at contracted amounts.

Note 19: Debtors

A summary of debtors due within the next financial year is detailed below.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--------------------------------|------------------|
| 4,826 | Central government bodies | 1,778 |
| 514 | Council Tax Payers | 595 |
| 143 | Non Domestic Rate Payers | 127 |
| 1,503 | Other Entities and individuals | 3,319 |
| 6,986 | Total Debtors | 5,819 |

Long term debtors (greater than 365 days):

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---------------------|------------------|
| 36,176 | Loans to Subsidiary | 36,176 |
| 36,176 | Total | 36,176 |

Note 20: Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in specified period (no more than three months) or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|----------------------------------|------------------|
| 1,141 | Cash at Bank | 636 |
| 9,439 | Cash Equivalents | 9,600 |
| 10,580 | Cash and Cash Equivalents | 10,236 |

Note 21: Creditors

A summary of Creditors is detailed below.

| 2018/19 | | 2019/20 |
|----------------|--------------------------------|-----------------|
| £'000 | | £'000 |
| (211) | Central Government Bodies | (241) |
| (3,392) | Other Local Authorities | (4,239) |
| (780) | Council Tax Payers | (747) |
| (45) | Non Domestic Ratepayers | (43) |
| (4,035) | Other Entities and individuals | (5,312) |
| (8,463) | Total | (10,582) |

Note 22: Provisions

A summary of Long Term Provisions is detailed below.

| | NDR Appeals |
|--|--------------|
| | £'000 |
| 2018/19 | |
| Opening balance at 1 April 2018 | (2,280) |
| Adjustment to opening balance due to 100% Business Rates Pilot | 570 |
| Amounts used or written back to revenue in year | 1,405 |
| Balance at 31 March 2019 | (305) |
| 2019/20 | |
| Opening balance at 1 April 2019 | (305) |
| Net additional provision made in year | (121) |
| Balance at 31 March 2020 | (426) |

The Council has one outstanding provision of £0.426m for its share of appeals against NDR (Business Rates) charges. The total £0.426m provision reflects an estimate of the potential effects of appeals that may be settled in future years.

Note 23: Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

| Reserve | Balance 2018/19 £'000 | Net Movement in year £'000 | Balance 2019/20 £'000 | Purpose of Reserve | Further Detail of Movements |
|--|-----------------------------|-------------------------------------|-----------------------------|--|---|
| General Fund | (3,416) | (11) | (3,426) | Resources available to meet future running costs for non-housing services | Movement in Reserve Statement (Note 10) |
| Strategic Reserves | (15,230) | 282 | (14,948) | Earmarked resources to provide funding for specific areas | Movement in Reserve Statement (Note 10) |
| Capital Grants Unapplied Account (CIL) | (5,389) | (2,288) | (7,677) | Community Infrastructure Levy used to fund investment in infrastructure. | Movement in Reserve Statement (Note 10) |
| Capital Receipts Reserve | (4,947) | 412 | (4,535) | Proceeds of Non Current Asset sales available to meet future capital investment | Detailed in this note below |
| Total Usable Reserves | (28,982) | (1,605) | (30,586) | | |
| Revaluation Reserve | (39,225) | (6,704) | (45,929) | Store of gains on revaluation of non current assets not yet realised through sales | Detailed in this note below |
| Capital Adjustments Account | (60,006) | (1,733) | (61,739) | Store of capital resources set aside to meet past expenditure | Detailed in this note below |
| Council Tax Adjustment Account | (31) | 28 | (3) | Balance held on collection fund and NNDR AC | Detailed in this note below |
| NNDR Adj Account | 424 | (1,557) | (1,133) | Balance held on collection fund and NNDR AC | Detailed in this note below |
| Pensions Reserve | 39,534 | (2,180) | 37,354 | Balancing account to allow inclusion of Pensions Liability in the Balance Sheet. | Note 32 |
| Total Unusable Reserves | (59,305) | (12,146) | (71,450) | | |
| Total Reserves | (88,287) | (13,751) | (102,036) | | |

Revaluation Reserve

The Revaluation Reserve records the net gain (if any) from revaluations made after 1 April 2007. Unrealised (gains)/losses occur when non-current assets are revalued. If an asset is revalued at an increased amount over the current net book value in the Balance Sheet, then there is an unrealised gain. If the asset is revalued below its net book value, then there is an unrealised loss. However, when the review of an asset value reveals a reduction, it is necessary to determine whether impairment has occurred, either because of general price decreases or because of the clear consumption of the economic benefits of the assets.

The main reason for this is to ensure that non-current assets are recorded in the Statement of Accounts at no more than their recoverable amount and any resulting impairment loss is measured and recognised on a consistent basis.

All non-current assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is normally charged to the relevant service revenue account.

In the event that the relevant asset has a balance in the Revaluation Reserve, the decrease in value is written off against any revaluation gains held, with any excess charged to the relevant service revenue account. Where an impairment loss is charged against gains in the Revaluation Reserve for that asset, the amount up to the value of the balance in the Revaluation Reserve is transferred from the Revaluation Reserve to the Capital Adjustment Account.

The balance on the account represents the difference between the original values of assets and their revalued amounts where appropriate. The account is written down by the net book value of assets as they are disposed of, and either debited with the deficits or credited with the surpluses arising on future revaluations.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| (36,873) | Balance at 1 April | (39,225) |
| (2,420) | Upward revaluation of assets | (8,260) |
| 68 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 1,556 |
| (2,352) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (6,704) |
| 0 | Amount written off to the Capital Adjustment Account | 0 |
| (39,225) | Balance at 31 March | (45,929) |

Movements in Amounts Capital Adjustment Account to Finance Capital Investment

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Total movements in amounts set aside to finance capital investment were as follows:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| (58,951) | Balance brought forward at 1 April | (60,006) |
| | <u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u> | |
| 3,810 | - charges for depreciation and impairment of non-current assets | 2,664 |
| (221) | - revaluation (gains)/losses on property, plant & equipment | (1,372) |
| 88 | - amortisation of intangible assets | 111 |
| 684 | - revenue expenditure funded from capital under statute | 869 |
| 169 | - amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 34 |
| 4,530 | Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement | 2,307 |
| (54,421) | Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year | (57,699) |
| | <u>Capital Financing Applied in the Year</u> | |
| (149) | - use of the Capital Receipts Reserve used to finance new expenditure | (664) |
| (1,124) | - capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (1,697) |
| (1,200) | - statutory provision for the financing of capital investment charged against the general fund | (1,249) |
| (759) | - capital expenditure charged against the General Fund | (123) |
| (3,232) | Total Capital Financing Applied | (3,734) |
| (2,353) | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (306) |
| (60,006) | Balance Carried Forward at 31 March | (61,739) |

Usable Capital Receipts Reserve

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| (4,889) | Balance brought forward at 1 April | (4,947) |
| (207) | Amounts receivable in year | (252) |
| 149 | Amounts applied to finance new capital investment | 664 |
| (58) | Total (Increase)/decrease in realised capital receipts | 412 |
| (4,947) | Balance carried forward at 31 March | (4,535) |

The usable capital receipts reserve represents the receipts available to finance capital expenditure in future years, after setting aside the required statutory amounts for the repayment of external loans.

Pensions Reserve

Pension costs are detailed in Note 32.

Council Tax Collection Fund Adjustment Account and NNDR Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 1,860 | Balance at the start of the year | 393 |
| 104 | Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | 28 |
| (1,572) | Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements | (1,557) |
| 393 | Balance at the end of the year | (1,136) |

Note 24: Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements

| 2018/19 £'000 | Details | 2019/20 £'000 |
|------------------|--|------------------|
| (3,589) | Charges for depreciation, impairment, and revaluation of non-current assets | (1,292) |
| 2,353 | Movements in the market value of Investment Properties | 306 |
| (88) | Amortisation of intangible assets | (111) |
| (169) | Carrying amount of non-current assets sold or de-recognised | (34) |
| (2,221) | Movement in pension liability | (2,449) |
| 1,261 | Increase/(decrease) in debtors | (1,167) |
| 564 | (Increase)/decrease in creditors | 1,197 |
| 1,975 | (Increase)/decrease in provisions | (121) |
| 60 | Increase/(decrease) in inventories | (17) |
| 146 | Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements | (3,688) |

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

| 2018/19 £'000 | Details | 2019/20 £'000 |
|------------------|---|------------------|
| 1,103 | Capital Grants credited to surplus or deficit on the provision of services | 1,264 |
| 207 | Proceeds from the sale of property plant and equipment, investment property and intangible assets | 252 |
| 1,310 | Total | 1,516 |

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

| 2018/19 £'000 | Details | 2019/20 £'000 |
|------------------|--|------------------|
| 1,395 | Purchase of property, plant and equipment, investment property and intangible assets | 7,715 |
| 3,000 | Short Term Investments | 2,000 |
| (1,103) | Capital Grants Received | (1,264) |
| (207) | Receipts from sale of assets | (252) |
| 3,086 | Total | 8,199 |

Note 26: Cashflow from Financing Activities

| 2018/19 £'000 | Details | 2019/20 £'000 |
|------------------|--|------------------|
| 327 | Lease rentals | 355 |
| 701 | Other financing activities (NDR shares and Council Tax Preceptors) | (3,622) |
| 1,028 | Total | (3,267) |

The changes in the Council's liabilities arising from financing activities can be classified as follows:

| | Borrowings £'000 | Lease Liabilities £'000 | Total £'000 |
|---|---------------------|----------------------------|-----------------|
| 2019/20 | | | |
| Opening balance at 1 April 2019 (Re-stated) | (64,427) | (3,401) | (67,828) |
| <u>Cash Flows</u> | | | |
| Repayment | 0 | 355 | 355 |
| Balance at 31 March 2020 | (64,427) | (3,046) | (67,473) |

The lease liabilities opening balance has been re-stated from (£2,419) to (£3,401), to correct for a prior year disclosure error. There is no impact on the balance sheet or core statements.

Note 27: Members' Allowances

The authority paid the following amounts to members of the council during the year:

| Payments made | 2018/19 £'000 | 2019/20 £'000 |
|---------------|------------------|------------------|
| Salaries | 0 | 0 |
| Allowances | 164 | 168 |
| Expenses | 5 | 6 |
| Total | 169 | 175 |

Note 28: Executive Remuneration Bands and Exit Packages

The following table shows the number of staff whose total remuneration, excluding employer's pensions contribution but including gross salary, expense allowances, supplements, compensation for loss of office (i.e. redundancy) and benefits, exceed £50,000 in bands of £5,000:

| No. of Staff 2018/19 | Remuneration Range | No. of Staff 2019/20 |
|-------------------------|---------------------|-------------------------|
| 4 | £50,000 - £54,999 | 3 |
| 4 | £55,000 - £59,999 | 2 |
| 0 | £60,000 - £64,999 | 2 |
| 5 | £65,000 - £69,999 | 4 |
| 1 | £70,000 - £74,999 | 2 |
| 1 | £95,000 - £99,999 | 0 |
| 1 | £100,000 - £104,999 | 1 |
| 1 | £110,000 - £114,999 | 1 |
| 17 | Total | 15 |

Senior Officer Remuneration

Detailed remuneration information for senior employees is set out below.

| 2019/20 | Chief Executive £'000 | Chief Finance Officer £'000 | Chief Legal Officer £'000 | Chief Operating Officer £'000 |
|---|--------------------------|-----------------------------------|---------------------------------|--|
| Salary | 100 | 69 | 72 | 94 |
| Expenses Allowances | 4 | 0 | 0 | 4 |
| Other Benefits | 8 | 0 | 0 | 7 |
| Total remuneration excluding Pension contributions | 112 | 69 | 72 | 105 |
| Pension Contributions | 15 | 11 | 11 | 15 |
| Total remuneration including pension contributions 2019/20 | 127 | 80 | 83 | 120 |

| 2018/19 | Chief Executive £'000 | Chief Finance Officer £'000 | Chief Legal Officer £'000 | Chief Operating Officer £'000 |
|---|--------------------------|-----------------------------------|---------------------------------|--|
| Salary | 102 | 68 | 69 | 92 |
| Expenses Allowances | 4 | 0 | 0 | 4 |
| Other Benefits | 8 | 0 | 0 | 7 |
| Total remuneration excluding Pension contributions | 114 | 68 | 69 | 103 |
| Pension Contributions | 16 | 11 | 11 | 14 |
| Total remuneration including pension contributions 2018/19 | 129 | 79 | 80 | 118 |

Exit Packages

In 2019/20 the Council paid six exit packages with a total cost of £74,536. There were two exit packages paid in 2018/19 totalling £56,341.

| No. of Staff 2018/19 | Exit Packages | No. of Staff 2019/20 |
|-------------------------|-------------------|-------------------------|
| 1 | £0 - £19,999 | 5 |
| 0 | £20,000 - £39,999 | 0 |
| 1 | £40,000 - £59,000 | 1 |
| 2 | Total | 6 |

Note 29: Audit Costs

In 2019/20, Epsom and Ewell Borough Council expects to incur the following fees relating to external audit and inspection:

| 2018/19 Restated £'000 | | 2019/20 £'000 |
|------------------------------|---|------------------|
| 34 | Scale fee payable to the external auditors with regard to external audit | 34 |
| 6 | Additional audit fee variations (19/20 is subject to agreement of PSAA) | 10 |
| 9 | Fees payable to the external audit for the certification of Housing Benefit subsidy claim | 11 |
| 50 | Total | 55 |

2018/19 fees have been restated to include an additional £4k of fee variations, which were agreed after publication of the 2018/19 Statement of Accounts.

Note 30: Capital Financing Requirement

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| 87,517 | Opening Capital Financing Requirement | 86,808 |
| | Capital investment: | |
| 425 | Property, Plant and Equipment | 375 |
| 0 | Investment Properties | 6,077 |
| 676 | Assets under Construction | 1,030 |
| 152 | Community Assets | 113 |
| 95 | Intangible Assets | 97 |
| 491 | Assets Acquired under Finance Leases | 0 |
| 684 | Revenue Expenditure Funded from Capital under Statute | 869 |
| | Sources of finance: | |
| (149) | Capital receipts | (664) |
| (1,124) | Government grants and other contributions | (1,697) |
| | Sums set aside from revenue: | |
| (759) | Direct revenue contributions | (123) |
| (1,200) | Minimum Revenue Provision | (1,249) |
| 86,808 | Closing Capital Financing Requirement | 91,636 |
| (709) | Increase/(decrease) in Capital Financing Requirement | 4,828 |

Note 31: Finance and Operating Leases

Finance Leases in (Council as Lessee):

The Council has acquired a number of vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--------------------------------|------------------|
| 3,755 | Vehicles, Plant, and Equipment | 3,309 |

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicle acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 355 | Finance lease liabilities: Current | 380 |
| 3,046 | Finance lease liabilities: non-Current | 2,666 |
| 1,058 | Finance costs payable in future years – Interest | 824 |
| 4,459 | Minimum lease payments | 3,870 |

| Minimum Lease Payments | Finance Lease Liabilities | | Minimum Lease Payments | Finance Lease Liabilities |
|------------------------|---------------------------|---|------------------------|---------------------------|
| 2018/19 £'000 | 2018/19 £'000 | | 2019/20 £'000 | 2019/20 £'000 |
| 588 | 355 | Not later than one year | 588 | 380 |
| 2,254 | 1,600 | Later than one year and not later than five years | 2,191 | 1,654 |
| 1,617 | 1,446 | Later than five years | 1,091 | 1,012 |

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment recognised in the Income and Expenditure account – applied to write down the lease liability;
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement); and
- Minimum lease payments include both finance charge (interest) and lease liability (principal).

Operating Leases in (Council as Lessee)

The Council has no material operating leases in.

Operating Leases out (Council as Lessor)

In 2019/20 the Council received £2.819m (note 16) in rental income from its investment properties (£2.739m in 2018/19), all of which was generated from operating leases.

With regard to the Council's activity as a lessor, the gross value of land and buildings assets held for use in operating leases was £54.1m in 2019/20 (£48.7m in 2018/19).

The future lease payments receivable in future years are:

| Lease Income at 31 March 2019 Restated* £'000 | | Lease Income at 31 March 2020 £'000 |
|---|---|--|
| 2,834 | Not later than one year | 2,938 |
| 10,433 | Later than one year and not later than five years | 12,027 |
| 79,175 | Later than five years | 79,593 |
| 92,442 | Total | 94,558 |

*2018/19 figures have been restated to correct a prior year error. Later than one year and not later than five years has increased £2,189k from the previously stated value of £8,244k; and later than five years has decreased £2,526k from the previously stated value of £81,701k.

£28.9 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

The Council leases parts of the Town Hall to Surrey County Council (SCC) and Surrey Police. The lease with SCC is on a rolling basis and earns annual rental of £96,000 per annum. The lease with Surrey Police is for ten years commencing January 2012 with an annual value of £47,000. Income from both leases are included within the cost of services and part of the lease income table above.

Note 32: Pension Costs

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Surrey County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Transactions Relating to Retirement Benefits

EEBC recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserve Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and Statement of Movement in Reserves Statement during the year:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| | Comprehensive Income and Expenditure Statement | |
| | <u>Net Cost of Services:</u> | |
| 3,162 | Current service cost | 3,715 |
| 348 | Past service gain/cost | 28 |
| | <u>Financing and Investment Income and Expenditure:</u> | |
| 901 | Net Interest Expense | 968 |
| 4,411 | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 4,711 |
| | Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | |
| | <u>Remeasurements</u> | |
| 0 | Changes in demographic assumptions | (2,512) |
| 5,518 | Changes in financial assumptions | (7,768) |
| 0 | Other experience | (1,820) |
| (2,240) | Return on assets excluding amounts included in net interest | 7,471 |
| 3,278 | Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (4,629) |
| | <u>Movement in Reserves Statement</u> | |
| (4,411) | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (4,711) |
| 2,190 | Employers' contributions payable to scheme | 2,262 |

Assets and Liabilities in Relation to Post-employment Benefits

The liabilities shown below are the underlying commitments that the authority has to pay in retirement benefits over the long-term. The total net decrease in liability of £2.18m impacts the net assets of the authority as recorded in the balance sheet, resulting in an overall pension liability of £37.35m. The pension liability is 36% of the balance sheet net value in 2019/20 compared to 45% in 2018/19.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2020 are as follows:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| (101,242) | 1 April 2019 | (109,928) |
| (3,162) | Current service cost | (3,715) |
| (348) | Past service cost | (28) |
| (2,637) | Interest cost | (2,648) |
| (558) | Contribution from scheme participants | (591) |
| 96 | Unfunded benefits paid | 95 |
| 3,442 | Benefits paid | 3,856 |
| | <u>Remeasurement gains/(losses):</u> | |
| 0 | - actuarial gains/losses arising from changes in demographic assumptions | 2,512 |
| (5,518) | - actuarial gains/losses arising from changes in financial assumptions | 7,768 |
| 0 | - Other experience | 1,820 |
| (109,928) | Estimated scheme liabilities at 31 March 2020 | (100,859) |
| 67,207 | 1 April 2019 | 70,394 |
| 0 | Adjustment to opening balance | |
| 1,736 | Interest income | 1,680 |
| | <u>Remeasurement gain/(loss):</u> | |
| 2,240 | - return on plan assets, excluding the amount in net interest expense | (7,471) |
| 2,192 | Contributions from employer | 2,262 |
| 558 | Contributions from employees into the scheme | 591 |
| (3,538) | Benefits paid | (3,951) |
| 70,394 | Estimated scheme assets at 31 March 2020 | 63,505 |
| (39,534) | Net asset / (liability) 31 March 2020 | (37,354) |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Note that the above figures include an allowance for the “McCloud ruling” and GMP cases, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Actual Return on Scheme Assets as per Actuaries

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--------------------------------|------------------|
| 3,976 | Actual return as per actuaries | (5,791) |

The return on the fund in market value terms for the period to 31 March 2020 is estimated based on actual funds return as provided by the administering authority and index returns where necessary.

Scheme History

| | 2014/15 £'000 | 2015/16 £'000 | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Present value of liabilities: | | | | | | |
| Local Government Pension Scheme | (89,702) | (86,619) | (100,284) | (101,242) | (109,928) | (100,859) |
| Fair Value of Assets: | | | | | | |
| Local Government Pension Scheme | 58,618 | 58,560 | 66,991 | 67,207 | 70,394 | 63,505 |
| Total | (31,084) | (28,059) | (33,293) | (34,035) | (39,534) | (37,354) |

Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit will be made good by increased contributions over the remaining working life of employees (before payments fall due), as assessed by scheme actuary.

The Council expects to make employer’s contributions totalling an estimated £2,333,000 into the Local Government Pension Scheme in the year to 31 March 2021.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Surrey County Council Fund liabilities have been assessed by Hyman Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

| 2018/19 | | 2019/20 |
|---------|--|---------|
| | Longevity at 65 for current pensioners: | |
| 22.5 | Men | 22.1 |
| 24.6 | Women | 24.3 |
| | Longevity at 65 for future pensioners: | |
| 24.1 | Men | 22.9 |
| 26.4 | Women | 25.7 |
| 2.5% | Rate of increase in pensions | 1.9% |
| 2.8% | Rate of increase in salaries | 2.8% |
| 2.4% | Rate for discounting scheme liabilities | 2.3% |
| 25.0% | Take-up of option to convert annual pension into retirement lump sum | 25.0% |

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used.

The sensitivities in relation to the principal financial assumptions which have been used to measure the scheme liabilities are:-

- 0.5% decrease in Real Discount Rate would result in an approximate increase in the defined benefit liability of £8.559m (8%)
- 0.5% increase in the Salary Increase Rate would result in an approximate increase in the defined benefit liability of £0.635m (1%)
- 0.5% increase in the Pension Increase Rate would result in an approximate increase in the defined benefit liability of £7.865m (8%)

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). It is estimated that a one year increase in life expectancy would approximately increase the Employer's defined benefit obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The above figures have been based on the membership profile as at the date of the most recent actuarial valuation.

As at the date of the most recent valuation, the duration of the Employer's funded liabilities is 18 years.

Assets in the Surrey Pension Fund are valued at fair value, principally market value for investments. The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

| Percentage of Fund Assets 2018/19 | | Percentage of Fund Assets 2019/20 |
|-----------------------------------|--------------------|-----------------------------------|
| 73% | Equity Investments | 72% |
| 17% | Bonds | 18% |
| 7% | Property | 7% |
| 3% | Cash | 3% |
| 100% | Total | 100% |

Movement in net pension liability:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---------------------------------|------------------|
| (34,035) | Opening Balance | (39,534) |
| 0 | Adjustment to opening liability | |
| (3,162) | Current Service Costs | (3,715) |
| (348) | Past Service gains/(Costs) | (28) |
| (901) | Net Interest Expense | (968) |
| 2,192 | Employer Contributions | 2,262 |
| (3,278) | Remeasurements | 4,629 |
| (39,534) | Closing Balance | (37,354) |

Note 33: Contingent Liabilities & Assets

Contingent Liability

Municipal Mutual Insurance

The Council had been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd that the amount subject to levy is £83,615 which may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities. The amount is unchanged from 31 March 2019. The Council's earmarked Insurance Reserve includes an amount to cover any future claims.

Contingent Asset – Rent Reviews

The Council is carrying out a number of rent reviews at a number of industrial estates within the Borough which could possibly lead to higher back-dated rental income. Due to the uncertainty and commercial sensitivity around the negotiations, it is not possible to provide an accurate estimate of the contingent asset.

Note 34: Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to influence the Council or be influenced by the Council.

UK Central Government has effective control over general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates. UK Central Government provides funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills and housing benefits). These transactions are listed in the core statements and supporting notes.

Members of the Council have direct control over the Council's financials and operating policies. The net cost to Epsom and Ewell Borough Council of related party transactions was £683,000 in 2019/20 (£194,000 in 2018/19). The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

| Organisation | 2018/19 £'000 | 2019/20 £'000 |
|---------------------------------------|------------------|------------------|
| Age concern | 18 | 18 |
| British Telecommunications Plc | 0 | 8 |
| Citizen Advice Bureau | 127 | 126 |
| Epsom Common Association | 1 | 0 |
| Epsom Symphony Orchestra | 11 | 9 |
| Horton Chapel Arts & Heritage Society | 0 | 482 |
| Local Government Association | 9 | 12 |
| Reed Employment | 17 | 23 |
| The Jockey Club (TGMB) | 3 | 0 |
| Unison | 7 | 6 |
| Total | 194 | 683 |

Epsom & Ewell Property Investment Company Limited

The Council owns a subsidiary company, Epsom and Ewell Property Investment Company Limited (EEPIC). As at 31 March 2020, four Council officers served as Directors of EEPIC – the Chief Executive, Chief Accountant, Head of Property and Regeneration, and Head of Housing & Environmental Services. Under EEPIC's Business Plan, approved at Council on 19 September 2017, the Council provided loans and equity to EEPIC, for it to invest in commercial property and generate a return. During 2019/20, the Council entered into the following related party transactions with EEPIC:

| Transaction Description | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| <u>Amounts received by EEPIC from EEPIC</u> | | |
| Interest receivable from EEPIC | (1,809) | (1,809) |
| Support services rechargeable to EEPIC | (131) | (111) |
| Dividend from EEPIC | (1,045) | (1,399) |
| Subtotal | (2,985) | (3,319) |

The combined financial position of the Council and EEPIC is shown in the group accounts.

Note 35: Collection Fund Income and Expenditure Account

This account reflects the statutory requirements for the Epsom and Ewell Borough Council, as the billing Authority, to maintain a separate Collection Fund. The Fund shows the transactions in relation to the Council Tax and Non-Domestic Rates, and sets out the way in which these have been distributed between the General Fund, Surrey County Council and Surrey Police Authority (the preceptors). Council Tax is the means of raising income from local residents to pay for council services. Under the new Business Rate Retention Scheme local authorities retain 40% of income collected on local Business Rates. Of the remainder, 50% is passed over to the Government and 10% to the County. This account sets out the income and the shares between the preceptors.

| 2018/19 | | | | 2019/20 | | |
|-------------------------|----------------------|-----------------|--|-------------------------|----------------------|-----------------|
| Business Rates £'000 | Council Tax £'000 | Total £'000 | | Business Rates £'000 | Council Tax £'000 | Total £'000 |
| 0 | (60,658) | (60,658) | INCOME: | | | |
| (24,590) | 0 | (24,590) | Council Tax Receivable | 0 | (63,508) | (63,508) |
| (407) | 0 | (407) | Business Rates Receivable | (24,887) | 0 | (24,887) |
| | | | Transitional Protection Payments receivable | (75) | 0 | (75) |
| (24,997) | (60,658) | (85,655) | Total Income | (24,962) | (63,508) | (88,470) |
| | | | EXPENDITURE: | | | |
| | | | Apportionment of Prior Year Surplus/(Deficit) | | | |
| (225) | 0 | (225) | Central Government | (2,268) | 0 | (2,268) |
| (180) | 141 | (39) | Epsom & Ewell Borough Council | (1,804) | 80 | (1,724) |
| (45) | 1,004 | 959 | Surrey County Council | (427) | 584 | 157 |
| 0 | 169 | 169 | Surrey Police Authority | 0 | 98 | 98 |
| | | | Precepts, Demands and Shares | | | |
| 0 | 0 | 0 | Central Government | 12,460 | 0 | 12,460 |
| 7,477 | 6,290 | 13,767 | Epsom & Ewell Borough Council | 9,968 | 6,525 | 16,493 |
| 17,446 | 46,090 | 63,536 | Surrey County Council | 2,492 | 47,814 | 50,306 |
| 0 | 7,726 | 7,726 | Surrey Police Authority | 0 | 8,572 | 8,572 |
| | | | Charges to Collection Fund | | | |
| 33 | 202 | 235 | Increase / (Decrease) in Bad Debt Provision | 273 | 96 | 369 |
| (4,682) | 0 | (4,682) | Increase / (Decrease) in Provision for Appeals | 303 | 0 | 303 |
| 85 | 0 | 85 | Cost of Collection | 83 | 0 | 83 |
| 19,909 | 61,622 | 81,531 | Total Expenditure | 21,080 | 63,769 | 84,849 |
| (5,088) | 964 | (4,124) | (Surplus) / Deficit arising during the year | (3,883) | 261 | (3,621) |
| 4,988 | (1,258) | 3,730 | (Surplus) / Deficit b/fwd 1 April | (100) | (294) | (395) |
| (100) | (294) | (395) | (Surplus) / Deficit c/fwd 31 March | (3,983) | (32) | (4,015) |
| | | | Apportionment to Preceptors/EEBC | | | |
| 2,268 | 0 | 2,268 | Central Government | 308 | 0 | 308 |
| 424 | (31) | 393 | Epsom & Ewell Borough Council | (1,133) | (3) | (1,136) |
| (2,793) | (225) | (3,018) | Surrey County Council | (3,158) | (25) | (3,183) |
| 0 | (38) | (38) | Surrey Police Authority | 0 | (4) | (4) |
| (100) | (294) | (395) | | (3,983) | (32) | (4,015) |

Notes to the Collection Fund Income and Expenditure Account

The Council's tax base, that is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

| Band | Total Properties For Band | Proportion To Band D | Relevant Amount for |
|-------------------------------|---------------------------|----------------------|---------------------|
| A | 94.71 | 6/9 th | 63.14 |
| B | 726.33 | 7/9 th | 564.92 |
| C | 4,078.38 | 8/9 th | 3,625.23 |
| D | 7,738.77 | 9/9 th | 7,738.77 |
| E | 6,961.77 | 11/9 th | 8,508.82 |
| F | 4,353.51 | 13/9 th | 6,288.40 |
| G | 3,853.76 | 15/9 th | 6,422.93 |
| H | 134.68 | 18/9 th | 269.35 |
| Aggregate of Relevant Amounts | | | 33,481.56 |
| Estimated Collection Rate | | | 98.25% |
| Council Tax Base | | | 32,895.63 |

The Council achieved a council tax collection rate of 99% in 2019/20 (99% in 2018/19).

Non-Domestic Rates Statistics

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 64,637 | Total Non-Domestic Rateable Value at year end | 64,458 |
| 49.3 | National Non-Domestic Rate Multiplier (Standard) | 50.4 |

Precepting Bodies

Epsom & Ewell Borough Council, as a billing authority, collects Council Tax and passes on the payments to the preceptors.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 46,090 | Surrey County Council | 47,814 |
| 7,726 | Surrey Police | 8,572 |
| 6,290 | Epsom and Ewell Borough Council | 6,525 |
| 60,106 | Total Precepts on Collection Fund | 62,911 |

Distribution of Council Tax Surplus

| 2018/19 £000 | | 2019/20 £000 |
|-----------------|-------------------------------|-----------------|
| 1,004 | Surrey County Council | 584 |
| 169 | Surrey Police Authority | 98 |
| 141 | Epsom & Ewell Borough Council | 80 |
| 1,314 | Balance at Year End | 762 |

Council Tax Provision for Bad Debts

| 2018/19 £000 | | 2019/20 £000 |
|-----------------|---|-----------------|
| 486 | Opening Balance | 588 |
| 102 | Increase/(Decrease) in Bad Debt Provision | (28) |
| 588 | Balance at Year End | 560 |

Group Accounts

In September 2017, the Council established a 100%-owned subsidiary company, Epsom & Ewell Property Investment Company Limited (EEPIC), principally to invest in high quality, out-of-Borough, commercial property. The company aims to achieve rental yields from commercial property, delivering a long term income stream to the Council. This income stream will assist the Council in becoming more financially self-sufficient (independent from government grants) and sustaining high-quality services to local residents and businesses.

EEPIC is based in the Council's Town Hall offices in Epsom. Its board of directors are also officers of the Council. Other than EEPIC, the Council has no other subsidiary.

The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity within the local authority's control.

The assets, liabilities, reserves and income and expenditure figures for EEPIC have been consolidated into group accounts on the following pages.

The Council is required to prepare the core statements to the group accounts together with the relevant notes where they are materially different to the reporting in its own accounts. The following statements have been prepared:

Group Comprehensive Income and Expenditure Statement
Group Movement in Reserves statement.
Group Balance Sheet
Group Cash Flow Statement

Disclosure Notes

Group Creditors
Group Debtors
Group Investment Properties
Group Related Parties

Audited accounts of Epsom & Ewell Property Investment Company Ltd will be filed with Companies House and available on request from:

Lee Duffy (Chief Finance Officer)
Epsom & Ewell Borough Council
Town Hall
The Parade
KT18 5BY

Group Comprehensive Income & Expenditure Statement

| 2018/19 Group CIES | | | | 2019/20 Group CIES | | |
|--------------------|-----------------|-----------------|---|--------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | Committee | £'000 | £'000 | £'000 |
| 11,333 | (7,877) | 3,456 | Environment & Safe Communities | 9,914 | (7,287) | 2,628 |
| 12,355 | (5,342) | 7,013 | Community and Wellbeing | 12,335 | (5,246) | 7,088 |
| 25,082 | (21,731) | 3,351 | Strategy and Resources | 23,708 | (20,205) | 3,503 |
| 48,770 | (34,949) | 13,821 | Cost of Services | 45,957 | (32,738) | 13,219 |
| 178 | (210) | (32) | Other Operating Expenditure (Note 11) | 34 | (252) | (218) |
| 5,830 | (8,850) | (3,020) | Financing and investment Income and Expenditure (Note 12) | 3,736 | (9,585) | (5,849) |
| 0 | (11,996) | (11,996) | Taxation and non-specific grant income and expenditure (Note 13) | 0 | (11,991) | (11,991) |
| 54,778 | (56,005) | (1,226) | (Surplus) or Deficit on Provision of Services | 49,727 | (54,567) | (4,839) |
| | | (2,352) | (Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23) | | | (6,704) |
| | | 3,278 | Remeasurement of net defined benefit liability/(asset) (Note 32) | | | (4,629) |
| | | 926 | Other Comprehensive (Income) and Expenditure | | | (11,333) |
| | | (300) | Total Comprehensive (Income) and Expenditure | | | (16,173) |

Group Movement in Reserves Statement

| Group Movement in Reserves Statement | EEBC Usable Reserves | EEBC Unusable Reserves | EEPIC Retained Earnings | EEPIC Revaluation Reserve | Total Group Reserves |
|---|----------------------|------------------------|-------------------------|---------------------------|----------------------|
| 2019/20 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 01 April 2019 | (28,982) | (59,305) | (203) | 2,138 | (86,351) |
| Movement in Reserves During 2019/20 | | | | | |
| Total Comprehensive Income, Expenditure and Dividends | (2,416) | (11,333) | 139 | (2,562) | (16,173) |
| Adjustments between accounting basis and funding under regulations (Note 9) | 813 | (813) | 0 | 0 | 0 |
| Increase or Decrease in 2019/20 | (1,603) | (12,146) | 139 | (2,562) | (16,173) |
| Balance at 31 March 2020 carried forward | (30,586) | (71,450) | (64) | (424) | (102,524) |
| 2018/19 | | | | | |
| Balance at 01 April 2018 | (26,123) | (59,928) | 0 | 0 | (86,052) |
| Movement in Reserves During 2018/19 | | | | | |
| Total Comprehensive Income, Expenditure and Dividends | (3,161) | 926 | (203) | 2,138 | (300) |
| Adjustments between accounting basis and funding under regulations (Note 9) | 302 | (302) | 0 | 0 | 0 |
| Increase or Decrease in 2018/19 | (2,859) | 624 | (203) | 2,138 | (300) |
| Balance at 31 March 2019 carried forward | (28,982) | (59,305) | (203) | 2,138 | (86,351) |

Group Balance Sheet

| 2018/19 Group Balance Sheet £'000 | | 2019/20 Group Balance Sheet £'000 |
|---|------------------------------------|---|
| | Long-term Assets | |
| 75,371 | Property, Plant and Equipment | 81,730 |
| 107,183 | Investment Properties | 116,238 |
| 722 | Heritage Assets | 722 |
| 307 | Intangible Assets | 294 |
| 0 | Long Term Investments | 0 |
| 0 | Long Term Debtors | 0 |
| 65 | Surplus Assets | 592 |
| 183,648 | Total Long-term Assets | 199,575 |
| | Current Assets | |
| 80 | Inventories | 63 |
| 0 | Assets Held for Sale | 0 |
| 7,004 | Short-term Debtors | 6,308 |
| 3,000 | Short-term Investments | 5,000 |
| 12,415 | Cash and Cash Equivalents | 11,484 |
| 22,499 | Total Current Assets | 22,855 |
| | Current Liabilities | |
| (9,712) | Short-term Creditors | (11,839) |
| (355) | Lease Liability - Within One year | (380) |
| (10,067) | Total Current liabilities | (12,219) |
| | Long-term Liabilities | |
| (64,427) | Long Term Borrowing | (64,427) |
| (39,534) | Defined Benefit Pension Liability | (37,354) |
| (2,370) | Capital Grants Receipts in Advance | (2,652) |
| (352) | Long-term Provisions | (588) |
| (3,046) | Deferred Liabilities | (2,666) |
| (109,729) | Total Long-term Liabilities | (107,687) |
| 86,351 | NET ASSETS | 102,524 |
| | Total Reserves | |
| (29,185) | Usable Reserves | (30,650) |
| (57,166) | Unusable Reserves | (71,874) |
| (86,351) | TOTAL RESERVES | (102,524) |

Group Cash Flow Statement

| 2018/19 Group | | 2019/20 Group |
|------------------|---|------------------|
| £'000 | | £'000 |
| (1,226) | Net (Surplus) or Deficit on the Provision of Services | (4,839) |
| (2,158) | Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements | (677) |
| 1,310 | Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 1,516 |
| (2,075) | Net cash flows from Operating Activities | (4,001) |
| 3,086 | Net cash outflow / (inflow) from Investing Activities | 8,199 |
| 1,028 | Net cash outflow / (inflow) from Financing Activities | (3,267) |
| 2,040 | Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period | 931 |
| | | |
| 14,455 | Cash and Cash Equivalents at the Beginning of the Period | 12,415 |
| (2,040) | Net Increase/(decrease) in Cash and Cash Equivalents | (931) |
| 12,415 | Cash and Cash Equivalents at the End of the Reporting Period | 11,484 |

Accounting Policies

The group income and expenditure account, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the Council and its subsidiary on a line by line basis. The accounts of the subsidiary have been prepared in accordance with UK Accounting Standards, FRS 102 and applicable law, using similar accounting policies and practices to those of the Council. However some accounting policies and practices do differ in some respects from the Council's due to legislative requirements. Where there are differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

Group Creditors - Current

| 2018/19 Group Creditors £'000 | | 2019/20 Group Creditors £'000 |
|--|--------------------------------|--|
| (629) | Central Government Bodies | (674) |
| (3,392) | Other Local Authorities | (4,239) |
| (780) | Council Tax Payers | (747) |
| (45) | Non Domestic Ratepayers | (43) |
| (4,866) | Other Entities and individuals | (6,136) |
| (9,712) | Total | (11,839) |

Group Debtors - Current

| 2018/19 Group Debtors £'000 | | 2019/20 Group Debtors £'000 |
|--------------------------------------|--------------------------------|--------------------------------------|
| 4,826 | Central government bodies | 1,778 |
| 514 | Council Tax Payers | 595 |
| 143 | Non Domestic Rate Payers | 127 |
| 1,520 | Other Entities and individuals | 3,808 |
| 7,004 | Total Debtors | 6,308 |

Group Investment Properties

The following items of income and expenditure relating to investment properties have been accounted for in the Financing and Investment Income and Expenditure line in the Group CIES:

| 2018/19 Group £'000 | | 2019/20 Group £'000 |
|---------------------------|--|---------------------------|
| (6,332) | Rental Income from Investment Property | (6,446) |
| 646 | Other Net Expenditure Arising from Investment Property | 515 |
| (5,686) | Net (Income)/Expenditure | (5,931) |

There are no restrictions on the Group's ability to realise the value inherent in its investment property or on the remittance of income and the proceeds of disposal. The Group has no contractual obligations to purchase, construct or develop investment property.

Fair Value Hierarchy

All the Group's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

Investment Properties are measured in the year of purchase at cost including transaction costs, which is taken as the best estimate of fair value, unless there are indications to the contrary. In subsequent years, investment properties are revalued annually and held at fair value at the balance sheet date. Any increase or decrease in fair value is taken to profit or loss for the year.

The fair value measurement of investment property uses a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

In estimating the fair value of the Group's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Group's investment property has been valued as at 31 March 2020 by the Wilks, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

| 2018/19 Group £'000 | | 2019/20 Group £'000 |
|---------------------------|---|---------------------------|
| 106,979 | Balance at the Start of the Year | 107,183 |
| 0 | Purchases | 6,077 |
| 0 | Disposals | 0 |
| 215 | Net gains/(losses) from Fair Value Adjustments | 2,967 |
| (11) | Transfers to Assets Held For Sale/Other adjustments | 11 |
| 107,183 | Balance at the Year End | 116,238 |

Group Related Parties

During 2019/20, the Council entered into the following related party transactions with EEPIC:

| Transaction Description | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Amounts received by EEBBC from EEPIC | | |
| Interest receivable from EEPIC | (1,809) | (1,809) |
| Support services rechargeable to EEPIC | (131) | (111) |
| Dividend from EEPIC | (1,045) | (1,399) |
| Subtotal | (2,985) | (3,319) |

The Council holds long-term loans of £36.2m and equity investments of £24.1m in EEPIC, which are recognised and measured at cost in the Council's balance sheet. The loans are repayable at maturity in 2067. Interest is payable annually at a fixed 5% rate. If EEPIC breached financial covenants included in the loan agreements, the loan could become repayable to the Council before 2067.

EEPIC made a full-year profit before tax (excluding property revaluations) of £1.55m in 2019/20, paying a dividend of £1.399m to the Council. EEPIC's property valuations have increased by £0.4m since acquisition.

At 31 March 2020, four Council officers served as Directors of EEPIC – the Chief Executive, Chief Accountant, Head of Property and Regeneration, and Head of Housing & Environmental Services. During the year until 26 February 2020, the Chief Finance Officer also served as a Director, but was replaced by the Chief Accountant on that date.

Statement of Responsibilities

Council's Responsibilities

1. The Borough Council is required to:
 - Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Chief Finance Officer.
 - Manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
 - Approve and publish the Statement of Accounts by 30 November 2020.

Chief Finance Officer's (S151) Responsibilities

2. The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made reasonable and prudent judgements and estimates;
- Complied with the Code of Practice.

The Chief Finance Officer has also:

- Kept proper and up to date accounting records;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL GOVERNANCE STATEMENT – 2019/2020

1.0 Introduction

- 1.1 This is the Council's Annual Governance Statement for 2019/20. It provides an opinion on the Council's governance arrangements, a review of the effectiveness of the governance statement, an update on the actions agreed in last year's statement and issues identified in 2019/20.
- 1.2 The Council adopted a Code of Corporate Governance which reflects the principles and is consistent with the CIPFA/SOLACE Framework, "Delivering *Good Governance in Local Government*" 2016. This framework requires that local authorities are responsible for ensuring that:
- Their business is conducted in accordance with all relevant laws and regulations.
 - Public money is safeguarded and properly accounted for.
 - Resources are used economically, efficiently and effectively to achieve priorities which benefit the local authority.
- 1.3 All Councils are required to produce an Annual Governance Statement (AGS) and review their governance arrangements at least once a year. The Accounts and Audit (Amendment) Regulations 2020 have amended the timing of the review and publication of the 2019/20 financial statements.
- 1.4 The majority of 2019/20 was not impacted by Covid, with Epsom and Ewell Borough Council as part of the Surrey Local Resilience Form declaring an emergency on 19th March 2020.

2 Corporate Governance

- 2.1 Corporate governance is the process by which the Council directs, controls and is held to account. The Council's governance framework aims to ensure that in conducting its business it:
- Operates in a lawful, open, inclusive and transparent manner;
 - Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
 - Has effective arrangements for the management of risk and;
 - Secures continuous improvements in its governance
- 2.2 Strategy & Resources Committee approved the Council's Code of Corporate Governance on 4 April 2017. The Code is based on the seven new principles within the Chartered Institute of Public Finance (CIPFA)/ Society for Local Authority Chief Executives (SOLACE) Framework 2016. The Code summarises the Council's internal arrangements; each section looks at how the Council accounts for the

principles. The Council acknowledges that it is responsible for ensuring that there is a sound system of governance and internal control compliant with its adopted principles within the local code. A high level summary is included in this document.

3 Compliance with the Principles

3.1 PRINCIPLE A- Behaving with Integrity, demonstrating strong ethical values and respecting the law

This is achieved by:

3.2 The Council's Constitution lays out compliance with legislation and includes;

- Codes of conduct which define our standards and behaviour and deals with Conflicts of interest
- Whistleblowing procedures
- Financial Regulations and Contract Standing Orders
- Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy
- Rules relating to Members external interests
- Rules relating to Gifts and Hospitality
- Codes of Conduct for Members and Officers
- Scheme of Delegation to officers
- Information Security Policy
- Information Governance Policy
- Money Laundering Policy

3.3 The Monitoring Officer has specific responsibility for ensuring legality and investigating issues to ensure compliance with laws and regulations.

3.4 PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.

This is achieved by:

3.5 Documenting a commitment to openness and acting in the public interest.

3.6 Establishing clear channels of communication with different sectors of the community and other stakeholders, ensuring accountability and encouraging open consultation.

3.7 Ensuring an effective scrutiny function is in place.

3.8 PRINCIPLE C - Defining outcomes in terms of sustainable economic, social and environmental benefits.

This is achieved by:

3.9 Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

3.10 PRINCIPLE D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

This is achieved by:

- 3.11 Translating the vision into courses of action for the Council, its partnerships and collaborations.
- 3.12 Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robust data quality.
- 3.13 Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they meet the agreed use of resources and value for money.

3.14 PRINCIPLE E- Developing the Council's capacity, including the capability of its leadership and the individuals within it.

This achieved by:

- 3.15 Defining and documenting the roles and responsibilities of members and management with clear protocols for effective communication in respect of the Council and partnership arrangements.
- 3.16 Ensuring effective arrangements are in place for discharging the duties of the Head of Paid Service.
- 3.17 Providing induction and identifying the development needs of members and senior management.

3.18 PRINCIPLE F - Managing risks and performance through robust internal control and strong public financial management.

This is achieved by:

- 3.19 Reviewing the effectiveness of the framework for identifying and managing risks and for performance and then demonstrating clear accountability.
- 3.20 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on managing the risk of fraud and corruption (CIPFA 2015).
- 3.21 Independent review of the internal controls by Internal Audit when carrying out assessments of key activity areas.

3.22 PRINCIPLE G - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This achieved by:

- 3.23 Ensuring that assurance arrangements conform to the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit (2010) and where they do not, explain why and how they deliver the same impact.
- 3.24 Undertaking the core functions of an audit committee, as defined in audit Committee, Practical Guidance for Local Authorities and Police (CIPFA 2013).
- 3.25 Ensuring that the Council provides timely support and information and responses to external auditors and properly considers audit findings and recommendations.

4. How do we know that our arrangements are working?

4.1 The Code of Corporate Governance requires assurance upon:

- Delivery of the Council's Corporate Plan and the Key Priorities
- Services delivered economically, efficiently and effectively
- Management of risk
- Financial planning and performances
- Effectiveness of internal controls
- Community engagement and public accountability
- Project management and project delivery
- Governance of shared services and alternative services delivery modules
- Procurement processes
- Roles and responsibilities of members and officers
- Standards of conduct and behaviour
- Training and development of members and officers
- Compliance with laws and regulations, internal policies and procedures
- Records keeping

4.2 Sources of Assurance

- Constitution and scheme of delegation
- Council Meetings and Full Council
- Corporate Plan and Service delivery plans
- Performance Management Framework
- Risk Management Framework
- Project Management methodology
- Medium Term Financial Strategy and budget monitoring
- Complaints Policy
- HR Policies and procedures
- Whistleblowing policies
- Organizational Development Strategy
- Training for Members and Officers
- External Audit and Internal Audit

- Role of Head of Paid Service (Chief Executive), Section 151 Officer (Chief Finance Officer) and Monitoring Officer (Chief Legal Officer)
- Member Officer Protocol
- Role of Audit, Crime & Disorder and Scrutiny Committee.

4.3 Assurances Received and Review of Effectiveness

- All Heads of Service are required to complete a Divisional Assurance Statement.
- The Statutory Officers were consulted on the review process and their roles and responsibilities and consulted on the outcome.
- The Chief Executive and the Chair of Strategy and Resources sign the AGS.
- Any frauds reported and complaints to the Ombudsman are reviewed.
- The Head of Internal Audit's Opinion for 2019/20 is taken into account, and comments made by external audit and other external reviews.
- Performance and performance indicators are reviewed.
- We have made progress in implementing the action plan from 2018/19, as set-out in section 15.
- The Leadership Team assists with good governance in delivering key services and making corporate decisions and monitors performance.
- Key management roles are defined and are within the Leadership Team.
- The Council's finances are driven through the Medium Term Financial Strategy. The Council sets an annual budget which is regularly monitored and reviewed and the Council's financial systems and processes are regularly audited.

4.4 Opportunities to improve

This AGS builds upon previous AGS's. All the key governance mechanisms remain in place. This documents includes any changes to the key governance systems and an update of the significant governance arrangements in 2019/20.

5 The Council and how it functions

- 5.1 The Council is a committee authority where policies and decisions are determined and scrutinized.
- 5.2 The Council has the following committees in place: Audit, Crime & Disorder and Scrutiny, Licensing and Planning Policy, Community & Wellbeing, Environment and Safe Communities, Strategy & Resources, Planning and Standards.
- 5.3 The Council's Regulatory and Advisory Committees/Panels include: Licensing (Hearing and General) Panels, the Appointments Panel, Financial Policy Panel, Health Liaison Panel, Human Resources Panel and the Shareholder Sub-Committee.
- 5.4 In addition the joint committees and outside bodies include: Epsom and Walton Downs Conservators, Epsom & Walton Downs Consultative Committee and the Nonsuch Park Joint Management Committee.

- 5.5 The Constitution sets out the roles and responsibilities and there is a terms of reference for each committee/body.
- 5.6 Meetings are open and all agenda papers, reports and decisions can be found on the Council's website and partnership risks are identified in committee reports. Details of all consultations and surveys are also available. The Council's budget and financial statements are available through the website. The website also highlights all completed and approaching public consultations.
- 5.7 The management structure is available on the Council's website. The Chief Executive is the Head of Paid Service. In 2018 the Council added the role of Chief Operating Officer. These posts meet regularly and also are part of the Leadership Team.

6 Significant operational events in 2019/20

- 6.1 During 2019/20 the Council agreed a long term Vision for the Borough and a new four year plan setting the council's priorities for 2020 to 2024. They also agreed a range of supporting plans to support these priorities including the Health & Wellbeing Strategy, Community Safety Plan and a Climate Change Plan with targets to cut the council's environmental impact.
- 6.2 The other operational impact is that of Covid-19 and the significant call upon resources to respond to this emergency. Due to the limited number of staff, this and the new areas of responsibility are likely to have a significant impact on services and our ability to deliver over the next year.

7 Covid-19 – Impact on Governance

- 7.1 With significant operational disruption, new emergency responsibilities, staff absence and staff working at home, conducting this review has recognised the challenges. The main impact will be in 2020/21 but this has impacted both our governance and our business as usual arrangements in 2020/21.
- 7.2 Council officers attended meetings facilitated through the Surrey Local Resilience Forum which brought together local authorities and other agencies in the response effort.
- 7.3 The delivery of the internal audit plan was impacted but has not affected the ability to provide a Head of Internal Audit's year end opinion.

New areas of governance

- 7.4 The Council created a Community Hub on 24 March 2020 to provide support to vulnerable residents and the protocols and processes were all documented.

- 7.5 The Council also put in place processes to pay grants to eligible businesses in accordance with government guidelines. Processes were created using a risk based approach. Internal Audit have provided updates and advice on national fraudulent activity. These areas will be audited within 2020/21.
- 7.6 The approved calendar of meetings was initially suspended, with new protocols for holding virtual meetings agreed and meetings operated as required.
- 7.7 The internal audit plan for 2020/21 has been updated to give additional assurance over arrangements during the Covid-19 pandemic.

8 Managing Risks

- 8.1 All Members and officers are responsible for ensuring that the risk implications are considered and included when making decisions and planning services. To deliver services and key priorities the Council must manage its risks and opportunities.
- 8.2 Significant risks are recorded in the Leadership Risk Register which is managed and monitored. The Leadership Team reviews this every 6 months. The risk register is used to formulate the internal audit plan. The service risks are identified from the Divisional Assurance Statements completed by the Heads of Services. The Risk Management Framework is reviewed annually and was reported to Audit Crime & Disorder Committee in November. The Leadership Risk Register is currently being refreshed to reflect the on going impact of Covid-19 and the risks are recorded for covid secure and the recovery.
- 8.3 The Council's IT systems are regularly audited and the Council has an IT Security & Acceptable Use Policy and IT Information Assurance Policy.

9 Managing Fraud

- 9.1 The Council's Whistleblowing Policy is part of the Constitution which is available on the Council's website. The Council also has an Anti-Fraud and Anti-Corruption Strategy which supports the culture of honesty and opposing fraud and corruption. This strategy was last reviewed May 2019.

10 Managing Resources

- 10.1 The Council continues to manage the effect of austerity measures and now Covid-19 through its Medium Term Financial Strategy and has introduced some new initiatives.
- 10.2 The Council is required to set a balanced budget on an annual basis. The budget sets out how much money will be spent on services, invested in projects and the level of Council tax for individual residents. The level of Council Tax also includes

tax required by Surrey County Council and Surrey Police & Crime Commissioners Office although it has no control over the amount set by these bodies.

11 Responsibility of the Chief Financial Officer

- 11.1 The Chief Finance Officer is responsible for delivering and overseeing the financial management arrangements for the Council. He is part of the Council's Leadership Team and reports direct to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material business decisions to be given due weight.
- 11.2 The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The effectiveness of the control environment can be evidenced through the Council's recent history of financial outturns and the timeliness and quality of the financial statements and other financial returns.
- 11.3 The Chief Finance Officer is the Council's S.151 Officer and in accordance with the statutory requirement has the relevant accountancy qualification and significant local government experience. In the opinion of the Chief Finance Officer, the Council's finance function is adequately resourced and contains a mix of staff with the appropriate levels of professional qualifications and experience.
- 11.4 The Chief Finance Officer is involved in the preparation of the Annual Governance Statement.

12 Managing Performance

- 12.1 The Council's performance management arrangements use a RAG system (red/amber/green). Targets are set annually based on the Council's Corporate Plan. The relevant Heads of Service and Committee Chairmen are consulted on proposed targets. The Audit, Crime & Disorder and Scrutiny Committee receives and reviews all key priority targets, although accountability rests with the relevant Head of Service. A report on performance against the 2019/20 year end key priority targets has not yet been finalised due to the impact of Covid-19, but will be reported to committee in November 2020.

13 Stakeholder Engagement

- 13.1 The Council has a two stage procedure for addressing complaints. This is clearly laid out in our procedure backed by the customer charter. In 2019/20, 502 complaints were received, of these 73% were resolved within 15 days. 39 complaints escalated to Stage 2 and of these 64% were resolved within 15 days.

There was an improvement in both the number of Stage 1 and Stage 2 complaints resolved in 15 days from 2018/19. The number of complaints to the Ombudsman forms part of this procedure and an annual report is received. For 2020 the Ombudsman reported that a total of 12 complaints were referred to the Ombudsman with none upheld.

- 13.2 Data is published on the website to meet the requirements of the Local Government Transparency Code. An audit undertaken in 2019/20 on information governance has rated arrangements on transparency as adequate but identified some gaps.
- 13.3 During 2019/20 the Council has engaged with residents, visitors and local businesses on Future 40 to develop a long term vision for the Borough through a series of events, consultations and forums.

14 Internal Audit and External Audit Assurance

- 14.1 Internal audit is a key element of the governance arrangements and provides an independent, risk based approach.
- 14.2 Internal Audit is now delivered by the Southern Internal Audit Partnership (SIAP). SIAP was established in 2012 and is hosted by Hampshire County Council and is one of the largest providers of public sector internal audit in the region.
- 14.3 SIAP have been externally assessed as compliant with the Public Sector Internal Audit Standards. In September 2015 the Institute of Internal Auditors were commissioned to complete an external assessment of the SIAP. In accordance with these practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor provides a written status report to the Leadership Team and the Audit, Crime & Disorder and Scrutiny Committee, summarising the status of 'live' internal audit reports; an update on progress against the annual audit plan; a summary of internal audit performance, planning and resourcing issues; and a summary of significant issues that impact on the Chief Internal Auditor's annual opinion. Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk, management, control and governance designed to support the achievement of management objectives of the service area under review.
- 14.4 The majority of the revised internal audit programme had been completed in 2019/20 but due to the challenge of Covid-19 a number of audits were delayed in being finalised. The internal audit plan for 2020/21 will ensure adequate coverage for 2020/21 incorporating adequate level of IT coverage. The Head of Internal Audit's opinion is stated below:

Annual Internal Audit Opinion 2019-20

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Epsom & Ewell Borough Council's internal control environment.

In my opinion, Epsom & Ewell Borough Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

- 14.5 The Audit, Crime & Disorder and Scrutiny Committee carries out the role of an Audit Committee as identified in CIPFA's "Audit Committees – Practical Guidance for local authorities". The Committee produces an Annual Report to Council which covers the work of internal audit. This Committee meets throughout the year and monitors specific areas of governance including performance management, risk management and internal audit; it receives the Head of Internal Audit's Year end opinion. As a Scrutiny Committee, it also conducts a number of specific reviews.
- 14.6 In 2019/20, the Committee met 4 times and reviewed progress against the audit plan, progress in implementing recommendations, and risk management arrangements. The Committee annually reviews how effective it has been in overseeing the arrangements in their annual report to Council. Due to Covid-19, the annual report for 2019/20 has not yet been presented to Council, but will be brought forward to full Council during 2020/21.
- 14.7 External Audit is provided by Grant Thornton, who were appointed through Public Sector Audit Appointments Ltd (PSAA). The statutory accounts have been audited and Grant Thornton have issued an unqualified opinion and value for money assurance.

15 Issues from 2018/19

- 15.1 The implementation of the actions identified in 2018/19 have been monitored and reported in detail to the Audit, Crime & Disorder and Scrutiny Committee as part of the arrangements for approving the AGS.

| Issues identified for 2018/19 | Action taken |
|---|---|
| <p>As a result of the restructure, staff changes and legacy IT issues there is a need to review and align business continuity plans and the arrangements for disaster recovery.</p> | <p>All Business Continuity Plans were updated as a result of the Covid-19 Pandemic Emergency Plan being approved by the Leadership Team in February 2020.</p> |
| <p>Although elements of the Constitution have been revised and a number policies and procedures have been updated, several remain out of date including fraud polices and HR policies</p> | <p>The People Framework and 29 associated documents was approved by Strategy & Resources in January. There were also significant changes to pay structure, performance management and the behavior framework. Work on the job evaluation scheme is currently on-going. This work will support the Council to achieve its objectives and create a culture of accountability and flexibility.</p> <p>The Constitution and fraud procedures have been updated but work will be ongoing to improve policies and the policy framework.</p> |
| <p>Implement the Members' Induction programme for 2019/20 as a result of the May 2019 elections</p> | <p>This was implemented and a number of Members Briefings were held on a range of topics.</p> <p>Further development work will be undertaken to assess Member training requirements</p> |
| <p>The Council remains under financial pressure, implementing its Income Generation Plan and carrying external debt following acquisition of investment property</p> | <p>A new MTFS has been agreed for 2020/21 to 2023/24.</p> <p>However the subsequent impact of Covid and associated financial losses is being assessed. Both short and long term implications are being evaluated with reports to Strategy & Resources Committee and Full Council in July 2020.</p> |
| <p>Some areas are unclear on the decision making process to ensure the correct authorities are obtained either through committee reports or delegated authority</p> | <p>The form for delegated authority has been reviewed and updated and further work on decision making was planned for 2020.</p> |

16 Conclusion and significant governance issues 2019/2020

- 16.1 The Council is satisfied that the appropriate governance arrangements are in place, however it remains committed to maintaining and where required improving those areas. The key issues to be addressed in 2019/20 are listed below and these will be reviewed and monitored with a detailed action plan.

| Issues identified for 2019/20 | Action taken |
|--|---|
| <p>The financial impact of Covid and further losses in future years depending on the outcome of the fair funding review and funding available.</p> | <p>The Council is monitoring budgets closely and utilising government financial support and grants.</p> <p>A new budget will be produced for 2021/22.</p> |
| <p>Organisational capacity was significantly challenged whilst responding to the emergency and this will continue for a number of months.</p> | <p>The Service delivery plan for 2020/21 has been reviewed and significantly reduced to reflect the reduced capacity and backlogs in some areas.</p> <p>Capacity will be monitored in reviewing performance and in planning for potential local lockdowns and second waves.</p> |
| <p>The updated Local Plan programme as agreed in June 2019 was delayed by Covid which delayed the Regulation 18 consultation.</p> | <p>A new timetable has been agreed for the Local Plan.</p> <p>There is no impact on the deadline for the estimated date of adoption.</p> |
| <p>Emergency response to Covid-19.</p> | <p>A report on lessons learnt from the Covid-19 pandemic will be taken to the Audit, Crime & Disorder and Scrutiny Committee in February 2021.</p> <p>Operational protocols and guidance notes have been produced for the Community Hub.</p> <p>Procedures were established for other new</p> |

| | |
|---|--|
| | work streams such as discretionary grants, business grants and rates relief, which will be audited in 20/21. |
| Review and strengthen compliance with policies, procedures and legislative requirements for procurement. | This is an on-going area for improvement. The Contract Standing Orders are being reviewed and the Contract Register is being refreshed to ensure it contains all necessary and up to date information. A procurement pipeline and action plan is being developed |
| Significant work has been undertaken on the health and safety framework in 19/20, but there is additional risks to be managed due to the impact of the Covid Secure requirements. | Ongoing monitoring and auditing of the risks will continue to be undertaken through the Corporate Health and Safety Group, and is within the Council's existing risk registers. |
| Due to Covid-19, the annual performance report against the 2019/20 key priority targets has not yet been finalised | The 2019/20 year-end performance report will be presented to the Audit, Crime & Disorder and Scrutiny Committee in November 2020. |
| The launch of the Council's new Vision and Four Year Plan, which were agreed in February 2020, has been limited by Covid-19. | The Vision and Four Year Plan will be communicated in 2020/21 and work commenced with partners to achieve the strategic objectives. |
| Due to Covid-19, the annual report from Audit, Crime & Disorder and Scrutiny Committee on the work of internal audit in 2019/20, has not yet been presented to Full Council. | The report will be produced and presented to Full Council during 2020/21. |
| The Council's Equality and Diversity Policies are in need of updating. | Updated policies will be brought before Strategy and Resources Committee for approval in 2020/21. |

Statement of the Chairman of Strategy and Resources & Chief Executive

We have been advised of the result of the review of the effectiveness of the arrangements by senior officers and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed:

.....

Chairman of Strategy and Resources

Date

Signed:

.....

Chief Executive

Date

Independent auditor's report to the members of Epsom & Ewell Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Epsom and Ewell Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the core financial statements, including a summary of significant accounting policies and the notes to the group accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20. In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the

unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's property and investment properties and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in note 4 to the financial statements, due to the ongoing Covid-19 pandemic the valuer reported less certainty and a higher degree of caution to the valuations. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report for property and investment properties and the pension fund's pooled property and private equity valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 82, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting

in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Strategy and Resources Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes

for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Epsom and Ewell Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Sarah L Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

xx November 2020

Glossary of Financial Terms

The following terms and abbreviations, while not being exhaustive, may prove of assistance in understanding the Statement of Accounts.

FINANCIAL TERMS

| | |
|----------------------------------|---|
| Accounting Period | The period of time covered by the Council's accounts. The Council's financial year is the period from 1st April to the following 31 March. |
| Accrual | The recognition of income and expenditure as it is earned or incurred, i.e. not as cash received or paid. |
| Actuary | Independent advisor to the Council on the financial position of the Pension Fund. |
| Actuarial Valuation | Independent triennial review of the Pension Fund assets, liabilities and reserves, the results of which, including recommended employer's contribution rates, the Actuary reports to the Council. |
| Amortisation | The writing off of intangible assets or loan balances to revenue service accounts over an appropriate period of time. |
| Balances | The surplus or deficit on any account at the end of an accounting period. The term is often used specifically to refer to the availability of unallocated revenue reserves. |
| Budget | A statement defining the Council's policies over a specified period of time in terms of finance. |
| Capital Charges | Charges made to individual service revenue accounts to reflect the cost of the assets employed. Charges may include both notional interest and depreciation elements (also referred to as asset rentals). |
| Capital Expenditure | Expenditure incurred on the purchase or improvement of significant assets including land, buildings and equipment, which will be of use or benefit in providing services for more than one financial year. |
| Capital Financing Charges | The annual cost of capital, including principal repayments, interest charges and leasing costs. |
| Capital Receipts | A capital receipt is the income received from the disposal of a capital asset, the repayment of any loan, grant or other financial assistance given for a capital purpose. The receipts can only be used to meet capital expenditure, debts or other long-term liabilities. To qualify as a capital receipt the income must exceed £10,000. |

| | |
|--|---|
| Chartered Institute of Public Finance and Accountancy (CIPFA) | CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts. |
| Collection Fund | A fund administered by the Council as a 'billing authority'. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Surrey Police as required by statute. |
| Collection Fund Adjustment Account | An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council's element of the Collection Fund balance at year-end. |
| Contingent Liabilities | Where possible "one-off" future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is inappropriate. Such items are disclosed in the form of a note to the accounts. |
| Council Tax | The main source of local taxation to local authorities. This is levied on households within its area by the billing authority and the proceeds paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund. |
| Creditors | Amounts owed by the Council at the end of the accounting period. |
| Current Assets/Liabilities | These are assets or liabilities that are expected to fall due or be realised within one year of the reporting date. |
| Debtors | Amounts owed to the Council at the end of the accounting period. |
| Depreciation | The measure of the cost of the benefit of the non-current asset that has been consumed during the period. |
| Earmarked Reserves | Balances set aside to meet specific future, usually non-recurring, commitments. |
| Fees and Charges | Income receivable as payment for goods or services provided. |
| Intangible Assets | Capitalised expenditure not resulting in a tangible asset. Such amounts are amortised over an appropriate period. |
| Minimum | The minimum amount, prescribed by law, to be set aside each |

| | |
|--|--|
| Revenue Provision | year from revenue to repay the principal amounts of external loans outstanding. The Council can set aside amounts in addition to the minimum requirement, known as a voluntary provision for debt redemption. |
| (National) Non-Domestic Rate(s) (NNDR) | A levy on businesses based on the rateable value of the premises they occupy. It is also known as “business rates”, the “uniform business rate” and the “national non-domestic rate”. Since the localisation of Business Rates was introduced, NNDR is collected by billing authorities and distributed to central government, county and fire authorities on the basis of a pre-set formula which includes retaining a proportion of rate income for the billing authority. |
| Non-Current Assets/Liabilities | These are assets or liabilities that are expected to fall due or be realised more than one year after the reporting date. |
| Post Balance Sheet Events | Significant events which occur after the end of the accounting period but prior to the date when the accounts are issued. |
| Precept | The precepting authorities’ council tax. This is collected by billing authorities on behalf of the precepting authorities. |
| Precepting Authorities | Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rate. The Council bills and collects on behalf of the Surrey County Council and Police Authority. In addition, billing authorities pay a proportion of rate income to precepting authorities (see NNDR above). |
| Provisions | Amounts set aside to meet probable "one-off" future liabilities or losses but where exact dates and amounts are uncertain. |
| Public Works Loans Board | A government body that provides loans to local authorities. |
| Revenue Expenditure | This is the routine day to day cost of providing the Council services. Under the <u>Local Government and Housing Act 1989</u> , all expenditure is regarded as revenue unless it is specifically classified as capital. |
| Revenue Expenditure funded from Capital Resources Under Statute | Expenditure that can be classified as capital expenditure but which does not result in the acquisition of an asset. |
| Revenue Support Grant | A grant paid by central government as part of "formula grant" to support local authority services in general, as opposed to specific grants which may only be used for a prescribed purpose. |

Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AG

Town Hall
The Parade
Epsom
Surrey
KT18 5BY
Tel (01372) 732211

November 2020

Dear Sirs

Epsom and Ewell Borough Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report (including Addendum). The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report (including Addendum). We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements
- xv. Any other matters that the auditor may consider appropriate.

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.

- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Strategy and Resources Committee at its meeting on 17 November 2020.

Yours faithfully

Signed:.....

Name: Lee Duffy

Position: Chief Finance Officer

Date: November 2020

Signed:.....

Name: Eber Kington

Position: Chairman of Strategy & Resources Committee

Date: November 2020

LOCAL COUNCIL TAX SUPPORT SCHEME 2021

| | |
|---|--|
| Head of Service: | Judith Doney, Head of Digital and Service Transformation |
| Wards affected: | (All Wards); |
| Urgent Decision?(yes/no) | No |
| If yes, reason urgent decision required: | |
| Appendices (attached): | Appendix 1 – Consultation summary response Appendix 2 – SCC response to consultation Appendix 3 – Equalities Impact Assessment Appendix 4 - Revised Section 13A Council Tax Discretionary Relief Policy |

Summary

This report provides an update on the current Local Council Tax Support Scheme and seeks approval for the introduction of an income banded Council Tax Income Discount scheme, for those of working age, from 1 April 2021.

Recommendation (s)

The Committee is asked to:

- (1) Agree the actions proposed to replace the current means tested Local Council Tax Support Scheme with an income banded Council Tax Income Discount scheme from 1 April 2021;**
- (2) Agree the revised Section 13A discretionary relief policy, in respect of Council Tax in individual cases**

1 Reason for Recommendation

- 1.1 To continue to ensure that we provide the appropriate targeted support to the most vulnerable members of our community.
- 1.2 To provide a scheme for residents which is simpler to understand and administer, has an easier and quicker application process, and provides a safer and more secure transfer process for personal information. Through these service improvements it will also allow us to utilise our resources more efficiently and effectively.

- 1.3 If the Council does not have a local support scheme in place, in relation to Council Tax for those of working age, a default scheme will be imposed.

2 Background

- 2.1 Each year the Council is required, under the Local Government Finance Act, to consider whether to maintain or revise its Council Tax Support scheme, for those of working age, or to replace it with another scheme. Any revision or replacement must be adopted no later than 11 March in the financial year preceding that for which the revision or replacement is to take effect.
- 2.2 Those of pension age will continue to be protected from any local scheme changes. They will still receive financial support at the same rates as under the previous Council Tax Benefit scheme.
- 2.3 In September 2019 Epsom & Ewell Borough Council agreed to continue with a means tested Council Tax Support Scheme, for those of working age, for the 2020/21 financial year, with applicable amounts uplifted by the same percentage as the Housing Benefit rates applicable from April 2020. At the same time, a proposal to change the scheme to a Council Tax discount from April 2021, was agreed. The main drivers for this change were to simplify the scheme and make the application process easier for residents, whilst also making administration savings in both time and cost.
- 2.4 Before making a scheme, a local authority must consult any major precepting authority which has the power to issue a precept to it, publish a draft scheme in such manner as it thinks fit, and consult with such other persons as it considers likely to have an interest in the operation of the scheme. These obligations have all been met, with consultation with major preceptors, all current working age support recipients and a selection of council tax payers undertaken between August and September 2020. A summary of responses to the consultation is at Appendix 1 and Surrey County Council's response is at Appendix 2. No response was received from Surrey Police and Crime Commissioner.
- 2.5 As at 9 July 2020, there were 1,684 working age households in receipt of Council Tax Support. Of these, 682 were 'passported' meaning they were in receipt of either Income Support, Jobseekers Allowance (Income Based) or Employment and Support Allowance (Income Related). 515 applicants were in receipt of Universal Credit, with the remaining 487 recipients being a mix of those working or in receipt of a variety of other benefits such as disability benefits and/or tax credits. The table below shows the breakdown of working age support recipients by ward.

Table 1

| Ward | Number of working age Council Tax Support recipients |
|--------------|---|
| Auriol | 25 |
| College | 54 |
| Court | 348 |
| Cuddington | 102 |
| Ewell | 138 |
| Ewell Court | 54 |
| Nonsuch | 34 |
| Ruxley | 235 |
| Stamford | 164 |
| Stoneleigh | 30 |
| Town | 299 |
| West Ewell | 114 |
| Woodcote | 87 |
| Total | 1684 |

- 2.6 Epsom & Ewell Borough Council's current Local Council Tax Support Scheme, which applies to working age claimants, is based on the previous Council Tax Benefit scheme and continues means testing for those on low incomes. It also continues additional protection for those with extra expenses or needs through a series of premiums and income disregards. However, our current scheme requires all working age recipients to pay at least 20% of their Council Tax charge (known as a Minimum Payment). Higher amounts may be payable due to the means testing of entitlements.

- 2.7 Although the current means tested scheme could be viewed as 'fair' in that, to a certain degree, it does account for many different potential household circumstances a banded income scheme would be easier to understand and administer. It may, by its very nature, be less fair on the basis that not so many potential household circumstances would be catered for, however, this has been mitigated against by copying over from the current scheme the vast majority of rules such as income disregards etc. Whilst there will be 'cliff edges' between the income bands in the proposed new scheme, modelling has shown that the most financially vulnerable will still receive support of up to 80% of the Council Tax due with only a relatively small number of households no longer receiving any support as a result, for example, of having significant levels of savings.
- 2.8 Throughout the review of the current Council Tax Support scheme the potential for unintended consequences impacting on those people, with a protected characteristic has been borne in mind and where necessary, action taken to mitigate this.

3 Proposal

- 3.1 Analysis of council tax support schemes in place across England for 2020/21 confirmed that out of 317 local authorities, 63 operated an income banded scheme as opposed to a means tested one. As part of the process of considering future support schemes officers took part in a webinar with representatives from a significant number of other local authorities. During that on-line meeting over 170 local authorities indicated that they were looking to move away from means tested support schemes to income banded schemes either in the next year or from 2022.
- 3.2 A banded income scheme is one that looks at the total income of an applicant, less any disregarded income such as a disability related income and/or War Pensions, and then awards a fixed percentage discount that varies depending on what income band an applicant falls into. For example, a single person with an income of £100.00 per week might receive a discount of 70% whereas a single person with an income of £150.00 per week might receive a discount of 50%.
- 3.3 The results of the consultation undertaken indicated that over three quarters of respondents were in favour of introducing an income banded support scheme.
- 3.4 One advantage of a banded income scheme is that it is easier to understand than the current means tested scheme and simpler to administer. Furthermore, by having a relatively small number of bands it can be flexible enough to reflect different family circumstances. A banded income scheme also easily allows for future flexibility as the reduction percentages and/or income bands can be adjusted (positively or negatively) to take account of local, or wider, economic changes.

- 3.5 Following detailed analysis of the current Epsom & Ewell Borough Council caseload of financial support recipients and support schemes operated by other local authorities, a suitable scheme has been identified. Based on four weekly income bands and taking into account five different household 'types' recipients would receive a rebate on their Council Tax as shown below.

Table 2

| Council Tax reduction percentage – after the 20% paid | Household Type | | | | |
|---|---|-----------------------------------|------------------------------------|---|--|
| | 'Passported'* | Single, no children £ - weekly | Couples, no children £ - weekly | Lone parent/Couple with one child £ - weekly | Lone parent/couple with two or more children £ - Weekly |
| Band A – 100% | People in this group will receive 100% discount | 0.00 to 110.00 | 0.00 – 160.00 | 0.00 – 210.00 | 0.00 – 260.00 |
| Band B – 80% | | 110.01 to 150.00 | 160.01 – 200.00 | 210.01 – 250.00 | 260.01 – 300.00 |
| Band C – 60% | | 150.01 – 230.00 | 200.01 – 270.00 | 250.01 – 330.00 | 300.01 – 370.00 |
| Band D – 50% | | 230.01 – 300.00 | 270.01 – 350.00 | 330.01 – 400.00 | 370.01 – 450.00 |

*Passported means people in receipt of Income Support, Jobseekers Allowance (Income Based) or Employment and Support Allowance (Income Related) since these benefits have already been assessed by the Department for Work and Pensions as having a minimum or no income.

- 3.6 The income bands in the above table are, at this time, for illustrative purposes only, based on current modelling. Due to the changing nature of the financial landscape because of COVID-19 modelling will continue to be undertaken to determine the exact income bands that would be most appropriate for the residents of the borough prior to the scheme going live in April 2021.
- 3.7 In designing an income banded scheme, the requirement within the current means tested support scheme for all working age applicants to pay at least 20% of their Council Tax has been maintained. A consequence of this is that the reduction percentages of 100%, 80%, 60% and 50% refer to the Council Tax due *after* a 20% restriction has been applied. The reduction percentages would also be applied after any non-dependent deduction has been taken into account.

- 3.8 As part of the consultation, respondents were asked whether they thought that changes should be made to the scheme increasing the level of financial support available to residents. In response almost half (46%) disagreed, with only 24% agreeing. In addition, when residents were asked if we should continue with a scheme where everyone pays at least 20% of the Council Tax due, over half (55%) agreed, with less than a third (31%) disagreeing with the proposal. However, when asked if some applicants should be able to get more than 80% support nearly two thirds (63%) of respondents agreed, with less than a third (28%) disagreeing. In light of these somewhat contradictory responses it is proposed that the general principle that everyone should pay at least 20% of their Council Tax liability should be maintained for the new scheme. At the same time, to take account of the consultation responses received, the Council Tax Discretionary Relief Policy has been revised to include criteria for those in financial hardship.
- 3.9 The design of the proposed income banded support scheme is still, to an extent, based on the previous Council Tax Benefit scheme but removes the complex means testing element of the assessment process, replacing it with an easier to understand income band system. To continue to promote work incentives and in order to prevent inadvertently disadvantaging those who are, for example, disabled, aspects of the Council Tax Benefit scheme such as income disregards have been replicated within the proposed income banded scheme.
- 3.10 At the same time as introducing an income banded support scheme, it is proposed to make some additional scheme changes. These changes are intended to simplify the scheme as a whole, bring it in to line with other government 'benefit' schemes, and ease the overall administrative burden of the assessment of entitlement to support. The main change proposed is that all applications for support are to be made on-line wherever possible. The consultation undertaken indicated that two thirds of respondents felt that claims should be made on-line. Naturally, there will be a mechanism available to assist those residents who, for whatever reason, are unable to access support on-line.
- 3.11 Other proposed changes include:
- 3.11.1 The introduction of an assumed minimum income for the self-employed and Company Directors. It is intended that the amount of the minimum income would reflect an individual working full-time at the National Minimum Wage level, less tax and National Insurance contributions. This was supported by almost three fifths of consultation respondents.
- 3.11.2 The introduction of a minimum weekly award of £5.00, with entitlement of less than this amount not paid – supported by almost half of consultation respondents.

- 3.11.3 A reduction in the capital limit from £10,000 to £6,000 – whilst only supported by one third of consultation respondents, this change, affecting 24 households, would reduce expenditure by approximately £24,000 in year one. It would bring this into line with the national Housing Benefit scheme where £6,000 is the amount of capital that can be held before it impacts on benefit entitlement. Officers are of the view that this is a reasonable scheme change to make, bearing in mind that an individual with capital in excess of £6,000 would be able to pay the full Band D Council Tax for in excess of three years.
- 3.11.4 The introduction of a flat rate non-dependent charge of £7.00 per week irrespective of the actual non-dependent's income. Whilst only two fifths of consultation respondents agree with this proposal, £7.00 per week or £30.33 per month represents just 15% of the Band D charge of £198.53 per month. This change would affect 83 non-dependents, with them each having to contribute £2.95 more per week towards the household Council Tax liability. At the same time 50 non-dependents would need to contribute less. These reductions would range from £1.25 - £5.40 per week. By not having to verify the income of non-dependents there will be scheme administration cost savings as well as a small expenditure reduction of approximately £5,300 in year one.
- 3.12 In addition to the scheme changes outlined it is proposed that there also be administrative changes introduced as part of the Council Tax Income Discount scheme. These include restricting the backdating of awards to one month (matching the rules in the national Housing Benefit scheme) and allowing for income bands, non-dependent deductions etc. to be increased each year in line with the Consumer Price Index or by the method used for increases in fees and charges in any financial year.
- 3.13 As part of the consultation process, officers proposed a number of other potential scheme changes in order to gauge the reaction of residents. These included removing financial support entirely from residents in Band G and H properties as well as including spousal maintenance in full as income. Whilst some of the suggested proposals were supported by the majority of respondents, such as removing or restricting support for those in Band G & H properties, other suggested changes, for example the inclusion of spousal maintenance as income, did not have universal support. Bearing in mind the current economic uncertainty as a result of the impact of Covid-19, officers are of the opinion that it would not be appropriate to introduce changes, affecting those in Band G & H properties, as part of any revised support scheme at this time. In reaching this conclusion officers have had regard to the volume of potentially affected applicants (13 households in Band G & H properties as at 9 July 2020); the level of expenditure (£27K or 1.5% as at July 2020) and the specific circumstances of these support recipients. However, following the consultation responses received, officers will continue to watch how

support schemes across England develop over time and, depending on any future financial pressures and/or changes in the overall circumstances of support recipients, will suggest additional scheme changes in the future if they are believed to be appropriate.

4 Risk Assessment

Legal or other duties

4.1 Impact Assessment

4.1.1 The Council has a duty under the Equality Act 2010, in the exercise of any of our functions, to have due regard to the need to: eliminate discrimination, harassment, victimisation and other prohibited conduct; advance equality of opportunity and foster good relations. This requires an assessment of the impact of the changes from the current Local Council Tax Support scheme, to an income based Council Tax Income Discount, on those with the relevant protected characteristics.

4.1.2 As the service change has the potential to impact on people with a protected characteristic, specifically those with a disability, a full Equalities Impact Assessment (EIA) has been undertaken. **Appendix 3** details the EIA and how any potential negative impact is mitigated against.

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 considerations associated with this report.

4.4 Dependencies

4.4.1 The introduction of a revised support scheme is dependent on a third party software provider. The Head of Digital and Service Transformation has identified a suitable supplier who has previously successfully worked with other local authorities to introduce income banded support schemes in respect of Council Tax.

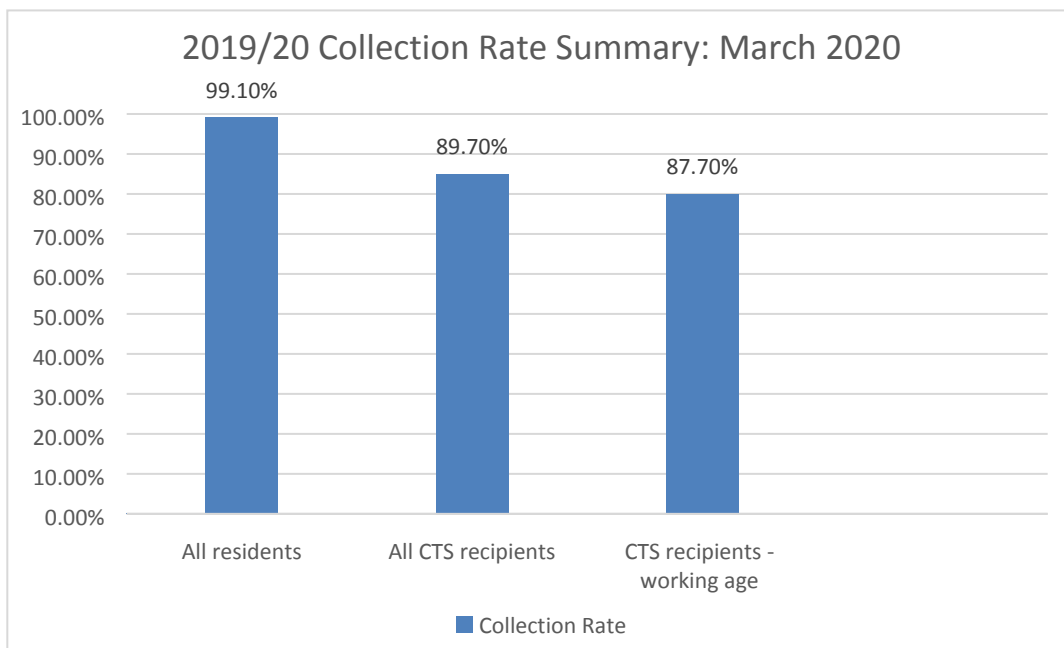
4.5 Other

4.5.1 None

5 Financial Implications

5.1 As at the end of March 2020 our Council Tax collection rate for the 2019/20 financial year was 99.1%. The table below shows the levels of collection for different categories, within the headline figure, as at the end of March 2020.

Table 3



5.2 As at the end of August 2020 our overall Council Tax collection rate, for all residents, for the current financial year was 51.16% against a profiled projection of 52%. In respect of *all* those in receipt of Council Tax Support, the rate was 44.44%. This reduced slightly to 41.61% in respect of those working age support recipients.

5.3 As stated, as at 9 July 2020 there were 1,684 working age households in receipt of financial support towards their Council Tax liability. This was an increase, of 105, from 1,579 households as at 25 March 2020. Between March and July 2020 estimated scheme expenditure increased from £1.64M by approximately £140,000 to £1.78M. Epsom & Ewell Borough Council’s portion of this (11%) is £195,800. This increase, in both caseload and projected expenditure, is mainly due to the impact of the Covid-19 pandemic. Modelling has shown that the introduction of a banded income scheme, by itself, has no overall impact on the total number of support recipients. However, apart from those in receipt of passported benefits who are unaffected, the modelling indicated that a banded income scheme would reduce overall expenditure by about £60,000 or just under 3.4% in year one.

- 5.4 Whilst the introduction of a banded income scheme alone does not affect the number of households entitled to support, other proposed changes (as detailed in Section 2 of this report) such as the reduction of the capital limit will slightly reduce the overall caseload volume and expenditure.
- 5.5 Alongside the current Local Council Tax Support Scheme is a £25,000 Discretionary Hardship Fund, paid for solely by Epsom & Ewell Borough Council. This assists those experiencing exceptional financial hardship and further reduces their Council Tax charge. As part of the proposal for the replacement of the current means tested support scheme with a Council Tax Income Discount, it is further proposed that the separate Discretionary Hardship Fund be withdrawn.
- 5.6 When local authorities were tasked with designing and implementing their own local schemes for supporting those of working age, from April 2013, there was a requirement that any local scheme would include a procedure for residents to apply for a discretionary reduction under the provisions of Section 13A. Any income banded discount scheme will naturally include this provision. Appendix 4 details a revised Council Tax Discretionary Relief policy.
- 5.7 Under Section 13A of the Local Government Finance Act 1992 the Council has the power to reduce liability for Council Tax, in relation to individual cases. The financial burden of awarding a Discretionary Relief payment, under Section 13A has to be met through an increase in the general level of Council Tax for other payers but this will be accounted for against total council tax income receipts.
- 5.8 **Section 151 Officer's comments:** The Council's budget projections for 2021/22 incorporate the cost of the revised council tax support scheme. Withdrawing the Discretionary Hardship Fund should produce an annual budget saving of £25,000, which would assist in addressing the Council's projected budget deficit in the Medium Term Financial strategy.

6 Legal Implications

- 6.1 The legal implications are incorporated within the body of the 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:** This report supports the themes of managing our resources and supporting our communities.
- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

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

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

7.5 **Partnerships:** None

8 **Background papers**

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

Previous reports:

- Local Council Tax Support Scheme report of 24 September 2019.

Other papers:

- None

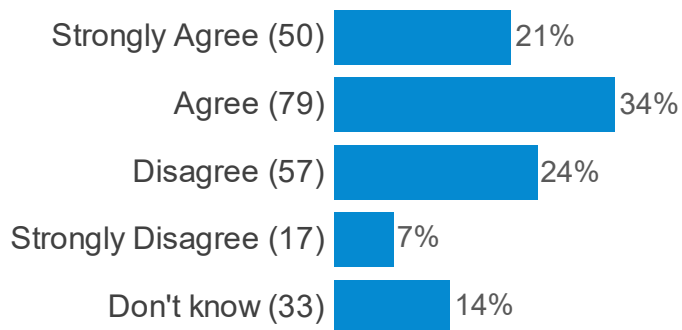
This page is intentionally left blank

Epsom & Ewell Council Tax Support Consultation

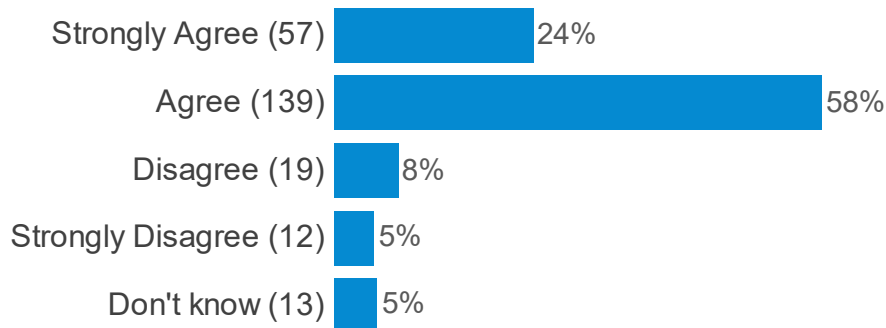
This report was generated on 14/09/20. Overall 245 respondents completed this questionnaire. The report has been filtered to show the responses for 'All Responses'.

The following charts are restricted to the top 12 codes. Lists are restricted to the most recent 0 rows.

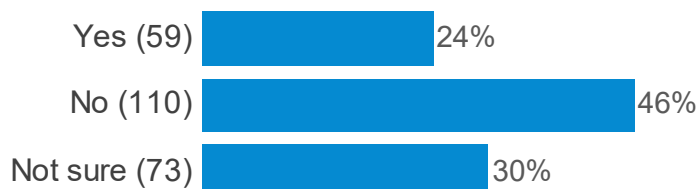
Do you think we should continue with the current means tested scheme where all applicants must pay at least 20% of the Council Tax due?



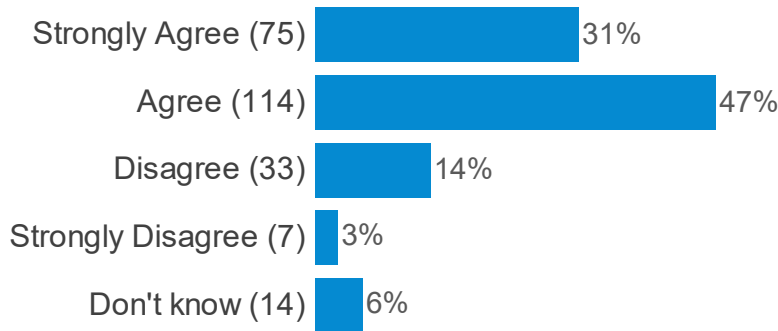
If we do not continue with the current scheme, do you think we should introduce an income banded scheme that is easier to understand and apply for?



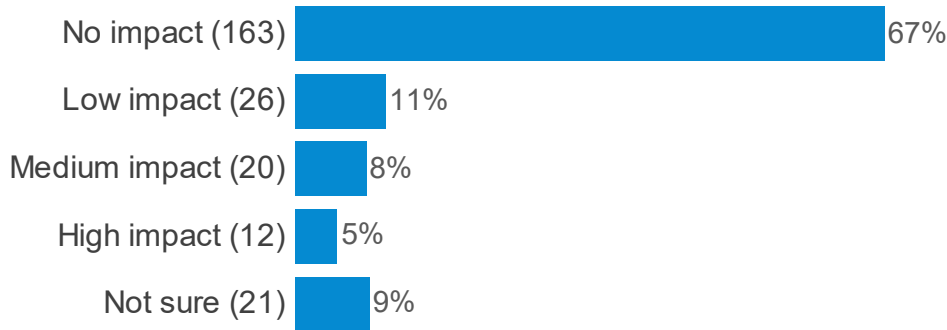
Do you think we should make changes to our Council Tax Support scheme, increasing the level of help available?



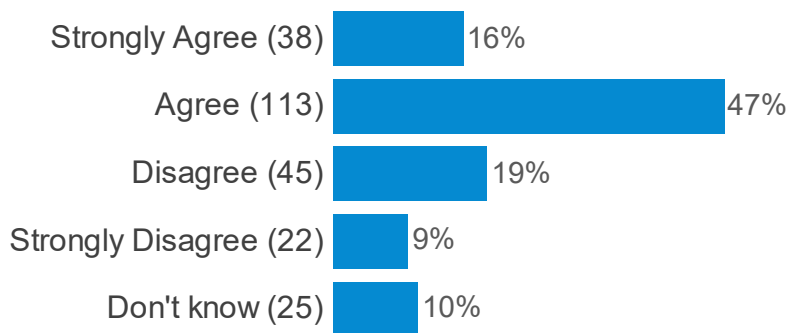
Do you agree that wherever possible residents should claim for support on-line via a PC/mobile/tablet?



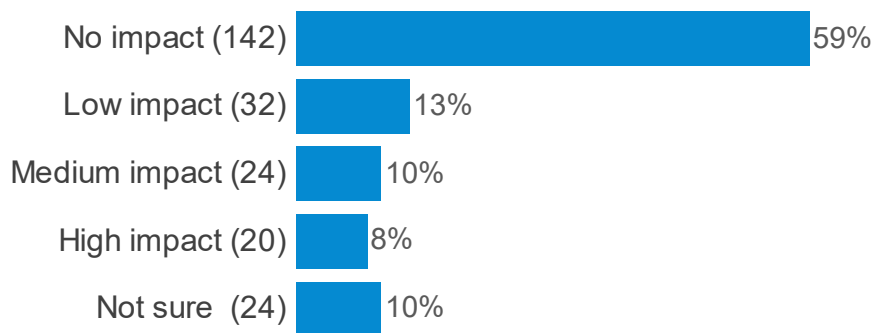
What impact would this change have on your household?



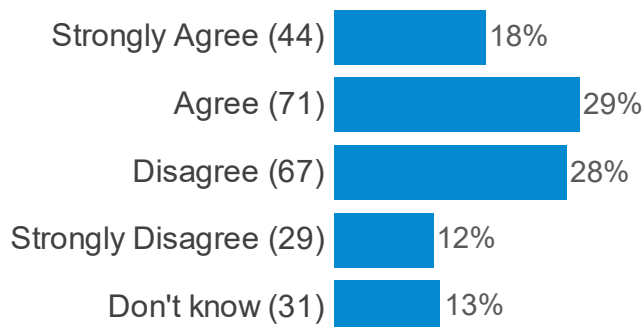
Do you agree that for some applicants any revised scheme should allow for them to receive support of more than 80% of the Council Tax due?



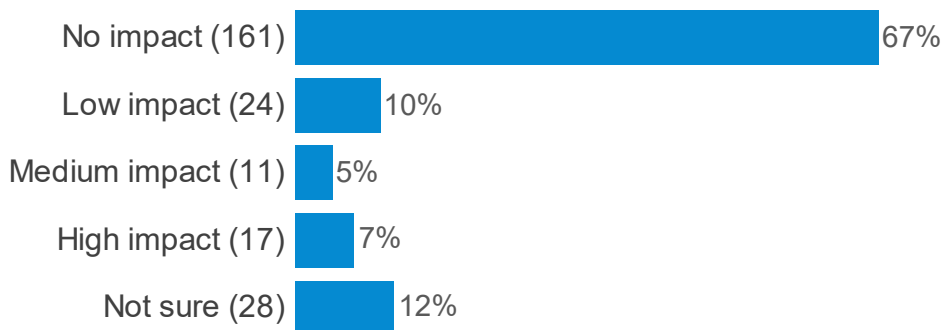
What impact would this change have on your household?



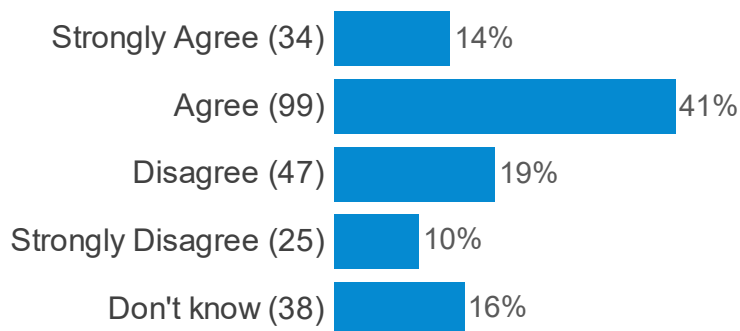
Do you agree that Council Tax Support should be withdrawn for band G and H properties?



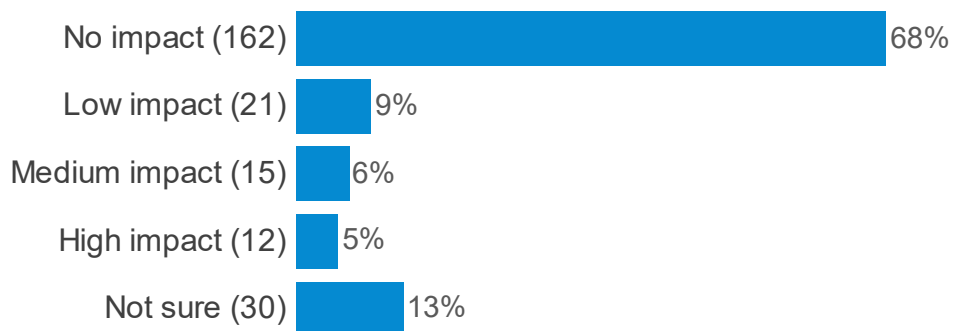
What impact would this change have on your household?



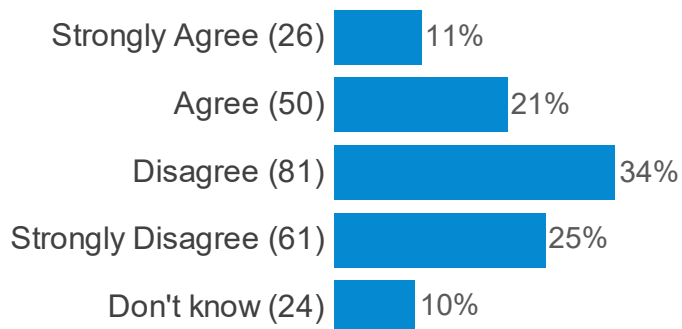
Do you agree that the eligible amount of financial support should be restricted for those living in properties in bands G and H?



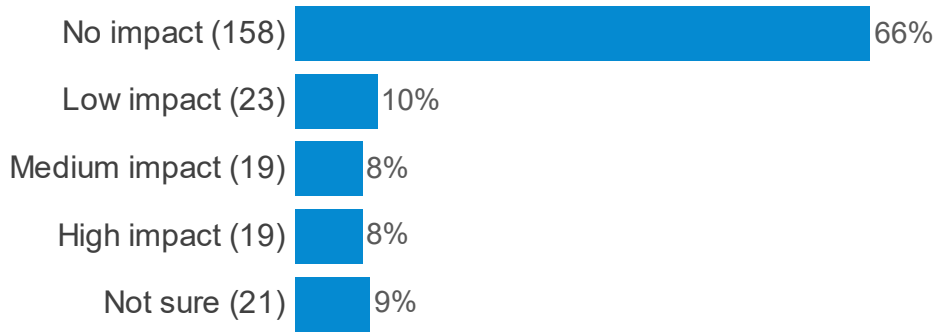
What impact would this change have on your household?



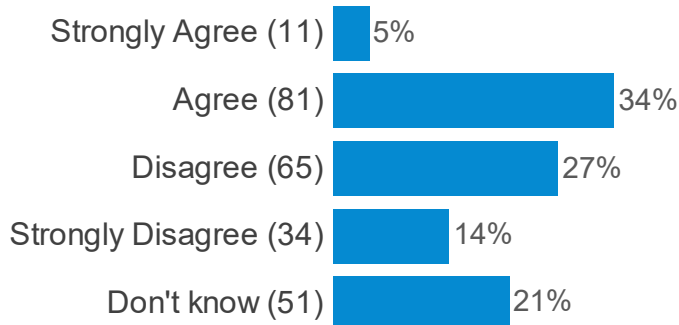
Do you agree that the capital limit should be reduced to less than £10,000?



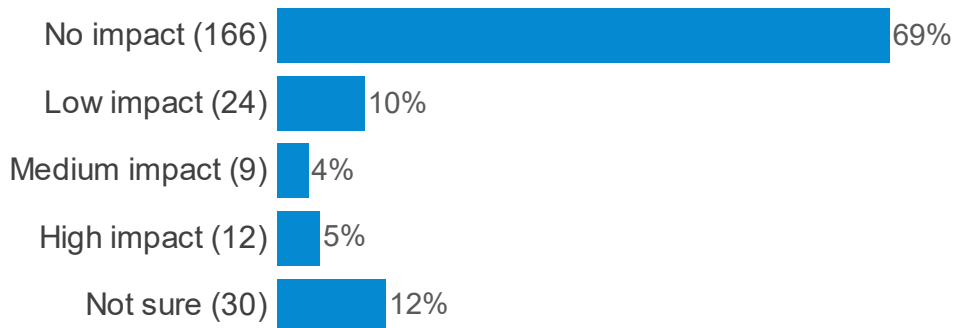
What impact would this change have on your household?



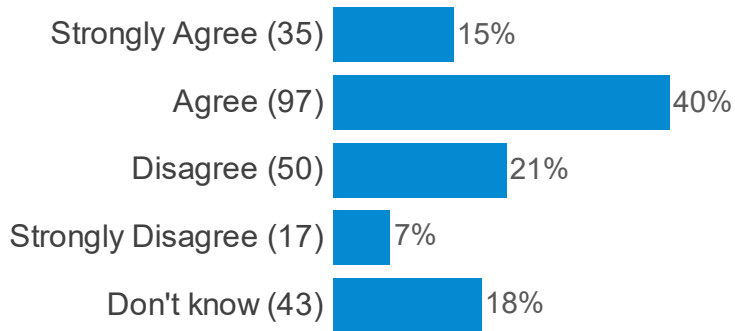
Do you agree that a flat-rate deduction should apply in respect of each non-dependent?



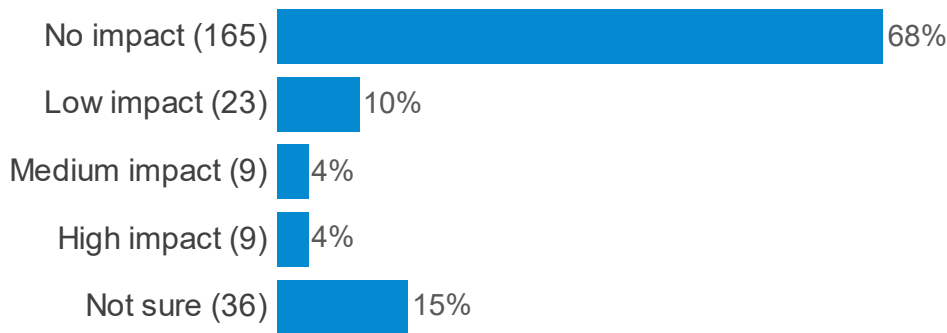
What impact would this change have on your household?



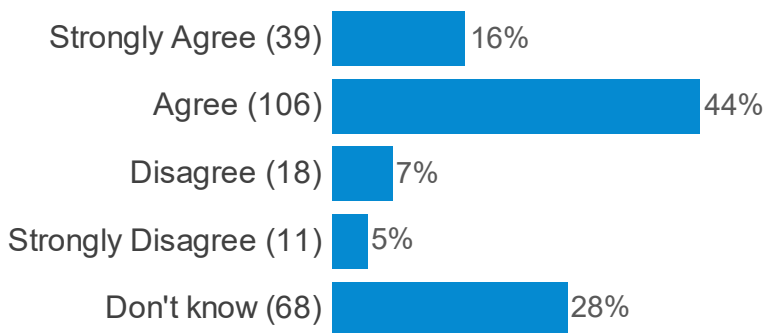
Do you agree that we should set a minimum award of, for example, £5.00 per week, with entitlement of less than that amount not paid?



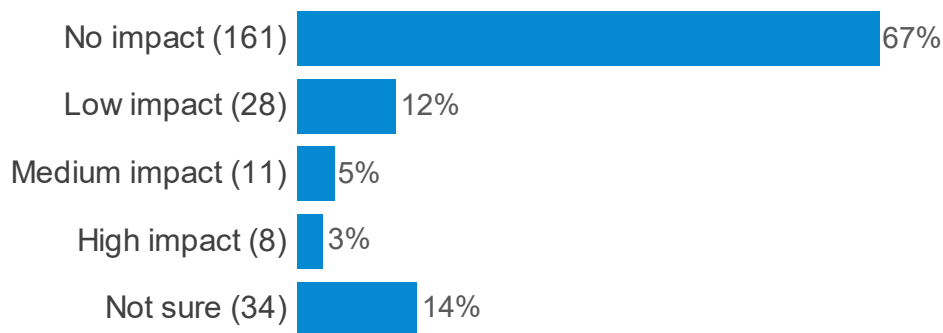
What impact would this change have on your household?



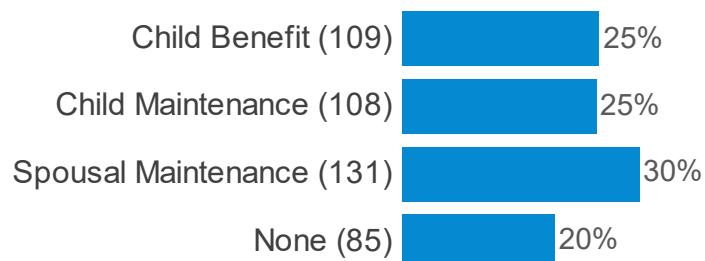
Do you agree that any revised scheme should operate similar to Universal Credit where minimum wage levels are applied to certain applicants?



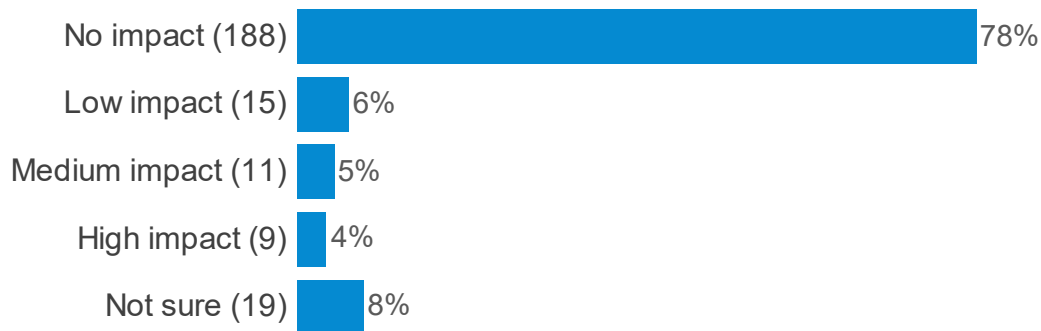
What impact would this change have on your household?



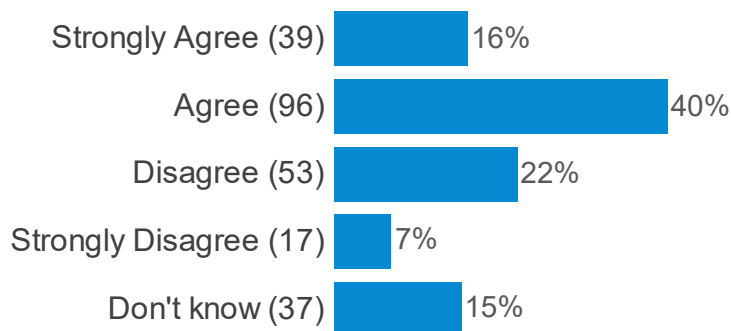
Which, if any, of the following income sources should be included in calculations for support in future years? Please select all that apply



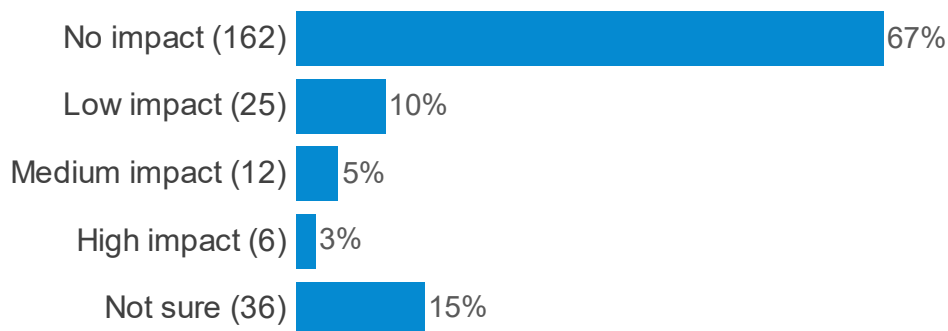
What impact would this change have on your household?



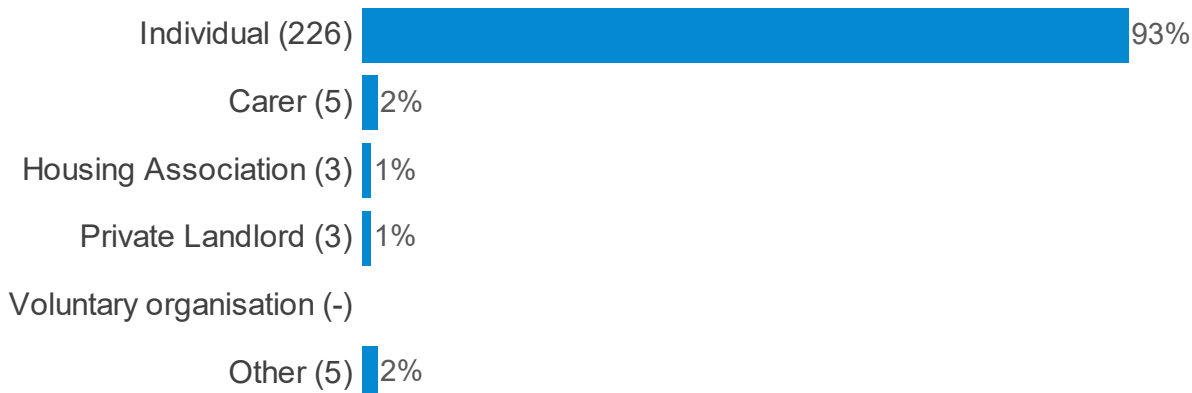
Do you agree that any revised scheme, in relation to backdating, should match the rules in the national Housing Benefit scheme?



What impact would this change have on your household?



In what capacity are you responding to this consultation?



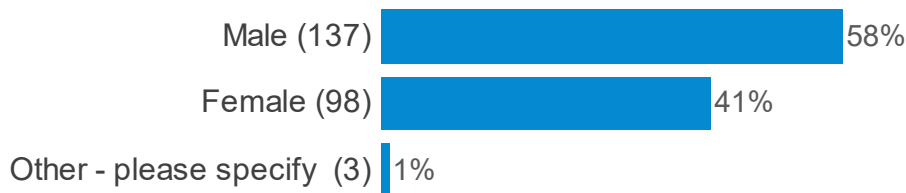
Do you currently reside within the borough of Epsom & Ewell?



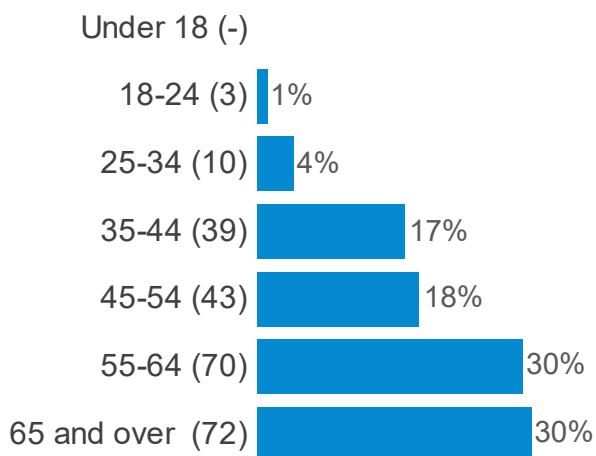
Does your household currently receive Council Tax Support from Epsom & Ewell Borough Council?

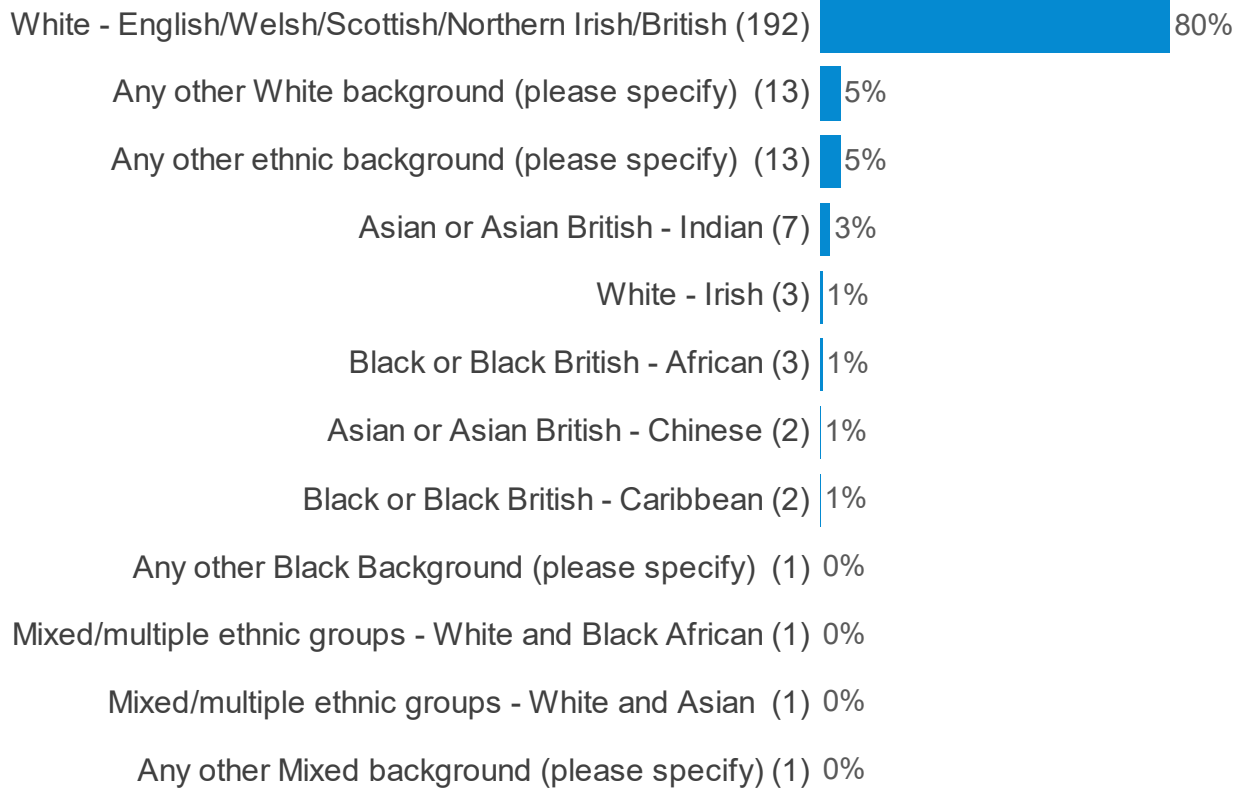
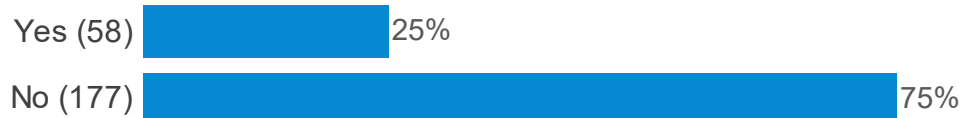


Are you:



What age are you?



How would you describe your ethnic origin?**Do you have any long-standing illness, disability or infirmity? (long-standing means anything that has troubled you over a period of time or that is likely to affect you over a period of time)**

Council tax support scheme 2021 consultation – Response from Surrey County Council

Good Afternoon Judith

Please find feedback below that I am sending on behalf of Leigh Whitehouse, Executive Director of Resources.

Thank you for the opportunity to comment on Epsom and Ewell BC's proposals to revise its Local Council Tax Support scheme for 2021/22. We do not have any objections to the proposals. We respect that Epsom and Ewell BC are able to set the amount of relief they can award under their Council Tax Support Scheme; we believe that any reduction must continue to prevent vulnerable residents from falling into further deprivation or financial instability.

Regards

Sarah Bryan | Senior Finance Business Partner (Corporate Finance)

Resources | Finance "Successful Together"

Mobile: 07771 649886

Email: sarah.bryan@surreycc.gov.uk

Address: Surrey County Council, Room G48, County Hall, Penrhyn Road, Kingston upon Thames KT1 2DN

3 September 2020

This page is intentionally left blank

Equality Impact Assessment Template



Simple Guide and tips

An Equality Impact Assessment (EIA) will help you analyse your policies and practices to make sure they do not discriminate or disadvantage people. However, EIAs also will help to improve or promote equality, access, participation in public life and good relations.

Your EIA should be started during the early stages of your project. Early consideration of equality matters will ensure that your policy, service or function will evolve in line with consideration of equality matters. However, not everything we do will have equality implications, only policies and practices that are relevant to equality need to be put in focus. If you decide after an initial assessment that a policy or practice is not relevant to equality then you should make a note of this. When completing a full EIA make certain the assessment is proportionate to the matters at hand. An EIA is not an end in itself – it is simply a way of ensuring and showing that due regard has been paid to our equality duty.

Where final decisions are made by councillors, in order to show that due regard has been given to the three aims of the equality duty at the time the decision is made, your assessment may need to be included within the report for Committee. The significance of your policy or practice to equality matters may help you make this decision.

All equality impact assessments are based around four core questions. There may well be others that contribute to the assessment, but the core ones remain throughout.

1. **What is the purpose of the policy?**
2. **How is it seeking to achieve this?**
3. **Who benefits and how? (and who, therefore, doesn't and why?)**
4. **What are any 'associated aims' attached to the policy?**

Sections 1 to 3 need to be completed in order to make an initial assessment

Section 4 onwards need to be completed for a full assessment

| Stage 1 EIA Tracking ⁱ | |
|--|---|
| Title of EIA | Council Tax Income Discount |
| Lead Officer | Judith Doney |
| Division | Digital and Service Transformation |
| Publication Date <i>(if applicable)</i> | November 2020 |

Page 176

| | |
|--|--|
| EIA Review Date <i>(only applicable when completing the full EIA)</i> | On any significant change to the local discount |
|--|--|

Agenda Item 4
Appendix 3

Stage 2 Details of Policy, Service or Functionⁱⁱ

Provide an overview of the policy, service or other function being introduced or reviewed.

Please include the aim or purpose of the policy, service or function etc., any context, changes proposed and the desired outcome. You will need to start to think about the equality implications and whether there is potential for impact on residents, service users and staff (as applicable) with one or more of the protected characteristics.

Background:

Since the National Council Tax Benefit Scheme was abolished from 1 April 2013 Epsom & Ewell Borough Council has run its own local scheme (Council Tax Support) for those of working age, making a number of changes to deal with the year on year reduction in government funding. Since 2013 The local support scheme has been based on the means tested Council Tax Benefit scheme but with a number of local changes – such as all residents being required to pay at least 20% of the Council Tax charge.

The government’s scheme for pensioners has remained in place since 2013 and is not included in the EIA.

Aim of the revised scheme:

The aim of a local support scheme, in respect of Council Tax, is to assist the most financially vulnerable residents in the community with the payment of their Council Tax liability. The move to a council tax income discount is to introduce a less complex and more understandable scheme.

Proposed changes

The main change proposed is to replace the current complex means tested support scheme with a simpler income banded discount scheme. A banded income scheme is one that looks at the total income of an applicant, less any disregarded income such as a disability related income, and then awards a fixed percentage discount that varies depending on what income band an applicant falls into.

In addition, it is proposed to make additional scheme changes that are intended to simplify the scheme as a whole. These further changes will also ease the overall administrative burden of the assessment of entitlement to support.

The significant, additional proposed changes are:

- Wherever possible, all applications are to be made on-line with a mechanism to support those that cannot do this
- The introduction of a 'minimum income floor' for the self-employed (as in Universal Credit) and Company Directors
- The introduction of a minimum weekly award of £5.00, with entitlement less than this amount not paid
- A reduction in the capital limit from £10,000 to £6,000
- The introduction of a flat rate non-dependent charge of £7.00 per week, irrespective of the actual non-dependent's income
- Backdating to be limited to one month

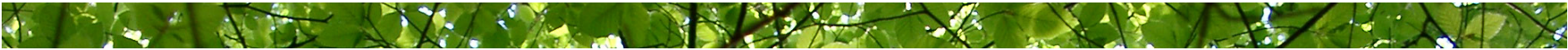
Potential impact

Modelling has shown that the introduction of a banded income scheme does not, by itself, have any impact on the total number of working age support recipients. However, it does slightly reduce the amount of support paid to some, but not all, residents. Positively, the most financially vulnerable within the community, those on 'passport' benefits, will not see any reduction in the amount of support they receive.

Officers have carefully considered the proposed scheme changes from an equalities perspective and have had particular regard to protected characteristics. Officers do not believe that any of these characteristics are unfavourably impacted by the proposed scheme changes.

The only areas where possible equalities issues have been identified relate to age and/or disability and these have been addressed as required.

Specifically, with regards to those with a disability, they are still treated favourably under the proposed revised support scheme. This is because it is proposed that disability related income continues to be disregarded under the new income banded support scheme.



Stage 3 Relevance Checkⁱⁱⁱ

Indicate whether the policy, function or service change etc. outlined in Stage 2 above has the potential to impact on people with a protected characteristic (covers service users, the wider community and staff).

If yes, a full EIA needs to be completed (*please go to Stage 4*).

If no, please set out your reasoning and then secure sign-off by your Head of Service and the Inclusion and Diversity Group at Stage 8.

The initial assessment of the changes identified a potential impact for some people with a protected characteristic and these are detailed in the Stage 5 below

Stage 4 Data Relevant to Full EIA^{iv}

List all data (including source) and other information relevant to the full equality impact assessment

Population & ethnicity statistics from the 2011 Census <https://www.nomisweb.co.uk/census/2011/ks201uk>

The Equality and Human Rights Commission <https://www.equalityhumanrights.com/en/advice-and-guidance/public-sector-equality-duty>

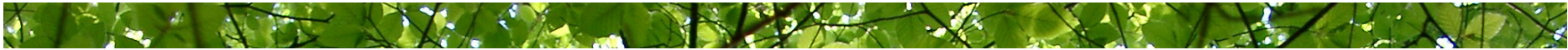
Specify all engagement activities undertaken

- Consultation on potential changes to the local support scheme, in respect of Council Tax, with major preceptors
- A questionnaire available to all residents on the Epsom and Ewell Council website
- Consultation via specific targeting of all current working age Council Tax Support recipients – approximately 1,700 households. Hard copies of the questionnaire were sent to all recipients
- Consultation with a random sample of current Council Tax payers – approximately 3,300 households
- Hard copies were supplied to anyone requesting a questionnaire in this format

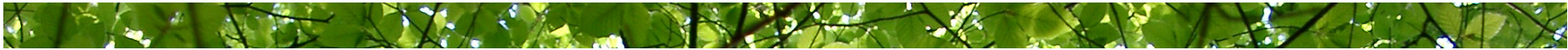
Stage 5 Impact on Residents, Service Users and Staff with Protected Characteristics^v

Undertake a full analysis which details all positive and negative impact arising from the policy, service or other function. If there will be no impact, make this clear by completing the relevant box. Please ensure that you evidence your conclusions with reference to the appropriate source.

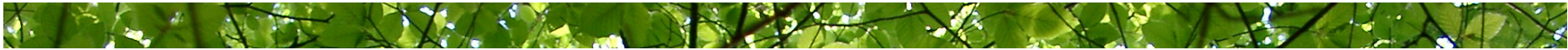
| Protected Characteristic | Potential Positive Impact | Potential Negative Impact | No Impact |
|--------------------------|---|---|---|
| <i>Age</i> | <p>As the current and proposed support schemes only apply to those of working age, there could be disparity between this group and those of pension age. This is because pensioners apply for support and are assessed under a separate support scheme with rules laid down by the Government.</p> <p>The potential impact of a change in the scheme operated is not deemed to be an equalities issue on the basis that the Government legislated to the effect that local authorities must design a local support scheme, for those of working age, within the budget available to them or meet any extra costs locally.</p> | <p>As the current and proposed support schemes only apply to those of working age, there could be disparity between this group and those of pension age. This is because pensioners apply for support and are assessed under a separate support scheme with rules laid down by the Government.</p> <p>The potential impact of a change in the scheme operated is not deemed to be an equalities issue on the basis that the Government legislated to the effect that local authorities must design a local support scheme, for those of working age, within the budget available to them or meet any extra costs locally.</p> | |
| <i>Disability</i> | <p>In the proposed income banded scheme, it is suggested that disability related income continues to be disregarded as it is under the current means tested scheme. This is a positive impact and will ensure that those with a disability are not adversely affected as a result of their personal circumstances and the fact that they receive additional income.</p> | <p>Some disabled households are larger as the resident may require extra accommodation space.</p> <p>A Disabled Band Reduction can be granted in certain circumstances on the Council Tax liability which reduces the charge to that of a property in the next Council Tax band down.</p> | <p>The Council is not required to maintain detailed transactional information about the profile of its customers in relation to this equality strand. However, details are held of all customers who are disabled as well as whether they receive Carers Allowance or it is received by third party for them.</p> |



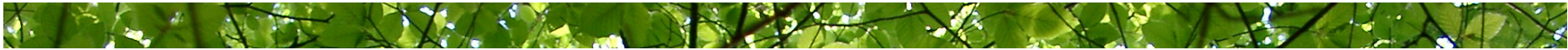
| | | | |
|-----------------------------------|--|--|--|
| | | | <p>Details of applicants who receive some form of disability based benefit or Carers Allowance can be extracted according to the additional premiums awarded to them. When looking at extracted figures it would need to be borne in mind that some applicants will be entitled to one or more premium, so the total numbers would not reflect the total number of applicants that might be disabled, a carer or in receipt of Carers Allowance. This would therefore skew any report on the disability equality basis of benefit applicants.</p> <p>Positively there is no evidence to suggest that use of the service is affected by disability.</p> |
| <p><i>Gender Reassignment</i></p> | | | <p>The Council is not required to maintain detailed transactional information about the profile of its customers in relation to this equality strand. In addition, whether an individual's gender has been reassigned or not has no impact on entitlement and is not collected or recorded.</p> <p>Positively there is no evidence to suggest that use of the service is affected by gender reassignment.</p> |



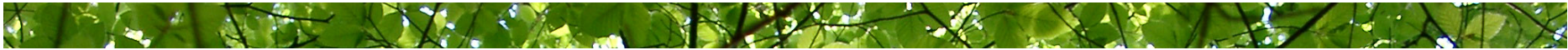
| | | | |
|---------------------------------------|--|--|---|
| | | | <p>Anecdotal evidence does not suggest any barriers exist as entitlement under the current and proposed support schemes is unaffected by gender reassignment.</p> <p>To assist those customers who might not be comfortable visiting the Council Offices, on the basis of having undergone gender reassignment, applications for support can also currently be made by post.</p> |
| <p><i>Pregnancy and Maternity</i></p> | | | <p>The Council is not required to maintain detailed transactional information about the profile of its customers in relation to this equality strand.</p> <p>Positively there is no evidence to suggest that use of the service is affected by pregnancy and maternity.</p> <p>Anecdotal evidence does not suggest any barriers exist as entitlement under the current and proposed support schemes is unaffected by whether an applicant is pregnant.</p> <p>In relation to maternity, applicants receive additional support if they have one or more children, up to a limit of two per</p> |



| | | | |
|----------------------------|--|--|---|
| | | | household. This mirrors rules introduced by the Government in relation to Housing Benefit and it is not believed these are, in of themselves, discriminatory. |
| <i>Race</i> | | | <p>The Council is not required to maintain detailed transactional information about the profile of its customers in relation to this equality strand. Consequently, the data is not collected or recorded. In addition, an individual's race has no impact on entitlement.</p> <p>Positively there is no evidence to suggest that use of the service is affected by race. Anecdotal evidence does not suggest any barriers exist as entitlement under the current and proposed support schemes is unaffected by race.</p> |
| <i>Religion and Belief</i> | | | <p>The Council is not required to maintain detailed transactional information about the profile of its customers in relation to this equality strand. Consequently, the data is not collected or recorded. In addition, an individual's religion and/or belief has no impact on entitlement.</p> <p>Positively there is no evidence to suggest that use of the service is affected by religion</p> |

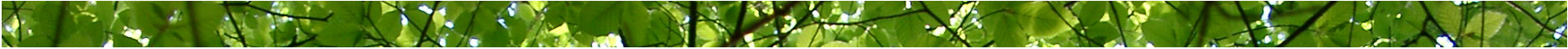


| | | | |
|--------------------|--|--|--|
| | | | and/or belief. Anecdotal evidence does not suggest any barriers exist as entitlement under the current and proposed support schemes is unaffected by religion and/or belief. |
| Sex | | | <p>The Council is not required to maintain detailed transactional information about the profile of its customers in relation to this equality strand. In addition, an individual's sex has no impact on entitlement. However, whilst it is a fact that the sex of all benefit applicants and, where applicable, their partner, could potentially be determined from application data collected, it is not currently possible for this information to be extracted from the benefits application software.</p> <p>Positively there is no evidence to suggest that use of the service is affected by the sex of an applicant. Anecdotal evidence does not suggest any barriers exist as entitlement under the current and proposed support schemes is unaffected by sex.</p> |
| Sexual Orientation | | | The Council is not required to maintain detailed transactional information about the profile of |



| | | | |
|---|--|--|---|
| | | | <p>its customers in relation to this equality strand. Consequently, the data is not collected or recorded. In addition, an individual's sexual orientation has no impact on entitlement.</p> <p>Positively there is no evidence to suggest that use of the service is affected by sexual orientation. Anecdotal evidence does not suggest any barriers exist as entitlement under the current and proposed support schemes is unaffected by sexual orientation.</p> |
| <p><i>Marriage and Civil Partnerships</i></p> | | | <p>The Council is not required to maintain detailed transactional information about the profile of its customers in relation to this equality strand. In addition, an individual's is married or part of a civil partnership has no impact on entitlement. However, it is a fact that whilst whether an applicant is married or part of a civil partnership could be assessed from application data collected, it is not currently possible for this information to be extracted from the benefits application software.</p> <p>Positively there is no evidence to suggest that use of the service is affected by whether</p> |

Appendix 3
Agenda Item 4



| | | | |
|--|--|--|--|
| | | | <p>an applicant is married or part of a civil partnership. Anecdotal evidence does not suggest any barriers exist as entitlement under the current and proposed support schemes is unaffected by this equality strand.</p> |
|--|--|--|--|

Stage 6 Decision^{vi}

Specify the full details of your decision.

Include any changes made to the proposal, steps taken to eliminate or minimise any negative impact(s), any additional mechanisms put in place to meet the needs of particular groups or to help foster good relations etc.

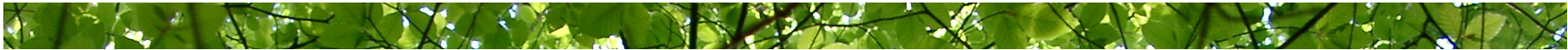
Whilst no barriers to potential entitlement to financial support have been identified, the Council does take steps to be as inclusive as possible. These include:

- The use of interpretation and translation services as required.
- The provision, where requested, of application forms, notification letters etc. in alternative formats and/or print sizes

Stage 7 EIA – Action Plan^{vii}

Please specify any action that will be taken to support implementation of your decision

| Issue Identified | Action required | Implementation Date | Responsible Officer |
|---|--|---------------------|---------------------|
| Service Access - for those for cannot communicate in English and/or those for whom English is not their first language. | Continue to use of interpretation and translation services | On-going | Judith Doney |
| Service Access – for those who might be partially sighted or blind. | Continue to provide application forms, and/or notification letters in appropriate formats. | On-going | Judith Doney |
| Service Access –for those who, in general, are experiencing financial difficulties. | Continue to promote the service so that all sections of society are aware of the assistance available. | On-going | Judith Doney |
| Service Access – for those with physical disabilities. | Ensure that the service remains accessible to all customers, | On-going | Judith Doney |



| | | | |
|---|--|--------------------------------|--|
| | <p>whether disabled or not, through all digital channels. The Council should continue to strive to ensure that there are no barriers preventing service access on the basis of disability.</p> <p>Positively there is no evidence to suggest that this has been or is an issue. To encourage service access by all members of the community the Council have ensured that access to Services are open to all able bodied and disabled persons.</p> <p>Where visitors need to access the Town Hall building there is an access ramp and measures are in place to assist the visually impaired. Once inside the building there are facilities for hearing impaired visitors.</p> | | |
| <p>Stage 8 EIA Sign Off^{viii}</p> | | | |
| <p>Head of Service: Judith Doney</p> | | <p>Date: 08/10/2020</p> | |
| <p>Inclusion & Diversity Group:</p> | | <p>Date:</p> | |

- i **Stage 1 - EIA Tracking**
Insert appropriate details. A review date will only be required when completing the full equality impact assessment (Stages 1 – 8).
- ii **Stage 2 - Details of Service / Policy / Function to be assessed**
In this section you will need to provide information which explains the subject matter of the work you are undertaking. If a new policy is being developed then explain what the policy covers and what it sets out to achieve. If a policy is being reviewed, then once again explain what the policy addresses and highlight any changes that are being introduced. If the work you are undertaking involves a service change, outline what the current service provides and to whom, then discuss the changes that are proposed and what the outcome of these service changes are anticipated to be. Bear in mind when drafting this section (and the rest of the document) that a lay person, unfamiliar with the subject matter should be able to read it and understand the policy, function or service and any changes that are proposed.
- iii **Stage 3 – Relevance Check**
The relevance check asks you to complete an initial assessment of whether the new / reviewed policy, service or function proposed is anticipated to impact upon residents, service users or staff with a protected characteristic. If you consider that there will be some form of impact then you must go on to complete all other stages of the form (Stages 4 – 8 inclusive). If, however, there will be no impact, provide your justification in the space provided and seek formal sign off of your assessment (Stage 8). The form should then be kept in case you need to provide evidence at a later date that you had due regard to the three aims of the equality duty during policy development / service design. If you have any uncertainty at this stage of the process, go on to complete all sections of the Equality Impact Assessment Template (Stages 1-8).
- iv **Stage 4 - Data Relevant to Full EIA**
In order to undertake a full assessment of the equality implications associated with your project/work you will need to outline the data that you possess which will help you to understand any resultant impact. If you identify any gaps in your information, and thereby have gaps in your understanding, you will need to fill these areas of uncertainty by exploring what other sources of information there are and/or by talking to different groups/bodies. It may be possible to consult with relevant groups. If you undertake any engagement activities you will need to set them out in this section. Please speak to the Consultation Team in Policy, Performance and Governance if you are considering undertaking consultation.
- v **Stage 5 - Impact on Residents, Service Users and Staff with Protected Characteristics**
Using the information that you have set out at stage 4 you now need to consider carefully whether the new or revised policy, service or other function etc. will impact upon people with a protected characteristic in a positive or negative way. You will need to consider service users, residents and staff (as appropriate). Set out your considerations for each protected characteristic in the appropriate column. If no impact will arise, please indicate this in the appropriate box to show that you have given due regard to equality. When undertaking this assessment make sure you bear in mind the different forms of discrimination, e.g. direct and indirect discrimination, discrimination by association or perception. The protected characteristic 'marriage and civil partnership' needs only to be considered in relation to the first aim of the equality duty – the need to eliminate unlawful discrimination, harassment and victimisation...

vi **Stage 6 – Decision**
This section requires you to make and evidence your decision. Use your analysis undertaken in Stage 5 together with other relevant factors such as financial implications. The importance that you give equality considerations when making your decision should be proportionate to the significance of the policy, service or function on advancing equality of opportunity and in fostering good relations. Be mindful that your decision could be challenged, the Equality Act 2010 requires you to ‘give due regard’ to the three aims of the public sector equality duty. A strong evidence base and transparency will lead to effective decision making.

vii **Stage 7 – Action Plan**
In the Action Plan set out any actions that you plan to implement to support your policy, service delivery or change etc. You will need to set a completion date and name a responsible officer. These actions may comprise some form of positive step(s) to support the needs of a particular group or step(s) which will negate any impact on a particular group.

viii **Stage 8 – EIA Sign Off**
This section must be completed by the relevant Head of Service and a copy sent to HRAdmin@epsom-ewell.gov.uk when finishing your assessment at Stage 3 – Relevance Check or when completing the full equality impact assessment, Stages 1-8.

Further information is available from:

[‘Equality Impact Assessment Introduction and Appendices’](#) .

[‘Meeting the Equality Duty in Policy and Decision-Making England’](#)

If you need further assistance please speak to a member of the Inclusion and Diversity Group

This page is intentionally left blank



Council Tax Discretionary Relief Policy

Version number 2
September 2020

Tracking

| | | | |
|------------------------|---|-------------------------|--|
| Policy Title | Council Tax Discretionary Relief Policy | | |
| LT sign off | N/a | | |
| Committee | Strategy and Resources | Date approved | |
| Review due date | | Review completed | |
| Service | Revenues | | |
| | | | |

Revision History

| Revision Date | Revisor | Previous Version | Description of Revision |
|---------------|-----------|------------------|--|
| 2 | S Gavigan | 1 | Hardship criteria widened to enable payments for those in receipt of Council Tax Income Discount |
| | | | |
| | | | |

Document Approvals

Each revision requires the following approvals:

| Sponsor Approval | | Name | Date |
|--|--|--------------|------|
| Head of Digital and Service Transformation | | Judith Doney | |
| | | | |
| | | | |
| | | | |

Contents

| | |
|--|---|
| Introduction | 3 |
| Financial implications | 3 |
| Criteria for making an application | 3 |
| Application process | 4 |
| Decision Process | 4 |
| Review of a decision | 5 |
| Duty to notify changes in circumstances | 5 |
| Recovery of an overpayment of Discretionary Relief | 6 |

Introduction

1. Under Section 13A (1)(c) of the Local Government Finance Act 1992 (as inserted by Section 10 of the Local Government Act 2012), the Council has the power to reduce liability for Council Tax in relation to individual cases or classes of cases that it may determine and where national exemptions and discounts cannot be applied.
2. Epsom & Ewell Borough Council has not specified any class of case in which liability is to be reduced. We will however, consider claims on individual cases. This Discretionary Relief Policy is intended to provide short term help to alleviate financial hardship.
3. From time to time the Government may introduce a specific scheme in response to an event such as a natural disaster (e.g. flooding). Where such schemes are introduced, funding is normally fully met by Government without any impact on the local Council Tax. Any such schemes that are introduced will be administered in accordance with instruction and guidance set out by Government, in accordance with our delegated powers.

Financial implications

4. The financial burden of awarding a Discretionary Relief payment, under Section 13A (1) (c), has to be met through an increase in the general level of Council Tax for other payers. Due to this, the granting of Discretionary Relief payments will only be made in exceptional circumstances and after other forms of financial support have been considered and/or applied for.

Criteria for making an application

5. The applicant must be liable for a Council Tax charge levied by Epsom & Ewell Borough Council.
6. Each application will be looked at on its own merits and having regard to the factors outlined below:
 - There must be evidence of financial hardship or personal circumstances that justify a reduction in Council Tax liability
 - The applicant's income and expenditure including unusual and/or avoidable expenditure
 - Whether there are exceptional circumstances that contribute to the financial hardship

- The applicant must satisfy the Council that all reasonable steps have been taken or will be taken to resolve the situation
- Entitlement to all other eligible discounts/reliefs/income/welfare benefits have been explored and are being claimed
- The size and banding of the current accommodation
- The possibility of moving to a smaller property in respect of which the amount of Council Tax payable would be lower
- The lifestyle choices of the applicant and their household
- The amount outstanding must not be the result of wilful refusal to pay or culpable neglect
- The taxpayer does not have access to other assets that could be used towards their Council Tax liability
- Whether the situation can be resolved by some other legitimate means
- Whether an award will assist the applicant towards a position where they can pay their Council Tax within a reasonable time frame without further recourse to a further discretionary payment
- Any social or health issues currently being faced by the resident and/or their immediate family
- The effect the situation is having on vulnerable members of the resident's family, for example the elderly, the young, the infirm etc.
- Other evidence in support of an application (such as information from Doctors and/or Social Workers)
- Where applicable, what information/advice has been sought and obtained previously
- Whether there is a threat of court action in relation to Council Tax arrears
- The applicants payment history within the bororough.
- What impact, if any, a discretionary award might have on the wider borough as whole

7. Please note, the above list is neither prescriptive or exhaustive

Application process

8. In order for to apply for the relief, a Council Tax Discretionary Relief application form must be completed, which will be available on our website. Where a person is unable to act for themselves, a third party may act on their behalf.
9. This application process will allow Epsom & Ewell Borough Council to consider an applicant's financial status before making a decision to award the relief or not.
10. On receipt of an application, an applicant may be requested to provide additional evidence to support the information that they have provided. Failure to provide this information within 14 days of it being requested, will result in the application being dismissed.

Decision Process

11. All applications will be determined by the Revenues Manager under the delegated authority of Epsom & Ewell Borough Councils's Section 151 Officer.
12. Awards will be calculated against the daily Council Tax liability after deducting any other reliefs, discounts or Council Tax Support and will not exceed that figure.
13. Any discretionary payment will be granted for a specific period. Awards will only be granted within the financial year in which an application is made and will end when either the applicant is no longer entitled to the award or the end of the financial year, whichever is sooner.
14. Discretionary Relief payments are only intended to be short-term help. Payments will not be re-awarded in perpetuity.
- 15. The amount to be awarded is entirely at the Council's discretion.**
16. The applicant will be notified in writing of any decision. The decision notice will include the reasons for the decision.
17. If an award is granted, the notice will include the amount of the award and the period for which it is granted. Any award will be credited to the applicant's Council Tax account and an adjustment notice showing the award will be issued with the letter.

Review of a decision

18. The Council recognises that Council Tax payers should be entitled to have a discretionary decision reviewed if dissatisfied with the outcome. Only the Council Tax payer or authorised agent may appeal against the decision not to award relief or the level of relief awarded.
19. Appeals must be made within two weeks of the notification of decision.
20. Appeals must be in writing specifying reasons why a decision should be amended and supported by relevant new or additional evidence.
21. An appeal will be deemed to be discontinued if further evidence requested from the ratepayer has not been received within 14 days of the request.
22. Appeals against decisions made under delegated authority by Revenues Manager will be considered by Head of Digital and Service Transformation and the Council's Section 151 Officer
23. A full written explanation of the outcome of the review will be provided within 14 days of the receipt of the written request.
24. If, following a review, the original decision is not changed there is a right of appeal against the Council's use of its discretionary powers to the Valuation Tribunal for England. Details of how to appeal will be provided in the written explanation provided.

Duty to notify changes in circumstances

25. Where a discretionary award is made, applicants are required to notify the Council of any relevant changes in circumstances that could affect entitlement.

26. Examples of these changes include, but are not limited to:

- If the applicant changes address
- If the applicant or a member of their household leaves their home temporarily or permanently.
- If an applicant's or a member of their household's income or capital changes
- If the number and/or circumstances of others in the household changes.

27. In addition, the applicant must inform the Council:

- Of a change to any factor that caused or contributed towards their hardship
- If their hardship ends
- If the severity of their hardship decreases (including an increase in welfare benefits and/or Council Tax support)
- Of a change to any of the circumstances that were included in the application for a discretionary payment

Recovery of an overpayment of Discretionary Relief

28. An overpaid Council Tax Discretionary Relief award will generally be recovered directly from the applicant's Council Tax account, increasing the amount of Council Tax payable.

29. Examples of circumstances where the Council will seek recovery of an overpaid discount include, but are not limited to:

- Misrepresentation or failure to disclose a material fact, whether fraudulently or otherwise
- Failure to notify any relevant change in circumstance, whether fraudulently or otherwise
- An error made in the provision of information or evidence or the interpretation of that information or evidence which led to an incorrect award

This page is intentionally left blank

VENUES UPDATE

| | |
|---|---|
| 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 – Community & Wellbeing Committee Report 16 Nov 2020 |

Summary

This report notifies Committee on the recent report taken to Community & Wellbeing Committee and the measures taken to safeguard Bourne Hall's key income streams during the current lockdown.

Recommendation (s)

The Committee is asked to:

- (1) **Note the contents of the report taken to Community & Wellbeing Committee at its meeting held on 16 November 2020;**
- (2) **Note the partial closure of Bourne Hall to the public for the duration of the current lockdown.**

1 Reason for Recommendation

- 1.1 Since the first national lockdown in March, the Covid-19 pandemic has had a continuing impact on the Council's Venues, as Committee will note from the report taken to yesterday's Community & Wellbeing Committee.
- 1.2 The current lockdown partially affects Bourne Hall and this report outlines the measures taken to safeguard its key income streams.

2 Background

- 2.1 Following Government guidance, the Council's Venues temporarily closed to the public just prior to the UK entering lockdown on 23 March 2020.

- 2.2 The Epsom Playhouse and Ewell Court House have remained closed due to operational difficulties imposed by meeting social distancing requirements.
- 2.3 Bourne Hall has remained operational; initially to support the Council's Meals at Home service and more recently, to support Ewell Library and local hirers.

3 Second National Lockdown

- 3.1 The effect of the current lockdown is to require all non-essential activities to cease for 28 days with effect from 5 November 2020. The Council has no influence over this and these activities must stop.
- 3.2 The Epsom Playhouse and Ewell Court House are unaffected by the lockdown as services are currently suspended at these venues.
- 3.3 Bourne Hall is partially affected by the current lockdown. The monthly lost hire income from currently prohibited hire activities totals £4,345.85.
- 3.4 The Regulations allow specific "exempt activities" to remain open and these include activities of a medical nature. Exempt activities at Bourne Hall include Ewell Library (albeit in a limited capacity), the National Blood Service and physiotherapist services.
- 3.5 The exempt activities contribute just over £100k per annum and to safeguard this key income, it is imperative the Council continues to maintain a Covid-19 secure environment for their operation.
- 3.6 The partial closure of Bourne Hall to the public complies with the No 4 Regulations and safeguards Bourne Hall's key income streams.

4 Risk Assessment

Legal or other duties

4.1 Impact Assessment

- 4.1.1 The hospitality sector has been impacted disproportionately by the pandemic and supporting the sector is vital for local jobs and household income.

4.2 Crime & Disorder

- 4.2.1 None arising from this report.

4.3 Safeguarding

- 4.3.1 None arising from this report.

4.4 Dependencies

4.4.1 The hospitality sector is dependent on the course of the pandemic and continuing social distancing requirements.

4.5 Other

4.5.1 None

5 Financial Implications

5.1 The actions proposed in this paper will assist the Council respond to the financial challenges of the ongoing pandemic.

5.2 **Section 151 Officer's comments:** *In the current environment, the Council's venues are unable to operate in a way that would generate sufficient income to meet their budgeted income targets and cover operational costs. As such, the venues must remain partially or temporarily closed, as detailed in the report.*

6 Legal Implications

6.1 The Health Protection (Coronavirus, Restrictions (England) No4) Regulations 2020, introduced measures in relation to the national lockdown that commenced on 5 November 2020. Unless extended, the Regulations expire at the end of a period of 28 days from the day they came into force (the period of the current lockdown).

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

7 Policies, Plans & Partnerships

7.1 **Council's Key Priorities:** The following Key Priorities are engaged: Opportunity and Prosperity, Effective Council.

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

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

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

7.5 **Partnerships:** None

8 Background papers

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

Previous reports:

- None

Other papers:

- Community & Wellbeing Committee Report 16 Nov 2020
- The Health Protection (Coronavirus, Restrictions) (England) (No4) Regulations 2020

VENUES UPDATE

| | |
|---|--|
| 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): | None |

Summary

This report updates Committee on the challenges facing the Council's Venues operating in a Covid-19 socially distanced environment.

Recommendation (s)

The Committee is asked to:

- (1) **Agree the Playhouse remains closed for the remainder of the financial year (31 March 2021);**
- (2) **Agree to Ewell Court House remaining closed until further notice;**
- (3) **Agree to Bourne Hall Café remaining closed until further notice.**

1 Reason for Recommendation

- 1.1 The Covid-19 pandemic continues to have a significant impact on the Council's Venues. The recommendations are necessary to maintain the effective operation of the Council in line with ever changing Government guidelines.

2 Background

- 2.1 Following Government guidance, the Council's Venues temporarily closed to the public just prior to the UK entering lockdown on 23 March 2020.
- 2.2 The Epsom Playhouse and Ewell Court House have remained closed due to operational challenges imposed by meeting social distancing requirements.

2.3 Bourne Hall has remained operational; initially to support the Council's Meals at Home service and more recently, to support Ewell Library and local hirers.

2.4 An update for each venue and actions required are considered below.

3 Epsom Playhouse

3.1 The Playhouse is a successful but relatively small 450 seat capacity theatre.

3.2 It is termed a "presenting theatre" (otherwise known as a "receiving house") where it hosts visiting production companies touring to a number of venues. The Council receives a percentage share of the ticket sales.

3.3 Since closing, existing productions have been rescheduled on a three monthly basis to ensure the Playhouse could swiftly re-open when the easing of social distancing requirements allowed.

3.4 Due to its size, the Playhouse is disproportionately affected by social distancing requirements and the ability to offer a Covid-19 secure, socially distanced theatre. It is only partially dependent on the size of the main auditorium, and influenced to a much greater extent by the ancillary accommodation as outlined below by considering the three main theatre areas at 2m social distancing:-

- **Auditorium capacity** – reduced from 450 to 87.
- **Dressing room capacity** – reduced from 78 to 13 people. This prevents the majority of the larger professional shows, amateur societies and dance schools from using the theatre.
- **Foyer capacity** – reduced to 15 people compounded by the front of house male and female toilets being reduced to a capacity of 2. This would lead to queues quickly forming in the foyer thereby reducing its capacity. To ensure compliance with social distancing, staff would be required to manage the queues reducing its capacity still further.

3.5 Offering a Covid-19 secure and safe theatre would require enhanced cleaning between each production company visiting backstage and between each performance. This would reduce the number of performances that are possible on any given day.

3.6 Operating within social distancing requirements is not financially viable for the production company or the theatre. The theatre's main production promoters have all confirmed that the reduced auditorium capacity of the Playhouse is financially unworkable.

- 3.7 In light of the above, it is recommended that the Playhouse remains closed for the remainder of the financial year (31 March 2021). This will align the Playhouse with the majority of theatres in the UK and provide a specific date to prepare the theatre for a relaunch.
- 3.8 During its continued closure, the Playhouse will require modest staff resources to carry out daily administration, maintain contact with promoters and hirers (rescheduling existing shows and booking new dates), processing refunds and ticket sales and backstage equipment maintenance. For the remainder of their time, staff will continue to be redeployed to support the Council's Covid-19 response and assist enforcement and regulatory activities.

4 Ewell Court House

- 4.1 Ewell Court House is an important hospitality venue and location for business meetings as well as a valued space for local community groups.
- 4.2 In contrast to a modern, open plan venue, the Grade II listed building does not lend itself to meeting social distancing requirements. It is served by a relatively small foyer and would share similar toilet queuing difficulties as the Playhouse.
- 4.3 Pre-pandemic, over two thirds of its income was generated from larger events including weddings, parties and business meetings. As these can no longer be accommodated in a safe, socially distanced environment, the building's ability to generate income is severely restricted.
- 4.4 To open the building would require increased on-site staffing to ensure social distancing is observed and significantly increased cleaning requirements. It would be difficult to justify increased operational costs in the absence of the building's attraction to its main hire base and consequent reduced income generating potential.
- 4.5 It is recommended that any hiring opportunities are accommodated at Bourne Hall (wherever possible) in the interim, while Ewell Court House remains closed until further notice.

5 Bourne Hall Café

- 5.1 During lockdown, Bourne Hall remained partially operational to support the increased demand for the Council's Meals at Home service. Its kitchen facility provided additional capacity and resilience with all Bourne Hall staff benefiting from food preparation training.
- 5.2 Since lockdown, Bourne Hall has gradually reopened to the public to support the Library and phased return of those regular hirers capable of operating under social distancing requirements. Hirers currently using Bourne Hall range from physio and pilates classes to performing arts and community church use.

- 5.3 Whilst Bourne Hall has reopened in compliance with social distancing requirements, it does so in a significantly restricted capacity with considerably reduced footfall.
- 5.4 The reduced footfall renders the café financially unviable at this time and so it is recommended the Café remains closed until further notice.

6 Risk Assessment

Legal or other duties

6.1 Impact Assessment

- 6.1.1 The hospitality sector has been impacted disproportionately by the pandemic and supporting the sector is vital for local jobs and household income.

6.2 Crime & Disorder

- 6.2.1 None arising from this report.

6.3 Safeguarding

- 6.3.1 None arising from this report.

6.4 Dependencies

- 6.4.1 The hospitality sector is dependent on the course of the pandemic and continuing social distancing requirements.

6.5 Other

- 6.5.1 None

7 Financial Implications

- 7.1 The actions proposed in this paper will assist the Council respond to the financial challenges of the ongoing pandemic.
- 7.2 **Section 151 Officer's comments:** In the current environment, the Playhouse, Ewell Court House and Bourne Hall Café are unable to operate in a way that would generate sufficient income to meet their budgeted income targets and cover operational costs. As such, it is recommended that these venues remain temporarily closed, as proposed in the report.

8 Legal Implications

- 8.1 There are no direct legal implications as bookings are being refunded and staff are being redeployed.

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: Opportunity and Prosperity, 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:

- None

Other papers:

- None

This page is intentionally left blank

**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE held on
22 September 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; Sarah Ironmonger (Director, Audit) (Grant
Thornton UK LLP) (Items 18-20 only) and Sheena Phillips (Manager, Audit) (Grant
Thornton UK LLP) (Items 18-20 only)

Officers present: Kathryn Beldon (Chief Executive), Damian Roberts (Chief Operating
Officer), Lee Duffy (Chief Finance Officer), Shona Mason (Head of Human Resources
and Organisational Development), Brendan Bradley (Chief Accountant), Danny
Surowiak (Principal Solicitor) and Tim Richardson (Committee Administrator)

18 QUESTION TIME

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

19 DECLARATIONS OF INTEREST

The following declaration was made in relation to an item on the agenda:

Local Government Structure in Surrey

Councillor Hannah Dalton, Other Interest: Councillor Hannah Dalton declared
that due to her involvement with the RASSU campaign, she would not participate
in the debate on this item and would not vote upon it..

20 2019-20 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS

The Committee received a report presenting the 2019/20 Statement of Accounts
and Grant Thornton's Audit Findings report following the external audit.

The Committee received a verbal introduction to the report from Sheena Phillips
and Sarah Ironmonger on behalf of Grant Thornton (the External Auditor).

The following matters were considered:

- a) **Emphasis of matter.** The External Auditor informed the Committee that
the audit report would include an emphasis of matter to highlight a
disclosure from the Council's expert valuer relating to a material

uncertainty in the valuation of land and buildings at 21 March as a result of Covid-19. The External Auditor informed the Committee that this was an approach being commonly applied to Councils by external auditors.

- b) **Post balance sheet event provision for Covid-19.** Following a question from a Member, the External Auditor informed the Committee that the Covid-19 pandemic had begun prior to the end of the financial year and that there were disclosures relating to its impact within the financial statements. As such it was not considered to be an “adjusting subsequent event”. The External Auditor was comfortable that the matter had been disclosed within the financial statements in the appropriate manner.
- c) **Deadline for publishing audited accounts.** Following a question from the Chairman with regard to progress toward the publication of the Council’s audited Accounts, the External Auditor informed the Committee that the Council was very much in front group of Councils in Surrey and nationally.

Following consideration, it was resolved unanimously that the Committee:

- (1) **Approved the Statement of Accounts for the year ended 31 March 2020;**
- (2) **Agreed the Annual Governance Statement included within the Statement of Accounts;**
- (3) **Received the Audit Findings for 2019/20;**
- (4) **Agreed the management action in response to the audit recommendations detailed at Appendix A of the Audit Findings report;**
- (5) **Agreed that the Chairman or Vice Chairman of Strategy and Resources Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;**
- (6) **Delegated any further amendments to the 2019/20 Statement of Accounts to the Chief Finance Officer in consultation with the Chairman or Vice Chairman of Strategy and Resources Committee.**

Following the Committee’s decision on this item the Committee requested that its thanks to the Council’s Finance Team be recorded in the Minutes. The Committee congratulated officers on the excellent outcome of the audit and the speed with which they had completed the work, which would likely lead to the accounts being signed-off as one of the very first in England.

21 2021/22 BUDGET TARGETS AND FINANCE UPDATE

The Committee received a report recommending budget targets for 2020/21 and providing an update on financial planning as recommended by the Financial Policy Panel.

The following matters were considered:

- a) **Impact of Covid-19 on the Council's finances.** Following a question from a Member, the Chief Finance Officer informed the Committee that it was difficult to forecast the likely overall impact of Covid-19 on the Council's finances. The Bank of England's forecast of 9.5% reduction in GDP for the year had been used as a base for estimations.
- b) **Wells site.** Following a question from a Member, the Chief Finance Officer informed the Committee that any future development of the Wells site was not included within the figures presented by this report.

Following consideration, it was resolved unanimously that the Committee:

1. **Noted the recommendations of Financial Policy Panel held on 08 September 2020.**
2. **Agreed the following overall budget targets for 2021/22:-**
 - i. **That estimates be prepared including the delivery of savings already identified in the Financial Plan for 2021/22 totalling £336,000.**
 - ii. **That estimates include options to reduce organisational costs by £1,290,000 subject to government grant announcement, in order to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy.**
 - iii. **That at least £210,000 additional revenue is generated from an increase in discretionary fees and charges;**
 - iv. **That a provision for pay award is made of £408,000 that would allow for a 2% cost of living increase;**
 - v. **That a £950,000 contingency is provided for within the 2021/22 budget to mitigate the potential impact of Covid-19 on the Council's finances in 2021/22.**
 - vi. **That officers are tasked in delivering a list of costed options that can be implemented to address any budget shortfall for 2021/22.**
3. **Agreed the budget reporting timetable as set out in section 10 of the report to Financial Policy Panel (Appendix 2).**

4. Agreed that 2020/21's projected deficit be funded as set-out at paragraph 6.7 of the report to Financial Policy Panel (Appendix 2).

22 LOCAL GOVERNMENT STRUCTURE IN SURREY

The Committee received a report seeking approval of the Council's financial contributions towards a joint fund with Surrey Boroughs and District Councils to investigate future local government options.

An amended copy of the report had been published as a supplement to the agenda and replaced the copy of the report included in the original agenda pack.

The following matters were considered:

- a) **Purpose of funding.** Following a question from a Member, the Chairman informed the Committee that the proposed funding contribution would be made to a joint Surrey Borough and Districts Councils fund which would investigate all local government structure options. The contribution would not be ring-fenced to consider only two-tier options.
- b) **Proposed amendment: removal of words "enhanced two tier working"**. Councillor Kate Chinn proposed and Councillor David Gulland seconded an amendment to the recommendation included within the report to remove the words "enhanced two tier working".

Following consideration the Committee resolved to reject this amendment with 2 Members voting for it, 5 Members voting against it, 1 Member abstaining and the Chairman and Councillor Hannah Dalton not voting. Councillor Hannah Dalton declared that she was not able to vote on this matter due to a declared interest, and accordingly did not vote on this amendment.

Following consideration, the Committee resolved with 7 Members in favour, 1 Member against and the Chairman and Councillor Hannah Dalton not voting to:

- (1) approve a contribution of up to £10,000, funded from the Corporate Projects Reserve towards a joint Surrey Borough and Districts Councils fund to investigate future local government options which could include new ways of working post-pandemic, proposals for shared service delivery at Borough and District level and enhanced two tier working.

23 LOCAL GOVERNMENT ASSOCIATION COMMUNICATIONS REVIEW ACTION PLAN

The Committee received a report providing details of the Communications & Engagement Strategy and Action Plan.

The following matters were considered:

- a) **Costings for actions.** Following a question from a Member, the Committee was informed that there were no costs associated with the

Strategy. Officers anticipated that any costs from the Action Plan would be delivered within the existing budget. If there was a need for additional resources to implement actions a report and supporting business case would be presented to the Strategy and Resources Committee for approval.

- b) **Further LGA support.** In response to a question from a Member, the Head of HR and Organisational Development informed the Committee that following the LGA's review, the Council had appointed an expert interim officer to give advice and provide support in the review of recommendations provided by the LGA. Further support from the LGA had not been sought, but this would be kept under review.
- c) **Impact and outcomes of themes identified within the Strategy and Action Plan.** Following a question from a Member, the Head of HR and Organisational Development informed the Committee that the themes detailed within the Strategy would be expanded upon to provide further information regarding their anticipated impact and outcomes.
- d) **Responsible parties and detailed actions within Action Plan.** A Member requested that further information be added to the Action Plan detailing the responsible officer/party for actions and how actions would be completed. It was noted that the Head of HR and Organisational Development would contact the Councillor following the meeting to discuss the further information required.

Following consideration, it was resolved unanimously that the Committee:

- (1) **Approved the Communications & Engagement Strategy and Action Plan.**

24 EPSOM & EWELL BOROUGH COUNCIL'S DIVERSITY, EQUITY & INCLUSION FRAMEWORK

The Committee received a report providing details of the Council's working draft Diversity, Equity and Inclusion Framework.

The following matters were considered:

- a) **Councillor training.** The Committee noted that it was intended to provide Councillors with training and a Members' Briefing session with regard to the Diversity, Equity and Inclusion Framework. It was also noted that Officers would look into the possibility of providing unconscious bias training to Councillors.
- b) **Requirements upon business partners and contractors.** A Councillor asked whether the Council placed requirements on its contractors and business partners which provided services on its behalf with regard to equality, diversity and inclusion matters. As the relevant officer had lost connection to the meeting at this time, it was noted that a written

response would be provided to all Members of the Committee and the Councillor in attendance with regard to this matter following the meeting.

- c) **Covid-19 Risk assessments.** Following a question from a Member, the Head of HR and Organisational Development informed the Committee that the Council had undertaken a significant amount of work across its buildings and set up a task group to review Covid-secure arrangements at Council venues. In relation to staff, the Council was working closely with its occupational health provider.
- d) **Thanks to the Head of Digital and Service Transformation and staff – accessibility of Council website.** The Committee expressed its thanks to the Head of Digital and Service Transformation and her team for their work to make the Council's website meet the legislative requirements of accessibility of public websites.

Following consideration, it was resolved unanimously that the Committee:

- (1) **Approved the working draft Diversity, Equity and Inclusion Framework.**
- (2) **Agreed that the three themes could go out to public consultation.**

25 MINUTES OF PREVIOUS MEETING

The Minutes of the Special Meeting of the Strategy and Resources Committee held on 2 July 2020, Minutes of the meeting of the Committee held on 28 July 2020 and Restricted Minutes of the meeting of the Committee held on 28 July 2020 were agreed as a true record, and the Chairman was authorised to sign them.

26 EXCLUSION OF PRESS AND PUBLIC

Under Section 100(A)(4) of the Local Government Act 1972, the Committee passed a resolution to exclude the public from the meeting for Part Two of the Agenda on the grounds that the business involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

27 SUPPORT WITH REOPENING LEISURE SERVICES

The decision for this item is recorded in a separate (not for publication) restricted Minute.

The meeting began at 7.00 pm and ended at 8.36 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)

Document is Restricted

This page is intentionally left blank