

# Public Document Pack

Legal and Democratic Services



**To: All Members of the Strategy and Resources Committee**

Dear Councillor,

**STRATEGY AND RESOURCES COMMITTEE - THURSDAY, 13TH MAY, 2021 , Council Chamber - Epsom Town Hall**

Link for public online access to meeting:

<https://attendee.gotowebinar.com/register/2448341229821781518>

**Webinar ID: 566-599-083**

Please find attached the following document for the meeting of the Strategy and Resources Committee to be held on Thursday, 13th May, 2021. This was not included in the original Agenda pack published previously.

1. **LGA FINANCE PEER REVIEW** (Pages 3 - 28)

This report presents the findings of the Local Government Association's (LGA) Finance Peer Review, and the Council's arising Action Plan.

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

Yours sincerely

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

Chief Executive

This page is intentionally left blank

## LGA FINANCE PEER REVIEW

<b>Head of Service:</b>	Kathryn Beldon, Chief Executive
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?</b>	No
<b>If yes, reason urgent decision required:</b>	N/A
<b>Appendices (attached):</b>	Appendix 1 – LGA Finance Peer Report Appendix 2 – Council Action Plan

### Summary

This report presents the findings of the Local Government Association's (LGA) Finance Peer Review, and the Council's arising Action Plan.

### Recommendation (s)

#### The Committee is asked to:

- (1) Receive the LGA peers' feedback report (Appendix 1)
- (2) Approve the Council's Action Plan (Appendix 2).

## 1 Reason for Recommendation

- 1.1 The recommendations will ensure that the Finance Peer Review findings are progressed to further enhance the Council's governance and financial procedures.

## 2 Background

- 2.1 In line with our drive for continual improvement, the Council commissioned the Local Government Association to undertake a peer review of finance across the organisation. The review took place in March 2021.
- 2.2 The LGA peers have provided their feedback report, which is attached at Appendix 1.
- 2.3 The report findings are considered by finance officers to be generally positive, with the executive summary stating:

- 2.4 *“The Council has a long proven track record in financial management, demonstrating prudent oversight and management of its finances over a number of years”.*
- 2.5 To build on the report’s positive findings, the review contains eight key recommendations. These recommendations would assist the Council to further enhance its financial procedures and overall position, and are listed below:
- 2.5.1 Bring together into a clear strategic statement the change and recovery intentions of the Council;
- 2.5.2 Review the approach to financial decision making and scrutiny;
- 2.5.3 Consider how members and officers can adapt to support each other through the forthcoming period of change;
- 2.5.4 Ensure budget monitoring is considered by the relevant committee(s);
- 2.5.5 Refresh the approach to the Capital Programme;
- 2.5.6 Agree a new Local Plan as soon as possible;
- 2.5.7 Given the Council’s commitment to becoming carbon neutral by 2035, assess the costs of delivering this plan both in terms of revenue and capital;
- 2.5.8 Collectively reflect further on the types of considerations given below for progressing the work on shared services and look to progress this in a phased and managed way.
- 2.6 To address these recommendations and ensure we capitalise on the opportunity presented by the Peer Review, officers have produced the Action Plan at Appendix 2.
- 2.7 Leadership Team has been consulted on, and endorsed, the Action Plan.
- 2.8 Members are now asked to receive the Peer Review Report and agree the Action Plan, which would then be published on the Council’s website.

### **3 Risk Assessment**

Legal or other duties

#### **3.1 Impact Assessment**

- 3.1.1 There are no direct impact assessments required for this report.
- 3.1.2 Any element of the Action Plan that requires an individual impact assessment will have one undertaken at the time.

3.2 Crime & Disorder

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

3.3 Safeguarding

3.3.1 There are no safeguarding implications for this report.

3.4 Dependencies

3.4.1 There are no dependencies for this report.

3.4.2 A number of dependencies resulting from the action plan may be identified.

3.5 Other

3.5.1 None.

**4 Financial Implications**

4.1 There are no direct financial implications arising from this report.

4.2 Should any financial implications arise subsequently from the Action Plan, these will be addressed at the time, as appropriate.

4.3 **Section 151 Officer's comments:** The Peer Review has provided the Council with an exclusive opportunity to reflect on its processes and to benefit from the experience of senior colleagues across local government.

4.4 While the review demonstrated that the Council's financial procedures are robust, a number of recommendations have been identified to enhance our position further.

4.5 Delivery of the Action Plan will ensure that the Council capitalises on the opportunities presented by the Peer Review.

**5 Legal Implications**

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

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

**6 Policies, Plans & Partnerships**

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

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

6.3 **Climate & Environmental Impact of recommendations:** Providing costings for the Climate Change Action Plan will enable the Council to assess, more clearly, the financial impact of its transition towards net-zero carbon emissions.

6.4 **Sustainability Policy & Community Safety Implications:** None arising from the contents of this report.

6.5 **Partnerships:** None arising from the contents of this report.

## 7 Background papers

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

**Previous reports:**

- None.

**Other papers:**

- None.

# Epsom & Ewell Borough Council

LGA Financial Remote Peer  
Support

Feedback Report

## 1. Executive Summary

Epsom and Ewell is a small, affluent, and leafy borough in Surrey. The borough is home to around 80,000 people, 3,700 businesses, a diverse cultural offer, high performing schools – not to mention Epsom Salts and ‘the Derby’.

Epsom and Ewell Borough Council provides services to the local area, including waste & recycling, planning, parking, environmental health, housing, leisure, and economic development. The Council draws on a workforce of around 325 staff who are led by 38 councillors.

In 2019 following ‘the largest consultation and engagement exercise undertaken in the borough’, a new 2040 vision for Epsom and Ewell as a ‘creative and vibrant place’ was published. This vision includes five themes for the borough over this period – ‘Green & Vibrant’, ‘Opportunity & Prosperity’, ‘Safe & Well’, ‘Cultural & Creative’ as well as ‘Smart & Connected’. Following this, the Council subsequently published a new Corporate Plan in early 2020 to reflect the priorities for the place and the Council’s role in these, as well as adding a sixth Council specific priority of ‘Effective Council’.

Almost immediately following the publication of this new Corporate Plan, life in the UK changed unimaginably as the COVID-19 pandemic struck and a first ‘lockdown’ began. The effects of this pandemic continue to challenge all of those involved in local government in an unprecedented way. The work of the Council has rightly focussed on trying to support and protect local communities and businesses through this crisis, whilst also maintaining key service levels. For Epsom and Ewell, examples of which include helping vulnerable residents with food, prescriptions and other needs through a Community Hub, putting in place measures to make town centres and public spaces COVID secure as well as helping to sustain the local economy with over £11m of Government grants paid by the Council to local businesses.

The Council is committed to emerging from the pandemic in a way which embraces new ways of working. This includes leading a recovery, rebuild, renewal and/or reset as appropriate. This is relevant to the outcomes for local communities and businesses as well as how the Council operates. The latter includes dealing with the direct and ongoing financial impact and uncertainty created over this period.

The Council has a long proven track record in financial management, demonstrating prudent oversight and management of its finances over a number of years. This has helped the Council to manage a reduction in core spending power of just under 40% since 2016/17, whilst retaining a healthy overall level of reserves. Key to this has been the strong financial leadership brought by the Chief Executive and Leadership Team.

Arriving into this COVID period in a healthy financial position has helped the Council significantly. Thanks to the way in which the Council has managed its finances over a number of years, this reserves position has also afforded the Council an opportunity to take a considered, strategic approach to recovery/renewal. The time afforded to the Council from this reserves position is limited as it is made possible only through the use of reserves to support revenue expenditure, which the Council recognises can be used only once. Progressing this agenda at a sustainable pace is therefore crucially important.

The approach to recovery and renewal includes a number of different aspects and opportunities which have an important role in helping the Council to manage its budget challenge in a sustainable way. These include how the Council uses its estate, the use of increased digitisation and how the Council might look to increasingly develop ways of working

*with* local communities, rather than delivering services *to* local communities. Most specifically, there is now a consistent appetite amongst members and officers for sharing services with other councils.

Bringing these different options for change together into a clear strategic statement with a delivery plan which sets out what the change and recovery intentions of the Council will mean in practice can help in progressing this agenda. This includes what this looks like overall when these different strands are connected together, what the organisational support for this change will look like and what conditions this might then create for further new ways of working. Having this can help the Council to benefit from shared ownership, wider insight and challenge. Informing and shaping this from the themes identified in the 2040 vision will ensure these decisions remain relevant to the key local priorities for Epsom and Ewell.

As the Council moves forward, the members who hold the two most senior positions within the Strategy and Resources Committee will also change over the coming months. As is the case in all new relationships of this nature, ensuring that incoming members to these roles and relevant officers have the space and time to discuss their own personal working preferences as well as to look at how they can each adapt to support each other in this new relationship will be important.

Further-to-this, reviewing how financial decision making can be further improved will be beneficial. Doing so can have the benefit of making financial decisions and scrutiny more widely engaging across the member cohort and increasing the breadth of insight and challenge the Council benefits from. This also helps the Council to demonstrate where and how challenge takes place from elected members in a more visible way to the public. This includes discussing and publishing papers in relation to finance at Committee meetings. Further examples of this are contained within this report.

The Council should also take steps to ensure the Capital Programme fully and more clearly reflects the entirety of the Council's spending plans. This has the benefit of supporting more members to understand, monitor and challenge the delivery of these spending plans and helps the Council to more clearly demonstrate the scale of its investment into the borough and its contributions to the realisation of the 2040 vision.

In summary - Epsom and Ewell is a Council with a history of strong, prudent financial management which not only put the Council in a relatively resilient place when the COVID-19 pandemic hit, it has also now afforded the Council some 'one-off' space to consider the strategic approach it will take to a post pandemic 'recovery' or 'renewal'.

To capitalise fully on this opportunity, the Council should embrace all of the shared efforts, skills and insight available to the Council from within the member and officer cohort, as well as the support available to the Council more widely. This includes the experience and insights of a wide range of members, as well as looking more widely at the learning from what other councils and organisations are doing, to help inform the steps you choose to take next. The LGA Peer Team wish the Council well with this journey and continue to be there to offer support.

## 2. Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions, in addition to the conversations onsite, many of which provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the Council:

- 1. Bring together into a clear strategic statement the change and recovery intentions of the Council.** This can help the Council to progress this agenda and benefit from widely shared ownership. This should be informed by the 2040 vision and show seamlessly the link to meeting the Council's post-COVID budget challenge.
- 2. Review the approach to financial decision making and scrutiny, looking at how this can be made more visible and enhance accountability and engagement.** This includes looking at how the Council can benefit from the wider understanding, insight and challenge of the member cohort.
- 3. Take the time to consider how members and officers can adapt to support each other through the forthcoming period of change.** This will include recognising and agreeing the expectations, requirements, working preferences and support needs of each other.
- 4. Ensure budget monitoring is considered by a relevant committee(s), with the papers for these discussions published as part of committee papers.** This does not necessarily mean stopping the practice of regular, timely reports going to all members outside of these meetings. This can be also helped by working with members to find ways to make reports both concise and informing.
- 5. Refresh the approach to the Capital Programme.** This can ensure it fully and more appropriately reflects the Council's spending plans.
- 6. Agree a new Local Plan as soon as possible, which is an important step with financial implications/risks.** Doing this will help the Council to avoid the associated financial risks from escalating, as well as better inform the development of options in relation to the disposal / re-purposing of strategic assets.
- 7. Given the Council's commitment to becoming carbon neutral by 2035, assess the costs of delivering this plan both in terms of revenue and capital assumptions.** Explore the learning around further options and implications from the approaches taken by councils elsewhere which can inform how the Council meets this commitment locally, as well as any potential cost implications of this.
- 8. Collectively reflect further on the types of considerations given below for progressing the work on shared services and look to progress this in a phased and managed way.** This can help to ensure the Council is able to make well informed decisions, which mitigate risks and lead to sustained improvement.

### 3. Summary of the Peer Challenge approach

#### The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected both the requirements of the Council and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with the Council. The peers who delivered the peer challenge at Epsom and Ewell were:

- Lead Peer – **Joanne Wagstaffe** (Chief Executive – Three Rivers District Council)
- Member Peer – **Cllr Sarah Rouse** (Leader – Malvern Hills District Council)
- **Jane Eaton** (Director of Corporate Resources - Horsham District Council)
- Peer Challenge Manager – **Dan Archer** (LGA)
- Shadow Officer – **Siobhan Coughlan** (LGA)

#### Scope and focus

The peer team considered the following five questions which form the core components looked at by all Finance Peer Challenges:

1. **Financial Leadership:** *How the Council plans for its long-term financial sustainability in a way which is owned by both its member and officer leaders.*
2. **Financial strategy, planning & forecasting:** *How the Council understands and adapts to its short and long- term financial prospects.*
3. **Decision-making:** *Are decision taken with an informed understanding of the financial prospects?*
4. **Financial outcomes:** *Are financial results (including those of the Council's investments and transformation projects) monitored and acted upon as to realise the Council's intentions?*
5. **Partnership & innovation:** *Is finance at the cutting edge of what the Council is aiming to achieve?*

In light of the financial impact of COVID-19 and the uncertainty this has presented, the Council asked that within the above, the peer team provide insight and feedback on any further income opportunities that the Council could benefit from and models of service delivery and collaboration that the team would encourage the Council to explore.

#### The peer challenge process

When the COVID-19 pandemic emerged and lockdown began in March 2020, the LGA suspended the physical delivery of all peer challenge work including the core offer of an 'onsite' corporate or finance peer challenge. To continue to support councils during this unprecedented period, the LGA refocused their support and adopted a new remote approach, rooted in the principles of peer support and independent challenge, for the sector by the sector.

This new approach does not replace the LGA Peer Challenge offer but is designed to be a sector led improvement tool to provide external challenge and recommendations for how a council can continuously improve.

It is important to stress that this was not an inspection. Peer challenges are improvement focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

Background reading was provided to the peer team in advance. This included a wide range of financial plans, budget reports, financial models and other documents that would allow the peer team to have an understanding of the council's approach to its financial strategy and management. The Council drew up a timetable of virtual meetings including focus groups and one to one meetings. This included members, officers and external audit.

The peer team prepared for the peer challenge by reviewing the documents provided in advance and speaking with colleagues at the Council in order to ensure they were familiar with the Council. Over the course of this peer review, the team:

- Gathered information and views from **more than 20 meetings as well as additional research, analysis and reading.**
- **Collectively spent around 150 hours to determine their findings – the equivalent of one person spending 4 weeks** in Epsom and Ewell.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (5<sup>th</sup> March 2021). In presenting feedback to you, they have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

## 4. Feedback

### 4.1 Financial Leadership

The Council is led by 38 councillors, who govern locally through a Committee structure. The most recent local elections were held in 2019, with the local Residents Association retaining their longstanding majority control of the Council, with 32 out of the available 38 seats.

A close working relationship between the Chair, Vice Chair of Strategy and Resources and senior officers is evident and has supported strong financial management at the Council over a number of years. Within the officer cohort, there is also significant financial capacity, with resilience at a senior level. This includes the Chief Executive, Chief Finance Officer and Chief Accountant, who are all represented on the Council's senior officer leadership team, all of whom have a finance background. Working with this senior leadership is a cohort of officers who are committed and well connected internally to other colleagues at the Council.

In February 2020, members agreed a new Medium Term Financial Strategy 2020-2024 (MTFS) linked to the timescales for the Council's Corporate Plan. When originally produced in February 2020, the MTFS projected a savings requirement of £0.443m by 2023/24, to deliver a sustainable revenue budget without reliance on reserves.

MTFS projections are updated at least annually and are agreed as part of the annual budget process. When these projections were most recently refreshed in February 2021, the size of the savings requirement for 2023/24 increased from £0.443m to £0.920m. This reflects updated assumptions, largely relating to the impact of COVID-19, although it is acknowledged that there is unprecedented uncertainty currently associated with future projections. Ahead of 2023/24, a projected gap of £0.757m will need to be addressed in 2022/23 in order to deliver a balanced budget which does not then continue to rely on the use of one-off reserves, which would have the consequence of pressures continuing to reappear and roll into future years.

In order to meet these budget challenges and to deliver a local recovery, renewal or reset from COVID-19, the Council is now looking at a range of change initiatives including a review of strategic assets (such as the Town Hall). The Council also has an appetite for increasing the use of shared service arrangements, further exploiting the potential for digitisation and capitalising on other new ways of working – such as working with the local community differently.

Developing and setting out these ambitions and opportunities into an overarching strategic position which makes clear how the Council is going to change when these different options are layered on top of each other can help the Council to successfully implement change and deliver the level of efficiencies required in a sustainable way. Essentially, as referenced in the Council's Corporate Plan this is precisely about '*Enabling Delivery with an eye on the future*'.

**Key recommendation** - Bring together into a clear strategic statement the change and recovery intentions of the Council. This can help the Council to progress this agenda and benefit from widely shared ownership. This should be informed by the 2040 vision and show seamlessly the link to meeting the Council's post-COVID budget challenge.

Developing the shared narrative around these plans with members and officers will help the Council to identify the opportunities that fit with this. It can also help to identify any wider implications, risks and opportunities this might bring. It can also support a careful sequencing of the right steps to take in bringing about this type of transformation and should link to how the Council will utilise organisational and member development to support changing working practices and expectations.

Shaping this should also be the commitment from the Council to become carbon neutral by 2035. This is an ambitious target which will require significant steps to be taken over a number of years. The Council has produced a Climate Change Action Plan to help meet this commitment with dedicated, two year fixed term funding made available for an officer post with lead responsibility in this area.

Many councils across the country are also looking to progress their climate commitments in a range of different ways. What is clear is that this will involve costs and opportunities with real implications in terms of both revenue and capital spend. There are many examples of other councils across the sector that the Council could look to share learning with, in meeting its own carbon commitment – some examples of which are shown in the Annex to this report. Being able to financially cost the steps committed to in delivering carbon neutrality by 2035 is an important task and can allow for decisions and forthcoming investments with significant 'carbon costs' to be planned in light of this commitment.

**Key recommendation - Given the Council's commitment to becoming carbon neutral by 2035, assess the costs of delivering this plan both in terms of revenue and capital assumptions.** Explore the learning around further options and implications from the approaches taken by councils elsewhere which can inform how the Council meets this commitment locally, as well as any potential cost implications of this.

All of the above represents significant potential corporate change which has implications across service areas and for how the Council approaches organisational development. As detailed above, the Council has a loyal, proud and supportive cohort of officers to draw upon in delivering this change and ensuring the Council has the right amount of strategic capability to implement this type of transformation programme will be important.

## 4.2 Financial strategy, planning and forecasting

The Council holds a General Fund working balance of £3.4m in addition to strategic revenue reserves of c.£15m. Having such a healthy level of reserves has enabled the Council to fund the projected £0.78m overspend in 2020/21.

The level of overall overspend projected for 2020/21 is clearly an unusual occurrence at this Council and is very much due to pressures from COVID-19. The overspend in 2020/21 is based on reduced income from car parking, sports, leisure and cultural services as well as projected overspends in environmental services, environmental health, housing, parks and open spaces and community services. Pre-COVID, the Council underspent against its overall budget by £0.011m in 2019/20, £0.068m in 2018/19 and £0.014m in 2017/18. Following each of these, the Council chose to make unplanned, additional contributions to the General Fund working balance.

In addition to revenue reserves, the Council holds approximately £7.7m (£3.8m uncommitted) of Community Infrastructure Levy and £4.5m (£2.6m uncommitted) of Capital Receipts in reserve, which can be used to fund a Capital Programme and infrastructure projects.

The Council has chosen to support revenue expenditure in 2021/22 by funding £0.422m from strategic reserves. The Council can only use reserves once and the Council is committed to bridging this gap through more sustainable means from 2022/23.

The £0.422m requirement from reserves for 2021/22 is based on the inclusion within the budget of a contingency of £0.950m to help the Council manage the impacts of Covid-19. Providing members and officers with a clear position on how this contingency will be deployed and indeed on the entirety of the reserves position and the purpose of each reserve can help support informed financial decision making, budget monitoring, accountability and challenge.

When required, rationalising different reserves can also help to give a clearer more widely understood and owned position in relation to available reserves.

Financial control is clearly evident at the Council and has had a strong role in the Council's overall performance against budget leading up to 2020/21. Each Head of Service is required to sign an annual Divisional Assurance Statement to certify that internal controls and governance mechanisms are functioning effectively and the Council's Financial Regulations require separate reports be submitted to the officer leadership team for adverse budget variances over £0.050m and to Member Committee for adverse variances exceeding £0.100m. Each officer with a budget responsibility has an expenditure limit which can be individually set. In some individual cases, it would be beneficial to revisit these levels to ensure they are appropriate. Doing so can help to speed up some operational decision making, enabling officers to react to service pressures more quickly, where appropriate.

### 4.3 Decision making

Financial decision making is supported by a finance team who are trusted and highly regarded by members. In addition, fellow officers repeat the message of a team who provide a highly supportive service.

Quarterly reports are provided to the officer leadership team which support close monitoring of the Council's revenue and capital positions. All members receive detailed and timely budget monitoring reports, which is a practice that has continued despite the various challenges of COVID-19. These in-year monitoring reports are not discussed routinely at committee meetings, however budget variances in excess of £0.100m are reported separately to individual Committees. The current approach is designed to ensure all members receive the information as quickly as possible, without waiting for the relevant committee meeting. To more clearly share the in-year financial performance of the Council with residents and partners, as well as more publicly evidence the role of members in financial decision making, it is recommended that the Council should have at least quarterly budget monitoring items at a relevant committee meeting, which should include the papers being published alongside the agenda and therefore available to the public.

**Key recommendation - Ensure budget monitoring is considered by a relevant committee, with the papers for these discussions published as part of committee papers.** This does not necessarily means stopping the practice of regular, timely reports going to all members outside of these meetings. This can be also helped by working with members to find ways to make reports both concise and informing.

A review of financial decision making will help the Council to increase the level of engagement (and widen the number of members engaged) in financial decision making, challenge and scrutiny. This is also an opportunity to demonstrate a clearer separation between those involved in decision making and the role of scrutiny/challenge. An example of this could include reviewing how the Council utilises the role of the Audit and Scrutiny Committee to increased effect.

Many councils choose to separate the Audit and Scrutiny elements into separate committees, which is an option the Council can consider as part of this.

As part of this review, the Council may also wish to consider the role and benefits of the Financial Policy Panel (FPP). Due to operating a committee system of governance the Council could be equally or even better served by placing the duties of the FPP within the remit of the Strategy and Resources Committee. Some of the functions discharged at the FPP might also be considered as a potential role for Scrutiny.

In terms of audit, the peer team are of the view that the Council should take the Statement of Accounts to an Audit Committee meeting for sign off, to bring the Council in line with best practice elsewhere.

**Key recommendation** - Review the approach to financial decision making and scrutiny, looking at how this can be made more visible and enhance accountability and engagement. This includes looking at how the Council can benefit from the wider understanding, insight and challenge of the member cohort.

Taking the time to review financial decision making comes at an opportune time for the Council given the planning for recovery and renewal, as well as the changes to the Chair and Vice Chair of Strategy and Resources which are due to take place over the coming months. At the outset of such a change, taking the time to look at how members and officers can adapt and support each other under these new arrangements will be important.

With the change in political leadership that is due to take place, the peer team were pleased to see that work on the handover of roles and responsibilities was already taking place. It is important that those members who are stepping back enable the members stepping into the roles to have discussions with the relevant senior officers about expectations and working styles and practices. This is key to enabling a smooth transition, ensuring that everyone is clear on what is expected when the roles are changed.

**Key recommendation** - Take the time to consider how members and officers can adapt to support each other through the forthcoming period of change. This will include recognising and agreeing the expectations, requirements, working preferences and support needs of each other.

One of the changes that may be considered by members could include looking at how financial information is shared with / presented to them, to make it easier for more members to access, to understand and engage with. This includes reviewing how financial reports to members are written. Ensuring reports are written in an accessible and proportionate way with clear recommendations that help decision making may be a useful step. This is particularly the case given the number of different meetings some members attend alongside their own ward, personal, family and/or professional commitments. Briefing members 'in person' on the financial position directly before a committee meeting is another option that can help with this. Lastly, the Council provides all member briefings throughout the year. Looking at how this time is used for finance briefings to all members

might also prove a useful mechanism for helping to deepen the understanding of the Council's finances across more members.

The foundations for financial monitoring and reporting is a Council's finance system. In the coming year the Council is looking to upgrade this from a local server-based approach to a cloud-based application. Given the Council's wider drive for increased digitisation to support greater levels of self-service, the peer team recommend that the Council take the opportunity to look again at this system compared to those available elsewhere in the market – to see if this matches with the Council's wishes for increased digitisation.

This includes whether this platform is moving at the same pace as other similar products in the market. It may be the case that there are alternative systems which put less reliance on the finance team, particularly in producing real time reports for budget holders, supporting budget holders to have more ownership. This can then free up the finance team to provide their support and challenge in other ways to Council colleagues.

The Council has a good understanding of risk management which is reviewed regularly. Specifically, in relation to finance the key financial risks looking ahead to 2021/22 include:

- **Fair Funding Review** – the Council is operating with the likely impact of a sustained reduction in business rates and New Homes Bonus (NHB) income in mind. To mitigate these risks, the Council has actively sought alternative income streams in recent years, such as commercial properties to become more financially self-sufficient. The MTFS has already removed reliance on NHB as a funding source for day-to-day revenue spend. All NHB income is transferred to reserves, which can then be used to fund one-off projects.
- **Brexit and COVID-19** – which may have an ongoing impact on the Council's income from areas such as car parks, venues, building control and planning. Income streams are monitored to ensure any adverse trends are identified early. As referenced above the Council also has in place from 2021/22 a £0.950m COVID reserve to manage increased demands and pressures as they materialise.
- **Demand for Housing services** – like many councils, the Council has experienced a significant increase in demand for housing and homelessness services with service demand likely to increase further. The Council is pursuing further initiatives in this regard.
- **Commercial Property** – the Council's £116m combined commercial property portfolio (£88m of which is funded by borrowing) has thus far proven relatively resilient to the pandemic and the Council are not 100% reliant on income from commercial property to fund net revenue expenditure with the Council annually receiving approximately £3.0m net income from these assets. The Council is using income to build further a property equalisation reserve, which is currently worth £3.9m.

#### 4.4 Financial outcomes

Further to the examples supplied throughout this report of the Council's track record for financial management and a healthy overall level of revenue reserves, the Council also demonstrates a positive overview from the CIPFA resilience index for 2019/20 and consistent unqualified reports from the External Auditor.

The External Auditor gives reference to the high quality financial statements produced by the finance team as well as the robustness and reasonableness of future financial plans. The Council is consistently able to meet statutory account deadlines, including in 2020/21 despite the challenges presented by COVID-19. The Council is also able to demonstrate high performance in relation to Council Tax collection and non-domestic business rate collection, performing better than their group of CIPFA socio-economic comparator councils, whilst doing this for around the average cost – representing good value for money.

An area in which the Council is challenged is in relation to the use of temporary accommodation. The Council houses particularly high numbers of people in temporary accommodation compared to their CIPFA neighbours. This has led to the budget demand in this area increasing to an all-time high of £1.5m in the last year. The Council is well aware of this pressure and is investing in different initiatives to help address this, which includes prevention / early intervention support. Keeping a close eye in-year on the impact of this activity, and performance relative to similar councils elsewhere is important as the budget pressures associated with this area are significant.

The Council's Capital Programme is presented to Full Council for approval in February each year with internal audit periodically reviewing this programme. For 2021/22, the Capital Programme is worth £1.5m, although from 2022/23 this only appears to include around £0.6million a year for disabled facilities grants. Making the fuller set of projected capital investments of the Council more visible can help the Council to demonstrate increased transparency, better enabling local support and challenge. It will also help the Council to more clearly demonstrate to partners and residents the investments the Council is making in the local area as well as the pressures and forthcoming investment decisions the Council faces.

Where the Council has capital requirements which are more typically considered necessary for 'business as usual' – such as ICT, assets and equipment, adapting the process so that these are reflected in a longer term budget can also help the Council. This can reduce the burden on budget holders and the finance team as well as help the Council to more clearly plan its investments, including where these investments contribute to the Council's wider change ambitions and where these investments may present an opportunity or risk to the Council's commitment to becoming carbon neutral by 2035.

The Council has committed to a Climate Action Plan and should now look to financially cost this plan. This can help the Council to plan ahead with the revenue and capital implications of this in mind – including the implications for forthcoming capital decisions (such as equipment and assets). Whilst the Council has already taken steps to adapt its approach to resourcing capital projects relative to this carbon commitment (where the required return on investment is now open to a longer return period than was the case previously), consider again if the ambitions in relation to climate change can match the available resources and the gateways in place to accessing these resources.

**Key recommendation - Refresh the approach to the Capital Programme.** This can ensure it fully and more appropriately reflects the Council's spending plans.

Many other councils nationally are progressing activity which the Council can look to gather the learning from in becoming carbon neutral. Some examples are shown in the Annex to this report. In addition to this, there are service areas which the Council are keen to learn about modern and alternative ways of working (including homelessness, waste, recycling, parks/open spaces). A sample of examples to consider are shown in this Annex, although

members and officers are also encouraged to tap further into the various networks available for this type of shared of learning.

The Council currently has performance challenges in planning and is required to publish a new Local Plan, which, for all councils, is a long and often expensive exercise. Doing so is crucially important in place shaping and being able to deliver on the 2040 vision. This is also an important step for protecting the Council from the financial risks that not having a Local Plan in place can present. This will also help the Council to develop more options for its use of Strategic Assets, whether this is based on disposing of an asset or repurposing the use of an asset. For all of these reasons, as well as how central the work on Strategic Asset Reviews is to the Council's budget position, this is an important 'enabling' step that the Council must prioritise.

**Key recommendation** - Agree a new Local Plan as soon as possible, which is an important step with financial implications/risks. Doing this will help the Council to avoid the associated financial risks from escalating, as well as better inform the development of options in relation to the disposal / re-purposing of strategic assets.

#### 4.5 Partnership and innovation

As detailed elsewhere, the Council's decisions over time to develop the combined commercial property investment portfolio (both within and outside the borough) have played an important role in helping the Council to become more financially self-sufficient, helping to deal with the almost 40% reduction in core spending power experienced since 2016/17. This commercial portfolio provides gross annual rental income to the Council of c.£5.7m, which is used to fund services, borrowing costs and contributions to an earmarked reserve to hold funds for managing voids, capital expenditure and related property costs, both foreseen and unforeseen.

Despite this commercial portfolio appearing relatively resilient during the pandemic, the Council is aware of the inherent risks associated with commercial property portfolios and to manage these risks is continuing to build an equalisation reserve of £3.9m up until the point this equates to approximately 12 months of complete income protection.

The Council also receives around £4m per annum from car parking which makes a significant contribution to the Council's budget. In non-COVID times, the Council is able to demonstrate consistent achievement against income targets, although the last 12 months have presented unique challenges which have seen this reduce significantly.

Looking ahead into 2021/22 it is difficult to project with great certainty how quickly or how much income levels will recover. The Council has allocated a £0.950m COVID-19 contingency which can help to manage some adverse impacts. This contingency sum has been calculated based on Bank of England estimates of the economic impact overall of COVID-19, which have then been applied to the Council's level of expected fees and income in a more normal year.

Close, regular monitoring of income performance with budget holders / heads of service will be important to understand how this picture is developing in-year. This will also help the Council to benefit from relevant opportunities to safeguard income levels during this uncertain period.

The Council has an appetite to modernise ways of working which build upon the closer working relationships the Council has experienced with local communities throughout the COVID-19 response stage. This creates an opportunity from which the Council can look to grow new ways of shared working. There are different examples of how this is being done and trialled elsewhere in the sector which the Council can explore. This can lead to new service delivery models which work more closely in tandem with the efforts of local communities.

Most consistently, there is an appetite from both members and officers to look to embrace shared service arrangements with other local councils. Consistent alignment now across members and officers for joining existing and developing new shared service arrangements creates an opportunity to actively explore this with other interested councils. As the Council embarks further on this journey, some considerations to help shape this approach include:

- Prioritise the services you are most interested in sharing (relative to the difficulty / pain of change, the policy and performance context, the risks this may present, the costs that may be associated in the initial stages and the value of the benefits in light of this) recognising work will need to be done to prepare any service so it is ready to be shared.
- Be clear on the terms under which you are willing to enter a different arrangement – for example, for resilience, additional expertise, sharing of skills and development, the reduction of costs, the opportunity to increase income or attract new income, to provide better quality or to act over a more relevant footprint.
- From this, have a clear view on the different models that suit these goals and the Council more generally (for example shared arrangements, delivery by a separate council or a separate entity jointly owned etc).
- Be clear on the services you wish to retain ‘in house’ and why.
- Consider how you would prefer the Council to enter into these types of relationships, so that the adjustments required receive the necessary attention as to manage this transition, the initial support requirements or potential disruptions. This might mean clustering some services together for movements in larger clusters or using a more incremental approach.
- Consider the risks involved so that they can be understood, contained or mitigated where appropriate. The Council has a good understanding of risk management which can be put to use here.
- Ensure the right amount of capacity and type of skills are in place within the organisation to manage this change (as well as in the service that may ‘move’), both in the short term and long term. This should therefore be reflected in the Council’s organisational and member development plans.

In addition, opportunities will present themselves on occasion more organically, with often surprisingly good results which the Council should retain an open mind about.

**Key recommendation - Collectively reflect further on the types of considerations given below for progressing the work on shared services and look to progress this in a phased and managed way.** This can help to ensure the Council is able to make well informed decisions, which mitigate risks and lead to sustained improvement.

A number of officers have an appetite to increasingly digitally modernise the service offer to enable greater levels of self service. Ensuring sufficient resources are made available for digitisation will be important, as will the need to ensure these efforts are co-ordinated and suitably sequenced with the other change requirements touched upon through this report (as well as any wider digital infrastructure investment requirements to make this possible).

It is clear that there are many opportunities now available to the Council which can be used to bring about a post COVID-19 recovery/renewal which includes modernising how services are delivered. How the Council operates in future will change and this can help the Council to deal with the budget challenge in a sustainable way whilst continuing to make progress on the longer term commitments to the Borough. This report has provided a number of recommendations that can assist the Council in achieving this, with much more support available to the Council from the sector to help progress this further.

## 5. Next steps

### Immediate next steps

The senior political and managerial leadership will want to reflect on the findings within this report in order to determine how the organisation wishes to take things forward.

To support the Council in the next stage of its improvement journey, the Peer Team have identified a number of key recommendations, some of which the Council may already have in hand. The LGA welcomes the Council's response to these recommendations within the next three months through the development of an action plan.

The Council's LGA Principal Adviser, Mona Sehgal ([mona.sehgal@local.gov.uk](mailto:mona.sehgal@local.gov.uk)) will be in contact to assist the Council going forward and to provide additional support, advice and guidance on any areas for development and improvement and she will be happy to discuss this.

In the meantime, the LGA remain keen to continue the relationship have formed with the Council throughout the peer challenge and will endeavour to provide signposting to examples of practice and further information and guidance about the issues raised in this report, to help inform ongoing consideration.

## Annex A

### Examples of practice from elsewhere in the sector the Council may wish to look at further

As part of this peer challenge, the Council highlighted a number of service areas in which the Council would like to further consider new ways of working, the options available and learning from elsewhere. Below are some examples the Council may wish to consider in light of what is locally relevant to Epsom and Ewell.

#### **Homelessness**

- There are various case studies, guidance and reports available on the LGA website <https://www.local.gov.uk/topics/housing-planning-and-homelessness/homelessness>
- Between December and March 2021, the LGA hosted a series of 'Delivery and Impact Panels' with homelessness lead officers in councils to capture lessons learnt from the work they did over the last year to support rough sleepers and those identified as homeless in their areas. The Council attended one of these sessions and will have gathered examples from this. A national report will be published in the coming months which will collate the lessons learnt from across all these panels.
- An example of applying a digital approach to homelessness – where a group of councils set out to develop and implement three new online tools, all of which would be available in mobile-friendly versions. This included a homelessness triage service – to enable staff and customers quickly to make an initial assessment of a person's circumstances and, where they seemed unlikely to be eligible for assistance, to signpost the customer to alternative advice and support available to them. The Kent councils case study is available <https://www.local.gov.uk/providing-digital-support-housing-and-homelessness>

#### **Waste and recycling**

- The LGA has collated a number of case studies, reports and guidance which is available on the LGA website - <https://www.local.gov.uk/topics/environment-and-waste/waste>
- The LGA Behaviour Insights funded programme, worked with the London Borough of Havering who sought to reduce household waste and New Forest of Dean who sought to reduce littering – the case studies are here - <https://www.local.gov.uk/our-support/efficiency-and-income-generation/behavioural-insights/lga-behavioural-insights-projects>

- The LGA have previously funded some councils to reduce demand – some of these projects looked specifically at waste and recycling, case studies for Plymouth City Council and Southampton City Council are here - <https://www.local.gov.uk/case-studies?keys=Waste+and+streetscene&subject%5B2610%5D=2610&from=&to=>
- There are a number of case studies from a group of councils funded by the LGA to bring about efficiencies and savings to council's waste and recycling budgets, <https://www.local.gov.uk/our-support/efficiency-and-income-generation/waste-management>.
- The LGA has funded work to digitalise services over a number of years. There are a number of case studies here <https://www.local.gov.uk/digital-funded-programmes-and-case-studies>. In the LGA Digital Channel Shift Programme, the most recent examples specifically about waste services include Newcastle, Nottingham, Sunderland and Scarborough.
- The examples of 'bulky bag' waste collections was also discussed whilst on site, here is a link to the details of this in Horsham <https://www.horsham.gov.uk/waste-recycling-and-bins/bulky-bag>

### **Parks and open spaces**

- The LGA has collated a number of case studies, reports and guidance which is available on the LGA website - <https://www.local.gov.uk/search/all/parks%2Band%2Bopen%2Bspaces>

### **Carbon reduction**

- The LGA has collated a number of case studies, reports and guidance which is available on the LGA website - [https://www.local.gov.uk/case-studies?keys=&topic%5B2466%5D=2466&from=&to=&sort\\_by=created&sort\\_order=DESC](https://www.local.gov.uk/case-studies?keys=&topic%5B2466%5D=2466&from=&to=&sort_by=created&sort_order=DESC)
- Lancaster City Council are progressing their Climate Action Plan which includes a number of capital programmes and the access to external funding – more information can be found here - <http://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates>
- LGA resources in relation to green financing, adapting the estate and energy plans which may also be of use can also be found here - <https://www.local.gov.uk/our-support/climate-change>

This page is intentionally left blank

## Finance Peer Review – Council Action Plan

The following Action Plan has been developed to address the LGA Finance Peer Review recommendations. The Council’s proposed actions are allocated to a responsible officer, with a clearly defined success measure and target date.

LGA Peer Recommendation		EEBC Action	Responsible Officer(s)	Success Measure	Target Date
1	Bring together into a clear strategic statement the change and recovery intentions of the Council.	1. The Covid-19 recovery plan - Build Back Better - was approved at Strategy & Resources (S&R) Committee on 19 March 2021.  2. Financial implications of the recovery will be assessed and factored into the Council's budget setting process for 2022/23.	Chief Finance Officer	1. The Council's budget framework and projections for 2022/23 will be reported to S&R Committee in September 2021.  2. A balanced budget for 2022/23 will be presented to Full Council in February 2022.	1. September 2021  2. February 2022
2	Review the approach to financial decision making and scrutiny.	1. The Chief Finance Officer will review the Financial Regulations and relevant sections of the Constitution, including the roles and responsibilities of different Committees.  2. The review will report to S&R Committee in November 2021.	Chief Finance Officer	The review will report to S&R Committee in November 2021, with any changes to the Financial Regulations/Constitution presented to Full Council for approval in February 2022.	February 2022

	LGA Peer Recommendation	EEBC Action	Responsible Officer(s)	Success Measure	Target Date
3	Consider how members and officers can adapt to support each other through the forthcoming period of change.	1. The Chief Executive will meet the new Group Leader to establish new working relationships.  2. The Chief Finance Officer will devise a four-year training programme on local government finance for members – with a minimum of one session per year.	1. Chief Executive  2. Chief Finance Officer	Training programme presented for approval at S&R Committee, with members subsequently offered at least one training session per year on aspects of local government finance.	1. June 2021  2. March 2022
4	Ensure budget monitoring is considered by the relevant committee(s).	1. Material budget variances in excess of £100k are already reported to Committees, as per the Financial Regulations.  2. The Chief Finance Officer will review budget monitoring procedures within the Financial Regulations and report to S&R Committee in November 2021.  3. In the meantime and pending the outcome of the above review, quarterly budget monitoring reports will be presented to Audit, Crime & Disorder & Scrutiny Committee, commencing 2021/22 Quarter 1.	Chief Finance Officer	1. Financial Regulations review to be presented to S&R Committee.  2. 2021/22 Quarter 1 budget monitoring report presented to Audit, Crime & Disorder & Scrutiny Committee.	1. November 2021  2. September 2021

5	LGA Peer Recommendation	EEBC Action	Responsible Officer(s)	Success Measure	Target Date
	Refresh the approach to the Capital Programme.	<p>1. The Chief Finance Officer will review the Financial Regulations and relevant sections of the Constitution, including the approach to the Capital Programme.</p> <p>2. The review will report to S&amp;R Committee in November 2021.</p>	Chief Finance Officer	The review will report to S&R Committee, with any changes to the Financial Regulations/Constitution presented to Full Council for approval in February 2022.	November 2021 / February 2022
	Agree a new Local Plan as soon as possible.	<p>1. A programme for producing the Local Plan by December 2023 was agreed by Licensing &amp; Planning Policy Committee on 4 March 2021.</p> <p>2. Funding for the Local Plan programme was agreed by Strategy &amp; Resources Committee on 30 March 2021.</p> <p>3. Progress against the programme will be reported twice yearly to Licensing &amp; Planning Policy Committee. Should funding implications arise, these would be reported to S&amp;R Committee as appropriate.</p>	Head of Planning	Local Plan to be agreed by December 2023	December 2023

7	LGA Peer Recommendation	EEBC Action	Responsible Officer(s)	Success Measure	Target Date
	<p>Given the Council's commitment to becoming carbon neutral by 2035, assess the costs of delivering this plan both in terms of revenue and capital</p>	<p>1. The Director of Environment, Housing and Regeneration will assess the cost of delivering the Climate Change Action Plan and report the updated, costed plan to Environment and Safe Communities Committee.</p> <p>2. The Chief Finance Officer will include any known/agreed financial implications in the Council's updated Medium Term Financial Strategy projections.</p>	<p>1. Director of Environment, Housing and Regeneration</p> <p>2. Chief Finance Officer</p>	<p>1. An updated, costed Climate Change Action Plan will be reported to Environment &amp; Safe Communities Committee by January 2022 at the latest.</p> <p>2. Updated MTFs projections presented to Full Council in February 2022 to include known/agreed financial implications of the Climate Change Action Plan.</p>	<p>1. January 2022</p> <p>2. February 2022</p>
	<p>Collectively reflect further on...progressing the work on shared services...in a phased and managed way.</p>	<p>1. On 16 March 2021, S&amp;R Committee authorised the Chief Executive to progress further collaboration opportunities in the following service areas: waste, building control, IT infrastructure, housing, revenues and benefits, procurement, economic development and leisure services.</p> <p>Authorisation was also given to explore opportunities for collaboration on other service areas and with other local authority partners outside the above priority areas.</p> <p>2. Any concrete collaboration proposals that do arise will be presented to the relevant Committee with a business case to include the financial implications.</p>	<p>Chief Executive</p>	<p>At least one collaboration proposal, if viable, presented to Committee in the current financial year.</p>	<p>March 2022</p>