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EPSOM & EWELL BOROUGH COUNCIL

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07 February 2022

SIR OR MADAM

I hereby summon you to attend a meeting of the Council of the Borough of Epsom and Ewell which will be held at the Council Chamber, Epsom Town Hall, Epsom on **TUESDAY, 15TH FEBRUARY, 2022 at 7.30 pm**. The business to be transacted at the Meeting is set out on the Agenda overleaf. A link to the meeting is provided above.

Prayers will be said by the Mayor's Chaplain prior to the start of the meeting.



Chief Executive

Public information

Please note that this meeting will be held at the Town Hall, Epsom and will be available to observe live on the internet

This meeting will be 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. A limited number of seats will also be available in the public gallery at the Town Hall. For further information please contact Democratic Services, email: democraticservices@epsom-ewell.gov.uk, telephone: 01372 732000.

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

Agendas, reports and minutes for the Council 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 Mayor agree to discuss any other such matters on the grounds of urgency, the Council 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 not permitted at meetings of the Council. [Part 4 of the Council's Constitution](#) sets out which Committees are able to receive public questions, and the procedure for doing so.

COUNCIL

Tuesday 15 February 2022

7.30 pm

Council Chamber - Epsom Town Hall

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

AGENDA

1. DECLARATIONS OF INTEREST

To receive declarations of the existence and nature of any Disclosable Pecuniary Interests from Members in respect of any item to be considered at the meeting.

2. MINUTES (Pages 5 - 8)

To confirm the Minutes of the Meeting of the Council held on 7 December 2021.

3. MAYORAL COMMUNICATIONS/BUSINESS

To receive such communications or deal with such business as the Mayor may decide to lay before the Council.

4. BUDGET REPORT 2022 - 2023 (Pages 9 - 128)

This report fulfils the statutory requirement to agree a budget for 2022/23, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year.

The Council Tax recommendation as supported by the Financial Policy Panel is for an increase of £4.95 per annum (Band D property), an equivalent increase of 2.38%.

5. EXTERNAL AUDIT UPDATE (Pages 129 - 154)

This report presents Grant Thornton's 2020/21 Annual Report to members.

6. APPOINTMENT OF EXTERNAL AUDITOR FROM 2023/24 (Pages 155 - 164)

This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

7. EEBC PAY POLICY STATEMENT 2022-23 (Pages 165 - 182)

This report seeks approval of the draft Epsom & Ewell Borough Council Pay Policy Statement 2022/23.

8. ANNUAL PLAN 2022-2023 (Pages 183 - 192)

This report sets out the Annual Plan 2022-2023 outlining the key objectives to support the delivery of the Council's Four Year Plan 2020-2024. The plan was approved by Strategy & Resources Committee on 27 January 2022.

9. FINANCIAL REGULATIONS REVIEW (Pages 193 - 260)

Following the Local Government Association (LGA) Finance Peer Review, this report presents a review of the Council's financial decision-making procedures and recommends changes to the Financial Regulations for the Committee's consideration. The report also provides an update on the LGA Peer Review Action Plan.

10. COMMITTEE TERMS OF REFERENCE (Pages 261 - 292)

This report presents the amended Terms of Reference for Committees for approval by Council.



EPSOM AND EWELL

Minutes of the Meeting of the COUNCIL of the BOROUGH OF EPSOM AND EWELL held at the Council Chamber - Epsom Town Hall, on 7 December 2021

PRESENT -

The Mayor (Councillor Peter O'Donovan); Councillors Arthur Abdulin, John Beckett, Steve Bridger, Kate Chinn, Christine Cleveland, Monica Coleman, Nigel Collin, Neil Dallen, Hannah Dalton, Chris Frost, Liz Frost, Bernice Froud, Rob Geleit, Luke Giles, David Gulland, Graham Jones, Colin Keane, Eber Kington, Jan Mason, Steven McCormick, Lucie McIntyre, Debbie Monksfield, Julie Morris, Phil Neale, David Reeve, Humphrey Reynolds, Guy Robbins, Clive Smitheram, Alan Sursham and Chris Webb

Absent: The Deputy Mayor (Councillor Clive Woodbridge); Councillors Clive Woodbridge, Alex Coley, Christine Howells, Previn Jagutpal, Bernie Muir, Barry Nash and Peter Webb

The Meeting was preceded by prayers led by the Mayor's Chaplain

27 DECLARATIONS OF INTEREST

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

28 MINUTES

The Minutes of the Meeting of the Council held on 19 June 2021 and Extraordinary Meeting of the Council held on 30 September 2021 were agreed as a true record and the Mayor was authorised to sign them.

29 MAYORAL COMMUNICATIONS/BUSINESS

The Mayor made a number of announcements relating to noteworthy virtual and in-person events which he had attended over the past 2 months.

30 QUESTIONS

One question had been addressed to the Chairman of the Strategy and Resources Committee, to which a written answer had been provided and published.

31 CHAIRS' STATEMENTS

Council received written statements from the Chairs of the Community and Wellbeing Committee, Licensing and Planning Policy Committee and Strategy and Resources Committee.

2 questions were asked relating to the statements and responded to by the relevant Committee Chair.

32 REVIEW OF CONTRACT STANDING ORDERS

Council received a report proposing amendments to the Contract Standing Orders, including changes to the level of threshold.

Councillor Colin Keane MOVED the recommendations in the report.

Upon being put the recommendations were **CARRIED** unanimously.

Accordingly it was resolved to:

(1) Agree to the amendments of the Contract Standing Orders

(2) Agree that the Constitution be updated accordingly.

33 COUNCIL'S RESPONSE TO BOUNDARY COMMISSION CONSULTATION

Council received a report requesting it to approve the Council's response to the Local Government Boundary Commission's consultation on council size and warding arrangements.

Councillor Colin Keane MOVED the recommendation in the report.

Council was informed of the following corrections to the report and appendix to read as follows:

Report, paragraph 5.2 2) *"The boundary between Court Ward and the proposed Horton ward follow the B284 Hook Road until Chantilly Way, retaining the former St Ebba Hospital site centred around Parkview Way **within Court Ward.**"*

Appendix 1, sidenote in relation to Nonsuch Ward *"There are no changes to the proposed number of councillors in the ~~Cuddington~~ **Nonsuch** Ward."*

Appendix 1, sidenote in relation to Woodcote Ward *"There are no changes to the proposed number of councillors in the ~~West Ewell~~ **Woodcote** Ward."*

Upon being put the recommendation was **CARRIED** with a majority vote in favour.

Accordingly it was resolved to:

- (1) Approve, with any necessary amendments, the response at Appendix 1 to the report.**

34 CALENDAR OF MEETINGS 2022-2023

Council received a report requesting it to approve the Municipal Calendar from May 2022 to July 2023.

Councillor Colin Keane MOVED the recommendation in the report.

Councillor Hannah Dalton SECONDED the recommendation in the report.

Upon being put, the recommendation was **CARRIED** unanimously.

Accordingly, it was resolved to:

- (1) Approve the Municipal Calendar for 2022-2023.**

35 MOTIONS

Council received one Motion submitted under FCR 14 of Part 4 of the Council's Constitution.

Motion 1: "Introduce regular Heritage Tours during summer"

The Council resolved by a majority vote to refer this Motion to the Community and Wellbeing Committee for consideration.

The meeting began at 7.30 pm and ended at 8.05 pm

COUNCILLOR PETER O'DONOVAN
MAYOR

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BUDGET REPORT 2022 - 2023

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?	Yes
If yes, reason urgent decision required:	Statutory requirement to set Council Tax
Appendices (attached):	See list of appendices at end of report

Summary

This report fulfils the statutory requirement to agree a budget for 2022/23, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year.

The Council Tax recommendation as supported by the Financial Policy Panel is for an increase of £4.95 per annum (Band D property), an equivalent increase of 2.38%.

Recommendation (s)

Council:

See (1) to (10) below

- 1 That it be noted that, under delegated powers, the Chief Finance Officer calculated the amount of the Council Tax Base as 33,251.43 (Band 'D' equivalent properties) for the year 2022/23, in accordance with the Local Government Finance Act 1992, as amended (the "Act").**
- 2 That the following estimates recommended by the Policy Committees be approved:-**
 - a. The revised revenue estimates for the year 2021/22 and the revenue estimates for 2022/23.**
 - b. The capital programme for 2022/23 and the provisional programme for 2024 to 2027, as summarised in the capital strategy statement.**

- 3 That the fees and charges recommended by the Policy Committees be approved for 2022/23.**
- 4 That the Council Tax Requirement for the Council's own purposes for 2022/23 is £7,089,537.**
- 5 That the Council receives the budget risk assessment at Appendix 6 and notes the conclusion of the Chief Finance Officer that these budget proposals are robust and sustainable as concluded in this report.**
- 6 That the Council receives the Chief Finance Officer Statement on the Reserves as attached at Appendix 8.**
- 7 That the Council agrees the Prudential Indicators and Authorised Limits for 2022/23 as set out in Appendix 11 including:-**
 - a. Affordability Prudential Indicators.**
 - b. The actual and estimated Capital Financing Requirement.**
 - c. The estimated levels of borrowing and investment.**
 - d. The authorised and operational limits for external debt.**
 - e. The treasury management prudential indicators.**
- 8 That the following amounts be calculated for the year 2022/23 in accordance with sections 31 to 36 of the Act:**
 - a. £57,560,657 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act.
 - b. £50,471,120 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(3) of the Act.
 - c. £7,089,537 being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council, in accordance with section 31A(4) of the Act, as its Council Tax requirement for the year.
 - d. £213.21 being the amount at 8(c) above divided by the amount at 1. above, calculated by the Council, in accordance with section 31(B) of the Act, as the basic amount of its Council Tax for the year.

- 9 To note that Surrey County Council and Surrey Police Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below:-

SURREY COUNTY COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	1,084.26	1,264.97	1,445.68	1,626.39	1,987.81	2,349.23	2,710.65	3,252.78

SURREY POLICE AUTHORITY

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	197.05	229.89	262.73	295.57	361.25	426.93	492.62	591.14

- 10 That the Council, in accordance with Section 30 to 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2022/23 for each of the categories of dwellings.

EPSOM AND EWELL BOROUGH COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	142.14	165.83	189.52	213.21	260.59	307.97	355.35	426.42

AGGREGATE OF COUNCIL TAX REQUIREMENTS

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	1,423.45	1,660.69	1,897.93	2,135.17	2,609.65	3,084.13	3,558.62	4,270.34

1 Introduction

- 1.1. The Council is required to agree a budget for 2022/23 and, having regard to the cost of service provision and estimates of income, the level of Council Tax for the coming year.

- 1.2. Legislation also requires:-

- The preparation of budget plans for a three year period
- The setting of prudential indicators which determine the level of Council borrowing and capital expenditure, together with the treasury management

strategy

- The Council's Chief Finance Officer to report on the robustness of the estimates and the adequacy of the reserves
- The Council to consider the risks in its budget strategy.

1.3. The Council has now completed its review of service income and expenditure. The Policy Committees have considered their service estimates and they have recommended budgets, charges and capital investment for the next financial year.

1.4. This report provides an overview of the General Fund Revenue Account budget position for 2022/23 and future years as a basis for determining Council Tax.

1.5. The budget report is based on the Financial Policy Panel's recommended increase of £4.95 per annum, or 2.38% (for Band D property) in Council Tax reflecting the final grant settlement figures received after the Financial Policy Panel meeting, which allowed district councils to increase Council Tax by up to £5 or 2% whichever provided the higher increase in income.

1.6. All options are consistent with the Council Tax policy of ensuring that Council Tax stays below the average of the Surrey Districts.

2 Implications for the Council's Key Priorities, Service Plans and Community Strategy Proposals

2.1. The Medium Term Financial Strategy includes the following objectives for Council Tax and the revenue budget:-

Council Tax

- Ensure that Council Tax stays below the average of the Surrey Districts

Budget Position

- Produce a balanced revenue budget each year.
- Maintain a minimum working balance of £2.5 million at 31 March 2024.
- Maintain a prudent level of strategic reserves and a minimum of £1 million in the Corporate Projects Reserve.
- Utilise reserves pro-actively to manage major risks to the Council's finances.

3 Current Year Position

3.1. The 'Probable Outturn' comprises a revised forecast for the current year ending 31 March 2022, based on the mid-year budget review. The following table summarises the financial performance anticipated for the year as reported to each of the Policy Committees.

- 3.2. Covid-19 continues to have a significant impact on the Council's financial position for 2021/22, creating significant losses in income from services. The overall forecast deficit on the General Fund prior to Government support was c£2.7 million. The Government is expected to provide funding of just £0.5 million to partly mitigate these losses.

	Current Approved Budget 2021/22	Probable Out-turn 2021/22	Variance
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Strategy & Resources Committee	2,285	2,077	
Environment & Safe Communities Committee	2,574	4,034	
Community & Wellbeing Committee	6,423	7,838	
Capital Charges	(2,669)	(2,669)	
Total	8,612	11,280	+2,668

- 3.3. The 2021/22 budget included no planned use of the working balance to finance services. For the purpose of preparing this budget report it has been assumed that in 2021/22 the Council will require a contribution of £883,000 from working balances, reducing the general fund reserve to £2.5 million. Any additional funding shortfall will be met from the Council's strategic reserves.

	£'000
Projected Deficit, Pre-Government Support	2,668
Less Government Income Protection Scheme	(506)
Projected Deficit, Post-Government Support	2,162
<u>Provisional Funding for 2021/22 Deficit</u>	
Corporate Contingency for Covid-19	(950)
Corporate Projects Reserve	(329)
General Working Balances	(883)
Total Funding	(2,162)

4 Budget Strategy

- 4.1. The 2022/23 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.
- 4.2. The overall budget target for 2022/23 was agreed at Strategy & Resources Committee on 21 September 2021 as follows:-
- 4.3. That estimates be prepared including the delivery of savings already identified in the Financial Plan for 2022/23 totalling £342,000.
- 4.4. That at least £210,000 additional revenue is generated from an increase in discretionary fees and charges.
- 4.5. That a provision for pay award is made of £416,000 that would allow for a 2% cost of living increase.
- 4.6. That a £600,000 contingency is provided within the 2022/23 budget to mitigate the potential impact of Covid-19 on the Council's finances in 2022/23.
- 4.7. That any additional new growth items supported by Policy Committees will need to be fully funded from existing budgets.
- 4.8. The Financial Policy Panel has received updates and given guidance on the preparation of the estimates. For more detail, Councillors may wish to refer to background papers on these agendas. The following specific agendas may provide useful background to the budget review programme:-
 - September 2021: Financial planning and budget targets (including efficiency savings, cost reduction plan).
 - November 2021: Review of reserves, treasury management, capital programme, capital reserves, section 106 funds and CIL.
 - February 2022: Government financial settlement, Council Tax and Business Rates Retention.

5 2022/23 Revenue Budget

- 5.1. The draft Budget Book was issued to all Councillors via Members' Update on 14 January and was available prior to when the estimates were considered by the Policy Committees.
- 5.2. The detailed fees and charges proposals and capital appraisals for all Policy Committees can be found on the appropriate Policy Committee agenda (January Committee cycle). Estimates for services, as recommended by the Policy Committees, are summarised at Appendix 1 to this report.

5.3. The main year-on-year changes in the cost of service provision are detailed in Appendix 2 to this report.

5.4. The comparison to the 2021/22 published budget is also shown in the table below at committee total level:-

	2021/22 Published Budget	2022/23 Recommended Budget	Variance
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Strategy & Resources Committee	2,380	2,345	
Environment & Safe Communities Committee	2,308	2,273	
Community & Wellbeing Committee	6,593	6,678	
Capital Charges	(2,669)	(2,669)	
Total	8,612	8,626	+ 14
External Funding (Council Tax, Government Grant, Retained Business Rates)	(8,612)	(8,626)	- 14
Shortfall of income to cover planned expenditure & required use of Working Balance	0	0	0

5.5. A Committee Terms of Reference Review is due to be presented to Full Council - should any service areas transfer between Committees, the associated budgets will also be transferred accordingly at the appropriate time, in accordance with the Financial Regulations.

Staff Budget

5.6. A total of £13.3 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £13.1 million in 2021/22. This will form the salary control total for budget monitoring purposes, subject to adjustments needed where service changes are agreed by the Council.

5.7. The budget includes the full staffing costs for Nonsuch JMC and Epsom & Walton Downs Conservators where the Council's liability is 50% and 60% respectively.

5.8. The Strategy and Resources Committee agreed a Pay & Reward procedure for 2020 to 2024 and an annual pay award of 3.0% for 2022/23 in January 2022.

- 5.9. It is anticipated that a two per cent staff vacancy margin, staff turnover savings net of temporary staff cover, will be required to manage staff costs within the control total.

Pensions

- 5.10. Following the 2019 pension fund valuation there was an increase to the level of employer's pension on-cost rate from 15.4% to 17.4% to meet the deficit on the fund. No additional provision has been made for deficit funding in 2022/23. The next valuation will be based on the Surrey Pension Fund position at 31 March 2022.

6 Fees and Charges

- 6.1. Each policy committee has received a report on fees and charges for 2022/23. Income from the recommended charges has been included in the committee estimates.
- 6.2. A summary of the additional income from increases in discretionary charges included in the budgets recommended by the Committees, totalling £238,000 is attached at Appendix 3.

7 Economic Indicators

- 7.1. The latest Treasury economic indicators (January 2022) are shown at Appendix 5.

8 Equalities Implications

- 8.1. The Council will fulfil its statutory obligations and comply with its policy on equalities.
- 8.2. The budget proposals where they involve a reduction in service to users will require an equalities assessment.
- 8.3. Assessments will be required for service changes where identified in service plans.

9 Risk Management

- 9.1. A financial risk assessment was completed for each of the policy committee revenue budgets. The main financial risks have been included in a corporate budget risk assessment at Appendix 6.
- 9.2. The risks have remained similar to 2021/22 due to the continuing impact of Covid-19 and the highest service financial risks are now around income generation and the increasing demands for housing and homelessness prevention services.

9.3. Appendix 6 also identifies the means of managing the risks identified. In relation to the size of the working balance and the capital reserves, which act as a contingency against such risks, the overall level of revenue budget risk in 2022/23 is deemed to remain at medium to high, dependent on the long-term impact of Covid-19 on demand for Council services.

9.4. A higher risk remains with the financial outlook beyond 2022/23 due to the uncertainty on the outcome on the Government's 'Fair Funding' Review and the 'Levelling Up' white paper and the possibility of further cuts in core funding for Epsom and Ewell Borough Council in the 2023/24 settlement.

9.5. It is anticipated that the 'Fair Funding Review', the mechanism used by Central Government to determine individual authority settlements, will be used to reduce funding for District Councils.

10 Revenue Budget Overview 2022/23

10.1. The Council's budget requirement can be measured by the amount of Council expenditure that will be financed from external finance (revenue support grant and Retained Business Rates) and from Council Tax income.

10.2. The budget requirement comprises gross expenditure on services, less gross income from services, less the planned use of revenue reserves.

10.3. The Budget Requirement in 2021/22 was £8,612,000. The budget requirement for 2022/23 is calculated as follows:-

Net Expenditure on Services	£000	External Finance	£000
Gross Expenditure	48,435	Lower Tier Services Grant	64
		Retained Business Rate Income	912
Gross Income net of reserve transfers	- 39,809	Small Business Rate Relief Grant	694
		Collection Fund Deficit (Business Rates)	-180
		Collection Fund Surplus (Council Tax)	47
Net Expenditure	8,626	External Finance & Brought Forward Collection Fund Balances	1,536
T/F from Working Balance	0	Council Tax Income	7,090
Budget Requirement	8,626	Income from External Finance and Council Tax	8,626

10.4. The increase in the Budget Requirement (net spending) is 0.2%.

10.5. In April 2012, Central Government brought in a new measurement of spending defined as the 'Council Tax Requirement'. This is the estimate of tax to be raised i.e. Band D tax level multiplied by the Council Tax base (the number of Band D equivalent properties). The Council is required to show this information in the Council Tax leaflet.

10.6. The Council Tax Requirement for 2022/23 is £7,089,537 subject to agreement at the Council meeting.

10.7. The Council Tax requirement will change each year due to:-

- Increases/decreases in domestic properties.
- Increases/decreases in Council Tax.

11 Local Government Finance Settlement

11.1. Details of the provisional Local Government finance settlement were sent to all Councillors via email in December 2021.

11.2. The spending round is for one year only and, as announced by Rishi Sunak, The Chancellor of the Exchequer, any multi-year settlement containing the outcome of the Fair Funding review and business rates reset has been further delayed until at least 2023/24.

11.3. The following table shows that next year's provisional settlement remains frozen at 2021/22's level:-

Provisional Settlement 2022/23	2021/22	2022/23
	£'000	£'000
Revenue Support Grant (RSG)	0	0
Negative RSG	0	0
Retained Business Rates – Baseline	1,420	1,420
Provisional Settlement Funding Assessment	1,420	1,420

11.4. The impact of delaying the Business Rates reset means the Council can retain its surplus Business Rates income above its baseline for one more year than expected, a favourable benefit of c.£186,000.

11.5. The delay of the Fair Funding Review means that Negative RSG continues to be excluded from 2022/23's settlement. This in turn means that EEBC is absolved, for another year, from the additional c.£625,000 annual budget pressure that Negative RSG could bring. However, it is still unclear whether Negative RSG will be re-introduced from 2023/24, once Government completes its Fair Funding Review.

11.6. The projections at Appendix 9 now assume that Negative RSG will NOT be re-introduced for 2023/24. If it were re-introduced, it would further increase the Council's projected future deficit.

12 New Homes Bonus Grant

12.1. The Council benefits from New Homes Bonus, which is awarded by Government based on the number of new residential properties built in the borough in the preceding year, with a supplement for affordable housing.

12.2. The amount of funding available from New Homes Bonus has diminished substantially since Government changed the methodology for awarding the grant from 2018/19 onwards.

12.3. Originally the Council received a rolling 6 years of individual allocations, but from 2018/19 this was reduced down to 4 years, alongside further reductions by only awarding funding for growth in homes above a 0.4% per annum baseline.

12.4. In 2020/21, further changes were announced to remove New Homes Bonus grant and legacy payments from the annual award by 2023/24.

12.5. For context, back in 2016/17 the Council received in excess of £2 million, but now expects to receive £174,000 in 2022/23, with further reductions expected in subsequent years.

New Homes Bonus	2021/22	2022/23
	£'000	£'000
2018/19	219	
2019/20	21	21
2020/21		
2021/22	9	
2022/23		153
Total	249	174

12.6. Since 2019/20, the Council's budget has removed any reliance on New Homes Bonus Grant as a source of funding to support on-going services. All New Homes Bonus funding is transferred to the Corporate Project Reserve to fund one off projects.

12.7. Government is reviewing the future of New Homes Bonus, it is therefore unclear whether this grant will continue in future years.

13 Other Grants

- 13.1. In addition to the Finance Settlement and New Homes Bonus, Government announced the continuation of the Lower Tier Services Grant totalling £64,000, and a new 2022/23 Service Grant totalling £98,000. The methodology for distributing this funding is expected to change as part of government's funding review, meaning neither source of funding can be relied on beyond 2022/23.

14 Core Spending Power

- 14.1. In its spending announcements the Department for Levelling Up, Housing and Communities (DLUHC) also refers to changes in 'core spending power'. This is a term used to measure the impact of all government grant changes on local authority budgets. Core spending power is different from Government funding as this includes income received from New Homes Bonus and council tax.
- 14.2. In its assessment of core spending power, shown in the following table, Government assumes that Councils should increase council tax by the maximum permissible amount.

Core Spending Power	2021/22	2022/23
	£'000	£'000
Retained Business Rates	1,420	1,420
Compensation for Government under-indexing the business rates multiplier	74	117
New Homes Bonus	249	174
Council Tax *	6,904	7,114
Lower Tier Services Grant	60	64
2022/23 Services Grant	0	98
Core Spending Power	8,707	8,986
Covid-19 Support Grant	304	0
Total	9,011	8,986

* From Government's provisional financial settlement

- 14.3. Nationally there is an increase in spending power for 2022/23 of 6.9%, but for Epsom and Ewell Borough Council, core spending power will increase by £279,000 or 3.2%.
- 14.4. When the removal of the Covid-19 Support Grant is factored in (not counted by DLUHC in its core spending power calculations), the result is a reduction in EEBC's funding of 0.27% when compared to 2021/22.

15 Retained Business Rates

15.1. The 2022/23 Government settlement includes £1,420,000 for this Council as a 'settlement funding assessment' which is solely from Business Rates Baseline funding.

15.2. Under the local Business Rates Retention Scheme, Councils can enjoy gains or suffer losses if the actual level of Business Rates collected varies from expected level of rates collectible in the year, whether due to changes in collection rates or more/fewer businesses.

15.3. Financial Policy Panel recently received information on the Business Rate Collection forecast and the latest position is summarised in the table below:

	Gov't Baseline 2021/22 £000	EEBC Budget 2021/22 (NNDR1) £000	EEBC Latest Forecast 2021/22 £000	EEBC Budget 2022/23 (NNDR1) £000	
Rates Collectable	25,898	25,373	18,858	25,093	
Less: payable to central government	-12,949	-12,686	-9,429	-12,547	50%
Less: payable to SCC	-2,590	-2,537	-1,886	-2,509	20% of local share
NNDR Baseline	10,359	10,149	7,543	10,037	Rates kept before tariff
Less 'Tariff'	-8,939	-8,939	-8,939	-8,939	Tariff set by govt. to go to 'top-up authorities'
Retained Business Rates	1,420	1,210	-1,396	1,098	
Less: loss of 50% of underlying growth		-232	-232	-186	
Est. of Retained Business Rates	1,420	978	-1,628	912	
Add back: Small Business Rate Relief Grant		674	674	694	Separate grant funding for extension of SBRR
COVID-19 Grant Funding		0	2,606		
EEBC Income including relief grants	1,420	1,652	1,652	1,606	

15.4. The above table includes the estimate of income received from Retained Business Rates plus Government grant awarded to Councils to compensate for the additional Business Rate reliefs in 2021/22 due to Covid-19.

15.5. The Business Rates Collection Fund has a prior deficit balance brought forward from 2020/21 of nearly £0.5 million, with the Council's share of this deficit being £179,652.

15.6. The safety net threshold for 2022/23 is set at £1,313,000 compared to £1,606,000 income used for the 2022/23 estimates, this limits the exposure to losses to £293,000.

Business Rates Equalisation Reserve

15.7. The Council agreed to set up a Business Rate Equalisation Reserve in 2013/14 to help manage the fluctuations in Business Rates retained under the new arrangements. The following estimate is made of that reserve:-

Business Rate Equalisation Reserve Forecast	£000
Balance 31 March 2021	9,306
Prior Year Surplus from Collection Fund	-321
Covid Grant funding to fund Business Rates reliefs	-6,103
Forecast balance 31 March 2022	2,882
Planned use to offset Prior Year Deficit	-179
Shortfall on expected funding for 2022/23	-79
Planned use of reserve in MTFS	-200
Forecast balance 31 March 2023	2,424

15.8. The Council has agreed to fund any deficit between the forecast and actual level of income from Retained Business Rates from the Business Rates Equalisation reserve.

16 Funding from Commercial Property Company

16.1. Epsom & Ewell Property Investment Company Ltd (EEPIC), the Council's wholly-owned subsidiary, holds two commercial properties outside the Borough. The properties were acquired in 2017 to generate additional income for the Council, before the introduction of new statutory guidance in 2018, which restricted the ability to acquire further properties outside the Borough using borrowing.

16.2. In December 2020, Strategy & Resources Committee approved a lease re-negotiation for one of the property tenants. The re-negotiation, which was necessary due to the economic impact of Covid-19 on the tenant, resulted in a temporary reduction in dividend income from EEPIC, from a budgeted £1.3m in 2020/21 to £600,000 in 2021/22 and 2022/23 year. This reduction will continue to be offset by an appropriation from the Property Income Equalisation Reserve to the General Fund, in order to mitigate the impact on the Council's revenue budget in the short term.

16.3. Dividend income from EEPIC is expected to return to 2020/21 levels in 2023/24, and in the longer term the Property Income Equalisation reserve will need to be replenished.

17 Reserves

17.1. The reserves as contained in the audited financial statements at 31 March 2021 may be summarised as follows:-

	Balance 31 March 2020 £000	Balance 31 March 2021 £000	
Capital Receipt Reserves	4,535	4,050	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy. Includes £580k earmarked Hospital Cluster Receipt.
Community Infrastructure Levy	7,677	8,419	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	14,948	25,152	Provisions for future expenditure or against identified liabilities
Working Balance	3,426	3,383	General Fund Working Balance

17.2. The policies for the reserves are contained in Section 3 of the Financial Plan 2020 - 2024 approved by Council in February 2020.

17.3. The levels of revenue reserves are set out in Appendix 7.

17.4. The following estimate is made of the Council's capital receipt reserves.

	Capital Reserves <i>£'000</i>
Balance brought forward at 1 April 2021	4,050
Estimated use to fund 2021/22 capital expenditure	- 922
Capital receipts earmarked for Residential Property Fund	- 189
Estimated Balance at 31 March 2022	2,939
Planned use for 2022/23 programme	0
Forecast Receipts in Year	400
Note: excludes allowance for programme slippage	
Estimated Balance at 31 March 2023	3,339

17.5. The Council is required to consider the level of its reserves in setting its budget. The Chief Finance Officer's statement of the adequacy of the financial reserves is attached at Appendix 8.

17.6. Next year's budgets include the following significant planned uses of general reserves:-

- No use of the General Fund Working Balance to fund services.
- £262,000 of corporate projects reserve used to support services.
- £755,000 contribution from the Property Income Equalisation to mitigate loss of rental income from commercial property tenant
- £459,000 of the Business Rates Equalisation reserve as per the MTFS and to finance the deficit on the Collection Fund.
- No use of capital receipts to fund the capital programme (including spend to save schemes subject to approval of business case).

18 Financial Forecast

18.1. The following financial forecast comprises an update of the forecast in the Financial Plan 2020 - 2024 to take account of the 2022/23 budget proposals and Central Government public sector spending plans.

	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
	<u>Budget</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000
Cost of Service b/f (before interest and planned use of reserves)	9,447	10,183	10,700	11,229
Pay & Prices Increases	+ 806	+ 618	+ 631	+ 643
Contingency for Service Changes and Pressures	+ 510	+ 330	+ 120	+ 200
Increases in Fees & Charges	- 238	- 216	- 222	- 229
Star Chamber / Service Savings	- 342	- 215	0	0
Net Cost of Services (excluding interest and planned use of reserves)	10,183	10,700	11,229	11,843
Interest on Balances	- 80	- 180	- 300	- 400
Contributions to / (from) reserves	- 1,476	- 150	- 100	- 50
Forecast Net Cost of Services	8,627	10,370	10,829	11,393
Business Rates Forecast	1,606	1,638	1,671	1,554
Lower Tier Services Grant	64	60	60	0
Council Tax Income Forecast	7,090	7,297	7,480	7,667
Council Tax Surplus / (Deficit)	- 180	0	0	0
Business Rates Surplus / (Deficit)	47	0	0	0
Collection Fund Income	8,627	8,995	9,211	9,221
<i>Funding Shortfall</i>	<i>0</i>	<i>- 1,376</i>	<i>- 1,617</i>	<i>- 2,170</i>

18.2. The Financial Plan provides more analysis behind the forecast including the assumptions used however key points to note are:-

- The forecast covers existing services plus makes contingencies for changes to funding of services.
- Council Tax have been increased annually by £5 for a Band D equivalent property.
- Annual pay increase of 2% per annum from 2023/24 (in line with the Bank of England's target figure for inflation).
- Retained income from business rates remains broadly at current levels for the next three years until 2025/26.

- Annual contributions from revenue to the Property Income Equalisation reserve are being reduced in 2022/23 as the target level of earmarked funds of c£5 million has been achieved.
- The forecast assumes Covid-19 to have a £600,000 continued adverse impact on income generated from services.
- Revenue funding towards the financing of a sustainable capital programme is included within the forecast, with £400,000 of the 2022/23 programme being funded from revenue and this increases to £500,000 by 2023/24.
- With the continued uncertainty on Council funding levels from 2022/23 onwards and the significant risks posed by the Government reviews, the latest forecast anticipates that savings of c£2.2 million will be needed by 2025/26 to achieve a balanced budget at the end of this period.

19 Capital Programme

19.1. The review of capital spending requirements was overseen by the Capital Member Group. The Financial Policy Panel considered the financing requirement for new capital investment in November 2021.

19.2. A provisional five year forward programme was reported to the Policy Committees in the last Committee cycle. Supported schemes have been included in the draft capital programme.

19.3. The updated capital strategy statement is attached at Appendix 10 and includes a summary of proposed investment for 2022-2027.

19.4. A capital investment programme of £712,000 is recommended for 2022/23 and the following funding is required to allow the schemes in this programme to be completed:-

- There is no use of Capital Reserves for the core programme.
- Use of Central Government grant of £600,000.
- Use of revenue resources of £112,000.
- Schemes will also be carried forward from the 2021/22 programme where not completed by 31 March 2022.

20 Prudential Indicators and Authorised Limits for 2022/23

20.1. The Local Government Act 2003 introduced a system of capital controls for local authorities. Details of the regulations are set out in Appendix 11 to this report.

- 20.2. The Council agreed in 2016/17 to borrow funds of up to £80 million to finance the acquisition of commercial properties within the Borough and further borrowing of up to £300 million was approved in 2017/18 when it was agreed to establish a wholly owned property investment trading company.
- 20.3. From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.
- 20.4. Due to the provisions in MHCLG's Statutory Investment Guidance the Council agreed in February 2020 to close the £300 million Fund to future acquisitions (ie the remaining £239.7 million will not be spent).
- 20.5. However, the original £80 million Fund, which has a remaining balance of £49.6 million, remains open for future potential acquisitions within (or close to) the Borough's boundary in the period 2020-2024 provided the statutory guidance can be met.
- 20.6. The Financial Policy Panel has considered the capital financing requirements as part of the capital programme review and it is not anticipated that the Council will undertake any long term borrowing to finance the core capital programme in 2022/23.
- 20.7. Prudential Indicators and Authorised Limits have been proposed in Appendix 11 on this basis and on the basis of the capital strategy recommended to the Council.

21 Council Tax Options

- 21.1. The current Surrey District Council Tax levels are shown at Appendix 12.
- 21.2. The policy in the Medium Term Financial Strategy is to ensure that Council Tax stays below the average of the Surrey Districts.
- 21.3. The final Government Grant settlement announced capping limits for Council Tax, allowing District Councils to increase their Council Tax by either £5 per annum (Band D equivalent) or 2% before needing to hold a referendum.
- 21.4. For financial planning purposes, the Medium Term Financial Strategy 2020-2024 and Budget Book include an annual Council Tax increase of £5 per annum (for Band D), which equates to an additional 9½ pence per week for a Band D equivalent property.
- 21.5. The recommendation in the budget report for 2022/23 is for an increase of 2.38%, which represents an increase of £4.95 per annum on a Band D equivalent property.

21.6. To the average band 'D' Council Tax payer (those not receiving discounts or support), the charge for borough services would increase from £208.26 to £213.21 per property.

21.7. The decision must take into account a number of factors including the medium term budget forecast including the level of savings already required to achieve a balanced budget in future years.

21.8. The impact on Council Tax for the 2.38% increase and a freeze are shown in the table below.

Council Tax Change	0% Freeze	2.38% Increase
Council Tax (Band D)	£208.26	£213.21
Increase per annum	£0	£4.95
Increase per week	0p	9½p
Additional Income Generated 2022/23	£0	£165,000
Adjustment needed to Draft Budget Book	£165,000 Adverse	£0
On-going Income received in Future Years	£0	£165,000

21.9. The Borough Council will remain at the lower end of the range of Surrey District Council Tax levels whatever option is decided.

22 Consultation with Non-Domestic Ratepayers

22.1. The Council has provided information about the Council's spending proposals and Business Rates reliefs on the website. Any responses specific to the 2022/23 budget will be identified at the meeting.

23 Collection Fund

23.1. In accordance with the Local Authorities (Funds) (England) Regulations 1992, the Borough Council as the billing authority is required to estimate on 26 January each financial year the surplus or deficit on its Collection Fund for that year in respect of Council Tax. The estimates are required to be made on an accruals basis in accordance with proper accounting practices.

23.2. Where a deficit or surplus in the 2021/22 Collection Fund is estimated in respect of Council Tax or Business Rates, the amount must be apportioned in 2022/23 between authorities that precept on the Collection Fund in accordance with the ratio of their 2021/22 precepts.

23.3. The calculation of the estimated position on the Council's 2021/22 Collection Fund in respect of Council Tax items is detailed at Appendix 14 and this shows a surplus on the Fund of £46,957 forecast for this Council and will be credited to the General Fund Revenue Account for 2022/23.

23.4. The Business Rates Retention Scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2021/22 in 2022/23. A deficit of £2,785,695 is forecast for this Council and will be charged to the General Fund Revenue Account for 2022/23, with £2,606,043 of the deficit funded by government relief grants and £179,652 funded from business rates equalisation reserve. The calculation is shown in Appendix 15.

24 Precepts

24.1. Precepts have been issued by Surrey County Council and Surrey Police Authority upon Epsom and Ewell Borough Council, as the billing authority.

24.2. A schedule of precept dates has been agreed with the precepting authorities.

25 Council Tax Recommendation

25.1. The budget target included an increase of £4.95 per annum on a Band D equivalent property in Council Tax.

25.2. Following confirmation of changes in Government funding and the Council Tax referendum rules, along with the need to minimise the use of working balances, the recommendation in this report is based on an increase of 2.38%.

25.3. Based on this figure the Borough Council's calculation of the amount to be raised by way of Council Tax based on the proposed Council Tax requirement is as follows:-

Council Tax Requirement 2022/23	£	£
Budget Requirement		8,626,450
Lower Tier Services Grant	63,685	
Non Domestic Rates retained	911,844	
Small Business Rate Relief Grant	694,079	
External Finance:		(1,669,608)
Sub-Total		6,956,842
Add: Collection Fund Deficit (Business Rates)		179,652
Less: Collection Fund Surplus (Council Tax)		(46,957)
Council Tax Requirement		7,089,537

25.4. Precepts have been recommended as follows:-

Awaiting confirmation	£	%
Surrey County Council	54,079,794	76
Surrey Police	9,828,125	14
Epsom and Ewell Borough Council	7,089,537	10
Total	70,997,456	100

25.5. In accordance with Regulation 3 of the Local Authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 33,251.43 as its Council Tax base for the year 2022/23. This represents the number of Band D equivalent properties.

25.6. Based on the recommendation in this report, the change in the Council Tax levy per Band D equivalent dwelling, when compared to 2021/22 would be as follows:-

Recommendations	2021/22 £	2022/23 £	Variation	
			£	%
Surrey County Council	1,549.08	1,626.39	77.31	4.99
Surrey Police Authority	285.57	295.57	10.00	3.50
Epsom & Ewell Borough Council	208.26	213.21	4.95	2.38
Total	2,042.91	2,135.17	92.26	4.52

26 Robustness of the Estimates

26.1. The Local Government Act 2003 requires that when a local authority is agreeing its budget and precept, the Chief Finance Officer must report on the robustness of the estimates made for the purpose of the calculations.

26.2. The Council's Chief Finance Officer advises that:-

- The Council received the 2020/21 financial statements in good time, with an unqualified audit opinion.
- The revenue and capital budget monitoring arrangements are effective for the purpose and Members receive quarterly monitoring reports.
- The Financial Policy Panel receives regular reports on financial and risk management, and has been well placed to provide effective advice on the Medium Term Financial Strategy, the capital strategy and on financial planning leading to the preparation of the detailed service estimates.

- The Policy Committees have received detailed estimates of revenue and capital expenditures for 2022/23 and have also received assessments on the main financial risks.

26.3. It is the Chief Finance Officer's opinion that the assumptions used in preparing the estimates are realistic and that the Committees should be able to meet their obligations within the proposed budget allocations.

26.4. A corporate budget risk assessment is appended to this report (Appendix 6), as is a statement on the level of reserves (Appendix 7).

26.5. The Chief Finance Officer considers that the budget proposals for 2022/23 are robust and sustainable.

26.6. The updated financial forecast (Appendix 9) identifies the need for further significant cost reduction and income generation as set out in this report so as to improve the forecast budget position by nearly £1.4 million by 2023/24.

26.7. Given the uncertainty over Business Rate retention forecasts, the Council will need to update the financial forecast and review its spending plans once it knows the outcome of Government's 'Funding' and 'Retained Business Rates' Reviews, which are now expected to be reflected in the 2023/24 settlement.

26.8. The major challenge in the Efficiency Plan (Appendix 4) is the delivery of the £0.56 million of savings already identified and finding a further £1,376,000 reduction in the Council's net expenditure by 2024.

27 Conclusions

27.1. The Council has reviewed its financial position and updated the four year medium term financial plan. This provides a best estimate of the resources available for services compared to the cost of those services over the next four years.

27.2. The priorities in the Four Year Corporate Plan will guide the allocation of resources through service plans and annual service targets.

27.3. The proposed budget makes provision for all services next year and takes into account variations in income and expenditure this year, as well as changes to funding. The budget also includes the full year effect of savings made last year and new savings and increases in income agreed by the Policy Committees for 2022/23.

27.4. The Council has been able to prepare a balanced budget through a range of savings and efficiencies, increases to income and the use of strategic reserves. The Council continues to progress a number of strategic reviews, with the aim of delivering a sustainable budget by 2023/24 without the need for funding from strategic reserves.

27.5. Albeit with uncertainty over the long-term financial impact of Covid-19 and the 'Fair Funding Review', it is estimated that the financial forecast will need to be improved by c£1,376,000 to achieve a balanced budget by 2023/24.

27.6. The main financial risks identified for next year's budget are set out in Appendix 6 to this report.

27.7. Given the challenging financial environment including the need for further savings in future years; the budget target beyond 2022/23 anticipates a £5 increase for Band D equivalent properties in Council Tax to strengthen the Council's income base going forward.

27.8. The draft budget for 2022/23 is based on a £4.95 increase for a Band D property, equivalent to an annual increase in Council Tax of 2.38%. The proposed budget will still require the delivery of cost reductions but the increase would help to maintain the resources needed for service delivery in the medium term.

27.9. The Council will maintain its Council Tax policy under either option presented with the tax being below the Surrey average.

27.10. For ease of reference, the Appendices attached are listed below:

Appendix 1	Policy Committee Budgets 2022/23
Appendix 2	Main Changes to Service Budgets for 2022/23
Appendix 3	Income from increases to discretionary Fees and Charges
Appendix 4	Four Year Efficiency Plan 2020 – 2024
Appendix 5	Economic Indicators
Appendix 6	Risk Assessment
Appendix 7	Reserves (Revenue and Capital)
Appendix 8	Chief Finance Officers' Statement on Robustness of Estimates and Adequacy of Reserves

Appendix 9	Financial Forecast 2021 – 2031
Appendix 10	Capital Strategy Statement
Appendix 11	Treasury Management Strategy, including Prudential Indicators & Authorised Limits
Appendix 12	Surrey District Council Tax levels 2021/22
Appendix 13	Council Tax Calculation 2022/23
Appendix 14	Council Tax Collection Fund
Appendix 15	Business Rate Collection Fund

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BUDGETS RECOMMENDED BY THE POLICY COMMITTEES

BUDGET SUMMARY	2020/21 Outturn	2021/22 Budget	2021/22 Forecast Outturn	2022/23 Estimate
	£	£	£	£
GROSS EXPENDITURE				
STRATEGY AND RESOURCES COMMITTEE	27,318,905	27,171,634	26,153,328	26,737,617
ENVIRONMENT AND SAFE COMMUNITIES COMMITTEE	10,036,264	10,576,092	11,381,374	10,341,456
COMMUNITY AND WELLBEING COMMITTEE	10,427,321	11,057,961	10,837,209	11,355,989
TOTAL GROSS EXPENDITURE	47,782,490	48,805,687	48,371,911	48,435,062
GROSS INCOME				
STRATEGY AND RESOURCES COMMITTEE	(31,569,494)	(24,616,375)	(25,886,036)	(23,185,868)
ENVIRONMENT AND SAFE COMMUNITIES COMMITTEE	(7,618,910)	(8,192,772)	(6,844,230)	(8,027,145)
COMMUNITY AND WELLBEING COMMITTEE	(2,564,312)	(4,257,250)	(2,689,066)	(4,560,626)
Less CAPITAL CHARGES (Internal charges)	(2,246,608)	(2,669,015)	(2,669,015)	(2,669,015)
TOTAL GROSS INCOME	(43,999,325)	(39,735,412)	(38,088,347)	(38,442,654)
CONTRIBUTION TO / (FROM) STRATEGIC RESERVES	6,003,349	(458,131)	(788,879)	(1,365,958)
NET EXPENDITURE	9,786,515	8,612,144	9,494,685	8,626,450
CONTRIBUTION TO / (FROM) GENERAL OR EARMARKED RESERVE FOR YEAR	(43,025)	0	(882,541)	0
NET BUDGET REQUIREMENT	9,743,490	8,612,144	8,612,144	8,626,450

COMMITTEE TOTALS	2020/21 Outturn	2021/22 Budget	2021/22 Forecast Outturn	2022/23 Estimate
	£	£	£	£
STRATEGY AND RESOURCES COMMITTEE	(494,326)	2,379,866	292,050	2,343,626
ENVIRONMENT AND SAFE COMMUNITIES COMMITTEE	4,925,287	2,308,218	4,033,601	2,274,299
COMMUNITY AND WELLBEING COMMITTEE	7,602,162	6,593,075	7,838,049	6,677,540
CAPITAL CHARGES (Internal charges)	(2,246,608)	(2,669,015)	(2,669,015)	(2,669,015)
CONTRIBUTION TO / (FROM) GENERAL OR EARMARKED RESERVE FOR YEAR	(43,025)	0	(882,541)	0
TOTAL	9,743,490	8,612,144	8,612,144	8,626,450

FUNDED BY	2020/21 Outturn	2021/22 Budget	2021/22 Forecast Outturn	2022/23 Estimate
	£	£	£	£
COUNCIL TAX PRECEPT	6,713,278	6,903,742	6,903,742	7,089,537
LOWER TIER SERVICES GRANT	0	60,462	60,462	63,685
COVID-19 SUPPORT GRANT	0	304,311	304,311	0
NNDR	972,615	977,468	977,468	911,844
SMALL BUSINESS RATE RELIEF GRANT	644,746	674,495	674,495	694,079
COLLECTION FUND SURPLUS/(DEFICIT) - COUNCIL T	10,570	(6,191)	(6,191)	46,957
COLLECTION FUND SURPLUS/(DEFICIT) - BUSINESS	1,402,281	(302,143)	(302,143)	(179,652)
TOTAL	9,743,490	8,612,144	8,612,144	8,626,450

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MAIN SERVICE BUDGET CHANGES 2021/22 TO 2022/23

	<u>Budget Savings £'000</u>	<u>Budget Costs £'000</u>
<u>STRATEGY & RESOURCES</u>		
Reduction in government funding for housing benefit		1,027
Reduction in housing benefit payments	(1,034)	
Change in contribution from reserves	(1,129)	
Reduced New Homes Bonus Grant		75
Increase in premises costs		220
Changes in provisions	(100)	
Change in revenue funding contribution towards capital projects		100
Reduced net income from investment properties and Property Company (EEPIC)		247
<u>ENVIRONMENT</u>		
Service efficiency savings	(167)	
Outsource Building control service		147
<u>COMMUNITY & WELLBEING</u>		
Funding from the Flexible Housing Support Grant	(256)	
Increase in cost of temporary accommodation		290
<u>All Committees</u>		
Increase in salaries & other overheads including changes to vacancy provision		592
Additional income from increase in Fees and Charges (budget proposals)	(238)	
All other service budget changes		240
	<u>(2,924)</u>	<u>2,938</u>
Policy Committee Budget Increase		<u>14</u>

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**ADDITIONAL INCOME FROM INCREASING FEES
AND CHARGES FROM 1 APRIL 2022**

	£'000	£'000
<u>ENVIRONMENT AND SAFE COMMUNITIES</u>		
Car Parks	123	
Refuse Collection / Recycling	44	
Markets	0	
Development Control	5	
Cemetery	15	
Licensing & Environmental Health	10	
		197
<u>COMMUNITY AND WELLBEING</u>		
Community & Wellbeing Centre	4	
Higher Needs Service	1	
Community Services	6	
Venues	11	
Epsom Playhouse	13	
Allotments	1	
Parks & Open Spaces	5	
		41
TOTAL		238

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UPDATED EFFICIENCY PLAN - 2020/21 to 2023/24

					Total £'000
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	
Operational efficiencies and income generation	463	157	33	36	689
Strategy & Resources Committee					
Commercial property rent reviews	62	113			175
Acquisition of investment properties			112	96	208
Reduction in costs due to transfer to universal credit				33	33
Borough Insight - cease hard copy publications		24			24
Environment & Safe Communities Committee					
Optimise waste collection			100		100
Reduction in cost of grounds maintenance service			67		67
Community & Wellbeing Committee					
Review of venue operations	60				60
Review of Bourne Hall			30		30
Reduce level of subsidy for operating the Community & Wellbeing Centre		23		50	73
Total Identified Savings	585	317	342	215	1,459
Unidentified Savings Target	-	-	-	1,376	1,376
Total Savings to Achieve Balanced Budget	585	317	342	1,591	2,835

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FORECASTS FOR THE UK ECONOMY – HM TREASURY (a comparison of independent forecasts)

This edition of the comparison contains 14 new forecasts, all of which were received between January 4th and January 14th 2022. The tables below summarise the average and range of independent forecasts for 2021 and 2022 and show the average of this month's new forecasts.

Forecasts 2021					
	Independent				Average of new forecasts
	Averages		January		
	January	December	Lowest	Highest	
GDP growth (per cent)	7.0	7.0	6.6	7.2	7.1
Inflation rate (Q4: per cent)					
-CPI	4.7	4.2	3.5	5.1	4.7
-RPI	6.6	6.1	6.0	6.8	6.7
LFS unemployment rate (Q4: %)	4.4	4.6	4.0	4.7	4.4
Current account (£bn)	-63.4	-56.9	-86.0	-40.0	-65.6
PSNB (2021-22: £bn)	183.1	191.0	160.8	205.0	184.7

Forecasts 2022					
	Independent				Average of new forecasts
	Averages		January		
	January	December	Lowest	Highest	
GDP growth (per cent)	4.5	4.7	3.5	5.7	4.4
Inflation rate (Q4: per cent)					
-CPI	3.5	3.1	1.6	5.1	4.0
-RPI	5.0	4.3	3.3	6.8	5.4
LFS unemployment rate (Q4: %)	4.2	4.3	3.6	4.7	4.1
Current account (£bn)	-78.7	-74.5	-138.8	-36.0	-79.4
PSNB (2022-23: £bn)	93.2	100.0	48.3	139.0	95.0

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REVENUE BUDGET 2022/23 - RISK ASSESSMENT

STRATEGY & RESOURCES COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Corporate Risk Register
Impact of Covid-19 on services and financial resilience	All	High	<p>Increased expenditure to respond to impact of Covid-19.</p> <p>Reduced income from services and taxation due to social, health and economic impacts of Covid-19</p>	<p>Contingency of £600k included in revenue budget to mitigate impact of Covid-19.</p> <p>Delivery of agreed savings to contain expenditure.</p> <p>Utilisation of any government grant schemes, as appropriate.</p> <p>Regular budget monitoring in accordance with Financial Regulations.</p> <p>Utilisation of reserves if required.</p>	Effective Council	S1
Reducing projected net expenditure	All	High	Fail to deliver savings and/or a balanced budget	<p>Delivery of the MTFs and the Efficiency Plan</p> <p>Identify additional savings of up to £XXX,000 by 2024/25</p>	Effective Council strengthen the Council's financial independence	S1
External Funding	<p>£0.17m New Homes Bonus</p> <p>£1.6m Business Rates</p>	High	<p>Loss of income from the Fair Funding Review</p> <p>Reduction in New Homes Bonus funding</p>	Identification of other sources of funding.	Effective Council strengthen the Council's financial independence	S1

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Corporate Risk Register
Failure to control salaries costs	c.£13m	Med	Increasing salaries cost and pressures on services	Four Year Pay Policy linked to CPI inflation Job evaluation Updated HR & OD Strategy Monitoring of salaries and agency costs	Support and enable a high performing and adaptable workforce	S1
Cost of borrowing	£1.6m	Med	Over borrowing at incorrect rates Cost of borrowing through PWLB increases	Borrowing to invest decisions Robust business cases for investments supported by borrowing Agree governance arrangements and robust reporting Borrow through the PWLB at fixed rates Utilise external, specialist treasury advisors for advice.	Effective Council strengthen the Council's financial independence	S1
Rental returns for the general fund	c.£2.8m	High	Failure to achieve the required rental returns from commercial property investments funded by borrowing Loss of tenant	Management of properties Review of all purchasing opportunities and due diligence Action Plan agreed at S&R in September 2021	Effective Council strengthen the Council's financial independence	S1

Net income from EEPIC	c.£0.7m	High	<p>Failure to achieve the required rental returns from commercial property investments funded by borrowing</p> <p>Loss of tenant</p>	<p>On-going management of properties and tenants</p> <p>Review of all new purchasing opportunities and due diligence</p>	Effective Council strengthen the Council's financial independence	S1
Maintain secure investment of reserves and cash balance through the Treasury Management Strategy	£0.1m	Low	<p>Generate a sound return on cash</p> <p>Safeguard capital sums invested</p>	<p>Annual review of Treasury Management Strategy</p> <p>Use of external fund manager in accordance with treasury management policy</p> <p>Monthly review of fund performance</p> <p>Review of market risks using treasury management advisers</p>	Effective Council strengthen the Council's financial independence	S1
Pension funds	£46.2m (Deficit on IAS19 basis as at 31 March 2021)	Med	The deficit is not addressed over the next 20 years	Pension fund deficit payments will increase from £898k in 2021/22 to £927k in 2022/23 and will be re-evaluated in the triennial review as at 31 March 2022.	Effective Council	S1

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Corporate Risk Register
Asset Management	c.£1.1m (direct exp)	High	Operational property is not fit for purpose. No increase in the income generated from commercial property. Optimisation of property for service to residents Insufficient reserves to fund major works and on going maintenance to council assets	Implement the Asset Management Plan Property maintenance and prioritised repairs programme Monitor tenant requirements and rent levels	Maximise opportunities to improve use of buildings	S1
Retained Business Rates	£1.6m	High	Loss of income from the Fair Funding Review/Levelling Up Agenda, and the Business Rates Retention scheme	Assess outcome of the Business rates retention reform when published	99% of business rates to be collected	S1

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Corporate Risk Register
Housing Benefit Subsidy	£16.4m	Med	<p>Reduced recovery rate on benefits paid out</p> <p>Increased demand for benefit payments due to recession</p> <p>Staff retention/ recruitment</p> <p>Welfare reforms</p>	<p>Monitoring of benefit performance indicators</p> <p>Quarterly monitoring of subsidy position</p> <p>Recruitment and retention programme</p> <p>Maintaining bad debt provision for claimant arrears</p> <p>Manage the implementation of Universal credit</p>	Processing of new benefit claims in 22 days and change in circumstances in 11 days	S1
Council Tax Income	c.£7m (EEBC element)	Med	<p>Collection rates due to economy & changes to council tax benefits</p> <p>Cash flow</p>	<p>Billing & recovery arrangements designed to support collection targets, additional resource for local council tax support scheme</p> <p>Collection performance reported to Directors monthly.</p> <p>Collection Fund separately managed on behalf of precept authorities (SCC & SP)</p>	98.40% of Council Tax collected	S1

Surrey County Council's Devolution & Transformation Agenda will affect the whole of Surrey.	Unknown impact on EEBC	Med	Loss of income from SCC Reduced service Increased costs	Engage in devolution and transformation working groups as appropriate. Collaborate with other Districts on alternative proposals.	All priorities.	S1
ENVIRONMENT & SAFE COMMUNITIES COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Corporate Risk Register
Off Street Parking Income	£4.5m	Med	Income from off street car parks is exposed to adverse weather and economic conditions that can have significant effect on Outturn.	Monthly monitoring and work analysing individual car park performance against target.	Effective Council strengthen the Council's financial independence	S1
On Street Parking income	£0.3m	Med	Loss of on street parking income due to termination of current arrangements with SCC	Need to monitor the changes within SCC	Effective Council strengthen the Council's financial independence	S1
Domestic and Trade Waste Collection	£1.5m	Med to High	Income from waste recycling fees is exposed to changes in	Monthly monitoring of income against target and monitor the market fluctuations	Recycling rates	S1

			market prices and changes proposed by SCC.			
Highways	£0.1m	Low	Possible reductions of partner contributions due to budget cuts	Review of expenditure relating to highways agency spend to ensure full costs funded by SCC.	n/a	S1
Building Control	£0.1m expenditure	Low	Less control due to transfer to Elmbridge Building Control Service. Changes to economy further impacting on building control service. Private competition on Building Control Service has impacted adversely in recent years with the market is difficult to predict	Monitor implementation and integration with Elmbridge Building Control Service.	n/a	S1
Place Development Income	£0.6m	High	Risk of designation for planning decisions Non delivery of the Local Plan	PPA agreements and funding to cover costs of staff for large developments	Implement the Local Plan and the national planning statistics	S1 S3
Cemetery Services	£0.5m	Med	Reduction in the no of burials and memorials	Promote new space and services with cemetery	n/a	S1

COMMUNITY AND WELLBEING						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Corporate Risk Register
Homelessness	£1.6m (net expenditure)	High	<p>Significant increase in number of households requiring temporary accommodation</p> <p>Lack of affordable housing therefore unable to move households out of TA</p>	Production of Homelessness Strategy plan to reduce reliance of TA both short and long term initiatives	Safe & Well	S1
Venues Income	c.£1.0m	High	<p>Not reaching budgeted level of letting income from venues.</p> <p>Covid-19 impact on operation of venues.</p> <p>Additional operational costs.</p>	External provision for ECH and business plans for Playhouse and Bourne Hall.	Effective Council	n/a

REVENUE RESERVES 2021/22

General Fund Revenue Reserves	Balance at 31 March 2021	Commitments	Forecast Uncommitted Balance at 31 March 2022
	£'000	£'000	£'000
General Fund Working Balance	3,383	-883	2,500
Strategic Earmarked Reserves			
Repairs and Renewals	390	69	459
Insurance	443	-25	418
Property Maintenance	548	-134	414
VAT Reserve	199	0	199
Business Rates Equalisation Reserve	9,306	-6,882	2,424
Commuted Sums	1,447	0	1,447
Property Income Equalisation Reserve	5,495	95	5,590
Subtotal - Contingencies unavailable for general use	17,828	-6,877	10,951
Residential Property Acquisition Fund*	1,066	-290	776
Community Safety	108	-1	107
Sports & Leisure Development Projects Fund	87	-5	82
Housing & Planning Delivery Grant	88	-88	0
Personalisation, Prevention & Partnership	73	0	73
Partnerships	28	0	28
Flexible Housing Support Grant	385	-385	0
Homelessness Reduction Act	19	0	19
HIA Hardship Fund	125	-35	90
Mortgage Rescue/Arrears Funding DCLG	9	0	9
Surrey Homeless Alliance Funding DCLG	1	0	1
Basic Payments Scheme	141	0	141
Covid Grants Reserve	121	-121	0
Subtotal - Ringfenced funds for specific use	2,251	-925	1,326
Corporate Project Reserve	4,673	-2,767	1,906
Interest Equalisation	400	0	400
Subtotal - Unringfenced funds available for general use	5,073	-2,767	2,306
Total Strategic Earmarked Reserves	25,152	-10,569	14,583
Total Revenue Reserves	28,535	-11,452	17,083

*Only the revenue-funded element of the Residential Property Acquisition Fund is shown in the table. The additional capital-funded element of the Residential Property Acquisition Fund totals £189k and is shown in the capital reserves table.

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STATEMENT ON THE ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

1. Introduction

The Council has a legal duty to produce a balanced budget and must take all reasonable factors into account when doing so. Under the Local Government Act 2003 section 25(1) (b), the Section 151 Officer (Chief Finance Officer) has a personal duty to advise the Council about the **robustness of the budget** and the **adequacy of the Council's reserves** when it considers its budget and council tax. The Act requires Members to have regard to this report in making their decisions.

To assist Chief Finance Officers in compiling these statements, CIPFA wrote to all Chief Finance Officers in December 2011 providing further details of their responsibilities in respect of the budget setting process and in particular the statement on the robustness of the estimates and adequacy of reserves. This statement addresses the requirements as set out in the letter and Members should consider the content of this report carefully.

2. Robustness of the estimates

Robustness of the estimates is concerned with scrutinising detailed elements of the budget, weighing up all factors and taking a balanced view of the risks. Depending upon the level of assessed risk within the proposed budget, the Chief Finance Officer is expected to give consideration to the Council's contingency plans should savings not materialise. This report attempts to set out the risks associated with their achievement and the implications and contingency plans if the savings are not delivered as planned.

In terms of the robustness of the estimates presented for 2022/23, the following observations are made:

The preparation of the 2022/23 budget has been produced in the context of prevailing uncertainty around the economic impacts of Covid-19 next year and beyond. The outbreak of Covid-19 has resulted in increased uncertainty within the Council's finances and has demonstrated more than ever the requirement for reserves to assist in managing the Council's response to the pandemic.

The Council has been prudent in including a central contingency of £600,000 within the 2022/23 budget to mitigate the expected long-term impact of the pandemic on Council services. It is anticipated that Covid-19 will cause permanent reductions to some of the Council's existing income streams due to changes in the local economy and changes in demand for use of our services. To address this, ahead of 2023/24 the Council plans to review and rebase its budgets to reflect post-Covid underlying expenditure and income streams, with the aim of removing reliance on reserves to fund the day-to-day revenue budget.

Income generating opportunities or revenue savings agreed as part of the Medium Term Financial Strategy for 2022/23 are included within next year's budget after assessing whether they are achievable, deliverable and acceptable. The Policy Committees in January 2022 considered savings or income generating items included within the Efficiency Plan that are scheduled to be delivered in 2022/23. The 2022/23 budget incorporates £342,000 of savings and additional income identified from the Efficiency Plan.

In determining the budgets for 2022/23, these have been cash limited, with the majority of service budgets being set at pre-pandemic levels, as demand for services post-pandemic remain unclear. Contractual price rises and utility price increases have been incorporated but all non-pay budgets have been cash limited. The 2022/23 pay award of 3.0%, reflects September's CPI, in accordance with the Council's agreed four year Pay Policy and a pay award provision of £516,000 has been incorporated within the estimates for 2022/23.

The Council lost its debt free status in 2016/17 when it agreed to acquire commercial properties within the Borough, funded by PWLB loans. In 2017 the Council also agreed to set up Epsom & Ewell Property Investment Company Ltd to enable the acquisition of investment properties outside the Borough. Between 2016 and 2020, the Council acquired four properties within the Borough, and the company acquired two properties outside the Borough.

In September 2021, Strategy & Resources Committee received an Action Plan to demonstrate how the Council will manage significant lease events at two of these commercial properties. These lease events may result in reduced rental income until new tenants can be found and leases negotiated. The availability of funds within the Property Income Equalisation Reserve enables this temporary reduction of income on the Council's General Fund to be compensated by a contribution from this reserve.

Dividend income from EEPIC is expected to return to 2020/21 levels in 2023/24 and in the longer term the Property Income Equalisation Reserve will need to be replenished.

The Council continues to transfer a proportion of the rental income from these acquired properties into a reserve to mitigate potential risks relating to losses income and or liabilities for any maintenance costs.

Maintenance of our buildings remains under increasing pressure which needs to be addressed and whilst increased provision has been made within the 2022/23 revenue budget, with earmarked reserves being utilised, uncommitted capital receipts nearing the minimum required level and pressure on revenue funding, the opportunity to fund on-going maintenance is limited.

No budget is without risk, especially in the current environment, as even the most carefully set plans are subject to ever changing demands and unforeseen circumstances. A full risk assessment for the revenue budget is contained in Appendix 6. Throughout the budget setting process advice has been provided at various times concerning the estimates made and their underlying assumptions and risks.

Stringent budget monitoring will continue to be undertaken, with particular emphasis being placed on identifying the long-term financial impact of Covid-19 on Council services, the achievement of income estimates, salary estimates and high-risk expenditure items. Prompt response to in-year projected deficits will continue to be expected from Members and Senior Officers.

Both the understanding of the Council's financial position and the commitment to ensure delivery of budgets continue to develop across all service areas enabling the Council to be more effective in its financial planning. Members receive quarterly monitoring reports detailing

the financial issues facing the Council. All budget managers receive monitoring reports for their particular area. The financial monitoring system covers both revenue and capital expenditure.

As with any budget there are uncertainties to plan for and manage and this remains the case, especially at this time with high levels of unpredictability.

The 2022/23 budget continues to be affected by changes to how Non Domestic Rates are calculated and distributed which the government introduced in 2013. The system seeks to provide a greater reward for those authorities which encourage business growth but also means the local authority shares to a much greater extent the risks associated with any loss of businesses. Government has delayed its review of the method for redistribution of Non Domestic Rates, originally due in 2020, which will eventually impact on the level of resources that this Council retains. The delay means these changes to Council funding will not come into effect until at least from 2023/24. To assist with the potential volatility of this income stream the Council has a Business Rates Equalisation Reserve, which is used to smooth out fluctuations in funding from this source of income. This reserve can also be potentially used to mitigate against reductions in allocated funding for a period of time whilst compensating savings can be found. For 2022/23's budget, the Business Rates Equalisation Reserve will be used to fund the Council's share of prior year deficits on the collection funds.

Another element of uncertainty relates to income. In terms of other income, these estimates are made looking at past levels of income achieved as well as trends throughout a year. Variances can increase income as well and often these positive variances cancel out the negative variances. However, there is still a real risk where significant levels of income are forecast. The fees and charges levied by the Council have been subject to a detailed review, but with the increased uncertainty of demand for services in 2022/23 as a result of the pandemic, income budgets pose a higher risk than in previous years. Significant income budgets are subject to the same degree of rigorous monitoring as other budgets and any variations are reported through the monitoring processes in place. The 2022/23 budget contains a central contingency of £600,000 aimed at mitigating the increased risk to income budgets. The Corporate Projects Reserve will contribute £262,000 to the General Fund to part fund the contingency for 2022/23.

The Council continues to experience significant increases in the number homeless families it has been required to accommodate, compared to pre-pandemic levels. The increased demand for this service is continuing to have a major impact on the Council's finances, but to fund the additional cost the Council is using its Homelessness Prevention Grant from its earmarked reserves whilst initiatives can be put in place to reduce the number of homeless families.

With Councils having experienced reductions in government funding in recent years and also seeing increasing cost pressures on service delivery, there is a risk that other organisations will look to reduce the funding given to Epsom and Ewell Council to provide services on their behalf or jointly, especially with organisations under increased financial pressure due to the pandemic.

To assist with mitigating the risks associated with budget preparation there is a contingency within the budget to allow for unforeseen events. Holding a central contingency pot means departmental sums are not required.

In conclusion, the 2022/23 budget estimates are considered to be robust on the basis that:

- a. Stringent budget monitoring, together with prompt responses to variances is actioned.
- b. Total net expenditure is maintained within approved budgets.
- c. Plans for generating additional income and reducing expenditure need to be developed as part of the budget process for 2023/24. It is important that this is considered a high priority for this Council to ensure financial stability for future years.

3. Adequacy of Reserves

The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). There are also safeguards in place to prevent local authorities over-committing themselves financially. These include:

- The balanced budget requirement
- Chief Finance Officer's S114 powers
- The external auditor's responsibility to review and report on financial standing
- The prudential code for capital finance

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net – a contingency to cushion the impact of unexpected events or emergencies and a working balance to help cushion the impact of uneven cash flows. Reserves can also be a means of building up funds, often referred to as earmarked reserves to meet known or predicted liabilities.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem, or a series of events, the Council could be forced to cut spending during the year in a damaging and arbitrary way.

The level of reserves was reported to the Strategy and Resources Committee in September 2021, when the financial statements for 2020/21 were reported. A review of the reserves was carried out by the Financial Policy Panel in November 2021. The minimum working balance in the Medium Term Financial Strategy stands at £2.5m.

In the past, the government has increased local authority exposure to financial risk with the changes to funding from business rates. The risk in part has been offset by increasing the provision for bad debt, and by creating the business rate equalisation reserve. Having considered these risks, the conclusion is that minimum levels should remain as currently specified with the Medium Term Financial Strategy; namely

- General Fund Working Balance Reserve - £2.5 million
- Capital Receipts - £1 million
- Corporate Projects Reserve - £1 million

The General Fund balance is anticipated to be £2.5 million at 31 March 2022. The budget assumes no withdrawal from the General Fund Balance in 2022/23.

The unallocated capital receipts are anticipated to be £3 million at 31 March 2022. The 2022/23 budget includes a £400,000 contribution to the capital programme from revenue and no use of capital reserves. In previous years the annual capital programme on average used up around £0.7 million of capital receipts per annum, and the Council is planning to increase the level funding from revenue by £100,000 per annum to achieve a sustainable capital programme not reliant on the use of diminishing capital receipts.

The Council has other reserves earmarked for specific purposes and these are detailed in Appendix 7.

Having undertaken the review of reserves and given the economic and financial environment the Council is working within during 2022/23, it is believed that the Council is operating at an acceptable level of reserves.

Lee Duffy
Chief Finance Officer

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REVENUE BUDGET FOUR YEAR FORECAST

Status: Financial Planning Updated for 2022/23 Budget											
	MTFS				FORECAST						
FOUR YEAR BUDGET PROFILES	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Budget	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
NET SPEND B/F FROM PREVIOUS YEAR	6,387	9,743	8,612	8,627	10,370	10,828	11,392	11,812	12,238	12,670	13,108
add back: Interest on Balances as credited to the revenue account in previous year	96	130	105	80	180	300	400	500	500	500	500
add back: Use of Reserves/Provisions in Previous Year	1,845	-1,264	730	1,476	150	100	50	0	0	0	0
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	8,328	8,609	9,447	10,183	10,700	11,228	11,842	12,312	12,738	13,170	13,608
Allowance for Pay and Price Inflation											
General Inflation - price base	+190	+50	+290	+194	+198	+202	+206	+210	+214	+218	+223
General Inflation - pay base	+400	+240	+516	+424	+433	+442	+450	+459	+469	+478	+488
Prices Increases net of Increased Fees & Charges	+590	+290	+806	+618	+631	+643	+656	+669	+683	+696	+710
Increases in costs / Reductions in income											
Pension Fund Valuations 2019 & 2022	+150		+129	+100	+100	+100					
Contingency for the impact of Covid		+950	-350								
Increase in cost of waste collection	+61										
Revised cost of building control service			+161								
Increased cost of maintaining ditches and reservoir			+16								
Increase in national insurance contributions			+150								
Net reduction in income from commercial property			+755								
Increase in debt repayments			+41								
Increase in provision for property maintenance	+50	+50	+50	+50							
Property and Regeneration Manager	+50										
Local elections	-70			+80	-80						
Funding of projects within the capital programme	+100	+100	+100	+100	+100	+100	+50				
Other	-83	-71	+56								
Reduced contributions to the Property Equalisation Reserve			-500								
Increased cost of homelessness	+391										
Increases in costs / Reductions in income	+649	+1,029	+608	+330	+120	+200	+50	+0	+0	+0	+0
Changes to External Funding											
Bourne Hall (SCC)	+80										
2022/23 Government Services Grant			-98								
Changes to External Funding	+80	+0	-98	+0	+0	+0	+0	+0	+0	+0	+0
New Home Bonus											
Estimated New Homes Bonus	-385	-240	-174	-21	-21	-21	-21	-21	-21	-21	-21
Transfer to Corporate Project Reserve	+385	+240	+174	+21	+21	+21	+21	+21	+21	+21	+21
NHB Funding used to support General Fund services	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Cost Reduction Plan											
Star Chamber	-585	-144	-249	-215							
Service review		-173	-93								
EEPIC Dividend	-100										
Cost Reduction Plan	-685	-317	-342	-215	+0	+0	+0	+0	+0	+0	+0
Contributions from Reserves/Provisions											
Funding from business rates equalisation reserve of retained business rates income deficit	+1,380	-308	-459	-150	-100	-50					
Contribution from Property Income Equalisation Reserve			-755								
Funding of increased homelessness from Flexible Housing Support Grant	-116	-116									
Funding from Corporate Projects Reserve		-306	-262								
	+1,264	-730	-1,476	-150	-100	-50	+0	+0	+0	+0	+0

	MTFS				FORECAST						
FOUR YEAR BUDGET PROFILES	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Budget	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees and Charges											
Increased yield on discretionary Fees and Charges	-290	-164	-238	-216	-222	-229	-236	-243	-250	-258	-266
	-290	-164	-238	-216	-222	-229	-236	-243	-250	-258	-266
Interest on Balances (excludes interest credited to strategic reserves)											
Average level of investments											
Investments (average)	13,000	14,000	16,000	18,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Interest rate used (supplemented by interest equalisation reserve)	1.00%	0.75%	0.50%	1.00%	1.50%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Total Interest Forecast	-130	-105	-80	-180	-300	-400	-500	-500	-500	-500	-500
Add: Use of interest equalisation reserve	0	0	0	0	0	0	0	0	0	0	0
Interest credited to General Fund to Finance Services	-130	-105	-80	-180	-300	-400	-500	-500	-500	-500	-500
SUMMARY OF FORECASTS											
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	8,328	8,609	9,447	10,183	10,700	11,228	11,842	12,312	12,738	13,170	13,608
Price Increases (inflation)	+590	+290	+806	+618	+631	+643	+656	+669	+683	+696	+710
Increases in costs / Reductions in income	+649	+1,029	+608	+330	+120	+200	+50	+0	+0	+0	+0
Changes to External Funding	+80	+0	-98	+0	+0	+0	+0	+0	+0	+0	+0
NHB Funding used to support General Fund services	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Cost Reduction Plan	-685	-317	-342	-215	+0	+0	+0	+0	+0	+0	+0
Contributions from Reserves/Provisions	+1,264	-730	-1,476	-150	-100	-50	+0	+0	+0	+0	+0
Fees and Charges	-353	-164	-238	-216	-222	-229	-236	-243	-250	-258	-266
Interest credited to General Fund to Finance Services	-130	-105	-80	-180	-300	-400	-500	-500	-500	-500	-500
Forecast Net Cost of Services	9,743	8,612	8,627	10,370	10,828	11,392	11,812	12,238	12,670	13,108	13,553
SETTLEMENT ASSESSMENT FUNDING FORECAST											
RSG	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Lower Tier Services Grant	+0	+60	+64	+60	+60	+0	+0	+0	+0	+0	+0
Covid-19 Support Grant	0	+304	+0	+0	+0	+0	+0	+0	+0	+0	+0
Retained Business Rates	1,617	1,652	1,606	1,638	1,671	1,554	1,435	1,314	1,190	1,054	915
Formula Grant / Business Rate Retention	1,617	2,016	1,670	1,698	1,731	1,554	1,435	1,314	1,190	1,054	915
Base Income from Council Tax	6,525	6,713	6,904	7,090	7,297	7,480	7,667	7,860	8,057	8,259	8,467
Increase in council tax base	+25	+27	+21	+35	+36	+37	+38	+39	+40	+41	+42
	6,550	6,740	6,925	7,126	7,333	7,517	7,706	7,899	8,097	8,301	8,509
Forecast for increase in Council Tax income (£5 per Band D Property)	+163	+164	+165	+171	+147	+150	+154	+158	+162	+166	+170
Council Tax Income Forecast	6,713	6,904	7,090	7,297	7,480	7,667	7,860	8,057	8,259	8,467	8,679
Surplus / (Deficit) on Retained Business Rates	1,402	-302	-180	0	0	0	0	0	0	0	0
Council Tax Surplus / (Deficit)	11	-6	47	0	0	0	0	0	0	0	0
Assumed Collection Fund Income (Formula Grant + Council Tax)	9,743	8,612	8,627	8,995	9,211	9,222	9,295	9,371	9,450	9,521	9,594
Forecast Budget Shortfall (required use of working balance)	43	0	0	1,376	1,617	2,170	2,517	2,867	3,221	3,588	3,958
GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION											
Estimated Working Balance b/f	3,426	3,383	3,383	3,383	2,007	390	-1,780	-4,297	-7,164	-10,385	-13,972
Resulting Working Balance c/f	3,383	3,383	3,383	2,007	390	-1,780	-4,297	-7,164	-10,385	-13,972	-17,930



EPSOM AND EWELL BOROUGH COUNCIL

CAPITAL STRATEGY STATEMENT
February 2022

Capital Investment 2022/23 to 2026/27

1. Introduction

The Council's Capital Strategy provides a framework for asset planning and for decisions on capital investment – expenditure on larger projects or schemes which generally leads to improved long-term assets.

The Financial Policy Panel provides guidance on the level of investment in the core capital programme that is consistent with the Council's Medium Term Financial Strategy. The core capital programme will be reviewed annually with options reassessed with specific reference to priorities in the Corporate Plan and the Asset Management Plan.

The development of the Capital Strategy and the Asset Management Plan assists the Council in major investment decisions. The latest Asset Management Plan was approved by Strategy & Resources Committee in July 2020.

As in previous years, due to limited capital reserves and the continued challenging funding environment, the core capital programme 2022-2023 has been limited to only priority projects which meet one of the strict criteria set-out in section 7.

2. Development of the Capital Strategy

Member and officer capital groups have been established to oversee the core capital programme and monitor capital schemes. The Capital Member Group is made up of Members nominated by Strategy & Resources Committee, supported and attended by the Chief Finance Officer as appropriate. The officer group with responsibility for overseeing the core capital programme is the Strategic Management Team and comprises of the Chief Executive, the Director of Corporate Services and the Director of Environment, Housing and Regeneration.

Service and financial planning timetables are submitted to Financial Policy Panel annually. The Capital Strategy is presented to the Council for approval each year. The current strategy covers a five year rolling period, which is proportionate to the size of the authority.

3. Commercial Activity & Investment Strategy

Commercial Property

The Council retains one in-Borough commercial property acquisition fund, which has a remaining balance of £49.6m available for investment. The fund can be financed from prudential borrowing. The Council formally closed its out-of-Borough commercial property acquisition fund in February 2020, as part of agreeing the Medium Term Financial Strategy 2020-24, in order to comply with the DLUHC's Statutory Guidance on Investments,

Residential Property

In 2016/17, the Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. To date, no new purchases have occurred during 2021/22 but £10,500 is earmarked for Defoe Court and £280,000 for 24 South Street.

The remaining balances on the Property Acquisition Funds are shown in the following table. Please note that the £80m funds are not reserves that the Council holds; they are limits (approved by Full Council) up to which borrowing could be undertaken.

The expenditure to date and current balance of each property fund is detailed in the following table.

Property Acquisition Funds	Commercial Property	Residential Property	Total
	In-Borough		
	£000	£000	£000
Opening fund balance	80,000	3,000	83,000
Purchases during 2016/17	(19,206)	(811)	(20,017)
Purchases during 2017/18	(5,148)	(562)	(5,710)
Purchases during 2018/19	0	(257)	(257)
Purchases during 2019/20	(6,077)	(20)	(6,097)
Purchases during 2020/21	0	(95)	(95)
YTD purchases during 2021/22	0	0	0
Current commitments	0	(290)	(290)
Fund balances at 31/12/2021	49,569	965	50,534

The Council's Investment Strategy is set out in the Council's Treasury Management Strategy which is included as Appendix 11 to the same report.

4. Main Capital Programme 2022/23

Based on the available capital resources and subject to external funding, including grants and developer contributions, and securing revenue savings, Council has been asked to approve the following programme for 2022/23 in February 2022.

Project	2022/23 £'000	Funding Source
Disabled Facility Grants *	600	External grant
Ashley Centre Car Park Expansion Joints – Phase 2	37	Budgeted revenue contribution
Wellbeing Centre – Replacement of Boilers and Controls	50	Budgeted revenue contribution
Wellbeing Centre – Walk-in Freezer	25	Repairs & Renewals reserve
Total	712	

* Subject to additional external funding

In addition schemes may be added where:-

- there is a carry forward from 2021/22 with specific funding already allocated
- new schemes supported by a business case (self-financing), or
- they can be funded by additional external funding sources e.g. Section 106 agreements or specific grants.

5. Provisional Capital Programme 2023/24 – 2026/27

The Capital Member Group also considers a provisional programme of schemes covering the subsequent four financial years. The programme is mainly compiled from information from the Asset Management Plan for buildings and other known capital expenditure requirements.

The 2023/24 to 2026/27 provisional programme currently comprises the following schemes:

	Indicative Budget 2023/24 £'000	Indicative Budget 2024/25 £'000	Indicative Budget 2025/26 £'000	Indicative Budget 2026/27 £'000	Total 2022/23- 2026/27 £'000
Strategy and Resources Committee					
Cox Lane Centre	80	0	0	0	80
Horton Country Park West Park Cottage	40	0	0	0	40
Longmead Depot	40	0	0	0	40
Town Hall	665	60	0	0	725
Total Strategy & Resources Committee	825	60	0	0	885
Environment & Safe Communities Committee					
Ashley Centre Multi Storey Car Park	885	300	0	0	1,185
Cemetery Public Conveniences	25	0	0	0	25
Hook Road Multi Storey Car Park	315	130	0	80	525
Total Environment & Safe Communities Committee	1,225	430	0	80	1,735
Community & Wellbeing Committee					
Disabled Facilities Grant (DFG) Programme	600	600	600	600	2,400
Alexandra Recreation Ground Main Pavilion	160	0	0	0	160
Auriol Pavilion	25	0	0	55	80
Bourne Hall	970	0	0	0	970
Ewell Court House	50	0	0	85	135
Gibraltar Recreation Ground Pavilion	27	0	0	0	27
Harrier Centre	90	0	0	0	90
Horton Country Park Public Conveniences	30	0	0	0	30
Epsom Playhouse	375	100	70	0	545
Wellbeing Centre	99	0	0	0	99
Total Community & Wellbeing Committee	2,426	700	670	740	4,536
Total 5-Year Proposed Capital Programme	4,476	1,190	670	820	7,156

Budgets for 2023/24 to 2026/27 are indicative forecasts and will be subject to future capital bids being produced and approval each year through the Council's capital programme setting process.

6. Use of Capital Reserves

The Council's financial position is reviewed annually following the closure of accounts and prior to service and financial planning for the following year. This includes a review of the projected capital receipts reserve position and other sources of funding for capital schemes.

The Council's Medium Term Financial Strategy targets a minimum balance of capital reserves of £1 million to be retained as a contingency for unplanned capital commitments over the next four years.

Due to the low level of receipts from the disposal of property assets since 2009, the Capital Member Group has limited investment from reserves to high priority and spend-to-save schemes. The forecast of capital receipts at 31 March 2022 is £2.94 million. This assumes full delivery of the 2021/22 capital programme and no new capital receipts.

7. Capital Financing and Resources

Potential capital resources have been identified from

- estimated capital reserves at the end of March 2022;
- approved sales of property assets, subject to market recovery;
- revenue funding, as identified as part of the revenue budget setting process;
- use of Community Infrastructure Levy (CIL) and S106;
- external funding, including grants and commuted sums.

The Council has earmarked CIL receipts from developers to part finance the Step-free Access to Stoneleigh Station project. The Local Plan seeks to shape development in the borough and, along with the Infrastructure Delivery Plan, will continue to help inform the Council's use of future CIL receipts.

As capital reserves decrease, the Council needs to achieve additional receipts from sale of assets or other external funding, or identify contributions from revenue, if the capital programme is to be sustainable over the long-term. The Council will continue to review its property through the Asset Management Plan.

In 2022/23, the draft budget includes £400,000 of revenue funding for the 2022/23 capital programme, of which £87k is expected to be used, leaving a balance of £313k available to be set-aside reserves for future capital programmes. In subsequent years, the Council's current 10 year forecast projects an annual increase to the revenue contribution, until an annual contribution of £750,000 is reached in 2026/27.

All revenue contributions are subject to annual approval as part of the Council's budget setting process and are intended to limit the use of diminishing capital reserves to ensure the capital programme becomes sustainable in future years.

The anticipated level of funding available for the capital programme is shown in the following table.

	CIL & S106	Capital Grants	Capital Receipts	Residential Property Fund**	Revenue*	Borrowing	Total
	£m	£m	£m	£m	£m	£m	£m
2021/22							
Estimated resource at 1/4/2021	7.05	0.37	3.86	0.19	0.39	49.57	61.43
Anticipated Receipts in 2021/22	1.32	0.79	0.00	0.00	0.37	0.00	2.48
Earmarked for Stoneleigh Station Step-free Access	-0.50	0.00	0.00	0.00	0.00	0.00	-0.50
Funding Capital Programme	-1.78	-0.50	-0.92	0.00	-0.30	0.00	-3.50
Estimated resources at 31/03/2022	6.10	0.65	2.94	0.19	0.46	49.57	59.90
2022/23							
Anticipated Receipts in 2022/23	1.04	0.60	0.40	0.00	0.47	0.00	2.51
Proposed New Bids	0.00	-1.25	0.00	0.00	-0.11	0.00	-1.36
Estimated resources at 31/3/2023	7.41	0.00	3.34	0.19	0.82	49.57	61.50
2023/24							
Anticipated Receipts in 2023/24	1.04	0.60	0.00	0.00	0.57	0.00	2.21
Proposed New Bids	0.00	-0.60	-3.03	0.00	-0.85	0.00	-4.48
Estimated resources at 31/3/2024	8.018	0.00	0.31	0.19	0.54	49.57	58.78
2024/25							
Anticipated Receipts in 2024/25	1.04	0.60	0.00	0.00	0.67	0.00	2.31
Proposed New Bids	0.00	-0.60	0.00	0.00	-0.59	0.00	-1.19
Estimated resources at 31/3/2025	9.022	0.00	0.31	0.19	0.62	49.57	59.90
2025/26							
Anticipated Receipts in 2025/26	1.04	0.60	0.00	0.00	0.77	0.00	2.41
Proposed New Bids	0.00	-0.60	0.00	0.00	-0.07	0.00	-0.67
Estimated resources at 31/3/2026	10.26	0.00	0.31	0.19	1.32	49.57	61.64
2026/27							
Anticipated Receipts in 2026/27	1.04	0.60	0.00	0.00	0.82	0.00	2.46
Proposed New Bids	0.00	-0.60	0.00	0.00	-0.22	0.00	-0.82
Estimated resources at 31/3/2027	11.30	0.00	0.31	0.19	1.91	49.57	63.28

*This includes repairs and renewals reserve and planned revenue contributions. All revenue contributions are subject to annual approval as part of the Council's budget setting process.

** The estimated balance of the Residential Property Fund at 31/03/22 is £965k, of which £189k relates to capital resources.

The Council seeks to maximise partnership funding in the delivery of its key priorities and will commit capital reserves to: -

- finance prioritised capital investment where funding is not available from other sources
- attract partnership funding and/or to achieve partnership objectives
- finance investment that is 'self-funding', for example investment that improves performance and reduces running costs or investment in the maintenance of service assets

The Council will seek to maximise effective investment from all potential funding sources. External sources of financing may include LEP funding, Section 106 agreements, CIL, government grants for Disabled Facilities, partnership funding from other Local Authorities or Public and Voluntary organisations.

8. Criteria for Assessing Capital Programme Priorities

The following criteria have been used for appraising future capital investment options and reviewing the on-going capital programme. As a minimum all investment proposals must meet one of the following baseline criteria: -

- investment where there is a guarantee of the scheme being fully externally funded and is classed as a high priority
- investment required to meet Health and Safety or other new legislative requirements
- investment required to continue to deliver the services of the Council (e.g. minimum level of building maintenance)
- investment in 'Spend to Save' schemes that will generate cost savings or additional income generation, providing;
 - there is payback of the capital invested within 5 years (up to 10 years for energy reduction initiatives);
 - there is a low risk of not achieving return on investment
 - there is a clear definition of the cost/benefits of the scheme
- investment where the scheme is consistent with the Council's Climate Change Action Plan, subject to affordability, supported by a robust business case and value for money can be demonstrated through a maximum payback period of 10 years.

Prior to schemes being assessed for approval by Full Council, a detailed project appraisal must be completed and recommended by the appropriate policy committee. A standard capital appraisal form has been developed which requires details of the scheme (cost estimates, revenue impact, project management resources and expected timescales). It also requires an explanation of how the scheme fits within the baseline criteria. In recommending investment proposals policy committees must ensure they can fund any additional operational costs from within their revenue budget targets.

Where schemes are prioritised for inclusion in the capital programme prior to a detailed evaluation of revenue costs, commitments will not be made until estimates of operational costs have been evaluated and financing in the revenue budget identified. The Council will continue to follow a whole life costing approach to project appraisal.

Capital schemes funded wholly or in part from external sources e.g. Government Grants, Section 106 monies, CIL or other contributions are also subject to the same requirements in respect of meeting the baseline criteria and the completion of project appraisals recommended by the policy committee.

Schemes can be included within the proposed capital programme subject to a detailed business case being submitted to the relevant service committee. These schemes can only progress once approval is granted for the project by the policy committee.

By assessing schemes against the above criteria, the Council ensures that capital schemes support the corporate priorities, as set out in the Four Year Plan. Separate criteria exist to evaluate proposed individual property acquisitions that are funded from the Property Acquisition Funds.

Following Council's adoption of the Climate Change Action Plan in January 2020 and in accordance with the new MTFS, the capital investment criteria were reviewed during 2020/21 and the fifth criteria listed above added, with the aim of further facilitating actions which positively impact the environment.

9. Timetable for Approval of Capital Programme

The timetable and process for approval of the capital programme following annual review is as follows:-

- Update on level of resources / reserves at end of previous year reported to Financial Policy Panel and Strategy and Resources Committee in June and July.
- Members nominated onto the Capital Member Group by Strategy & Resources Committee.
- A forecast of resources reported to Capital Member Group and Strategy and Resources Committee in September.
- Budget targets agreed by the Council in September.
- Officers, in consultation with Heads of Service and Directors, submit new or updated draft summary capital bids to the Capital Member Group to review in September.
- Capital Member Group meets in September to agree approach and use the Capital Strategy criteria to decide which of the summary bids should be progressed into full bids for review in November.
- Officers submit full capital bids to the Strategic Management Team to validate and be prioritised in October.
- Capital Member Group reviews all bids in November and prepares recommendations on funding to Policy Committees in January.
- Detailed scheme proposals and project appraisals, including identification of how any revenue funding requirements could be met for each scheme, recommended by policy committees in January.
- Capital programme to be recommended by policy committees in January.
- Capital programme for the following year and the remaining years of the capital programme agreed by Council in February.

For any approved capital scheme where additional capital or revenue costs are identified prior to commencement of the scheme, then subject to the thresholds contained in the Council's Financial regulations, the scheme may need to be referred back to the relevant policy committee and, if additional funding is required, to Strategy and Resources Committee as soon as possible during the year.

Investment proposals funded wholly from external sources or relating to property acquisitions may be submitted for approval at any time during the year. The investment requirements and funding available from CIL and Section 106 monies are reviewed annually in December by Financial Policy Panel.

10. Borrowing Strategy

In February 2017 the Council agreed to extend the borrowing to fund the acquisition of commercial property that provide the Council with a long-term rental income from £20 million up to £80 million. The Council will keep the level of borrowing under review.

The Council does not anticipate borrowing for capital projects other than the acquisition of investment properties and the Medium Term Financial Strategy requires that the Council maintains a minimum level of £1 million of capital reserves.

However, should the need to borrow to finance part of the main capital programme arise (which may depend on the levels of new receipts generated, revenue contributions, income generated from CIL and S106 and external grants), the Council will ensure any borrowing is proportionate and sustainable.

11. Approach to Procurement

The Council has developed its Procurement Strategy. As part of this strategy a number of principles and guidelines have been developed to assist all managers including capital scheme budget holders in the purchase of goods and services. The main areas covered include review of procurement options, risk/benefit analysis, risk management, potential for partnership, cost and quality options and assessing the need for specialist skills.

12. Managing and Monitoring the Capital Programme

Detailed monitoring and performance review of the capital programme is the responsibility of the Strategic Management Team and the Audit & Scrutiny Committee on a quarterly review basis and by the Capital Member Group during the annual review. The officer group sets performance and delivery targets for the year, reviews monitoring information and recommends action where appropriate for reporting to Chief Officers, Members and policy committees.

Financial monitoring reports are submitted to Audit & Scrutiny Committee and circulated to Members on a quarterly basis. This includes expenditure monitoring, uncommitted balances held on s106 and CIL funds and capital receipts balances. Budget monitoring reports show the projected outturn and profiled spend for each scheme, highlighting significant variations and slippage and identifying recommended action. Any recommended changes to the programme are submitted to committees during the year as appropriate.

13. Risk Management

Detailed information on the delivery of individual schemes, including assessment of financial and delivery risks and profile of works and expenditure during the year, is agreed with budget holders. This will form the basis against which schemes are monitored during the year. For those schemes considered as most significant, a detailed timetable and milestones will be agreed by the relevant committee at the beginning of the financial year.

For major schemes the Council will consider external consultants to assist in project management.

The Council may conduct post implementation reviews on certain capital projects, specifically where the scheme has a high cost or value or there has been a significant variation in cost or time to implement.

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Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and
Annual Investment Strategy

2022/23

1.INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
 - the capital plans, (including prudential indicators);
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
 - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).
- b. **A mid-year treasury management report** (due to be presented to Audit & Scrutiny Committee should changes to Committee structures be approved - previously Financial Policy Panel) – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- c. **An annual treasury report** (due to be presented to Audit and Scrutiny Committee should changes to Committee structures be approved - previously Strategy & Resources Committee) – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

In previous years, the Council has delegated responsibility for the implementation and monitoring of its treasury management policies and practices to the Strategy and Resources Committee, subject to the advice under the terms of reference of the Financial Policy Panel. A review of Committee Terms of Reference has been undertaken and is being presented on the same agenda as this report. If Full Council approves the revised terms of reference, both the annual treasury report mid-year treasury management report will be presented to Audit and Scrutiny Committee.

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. In order to meet this requirement, during the last year, members of Financial Policy Panel have received presentations from the Council's external treasury management advisors, Link Group Treasury Solutions and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council has used Knight Frank and Huggins, Edwards and Sharp in relation to this activity in recent years.

2 THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Strategy & Resources	349	761	0	825	60
Environment & Safe Communities	1,531	1,882	37	1,225	430
Community & Wellbeing	911	1,616	675	2,426	700
Total services	2,791	4,260	712	4,476	1,190
Residential property fund	96	0	1,255	0	0
Commercial property fund*	0	0	49,569	0	0
Total	2,887	4,260	51,536	4,476	1,190

* The Council retains the in-Borough commercial property acquisition fund, which has a remaining balance available for investment of £49.6m, from the original fund balance of £80m. The fund was established by the Council across 2016/17 and 2017/18 and can be financed from prudential borrowing.

The Council formally closed its out-of-Borough commercial property acquisition fund in February 2020, as part of agreeing the Medium Term Financial Strategy 2020-24, in order to comply with the MHCLG's Statutory Guidance on Investments,

For the purposes of forecasting, the full £49.6m balance is projected to be spent in 2022/23, however, actual expenditure will depend on the timing of when suitable acquisitions are identified. It is possible that should a suitable property be identified in the current financial year, expenditure will be incurred in 2021/22. This possibility is reflected in the prudential indicators for the operational boundary and authorised debt limit on page 11.

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Core capital programme	2,791	4,260	712	4,476	1,190
Residential property fund	96	0	1,255	0	0
Commercial property fund	0	0	49,569	0	0
Total Expenditure	2,886	4,260	51,536	4,476	1,190
Financed by:					
Capital receipts	257	896	189	3,288	90
Capital grants (inc DFG)	734	1,249	600	600	600
S106 and CIL	1,600	1,791	0	0	0
Revenue	296	324	1,179	588	500
Total Financing	2,886	4,260	1,968	4,476	1,190
Net financing need for the year	0	0	49,569	0	0

The net financing need for commercial activities / non-financial investments included in the above table against expenditure is shown below:

Commercial property fund	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	0	0	49,569	0	0
Financing costs	0	0	620	1,748	1,760
Net financing need for the year	0	0	49,569	0	0
Percentage of total net financing need %	N/A	N/A	100%	N/A	N/A

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include

a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £2.666m of such schemes within the CFR. The Council is asked to approve the CFR projections below:

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital Financing Requirement					
	£'000	£'000	£'000	£'000	£'000
Opening CFR	91,636	90,277	88,865	137,054	135,068
Unfinanced capex - commercial properties	0	0	49,569	0	0
Finance Leases	0	0	69	0	0
Less MRP	(1,359)	(1,412)	(1,449)	(1,986)	(2,068)
Closing CFR	90,277	88,865	137,054	135,068	133,000
Movement in CFR	(1,359)	(1,412)	48,189	(1,986)	(2,068)

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Fund balances / reserves	3,383	2,500	2,500	2,500	2,500
Capital receipts	4,050	3,127	3,527	501	501
Earmarked reserves & CIL	33,571	21,841	23,091	24,341	25,591
S106 funds	2,668	2,021	1,876	1,876	1,876
Total core funds	43,672	29,490	30,995	29,219	30,469
Working capital*	7,000	7,000	7,000	7,000	7,000
(Under)/over borrowing	(22,449)	(21,036)	(19,656)	(17,671)	(15,603)
Expected investments	28,223	15,454	18,339	18,548	21,866

*Working capital balances shown are estimated year-end; these may be higher mid-year.

2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

For all unsupported borrowing (including finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations.

This method provides for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual finance leases are applied as MRP.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2021 and the position as at 31 December 2021 are shown below for both borrowing and investments.

Treasury Portfolio	Actual at 31 March 2021		Current at 31 December 2021	
	£000	%	£000	%
Treasury Investments				
Banks	0	0%	10,000	29%
Money Market Funds	18,700	100%	25,000	71%
Total Managed In House	18,700	100%	35,000	100%
Aberdeen Asset Management Fund	0	0%	0	0%
Total Managed Externally	0	0%	0	0%
Total Treasury Investments	18,700	100%	35,000	100%
Treasury External Borrowing				
PWLB	64,427	100%	64,427	100%
Total External Borrowing	64,427	100%	64,427	100%
Net treasury investments / (borrowing)	-45,727	-	-29,427	-

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt					
	£'000	£'000	£'000	£'000	£'000
Debt at 1 April	91,636	90,277	88,865	137,054	135,068
Expected change in Debt	0	0	49,569	0	0
Other long-term liabilities (OLTL)	0	0	69	0	0
Less MRP	(1,359)	(1,412)	(1,449)	(1,986)	(2,068)

Less use of internal funds	(22,449)	(21,037)	(19,657)	(17,671)	(15,603)
Actual gross debt at 31 March	67,828	67,828	117,397	117,397	117,397
The Capital Financing Requirement	90,277	88,865	137,054	135,068	133,000
(Under)/over borrowing**	(22,449)	(21,036)	(19,656)	(17,671)	(15,603)

Within the above figures the level of debt relating to commercial activities / non-financial investment is:

	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt for commercial property fund					
Actual debt at 31 March £m	64,427	64,427	113,996	113,996	113,996
Percentage of total external debt %	95	95	97	97	97

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt relating to commercial property fund	91,636	139,846	138,434	137,054	135,068
Other long term liabilities	2,666	2,257	1,907	1,484	1,019
Total	94,302	142,103	140,341	138,538	136,087

The operational boundary and authorised debt limits provide for the possibility that the remaining £49.6m balance within the Council's Commercial Property Acquisition Fund could be spent in 2021/22 if suitable properties were identified within a short timeframe.

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the

level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt relating to commercial property fund	91,636	145,000	145,000	145,000	145,000
Other long-term liabilities	2,666	3,000	3,000	3,000	3,000
Total	94,302	148,000	148,000	148,000	148,000

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20 December 2021. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks**, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.
- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Gilt yields / PWLB rates

Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend \$1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its \$120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary

pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.

- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

10 January 2022 UPDATE TO FORECASTS

The Fed minutes for their December 14-15 meeting were released last week. These showed there is a very likely going to be an acceleration in the pace of monetary tightening policies including a faster rate of increase in the Fed rate and running down the stock of QE purchases. This has led to a sharp jump up in treasury yields, and also in gilt yields in this country.

It is also now clearer that there could be a 50% increase in the price cap on fuel prices from 1st April 2022 in this country: this could boost inflation significantly and would then put added pressure on the Bank of England to raise Bank Rate faster as inflation would be unlikely to come down as fast as previously expected. What is still an unknown is whether the Government will damp down the calculation of inflation figures by providing some kind of subsidy for gas and electricity costs e.g., it could make loans to energy companies by spreading increased costs incurred this year over several future years as those loans are gradually repaid.

There has therefore been a sharp increase in the balance of upside risks to the forecasts for gilt yields, PWLB rates and Bank Rate

**A new era for local authority investing
– a fundamental shift in central bank monetary policy**

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and

inclusive “maximum” employment in its entirety’ in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ before starting on raising Bank Rate and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.

Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt..

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows:
-
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- This authority may need undertake external borrowing to finance any new capital expenditure on commercial property, within the agreed Property Investment Strategy.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- * *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing would be postponed.*
- * *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

If rescheduling was done, it would be reported to the appropriate Committee at the earliest meeting

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (Appendix 10).

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 50%
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. **Transaction limits** are set for each type of investment in 4.2.
8. This authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
10. This authority has engaged **external consultants** to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by the Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Council will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of AAA
 and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):
 - i. Short Term – F1
 - ii. Long Term – A-
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. These banks can be included provided they continue to be part nationalised or meet the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies - The Council will use all societies which:
 - i. Meet the ratings for banks outlined above;
 - ii. Have assets in excess of £1bn;
 or meet both criteria.
- Money Market Funds (MMFs) CNAV – AAA
- Money Market Funds (MMFs) LNAV – AAA
- Money Market Funds (MMFs) VNAV – AAA
- Ultra-Short Dated Bond Funds with a credit rating of at least – 1.25
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc
- Housing associations
- Supranational institutions
- Pooled property funds

A limit of 50% will be applied to the use of non-specified investments.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long term Rating (or equivalent)	Money Limit	Transaction limit	Time Limit
Banks 1 higher quality	F1/AAA/B/1	£5m	£5m	5yrs
Banks 1 medium quality	F1/AA-/B/2	£5m	£5m	3yrs
Banks 1 lower quality	F1/A-/C/3	£5m	£5m	1yr
Banks 2 – part nationalised	N/A	£5m	£5m	1yr
Limit 3 category – Council's banker (not meeting Banks 1)	N/A	£5m	£5m	1 day
DMADF (Debt Management Account Deposit Facility)	UK sovereign rating	unlimited	£5m	6 months
Local authorities	N/A	£5m	£5m	1yr
	Fund rating	Money Limit		Time Limit
Money Market Funds	AAA	£5m	£5m	liquid
Enhanced Money Market Funds	AAA	£5m	£5m	liquid

The proposed criteria for specified and non-specified investments are shown in Appendix 5.4 for approval.

Creditworthiness.

Significant levels of downgrades to short- and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices

Although bank CDS prices (these are market indicators of credit risk) spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 50% of the total treasury management investment portfolio.

- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA** from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- c) **Other limits.** In addition:
- no more than 50% will be placed with any non-UK country at any time;
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February..

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, in order to benefit from the compounding of interest

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	2022/23	2023/24	2024/25
Principal sums invested for longer than 365 days	£10m	£10m	£10m
Current investments as at 31/12/21 in excess of 1 year maturing in each year	£0m	£0m	£0m

For its cash flow generated balances, the Council will seek to utilise its business instant access and notice accounts, money market funds and short-dated deposits, in order to benefit from the compounding of interest.

4.5 Investment performance

This Council uses an investment benchmark to assess the investment performance of its investment portfolio of 7-day LIBID rate.

However, the Council is appreciative that the provision of LIBOR and associated LIBID rates is expected to cease at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) ahead of this cessation and will report back to members accordingly.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report. In previous years this report has been presented to Strategy & Resources Committee, however, this will in future be presented to Audit & Scrutiny Committee if the report to Full Council in February 2022 to agree new Committee Terms of Reference is approved.

4.7 External fund managers

Currently (31/12/21) the Council has no funds deposited with its external fund manager, Aberdeen Asset Management. However, when the external fund manager is utilised, they will comply with the Annual Investment Strategy. The agreement between the Council and the fund manager additionally stipulates guidelines on duration and other limits in order to contain and control risk.

5 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

5.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1.1 Capital expenditure

Capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Strategy & Resources	349	761	0	825	60
Environment & Safe Communities	1,531	1,882	37	1,225	430
Community & Wellbeing	911	1,616	675	2,426	700
Total services	2,791	4,260	712	4,476	1,190
Residential property fund	96	0	1,255	0	0
Commercial property fund	0	0	49,569	0	0
Total	2,887	4,260	51,536	4,476	1,190

5.1.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Ratio	9%	8%	15%	23%	29%

The estimates of financing costs include current commitments and the proposals in this budget report.

5.1.3 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	20%
10 years to 20 years	0%	20%
20 years to 30 years	0%	20%
30 years to 40 years	0%	20%
40 years to 50 years	0%	100%
Maturity structure of variable interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years to 20 years	0%	0%
20 years to 30 years	0%	0%
30 years to 40 years	0%	0%
40 years to 50 years	0%	0%

5.1.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 INTEREST RATE FORECASTS 2021-2025

Please see paragraph 3.3.

5.3 ECONOMIC BACKGROUND

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still

remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16th DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- On 10th December we learnt of the disappointing 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- On 14th December, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.
- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- On 15th December we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- Other elements of inflation are also transitory e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- Although it is possible that the Government could step in with some fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!
- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a surprise increase in Bank Rate from 0.10% to 0.25%. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC

commented that “there has been significant upside news” and that “there were some signs of greater persistence in domestic costs and price pressures”.

- On the other hand, it did also comment that “the Omicron variant is likely to weigh on near-term activity”. But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now “these conditions had been met”. It also appeared more worried about the possible boost to inflation from Omicron itself. It said that “the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation”. It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning “global price pressures might persist for longer”. (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references this month to inflation being expected to be below the 2% target in two years’ time, which at November’s meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a “modest tightening” in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. “Modest” seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed transitory, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November’s statement that Bank Rate would be raised “in the coming months”. That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- The MPC’s forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
 - Raising Bank Rate as “the active instrument in most circumstances”.
 - Raising Bank Rate to 0.50% before starting on reducing its holdings.
 - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- US. Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, CPI inflation hit a near 40-year record level of 6.8% but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- Shortages of labour have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the Fed's meeting of 15th December would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases announced at its November 3rd meeting, was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.
- EU. The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- November's inflation figures breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to persistently higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of

inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

- ECB tapering. The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of Omicron on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.
- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.
- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- **SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

6 TREASURY MANAGEMENT PRACTICES (TMPs)

6.1 TMP1 – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The DLUHC issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 13/04/2012 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are:

	Fitch Long term Rating (or equivalent)	Money Limit	Transaction limit	Time Limit
Banks 1 higher quality	F1/AAA/B/1	£5m	£5m	5yrs
Banks 1 medium quality	F1/AA-/B/2	£5m	£5m	3yrs
Banks 1 lower quality	F1/A-/C/3	£5m	£5m	1yr
Banks 2 – part nationalised	N/A	£5m	£5m	1yr
Limit 3 category – Council's banker (not meeting Banks 1)	N/A	£5m	£5m	1 day
DMADF (Debt Management Account Deposit Facility)	UK sovereign rating	unlimited	£5m	6 months
Local authorities	N/A	£5m	£5m	1yr
	Fund rating	Money Limit		Time Limit
Money Market Funds	AAA	£5m	£5m	liquid
Enhanced Money Market Funds	AAA	£5m	£5m	liquid

Non-specified investments – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

	Non-Specified Investment Category	Limit (£ or %)
a.	<p>Supranational bonds greater than 1 year to maturity</p> <p>(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.).</p> <p>(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. National Rail)</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>AAA long term ratings, 50% of money invested through external fund manager. Restriction of 5yrs maximum maturity</p>
b.	<p>Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to</p>	<p>50% of money invested</p>

	category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	through external fund manager. Restriction of 10yrs maximum maturity 50% of money invested through external fund manager. Restriction of 10yrs maximum maturity
c.	The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	In this instance balances will be minimised as far as is possible.
d.	Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £1bn but will restrict these type of investments to 12 months.	£5m per institution.
e.	Any bank or building society that has a minimum long term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Maximum of 50% on investments over 1yr
f.	Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to the parent bank providing an appropriate guarantee and meeting the ratings outlined above.	£5m per institution.
g.	Share and loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	Maximum £5m per institution, subject to minimum rating of AA- (long term). The exception is Epsom & Ewell Property Investment Company Limited

		(EEPIC) - Council has separately authorised share capital and loans to EEPIC.
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NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

Use of external fund managers – It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories and are contractually committed to keep to the Council's annual investment strategy.

The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. In order to aid this assessment, the Council is provided with a suite of regular reporting from its manager.

6.2 TMP2 Performance measurement

The Council has a number of approaches to evaluating treasury management decisions: -

- a. Monthly reviews carried out by the treasury management team
- b. Reviews with our treasury management consultants & external fund manager
- c. Annual review after the end of the year as reported formerly to Strategy & Resources Committee, and to Audit & Scrutiny Committee in the future, upon approval of the new Committee Terms of Reference.
- d. Half yearly monitoring reported formerly to Financial Policy Panel, and to Audit & Scrutiny Committee in the future, upon approval of the new Committee Terms of Reference.
- e. Quarterly budget monitoring reports to Audit & Scrutiny Committee.

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

An Annual Treasury Report is submitted to Strategy & Resources each year after the close of the financial year, which reviews the performance of the investment portfolio. This report contains the following: -

- a. average investments held during the financial year and average interest rates
- b. investment strategy for the year compared to actual strategy
- c. explanations for variance between original strategies and actual
- d. comparison of return on investments to the investment benchmark
- e. compliance with Prudential and Treasury Indicators

The performance of investment earnings will be measured against the following benchmarks: -

- a. In house investments
7 day LIBID
- b. External fund manager
7 day LIBID

Epsom & Ewell Borough Council's policy is to appoint external investment fund managers to manage a proportion of its cash and will comply with the Local Authorities (Contracting Out of Investment Functions) Order 1996 [SI 1996 No 1883].

The delegation of investment management to external managers will entail the following:

- Formal contractual documentation;
- Agreement on terms for early termination of the contract;
- Setting of investment instruments, constraints/parameters/conditions
- Setting of investment counterparty limits;
- Setting a performance measurement benchmark and a performance target;
- Frequency of performance reporting;
- Frequency of meetings with investment managers;

The Code of Practice places an obligation on the Council to monitor the performance of the fund managers. This Council has appointed Link Asset Services to assist in this respect.

6.3 TMP3 Decision – making and analysis

Epsom & Ewell Borough Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the scheduled to this document.”

The Treasury team will ensure that the following records will be retained: -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers’ confirmations for investment transactions
- Confirmations from borrowing institutions where deals are done directly
- Contract notes received from fund manager
- Fund manager valuation statements

Processes to be pursued:

- Cash flow analysis
- Investment maturity analysis
- Ledger reconciliation
- Performance management information

6.4 TMP4 Approved instruments, methods and techniques

Epsom & Ewell Borough Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Strategy and within the limits and parameters defined.

6.5 TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

Allocation of responsibilities

(i) Full council

- approval of annual treasury management strategy.

(ii) Strategy & Resources Committee

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing annual monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Financial Policy Panel

- receiving and reviewing half yearly monitoring report and acting on recommendations

(iv) Chief Finance Officer

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Principles and Practices Concerning Segregation of Duties

The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. (Dealer 1) Production of transfer note. (Dealer 1)
Bank	Entry of transaction onto bank (Finance Officer)
Authorisation/Payment of Deal	Approval and payment. (Dealer 2)
Accounting Entry	Processing of accounting entry (Exchequer Team) Reconciliation of cash control account. (Exchequer Team)
Bank	Bank reconciliation (Exchequer Team)

Statement of the treasury management duties/responsibilities of each treasury post

The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Chief Finance Officer. This person will carry out the following duties: -

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.
- The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- The responsible officer may delegate his power to borrow and invest to members of his staff. The Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness.
- The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

The Chief Accountant

The responsibilities of this post will be: -

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with counterparties and external service providers

- d) supervising treasury management staff
- e) monitoring performance on a day-to-day basis
- f) submitting management information reports to the responsible officer
- g) identifying and recommending opportunities for improved practices

The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the responsible officer reports regularly on treasury policy, activity and performance.

The Monitoring Officer

The responsibilities of this post will be: -

- a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the responsible officer when advice is sought.

Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

Absence Cover Arrangements

Four officers within the Finance Team have the authority to place deals, with a further three officers able to input trades onto the system ready for authorisation.

Dealing

The following posts are authorised to deal: -

- Head of Finance
- Chief Accountant
- 2 Senior Accountants
- 3 Accountants

6.6 TMP6 Reporting requirements and management information arrangements

Epsom & Ewell Borough Council will ensure that regular reports are prepared and considered on the implementation of its treasury managements policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implementations of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, members will receive:

- an annual report on the strategy and plan to be pursued in the coming year, to Full Council
- a mid-year review on the current performance of the treasury management function, to Financial Policy Panel
- an annual report on the performance of the treasury management function, to Strategy & Resources Committee, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

6.7 TMP7 Budgeting, accounting and audit arrangements

The Chief Finance Officer will prepare, and Epsom & Ewell Borough Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management functions, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Best value and performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangement*.

Epsom & Ewell Borough Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

Epsom & Ewell Borough Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

6.8 TMP8 Cash and cash flow management

Cash flow projections are prepared annually and updated daily. The annual cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Chief Finance Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring.

6.9 TMP9 Money Laundering

Epsom & Ewell Borough Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

6.10 TMP10 Staff training and qualifications

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Treasury management staff employed by the Council
- b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time.

Additionally, training may also be provided on the job and it will be the responsibility of the Chief Finance Officer to ensure that all staff under his authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

6.11 TMP11 Use of external service providers

Epsom & Ewell Borough Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies.

6.12 TMP12 Corporate governance

Epsom & Ewell Borough Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

The following documents are available for public inspection: -

Treasury Management Strategy

Annual Investment Strategy

Minimum Revenue provision policy statement

Annual Treasury Review Report

Treasury Management monitoring reports (e.g. half yearly)

Annual accounts and financial instruments disclosure notes

Annual budget

3 Year Capital Plan

Minutes of Council / committee meetings

7 Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher at 22/12/2021, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

8 The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

9 Changes to Treasury Management Strategy for 2022/23

A large proportion of the Treasury Management Strategy remains the same as last year but this section highlights any significant changes made on the previous year's Strategy.

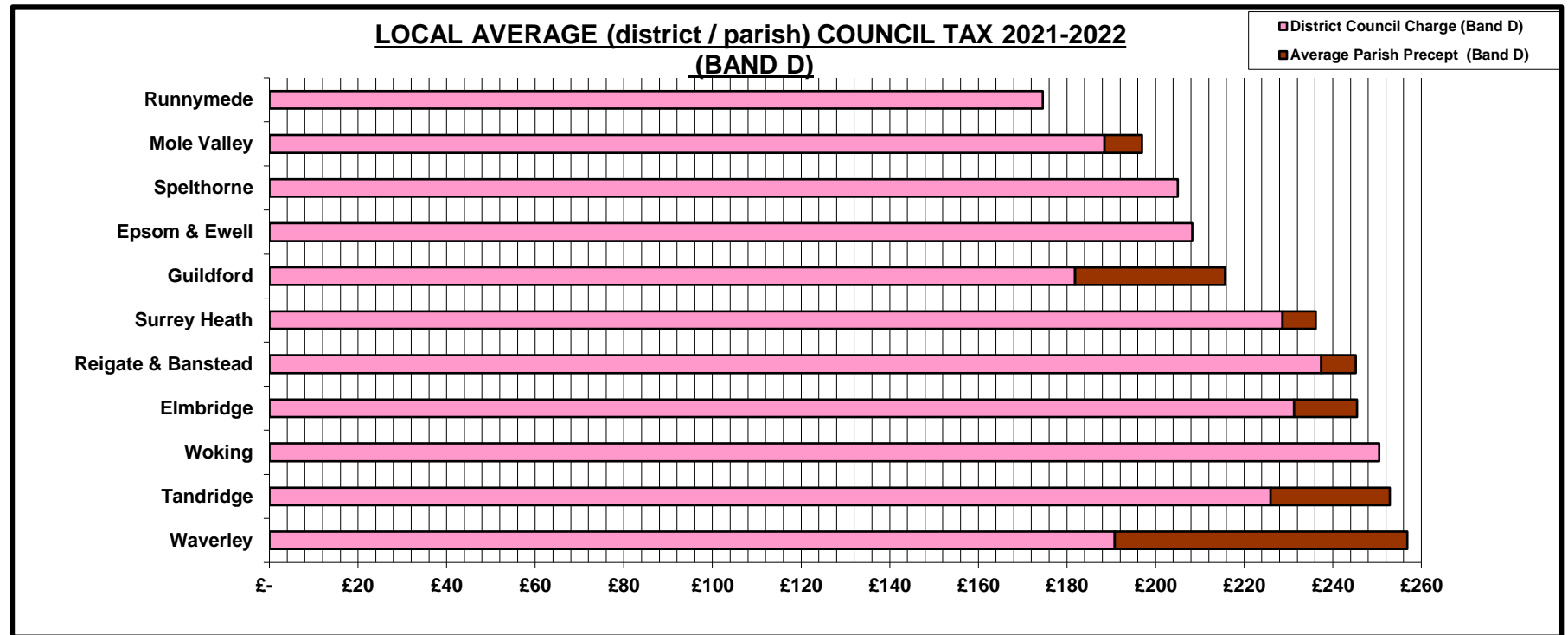
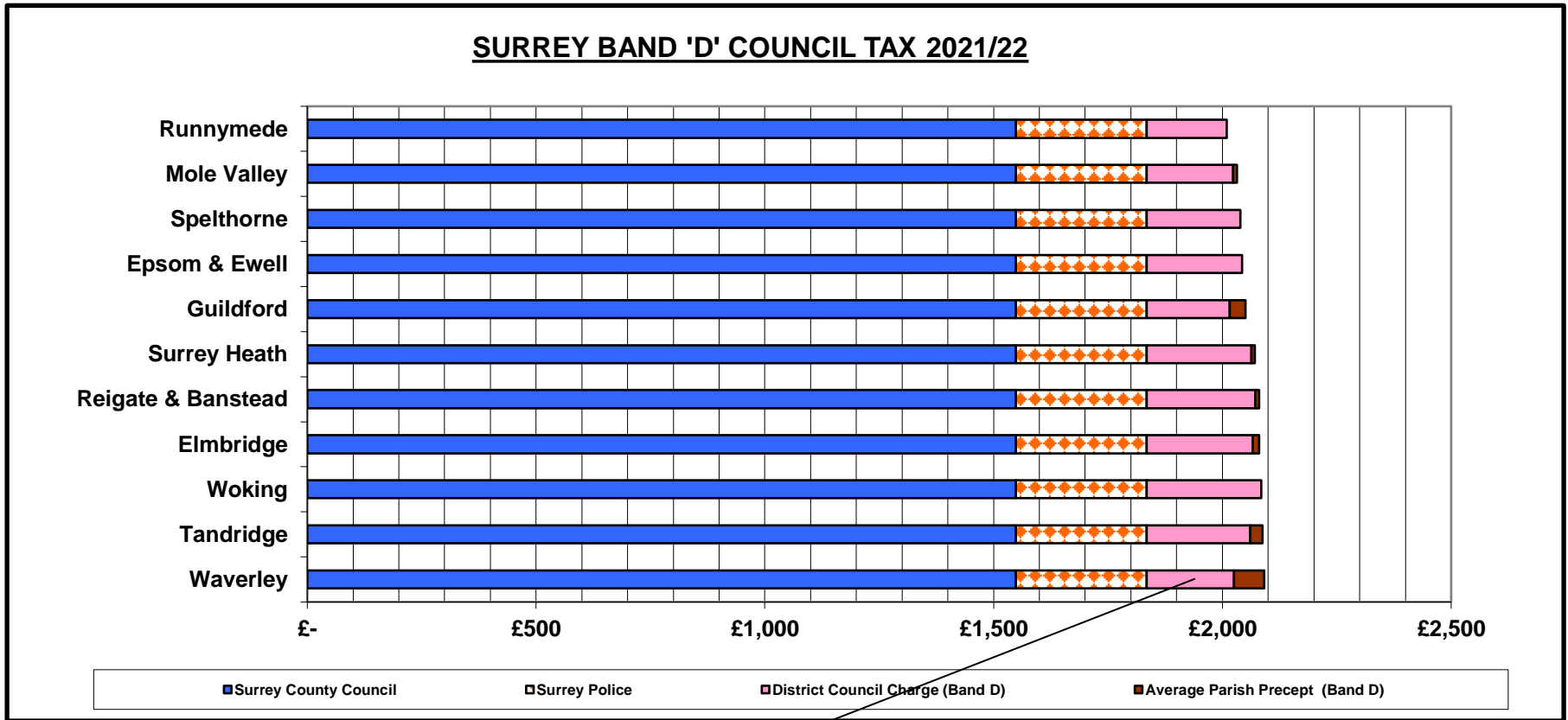
The Prudential Indicators in Section 2 of the Strategy have been updated to reflect the latest figures approved by Council.

Section 5 provides an economic update from our independent financial advisors, Link Group. This provides economic forecasts for UK and other world economies.

Section 7 provides a list of approved countries for investment; no new countries have been added or removed from the list for 2022/23.

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2021-2022 COUNCIL TAX (average per dwelling and Band D for 2 adults)							
SURREY DISTRICT	Surrey County Council		Surrey Police	District Council Charge (Band D)	Average Parish Precept (Band D)	Local Average (Band D)	Average Council Tax (Band D)
Runnymede	£	1,549.08	285.57	174.59	0.00	174.59	2,009.24
Mole Valley	£	1,549.08	285.57	188.46	8.51	196.97	2,031.62
Spelthorne	£	1,549.08	285.57	205.05	0.00	205.05	2,039.70
Epsom & Ewell	£	1,549.08	285.57	208.26	0.00	208.26	2,042.91
Guildford	£	1,549.08	285.57	181.82	33.85	215.67	2,050.32
Surrey Heath	£	1,549.08	285.57	228.66	7.53	236.19	2,070.84
Reigate & Banstead	£	1,549.08	285.57	237.46	7.74	245.20	2,079.85
Elmbridge	£	1,549.08	285.57	231.30	14.15	245.45	2,080.10
Woking	£	1,549.08	285.57	250.46	0.00	250.46	2,085.11
Tandridge	£	1,549.08	285.57	225.98	26.87	252.85	2,087.50
Waverley	£	1,549.08	285.57	190.79	66.01	256.80	2,091.45



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COUNCIL TAX PROPOSAL: CALCULATION FOR 2022/23 BUDGET REPORT (Includes SPCC decision and SCC council tax proposals)

		<u>2021/22</u>	<u>2022/23</u>	<u>2022/23</u>
		2.50%	0.00%	2.38%
		£	£	£
				<i>Recommendation</i>
EPSOM AND EWELL BOROUGH COUNCIL				
	Gross Service Expenditure	48,805,687	48,435,062	48,435,062
	Business Rate Tariff	8,939,392	8,939,392	8,939,392
	Business Rate Estimated Levy	232,243	186,203	186,203
	Gross Expenditure	57,977,322	57,560,657	57,560,657
	Gross Income	40,193,543	39,808,612	39,808,612
	Business Rate Income - (Tariff Element/Levy)	9,171,635	9,125,595	9,125,595
	Budget Requirement	8,612,144	8,461,856	8,626,450
	Business Rate Retained Income	977,468	911,844	911,844
	Small Business Rate Relief Grant	674,495	694,079	694,079
	Lower Tier Services Grant	60,462	63,685	63,685
	Covid-19 Support Grant	304,311	0	0
	Collection Fund Surplus/(Deficit) - Council Tax	-6,191	46,957	46,957
	Collection Fund Surplus/(Deficit) - Business Rates	-302,143	-179,652	-179,652
	Collection Fund Income	1,708,402	1,536,913	1,536,913
	Council Tax Requirement	6,903,742	6,924,943	7,089,537
	Council Tax Base (Band D Equiv. Properties)	33,149.63	33,251.43	33,251.43
	Basic Amount of Council Tax	£208.26	£208.26	£213.21
	Epsom & Ewell Borough Council			
<u>1/9ths</u>	<u>Valuation Band</u>			
6	A	£138.84	£138.84	£142.14
7	B	£161.98	£161.98	£165.83
8	C	£185.12	£185.12	£189.52
9	D	£208.26	£208.26	£213.21
11	E	£254.54	£254.54	£260.59
13	F	£300.82	£300.82	£307.97
15	G	£347.10	£347.10	£355.35
18	H	£416.52	£416.52	£426.42
	Surrey County Council Basic Amount			
	£1,626.39			
<u>1/9ths</u>	<u>Valuation Band</u>			
6	A	£1,032.72	£1,084.26	£1,084.26
7	B	£1,204.84	£1,264.97	£1,264.97
8	C	£1,376.96	£1,445.68	£1,445.68
9	D	£1,549.08	£1,626.39	£1,626.39
11	E	£1,893.32	£1,987.81	£1,987.81
13	F	£2,237.56	£2,349.23	£2,349.23
15	G	£2,581.80	£2,710.65	£2,710.65
18	H	£3,098.16	£3,252.78	£3,252.78
	Surrey Police & Crime Commissioner: Basic Amount (RECOMMENDED)			
	£295.57			
<u>1/9ths</u>	<u>Valuation Band</u>			
6	A	£190.38	£197.05	£197.05
7	B	£222.11	£229.89	£229.89
8	C	£253.84	£262.73	£262.73
9	D	£285.57	£295.57	£295.57
11	E	£349.03	£361.25	£361.25
13	F	£412.49	£426.93	£426.93
15	G	£475.95	£492.62	£492.62
18	H	£571.14	£591.14	£591.14

COUNCIL TAX PROPOSAL: CALCULATION FOR 2022/23 BUDGET REPORT (Includes SPCC decision and SCC council tax proposals)

	EPSOM AND EWELL BOROUGH COUNCIL	<u>2021/22</u> 2.50%	<u>2022/23</u> 0.00%	<u>2022/23</u> 2.38%
	Council Tax Total			
	Valuation Band			
	A	£1,361.94	£1,420.15	£1,423.45
	B	£1,588.93	£1,656.84	£1,660.69
	C	£1,815.92	£1,893.53	£1,897.93
	D	£2,042.91	£2,130.22	£2,135.17
	E	£2,496.89	£2,603.60	£2,609.65
	F	£2,950.87	£3,076.98	£3,084.13
	G	£3,404.85	£3,550.37	£3,558.62
	H	£4,085.82	£4,260.44	£4,270.34
EPSOM & EWELL BOROUGH COUNCIL ELEMENT OF THE COUNCIL TAX - CHANGES				
Council Tax at Band D =	£208.26	£ 208.26	£ 213.21	
Increase in Council Tax (%)		0.00%	2.38%	
Increase in Council Tax (per annum)		£0.00	£4.95	
Increase in Council Tax (per month)		£0.00	£0.41	
Increase in Council Tax (per week)		£0.00	£0.10	
Income Generated from Council Tax Increase		£0	£164,595	
Use of Working Balance		£164,594	£0	
Equiv. Council Tax support from use of wkg bal.		£4.95	£0.00	
Note: Budget Requirement Increase in Budget Requirement	8,612,144	£8,461,856 -1.7%	£8,626,450 0.2%	

10% EEBC	£7,089,537
76% SCC	£54,079,793
14% SPA	£9,828,125
	£70,997,456
	£70,997,456

Council Tax Collection Fund Income and Expenditure Account Estimate for the Year Ended 31 March 2022

	2021/22
	£
Expenditure :-	
Surrey County Council Precept	51,351,382
Surrey Police Precept	9,466,540
Epsom & Ewell Borough Council Precept	6,903,742
Increased Provision for Bad Debts	436,408
	68,158,072
Income :-	
Council Tax Income	68,501,934
Contributions in 2021/22 to cover 2020/21 deficit	60,456
	68,562,390
Surplus/(Deficit) for the year	404,318
Balance Brought Forward 1 April	56,223
Balance Carried Forward 31 March	460,541

Surplus allocation 2022/23 Budget:	£
Surrey County Council	349,397
Surrey Police & Crime Commissioner	64,187
Epsom & Ewell Borough Council	46,957
	460,541

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**Retained Business Rates Collection Fund
Income and Expenditure Account Estimate
for the Year Ended 31 March 2022**

	2021/22
	£
Expenditure :-	
Central Government (includes tariff & levy)	21,625,770
Surrey County Council	2,537,276
Epsom & Ewell Borough Council	1,209,710
Increased Provision for Bad Debts	568,044
Increased Provision for Appeals	-
Cost of Collection Allowance	80,682
Transitional Protection	106,093
	<u>26,127,575</u>
Income :-	
Business Rates Income	19,320,715
Reduced Provision for Appeals	291,753
Funding from Preceptors in 2021/22 to cover 2020/21 deficit	16,059,124
	<u>35,671,592</u>
Deficit for the year	9,544,017
Balance Brought Forward 1 April 2021	(16,535,435)
Spreading of 2020/21 Losses over next 3 years	27,179
Balance Carried Forward 31 March 2022	<u>(6,964,239)</u>

Deficit allocation for 2022/23 Budget:	£
Central Government	(3,482,120)
Surrey County Council	(696,424)
Epsom & Ewell Borough Council	(2,785,695)
	<u>(6,964,239)</u>

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EXTERNAL AUDIT UPDATE

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	1. 2020/21 Auditor's Annual Report

Summary

This report presents Grant Thornton's 2020/21 Annual Report to members.

Recommendation (s)

The Council is asked to:

- (1) Receive the Auditor's Annual Report;
- (2) Note the management responses to the auditor's recommendations at Appendix 1.

1 Reason for Recommendation

- 1.1 The external audit is a statutory part of the control environment for local authorities. It provides external assurance that the Council can use to demonstrate it can achieve the Four Year Plan priority of being an Effective Council.
- 1.2 The recommendations will enable the Council to meet its statutory obligations with regard to external audit.

2 Background

- 2.1 In September 2021, Grant Thornton completed the audit of the Council's 2020/21 Statement of Accounts. Epsom & Ewell Borough Council was among a small minority of just 9% nationwide (and the only one in Surrey) to meet the 30 September statutory deadline for publishing audited accounts.

- 2.2 Under the 2020 Code of Audit Practice, a new requirement this year is for external auditors to issue an Auditor's Annual Report, to include commentary on the Council's arrangements to secure value for money, within three months of auditing the Statement of Accounts.
- 2.3 The auditor has met this requirement by providing the report to management on 15 December, which through this report is now presented to members at the earliest scheduled opportunity.
- 2.4 On 27 January 2022, Strategy and Resources Committee considered the auditor's Annual Audit Report and recommended that it be presented to Full Council for information.

3 Auditor's Annual Report

- 3.1 The Auditor's Annual Report is attached at Appendix 1. The report's findings can be considered to reflect positively on the Council, with key findings relating to financial sustainability, governance and value for money summarised as follows:

Financial Sustainability

- 3.1.1 *"We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses. We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the [government's] 'Comprehensive Spending Review' was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering robust financial plans".*

Governance

- 3.1.2 *"We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses. The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation".*

Improving Economy, Efficiency and Effectiveness (Value for Money)

- 3.1.3 *"We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses. The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on a number of KPIs but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned".*

- 3.2 The auditors also presented five improvement recommendations, to further strengthen the Councils processes. The five recommendations cover three pages, so are not duplicated here but can be found on pages 12-14 of the Auditor's Annual Report (Appendix 1), along with the management response to each.
- 3.3 Grant Thornton has advised that it would be best practice for the Auditor's Annual Report to be presented to Full Council. This is because the national 'Redmond Review' recently found that in a number of high-profile corporate failures, those at the top of the organisation often cited in their defence that they were not made aware of issues raised by auditors, because audit reports had been discussed elsewhere in the governance structure.
- 3.4 **As such, Full Council is asked to receive the Annual Audit Report and to note the management response to the five recommendations within the Auditor's Annual Report.**

4 2020/21 Housing Benefit Subsidy Certification

- 4.1 The statutory deadline for certification of the Council's Housing Benefit Subsidy claim for 2020/21 was 31 January 2022. Owing principally to resource issues at Grant Thornton, audit work on the certification is still to be completed and the deadline has not been met. Grant Thornton has advised that it expects to certify the Council's claim in April, as it does not have resources to undertake the work until then.
- 4.2 A high percentage of Local Authorities are in a similar position and have not been able to meet the deadline, therefore the Department of Work and Pensions (DWP) has granted a blanket extension until 28 February, assuring Councils that no financial penalty will apply provided the extended deadline is met.
- 4.3 EEBC officers have notified the DWP that an extension to May is expected to be required, and this request is currently being considered by the DWP.
- 4.4 A progress update is expected to be provided to Strategy and Resources Committee at its March meeting.

5 Risk Assessment

Legal or other duties

5.1 Impact Assessment

- 5.1.1 The auditor's recommendations and management actions should further enhance the Council's risk management framework.

5.2 Crime & Disorder

5.2.1 None arising directly from the contents of this report.

5.3 Safeguarding

5.3.1 None arising directly from the contents of this report.

5.4 Dependencies

5.4.1 None arising directly from the contents of this report.

5.5 Other

5.5.1 None arising directly from the contents of this report.

6 Financial Implications

6.1 The Auditor's Annual Report has been produced within the £59,675 main audit fee for 2020/21, as previously reported to this Committee on 21 September 2021.

6.2 **Section 151 Officer's comments:** The Auditor's Annual Report forms a new part of the overall external audit process for local authorities. The Council received an unqualified (i.e. favourable) opinion on its Statement of Accounts from the external auditor for 2020/21.

7 Legal Implications

7.1 The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities. Grant Thornton's work is undertaken in the context of the Statement of Responsibilities of Auditors and Audit Bodies issued by the Comptroller and Auditor General.

7.2 **Legal Officer's comments:** None arising from the contents of this report.

8 Policies, Plans & Partnerships

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

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

8.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report.

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

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

9 Background papers

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

Previous reports:

- 2020/21 Statement of Accounts and Audit Findings Report – Strategy & Resources Committee, 21 September 2021.

Other papers:

- External Audit Update, Strategy & Resources Committee, 30 March 2021.

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Auditor's Annual Report on Epsom and Ewell Borough Council

2020-21

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November 2021



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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 this report was not prepared for, nor intended for, any other purpose.




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Executive summary

Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether Epsom and Ewell Borough Council (the 'Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risks in respect of any of the three criteria:

-  Financial sustainability
-  Governance
-  Improving economy, efficiency and effectiveness



Financial sustainability

We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses.

We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering robust financial plans.



Governance

We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses.

The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation.



Improving economy, efficiency and effectiveness

We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses.

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on a number of KPIs but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned.

Opinion on the financial statements

We have audited the financial statements of Epsom and Ewell Borough Council and its subsidiary (the 'group') for the year ended 31 March 2021 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 financial statements, including a summary of significant accounting policies. 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 2020/21.

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 2021 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 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on the following pages.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has consistently demonstrated a track record of robust budget setting and delivery. We have reported previously that the processes in place incorporates an appropriate level of challenge and scrutiny from Committees to ensure budgets are achievable operationally, there a good level of support from finance to ensure budgets are achievable from a resourcing perspective and timely and accurate budget monitoring throughout the year to ensure budgets remain relevant with risks identified quickly. The strong processes underpinning financial management has allowed the Council to consistently identify significant financial pressures and build these into short and medium term plans.

In 2019/20 the Council recorded an underspend of £11k on its revenue account (within 1% of budget) in what was a challenging year. Covid-19 did not particularly impact the 2019/20 financial position. Covid-19 evidently had a major impact on the Council's operations in 2020/21 and will continue to do so in 2021/22 and beyond. Before the official declaration of a pandemic in March 2020 the Council had already approved its 2020/21 budget and its Medium Term Financial Plan (MTFS) for 2020-24. These financial projections included minimal uses of reserves to deliver balanced budgets over the life the of the MTFS (£450k between 2022 and 2024 which is less than half of the contribution to reserves of £1.3m planned for 2021/22). Consequently, despite a need to make savings £1.8m over the MTFS the Council's financial position was looking healthy with reserves as at 31 March 2020 of £18.5m (general fund and strategic reserves).

The initial projections at the start of the financial year projected that between £4.7m and £8m of reserves would need to be utilised just for 2020/21. However once there was clarity that government would be providing significant grants to cover additional costs and also loss of income the Council was able to review its financial projections for the remainder of the year and ultimately was able to deliver a balanced budget. This was a result of receiving an additional £5.6m

of government funding meaning only £43k of reserves were utilised. The government funding for additional costs and income was obviously critical in allowing the Council to deliver the 2020/21 position however the Council also had to ensure it had appropriate arrangements in place to deliver revised operational strategies including the administration of grants to local businesses.

The Council set its 2021/22 budget at a time when it was expecting a 2020/21 deficit position of approximately £800k but with planned savings and other assumptions planned to utilise £730k of reserves (£308k of this being the business rates equalisation reserve used to finance the deficit on the collection fund). We note 2021/22 budget monitoring indicates a deficit due to the continued impact of Covid-19 with a projection a further £1m of reserves will need to be utilised for 2021/22.

Whilst this is unplanned and we note the financial environment is challenging the Council still has sufficient reserves to be able to fund such deficits in the short and medium term. The Council also has reasonable investments and low level of debt that with repayments not expensive to services (£1.6m for 2020/21).

How the body plans to bridge its funding gaps and identifies achievable savings

The Council has a track record of delivery saving plans. Before Covid-19, a saving requirement of £1.8m was identified over the life of the MTFS. Of this, £1.4m was already identified leaving a realistic £400k to be identified via the star chamber process. The Council has not revised its MTFS formally but subsequent financial reporting do include revised forecasts for the medium term. The savings required whilst tweaked remain at similar levels to the pre COVID-19 targets.

In July 2020 the Council also reported on its 10 year Asset Management Plan up to 2030. The review was completed before Covid-19 meaning it doesn't reflect the impact on both operational and investment assets arising from the pandemic.

Financial sustainability

The Council has £120m of operational and investment properties and to date the value of these assets have held up despite uncertainties arising from the pandemic. The Council's investment property portfolio delivered net income of £3m in 2020/21, which was £477k under budget due to Covid-19. Like many others in the sector, the Council will need to consider whether its existing strategies take into account changes in risk and the differing ways of working and providing services that could become permanent due to Covid-19 e.g. the need for office space given a potential continuation of hybrid/home working.

The Council does not have a large capital programme unlike other Districts in Surrey and over the MTFS has a programme of £2.7m that will largely be funded by grants. There are therefore minimal risks in terms of delivery or funding relating to capital.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

We note there is a robust financial planning process in place which ties in with corporate objectives, service plans and workforce plans. There is extensive consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Medium Term Financial Strategy 2020-24 was produced and agreed by Members, at the same time as the Corporate Plan 2020-24, to ensure the objectives and priorities of the Corporate Plan are reflected in the Medium Term Financial Strategy. Whilst these were produced before Covid-19 the Council has continued to work towards the original objectives of their plans whilst understanding the need to manage the immediate requirements emerging due to the pandemic like setting up Community Hubs and managing grant distribution.

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

The pandemic has created challenges to routine financial management in 2020/21, with the temporary cessation of some services to deal with Covid demands and a changing profile of demands of other services. The Council had to be flexible and agile in terms of how it managed the changes in demand and needed to have sound reporting processes to understand what this meant for financial delivery. As noted already, the financial impact and potential income gaps moved significantly during 2020/21 with initial projections before government grant announcements of up to £8m of reserves being required to an outturn which saw only £43k required. This therefore made the decision making process challenging. The ability to close the gap is primarily down to the support from government during the year but the Council but also needed to demonstrate flexibility and an understanding of its costs and service provision to manage the position.

CONCLUSION

We found no evidence or indication of significant risks to your financial sustainability as such no further risk-based work has been undertaken in this area.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all fundamental elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

The Council has a Leadership Team Risk Register which is regularly reviewed by the Leadership Team and added to/updated and scored. The fact the Risk Register is limited to the top ten Council risks allows for the Leadership team and the Audit, Crime and Disorder and Scrutiny Committee (the Committee with delegated responsibility for risk) to be able to adequately discuss, challenge the identification of risks and the plans to mitigate these.

As part of our audit we reviewed the version of the Leadership Team Risk Register presented to the November 2020 Audit, Crime and Disorder and Scrutiny Committee alongside the annual risk report. The Risk Register's format is similar to that used across the sector with a 5x5 risk scoring matrix. It contains key controls/mitigations and a RAG rating for each risk. Each risk is allocated a Senior Officer and linked to Council's Year Plan (Corporate objectives). The Council has also avoided the common pitfall of having current risk scores equal to or above the gross score with scores decreasing to indicate the impact of existing mitigating actions.

Additionally, it is evident that the risks are changing from the prior year list of risks, for example there is a specific Covid-19 financial risk. So the Risk Register has not simply been rolled forward from the prior year as is often the case at a Committee level.

The fact the Risk Register is relatively simple makes it easier to be used in a Committee setting however there are further refinements that should be considered to further enhance its effectiveness. For example, the Risk Register should have a target score to provide an indication of what level of risk is tolerable and show how far the existing arrangements are from achieving this. Furthermore, the Risk Register would benefit from identifying future actions to support the management/mitigation of each risk. All actions identified would need to be SMART (specific, measurable, achievable, realistic, and timely).

We note the Council has a Risk Management Strategy covering 2017 to 2021 that was approved in November 2016. The Council is in the process of reviewing arrangements and we note an updated Strategy will be presented to the Audit, Crime and Disorder and Scrutiny Committee in June 2022.

Internal Audit services are provided by Southern Internal Audit Partnership (SIAP). Although the agreed plan was not approved until November 2020 (due to the previous Committee meeting being cancelled) an adjusted plan was agreed via the Leadership team in July 2020. Understandably there were delays to the delivery of the revised plan but by June 2021 16 reviews were complete and a 'reasonable' Head of Internal Audit Opinion was provided. As part of our review we have not identified any issues with the scope of the Internal Audit function, how it is managed by management and via the Committee Structure or the delivery of the service.

How the body approaches and carries out its annual budget setting process

The financial landscape due to Covid-19 made 2020/21 a unique year for financial planning. While future funding is unclear, a pre-Covid 19 medium-term financial plan had been produced based on prudent assumptions about future income streams.

We've previously concluded the Council has effective arrangements in place, using analysis and scenario planning to understand its financial position and identify saving and

Governance

investment options. Despite the pandemic there is no evidence the arrangements in place have been compromised. Budgets are discussed with budget holders, senior leadership and other stakeholders prior to approval at Committee level. It is also evident from a review of the 2021/22 budget that the impact of Covid-19 on budgets was factored in revised saving plans from January 2021.

How the body ensures effective processes and systems are in place to ensure budgetary control

There are appropriate systems and processes in place for oversight of the budget. In the first instance, budget holders receive a monthly budget monitoring report. All variances over £20k must be raised and addressed with the finance team but given the size of the Council and relative stability on annual activity this type of variance is unusual at a budget holder level.

Budget monitoring reports are presented to Audit, Crime and Disorder and Scrutiny Committee. The reports are clear, concise, action focused and include an appropriate level of detail for a scrutiny type committee with delivery against service budget and key explanations for main variances presented.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

There is no evidence to suggest the Council's decision-making processes are not open or transparent. All major policy decisions are taken to Policy Committees in accordance with the Council's Constitution. The Committee Report Template ensures all relevant considerations must be included. Committee members are provided opportunity to challenge and ask questions at Committee meetings, before voting on the decision. For example, the savings targets are circulated in option form for discussion and decisions. This includes expected impacts. The report template for Committee decisions requires consideration of all stakeholders, including engagement as appropriate.

Covid-19 did impact on many organisation's ability to make decisions in line with existing delegations (e.g. decisions often having to be made outside of Committee cycles) however we have not identified any indication that existing arrangements were overridden at the expense of appropriate scrutiny and challenge.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements. The Council's Constitution sets out the framework for monitoring compliance with legislation. The Council has a Monitoring officer who is responsible for reporting on the lawfulness of the Council's activities. A Code of Conduct is in place that stipulates the expected behaviours of the staff including openness, transparency, personal ownership and engagement. These are consistent with the public sector Nolan principles.

The Constitution contains a policy for officers and members regarding gifts and hospitality and the responsibility to ensure interests are appropriately declared. These declarations are captured through a annual process and are also evidenced at the start of each Committee meeting. It is also possible to search the Council website for declarations made at meetings by meeting type, date and Councillor.

CONCLUSION

We found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken in this area.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a four year Corporate Plan running from 2020-24 which sets out the strategies, priorities and services for the period. The purpose of the plan is to provide 'a framework for decision making, which ensures that available resources are allocated to meet the needs of our communities. Having a clear vision for the future, aligned with strategic priorities and activities also provides a framework for managing the effectiveness of the organisation as a whole, as well as for managing individual services.'

As the plan covers four years, the context and actions change over time and as such the plan is reviewed annually to ensure it remains appropriate. As part of the annual cycle the Council reports on the delivery of the key targets identified in the Four Year Plan as part of its performance framework.

As a framework the Council's approach to performance reporting is similar to others in the sector. The Audit, Crime and Disorder and Scrutiny Committee receives the annual plan for approval at the start of the year, receives updates during the year on progress and a final report after the year end confirming outturn delivery. As we explain on page 11, Covid-19 has impacted on both the cycle of reporting (with cancelled meetings) and with the actual achievement of performance. This was to be expected and the Council has still continued to collate its performance data and explain clearly where Covid-19 is specifically impacting on data during the year.

The year end report includes a summary and a one page Appendix with every KPI under the Council's strategic priorities. Each KPI is coloured in the year end RAG rating for an easy visual presentation of performance. The main summary report sets out overall performance and provides detail for those KPIs

not achieved. The in year reporting is in a similar format and the summary report RAG rates the likelihood of achieving the year end target. Whilst the reports are clear and concise and the one page Appendix showing RAG rated performance by strategic priority is good practice the Council should consider whether it could further enhance some of the reporting. For example, there is little information on trajectory (e.g. showing past annual or quarterly performance by indicator). Equally other Councils incorporate various visual content like graphs and charts in their performance reporting. As the information is being presented to the Audit, Crime and Disorder and Scrutiny Committee, the Council should also consider whether its reporting includes information on the accuracy of each KPI. This should include how the indicator is compiled e.g. from an electronic system/manual and whether it has subject to any verification, audit or any other type of validation either internal or external).

Whilst there has not been a specific Internal Audit on performance data in recent years there are various reviews completed as part of the annual plan that will consider the quality and accuracy of performance information. These reviews will occasionally result in limited assurance ratings but in general the majority of reviews end up with substantive or reasonable assurance conclusions. The annual Audit Plan also includes one or more financial management reviews that will assess financial information – for 2020/21 these reviews covered accounts payable, payroll and housing benefits.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council liaises regularly with other Surrey Districts and has good knowledge of what others are doing and where good practice is in place. The Council regularly takes advantage of LGA peer reviews – the most recent one on finances being reported in March 2021. However the evidence of formal

Improving economy, efficiency and effectiveness

benchmarking to support performance improvement is limited. The Council is aware of the various sources of benchmarking data like the LGA Research Report however it is not clear how this information has been used in the Council's own development of performance indicators. It is important that benchmarking is only used when credible data sets are available especially as in recent years Councils have diverged from standard models of delivery. The Council should therefore explore what types of benchmarking it might undertake. Firstly, it could compare its performance reporting (in terms of number and types of KPIs against other Surrey Districts to determine whether others are capturing and reporting useful information the Council is not. Secondly, the Council could actually compare the performance of existing KPIs against other Councils (starting in Surrey initially to determine whether the exercise is useful).

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The nature of the services provided by the Council means it is required to work closely with a range of partners. Of the 21 priorities that are tracked annually via the Operating Plan, seven relate specifically to different partnership working. The engagement with key partners has obviously increased due to Covid-19. The number of partners with whom the Council works also increased as a result of the pandemic, with more third sector and voluntary organisations working in partnership with the Council.

The Council has expressed an interest in working more closely with other local Councils and there could be options to either join existing shared services or develop new ones. The Strategy and Resources Committee authorised the Chief Executive in March 2021 to focus potential collaboration in the following areas: waste, building control, IT infrastructure, housing, revenues and benefits, procurement, economic development and leisure services. The Council is tracking the progress of potential new partnerships via its existing Finance Peer Review action plan and as such we have not raised a new recommendation in this report. Should any partnership be identified the Council will need to ensure there is a robust business case that is approved within the governance structure.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council has a detailed Procurement Strategy covering the period 2017-21. The Strategy details the Council's approach to procurement and sets out the stages by which the Council procures goods or services. The Strategy sets out 12 objectives which 'are the areas for action developed from this strategy' and cover areas such as 'becoming a compliant organisation', 'improving Management Information to enable forward planning and decision making' and meeting the requirements of the Public Services (Social Value) Act. The Strategy will shortly be out of date and we note the Council intends to bring a new version to the Strategy and Resources Committee in early 2022. The previous version set out objectives but did not consistently articulate what actions would be taken, by when and how they would be monitored. Additionally, there hasn't been any regular reporting on the delivery of the strategy to the Strategy and Resources Committee so it's difficult to evidence whether the policy achieved its intended objectives.

The Council has a Contract Manager in post to support and monitor major contracts, and budget managers have delegated responsibility for managing contracts. We found no evidence that appropriate procurement processes were not followed during 2020/21.

CONCLUSION

We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements as such no further risk-based work has been undertaken in this area.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

Covid-19 has had a significant impact on the services Councils have been required to provide. Epsom and Ewell has needed to step in to support vulnerable residents with food, prescriptions and other needs, has been required to put in place measures to make public spaces secure and also support local businesses by administering government funded grants. At the same time the Council has to transition to remote working and deal with resourcing issues when staff were either unwell with Covid-19 or required to isolate.

The impact on finances to date has ultimately been limited due to government support but as we reported earlier in this report there were periods of uncertainty when it was unclear what support would be received with worse case scenario assessments that £8m of reserves would be required. Ultimately, the Council was able to deliver a budget that required minimal use of reserves in 2021/22 but as government support has reduced whilst the country has re-opened the Council has continued to find the financial landscape challenging because income streams are still impacted.

There is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has reworked future budgets but will need to wait for clarity on what support will be forthcoming in the medium term. Fortunately the Council is in a strong financial position with reasonable levels of reserves for its size but these cannot be utilised indefinitely and saving targets, service provision and commercial strategies will need to be revisited.

Governance

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

As soon as these were lawful, the Council started holding members' meetings online. This allowed for Council and key Committees to continue to meet, discuss and continue to be involved in decision

making. Many corporate support staff began to working from home as the Council was required to transition to IT-enabled home working away from the office.

The Council was required to act in response the government's 'Working safely during Coronavirus' guidance issued in May 2020. This created a significant amount of work to ensure buildings and services were subject to health and safety measures to be Covid Secure. To maintain essential services, the Council procured and supplied necessary PPE.

The Internal Audit Plan was updated to reflect the changes, new systems and processes, and to provide additional assurances over revised arrangements. 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. The changes to the plan were set out and approved by the Audit, Crime and Disorder and Scrutiny Committee.

Improving economy, efficiency and effectiveness

During the pandemic the Council has continued to measure performance against its four year Corporate Plan 2020-24. Despite the obvious impact of Covid-19 on performance the Council did manage to meet 31 of its 52 performance targets (63%). This compares against 66% and 74% in the previous two years. A number of these indicators were not achieved because the teams responsible were re-deployed or working on other priority area. For example the Revenue and Benefits Team were required to allocate new national funding programmes to businesses.

CONCLUSION

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area.

Improvement recommendations



Financial Sustainability

Recommendation One

Auditor judgement

The Council's current MTFS covers the period 2020-24 and was developed and approved before the Covid-19 pandemic. 2020/21 largely saw temporary arrangements with two lockdowns and significant changes to service provision. Some of the uncertainty has continued into 2021/22 due the lack of clarity on local government funding. The Council has re-forecast its finances up until 2024 with the addition of projections for 2024/25 but has not either revised or replaced the existing MTFS.

Summary recommendation

There is still uncertainty regarding local government funding so its understandable why the Council wouldn't want to take make any significant changes to existing pre-pandemic developed financial plan.

However the Council will need to take a view at some point- potentially after the expected funding settlement expected in December 2021 – on whether it needs to refresh or replace the 2020-24 MFTS. The Council does not want to have several contradictory financial plans in the public domain.

Management comment

Officers recently presented refreshed, multi-year forecasts to Strategy & Resources Committee in September. As part of our business-as-usual annual budget planning, updated forecasts will shortly be presented to members again in the new year, following the government's funding settlement announcement expected in December. During 2022/23, the Council plans to review and rebase budgets to reflect post-Covid underlying expenditure and income streams.

Responsible officer: Head of Finance



Financial Sustainability

Recommendation Two

In July 2020 the Council reported on its 10 year Asset Management Plan up to 2030. The review was approved after the Covid-19 pandemic was declared but was drafted before and during the first wave meaning it doesn't reflect the impact on both operational and investment assets. The Council has approximately £120m of operational and investment properties and to date their values to date have held up despite uncertainties arising from the pandemic. There could be implications in terms of the risk profile of investment assets and value for money considerations for operational assets given annual maintenance costs are approximately £1m per annum.

The Council will need to consider whether its existing strategies take into account changes in risk relating to investment properties and the differing ways of working and providing services and whether it therefore is holding the right type of operational assets.

As at 31 March 2021, the Council held £54.7m of investment assets and should ensure it is satisfied the portfolio mix remains appropriate. As at 31 March 2021, the Council held £73.6m of operational assets and should ensure it is satisfied its estate is the appropriate size particularly given the changes in working patterns arising since the pandemic.

The Council is undertaking a number of Strategic Asset Reviews, to ensure key operational assets remain fit for purpose and continue to provide value for money services. Regarding investment properties, the Council continues to proactively manage the portfolio to mitigate risks and optimise usage of these assets. Any material changes to usage or risk profile of an investment asset will continue to be reported to Strategy & Resources Committee, as was most recently reported in S&R in September 2021. The Business Plan for managing investment properties developed by Epsom and Ewell Property Investment Company Ltd has been approved by members of the Shareholder Sub-Committee on 23 November 2021.

Responsible officer: Head of Property & Regeneration

Improvement recommendations



Governance

Recommendation Three

Auditor judgement

As part of our audit we reviewed the version of the Leadership Team Risk Register presented to the November 2020 Audit, Crime and Disorder and Scrutiny Committee alongside the annual risk report. The current format of the Risk Register does not include a target score nor does not identify any further actions. It is therefore difficult to determine whether the existing controls are sufficient in managing the risk identified or whether further actions are required.

Summary recommendation

As part of the Council's review of risk management it should consider whether it wants to make the following additions to the format of its Risk Register:

- Include a target score to provide an indication of what level of risk is tolerable and how far the existing arrangements are from achieving this.
- The Risk Register would benefit from identifying future actions to support the management/mitigation of each risk. All actions identified should be SMART (specific, measurable, achievable, realistic, and timely).

Management comment

The existing risk register was deliberately developed to be clear and simple, in order to be embedded rather than standalone and overly administrative. As part of reviewing the arrangements for risk management we will refresh the current risk register and consider how to manage directorate risks.

Responsible officer: Head of Corporate Assurance



Improving economy, efficiency and effectiveness

Recommendation Four

The current annual performance reporting cycle for planning, in year progress and year end outturn is fit for purpose and includes examples of good practice in the one page Appendix with RAG rated achievement shown. However the Council should consider as part of its next review of the process on whether there are further improvements that could be made to the presentation of the information.

The council could consider the following as part of its review of performance reporting:

- Present trajectory of performance for each indicator (e.g. show past annual or quarterly performance).
- Include information on the accuracy of each KPI. This should include how the indicator is compiled e.g. from an electronic system/manual and whether it has subject to any verification, audit or any other type of validation either internal or external). Other organisations use a scoring mechanism or dial to show the quality of the metric (with indicators subject to audit or external scrutiny and obtained via system reports scoring higher).

The corporate performance management framework was suspended during the early stages of the Council's response to the pandemic, in order to focus on health and safety risks. The end of year report for 2020/21 provided an overview and commentary of those indicators that were not achieved. All data is validated through a collection process and supporting documentation, which clearly shows the responsible officer and how data is supplied. A new process and timetable for setting the priorities for 22/23 has been agreed and is in line with the budget setting process. The new Business Assurance Manager will be responsible for collecting reporting data and will be refreshing this process, as best meets the requirements of the Committee.

Responsible officer: Head of Corporate Assurance

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation Five

Auditor judgement

The current Procurement Strategy covers 2017-21 and we understand a new Strategy is being developed for approval in early 2022.

The previous version of the Strategy set out objectives but did not consistently articulate what actions would be taken, by when and how they would be monitored. There was also no regular reporting on the delivery of the strategy to the Resources and Standards Committee so its difficult to evidence whether the policy achieved its intended objectives.

Summary

Page 14
8
Summary
recommendation

We recommend the new Procurement Strategy including the following:

- SMART (specific, measurable, achievable, realistic, and timely) objectives are clearly set out in the Strategy to allow the Council to assess whether the Strategy is delivering as intended.
- A framework for how the delivery of the Strategy will be achieved. An annual or biennial review against SMART objectives reported to the Resources and Strategy Committee would allow the Council to assess how successful the Strategy is in delivering its objectives.

Management comment

The Procurement Strategy is currently being updated and will be reported to Strategy & Resources Committee in January 2022.

Responsible officer: Head of Corporate Assurance

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements in September 2021.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council in September 2021.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

As in previous years we expect the Council to be below the threshold requiring audit procedures however at the time of issuing this report the Group Instructions have not been issued by the NAO to confirm the approach for 2020/21.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

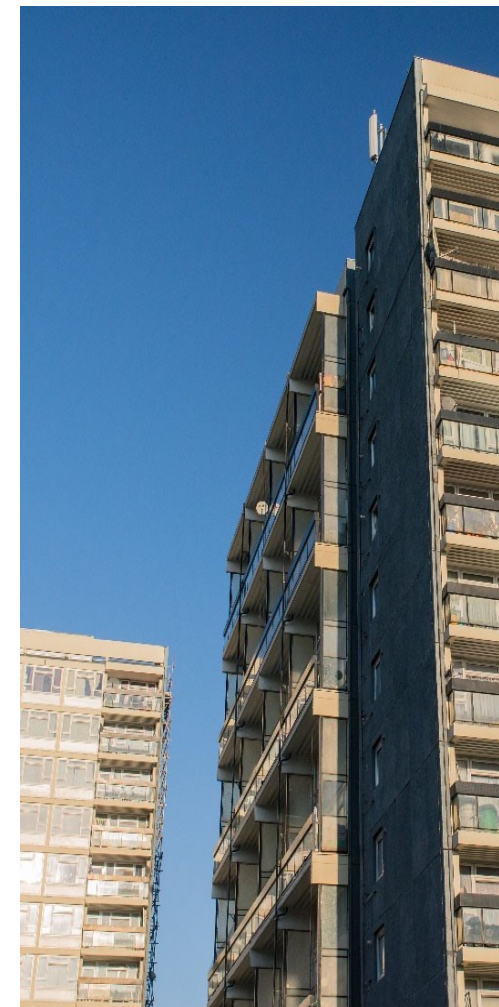
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure 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.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council auditors as follows:

Type of recommendation	Background	Raised within this report
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Service to discuss and respond publicly to the report.	No
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes, see pages 12 to 14

Appendix C - Use of formal auditor's powers

The following are formal powers that can be used by auditors:

Formal power	Used by auditor in 2020/21
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	Not required.
Public interest report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	Not required.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	Not required.
Advisory notice Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	Not required.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	Not required.



Grant Thornton

APPOINTMENT OF EXTERNAL AUDITORS FROM 2023/24

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	A decision by Full Council is required by 11 March.
Appendices (attached):	1. Draft Minutes of Audit, Crime & Disorder and Scrutiny Committee, 18 November 2021.

Summary

This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

Recommendation (s)

The Council is asked to::

- (1) Agree with the recommendation, from both Audit, Crime & Disorder and Scrutiny Committee and Strategy & Resources Committee, that EEBC should accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government bodies for five financial years from 1 April 2023.**

1 Reason for Recommendation

- 1.1 The recommendation will enable the Council to meet its statutory duty, under the Local Government Audit and Accountability Act 2014, to appoint an auditor to audit its accounts for each financial year.

2 Background

- 2.1 On 18 November 2021, Audit, Crime & Disorder and Scrutiny (ACDS) Committee considered the options available for appointing the Council's external auditor for the five financial years from 1 April 2023.

- 2.2 Following consideration of the options, ACDS Committee recommended that the Council should accept an invitation from Public Sector Audit Appointments' (PSAA) to opt into the sector-led option for the appointment of external auditors to principal local government bodies for five financial years from 1 April 2023.
- 2.3 The minutes of ACDS Committee are attached at Appendix 1. The full report to ACDS Committee, which sets out the options in full detail, is publicly available at the following link:
- [ACDS Report 18 November 2021 – Appointment of External Auditors from 2023/24](#)
- 2.4 On 27 January 2022, Strategy & Resources Committee supported the ACDS recommendation, which Full Council is now asked to endorse, in line with local audit regulations.
- 2.5 In summary, joining the sector-wide procurement of external auditors, conducted by PSAA, should produce better outcomes and be less burdensome for the Council than a procurement undertaken locally because:
- 2.5.1 Collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- 2.5.2 If it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- 2.5.3 It is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- 2.5.4 Supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.
- 2.6 The recommended approach is therefore to opt in to the national auditor appointment scheme.
- 2.7 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

- 2.8 This report requests that Full Council agrees to accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government bodies for five financial years from 1 April 2023.

3 Risk Assessment

Legal or other duties

3.1 Impact Assessment

- 3.1.1 As set-out in the report to Audit, Crime & Disorder and Scrutiny Committee, 18 November 2021.

3.2 Crime & Disorder

- 3.2.1 None.

3.3 Safeguarding

- 3.3.1 None.

3.4 Dependencies

- 3.4.1 None.

3.5 Other

- 3.5.1 None.

4 Financial Implications

- 4.1 Financial implications are set-out in the report to Audit, Crime & Disorder and Scrutiny Committee, 18 November 2021.

- 4.2 **Section 151 Officer's comments:** *As set-out in the report, opting in to the PSAA-led appointment process is expected to offer the most value for money route in the procurement of an external auditor.*

5 Legal Implications

- 5.1 **Legal Officer's comments:** Legal implications are set-out in the report to Audit, Crime & Disorder and Scrutiny Committee, 18 November 2021.

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:** None.

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

6.5 **Partnerships:** None.

7 Background papers

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

Previous reports:

- Appointment of External Auditors from 2023/24 - Audit, Crime & Disorder and Scrutiny Committee, 18 November 2021.
- Appointment of External Auditors from 2023/24 – Strategy and Resources Committee, 27 January 2022.

Other papers:

- None.

**Minutes of the Meeting of the AUDIT, CRIME & DISORDER AND SCRUTINY
COMMITTEE held at the Council Chamber, Epsom Town Hall on 18 November
2021**

PRESENT -

Councillor Steve Bridger (Chair); Councillor Nigel Collin (Vice-Chair); Councillors Arthur Abdulin, Liz Frost, Rob Geleit, David Gulland, Phil Neale and Chris Webb

In Attendance: Neil Pitman (Head of Southern Internal Audit Partnership) (Southern Internal Audit Partnership (Internal Auditor)) and Natalie Jerams (Assistant Head of Partnership) (Southern Internal Audit Partnership (Internal Auditor))

Absent: Councillor Previn Jagutpal and Councillor Alan Sursham

Officers present: Gillian McTaggart (Head of Corporate Assurance), Rod Brown (Head of Housing and Community), Brendan Bradley (Head of Finance), Sue Emmons (Senior Accountant) and Stephanie Gray (Democratic Services Officer)

18 QUESTION TIME

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

19 DECLARATIONS OF INTEREST

No declarations of interest were made in relation to items of business to be discussed at the meeting.

20 MINUTES OF THE PREVIOUS MEETING

The Minutes of the previous meeting of the Audit, Crime & Disorder and Scrutiny Committee held on 1 September 2021 were agreed as a true record and signed by the Chair.

21 INTERNAL AUDIT PROGRESS REPORT

The Committee received a report summarising progress against the Internal Audit Plan.

The report was introduced by the Internal Auditor.

The following matters were considered by the Committee:

- a) The areas where there were overdue management actions, including the outstanding high priority recommendation given in respect of the Building Control account which was given an overall limited assurance. This is in

progress and is dependent upon the new partnership arrangement due to commence on 1 April 2022.

- b) It was also confirmed that the quantum of the outstanding fees on the Building Control account was not of a material nature.
- c) The Annual Governance Statement audit and the Service Delivery audit had both been concluded and a Reasonable Assurance has been given in respect of both.
- d) A Limited Assurance was given in respect of IT Business Continuity and Disaster Recovery which was carried forward from the 2020/21 audit plan. The Head of Corporate Governance gave a verbal update in this regard and it was noted that good progress had been made in implementing the recommendations. Of the six recommendations, five were completed including the two high priority items.
- e) The internal auditor confirmed that whilst there was still a lot of the audit plan for 2021/22 to deliver for the rest of the year, they (the internal audit partnership) are able to provide a reasonable assurance that these outstanding audits will all be resolved.

Having considered the above matters, it was unanimously resolved to:

- (1) Receive the internal audit progress report from Southern Internal Audit Partnership attached at Appendix 1 to the report.**

22 POST IMPLEMENTATION REVIEW OF THE USE OF DEFOE COURT, EPSOM

The Committee received a report setting out the findings following a post implementation review of the Council's use of Defoe Court in East Street Epsom for use as additional temporary accommodation.

The report was introduced by the Head of Housing and Community.

The following matters were raised by the Committee:

- a) The time taken from the Strategy & Resources Committee in November 2017 to the first households moving into Defoe Court in May 2021. It was noted that there was a long delay caused in respect of concluding the legal agreement following the agreement on the draft Heads of Terms. A further significant delay was caused by the submission of an incomplete Planning Application. This Application was ultimately withdrawn and resubmitted, resulting in a delay of 1 year and 11 months to obtain the necessary planning consents. The legal transfer of the units took place in March 2021, with the first households moving in in May 2021.

- b) The Key learning for the Council is to ensure that going forward, resource for the delivery of projects is factored in as part of the initial planning and included in requests for funding especially for “invest to save cases” where delays are costly to the Council. This learning should be extended to all other Council departments.
- c) The lease agreement with SHA is for a 5 year period, with a break clause after 3 years. It was noted that providing care to young people is a dynamic that changes, and that circumstances might be completely different in 3 years’ time.
- d) It was confirmed that Council will be liable for repairs to the building during the lease period.

The Committee having considered the above matters, it was unanimously resolved:

- (1) To note the conclusions from this review and that future projects should identify an accountable officer and adopt a suitable programme management approach.**

23 APPOINTMENT OF EXTERNAL AUDITORS FROM 2023/24

The Committee received a report setting out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

The Committee received a verbal introduction from the Chief Accountant.

The following matters were raised by the Committee:

- a) The possibility of “keeping both options open”. It was confirmed that a firm decision on the chosen option is needed to be taken by March 2022 in order to meet the deadline of Public Sector Audit Appointments Ltd (PSAA).
- b) The advice of the LGA: this advice is overwhelmingly in favour of the national procurement scheme.
- c) There are a number of audit firms expected to bid for audit contracts through the government-appointed organisation (the PSAA). If a firm was appointed to perform the EEBC audit, and Council did not agree with the appointment, it should be possible to indicate as such, however reasons would have to be given.
- d) The issue of the audit fees: It was confirmed that by opting-in to the national PSAA-led procurement exercise, audit contracts and fees would be determined through a competitive tendering process that benefits from

national economies of scale, which ought to achieve best value for money for individual Councils.

Following consideration, it was resolved to:

- (1) Recommend to the Strategy & Resources Committee, and then to Full Council, that the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government bodies for five financial years from 1 April 2023.**

24 RISK MANAGEMENT FRAMEWORK ANNUAL REPORT

The Committee received a report providing it with an update on the Council's risk management arrangements and an update on the top risks being addressed by the Council as recorded in the Corporate Risk Register.

The Committee considered the following matters:

- a) Since January 2021, Applied Resilience has been supporting the Council in delivering emergency planning. Applied Resilience also provides emergency planning support for several other Surrey boroughs. It is responsible for updating EEBC's plans, providing training and providing practical support during emergencies.
- b) The 2017-2021 Risk Management Strategy is due to expire and this provides an opportunity to review and reflect. A new Business Assurance Manager has been appointed and will commence duties in January 2022.
- c) The Climate Change Action Plan is currently with the Planning Team and an Environment and Sustainability Officer has recently been recruited.
- d) The new corporate Health and Safety Officer will be addressing the matter of the completion of a risk assessment by employees who work from home on certain days.

Following consideration, the Committee resolved unanimously:

- (1) To consider the arrangements in place for risk management as outlined in the report.**
- (2) To review the Corporate Risk Register and determine any risks they wish to raise with the Senior Management Team .**

25 CAPITAL BUDGET MONITORING QUARTER 2

The Committee received a report presenting the capital monitoring position at Quarter 2 for the current financial year 2021/22.

The report summarised the capital monitoring information at the end of the second quarter of 2021/22. It detailed actual capital expenditure and receipts against capital budgets and financing. The forecast outturn position and variances at year-end, were also provided.

Following consideration, it was unanimously resolved to:

- (1) Receive the capital monitoring position at Quarter 2, as set out in the report;**
- (2) Note the progress of capital projects as set out in Appendix 1 to the report.**

26 REVENUE BUDGET MONITORING - QUARTER 2

The Committee received a report presenting the forecast revenue outturn position for the current financial year 2021/22, as at Quarter 2 (30 September).

The Committee considered the following matters:

- a) Covid-19 has continued to have a major impact on the Council's services and the updated projection at Quarter 2 is for a budget deficit of £2.67m this year, largely unchanged from Quarter 1.
- b) The £0.04m increase in the projected deficit is mainly due to increased fuel and staffing costs within waste collection, as sectoral issues such as the petrol and HGV driver shortages impact this service.
- c) The projected £2.67m deficit assumes that no future government support will be forthcoming. The main reasons for the deficit remain increased expenditure to manage homelessness, combined with significant reductions in income from service areas such as car parks and the Council's venues.
- d) The deficit is currently being managed by means of the Council's reserves, however this is not a sustainable long-term solution.

Following consideration, it was unanimously resolved to:

- (1) Receive the revenue budget monitoring report, which projects a £2.67m budget deficit for 2021/22, along with provisional funding for the deficit;**
- (2) Note that a report will be prepared for the Community & Wellbeing Committee in the new year 2022, to present a Homelessness and Rough Sleeper Strategy with mitigation options for the budget pressures within the Housing service;**

- (3) Note that a report is being prepared for Community & Wellbeing Committee in the new year 2022, to present a recovery plan for the Venues;**
- (4) Note that the updated Quarter 3 position will be reported back to this Committee in February.**

27 WORK PROGRAMME 2021/22

The Committee received a report presenting it with the work programme for 2021/22.

Following consideration, it was resolved to:

- (1) Note and agree the ongoing work programme for 2021/22 attached at Appendix 1 to the report.**

The meeting began at 7.30 pm and ended at 8.24 pm

COUNCILLOR STEVE BRIDGER (CHAIR)

EEBC PAY POLICY STATEMENT 2022-23

Head of Service:	Sarah Conlon, Head of HR & Organisational Development
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Appendices (attached):	1: draft Pay Policy Statement 2022/23 2: Scale of Returning Officer Fees 2020/21

Summary

This report seeks approval of the draft Epsom & Ewell Borough Council Pay Policy Statement 2022/23.

Recommendation (s)

The Council is asked to:

- (1) Approve the Pay Policy Statement for 2022/23

1 Reason for Recommendation

- 1.1 The Pay Policy Statement sets out the Council's policy regarding remuneration in accordance with the requirements of Section 38 of the Localism Act 2011 and associated statutory guidance. The purpose of the statement is to provide transparency regarding the Council's approach to setting the pay of its employees.
- 1.2 The Pay Policy Statement 2022/23 was approved by the Strategy & Resources Committee on 27 January 2022. In line with process, it is now being presented to Full Council for approval and subsequent publication on the Council's website.
- 1.3 Once approved by Full Council, the Pay Policy Statement will come into effect on 01 April 2022 and will be subject to annual review.

2 Background

2.1 Pay Policy Statement

2.1.1 The Pay Policy Statement is attached in Appendix 1 and the information therein complies with the requirements of the Localism Act 2011.

2.1.2 It is prescribed in terms of its content and therefore outlines the following key areas:

- Level and elements of remuneration for each Chief Officer
- Remuneration of Chief Officers on recruitment
- Increases and additions to remuneration for each Chief Officer
- The use of performance related pay for Chief Officers
- The approach to the payment of Chief Officers on their ceasing to hold office or to be employed by the authority
- The publication of and access to information relating to remuneration of chief Officers
- Pay multiple (ratio) between Chief Officers' pay and all other employees
- Election fees
- Policy on employing someone who has taken redundancy
- Policy on employing someone who is also drawing a pension
- Policy on lowest paid

2.1.3 The salaries cited as current within the Statement are as at 30 November 2021.

2.1.4 The Statement also includes reference to the proposed pay award of 3% (capped) from April 2022 in line with the Council's Employee Pay and Reward procedure 2020-2024 (previously agreed by S&R Committee and Full Council in January and February 2021 respectively) and is based on CPI at September 2021.

2.1.5 Senior salary information is also published as part of the Council's Annual Statement of Accounts.

2.1.6 Full Council is not being asked to re-approve the previously agreed Employee Pay and Reward Procedure 2020-2024; just the Statement itself that sets out the existing policies

2.2 Election Fees

2.2.1 The Council is required to provide funding to the Returning Officer to discharge statutory functions relating to the administration of local government elections. The Returning Officer will make payments to those officers who undertake specific duties in relation to the elections (including to chief officers) in accordance with their

role. The Chief Executive does not receive any additional payment for the role of Returning Officer for local government elections.

2.2.2 Appendix 2 sets out the current Returning Officer fees and charges for 2020/21.

2.2.3 This fee structure is organised by Guildford Council. Once issued, consultation is undertaken with Epsom and Ewell Borough Council and then passed by the Surrey Chief Executives. A new fee structure is not due to be released until February 2022 at the very earliest, hence why only the current fees are included.

4. Key points to note/Summary of changes

4.1 Base Salaries

4.1.1 The base salaries for the 'Chief Officers' (Chief Executive and Directors) have changed. They will now include the proposed 3% uplift in April 2022.

Post	2021/22: Bottom of salary range per annum	2022/23: Bottom of salary range per annum	2021/22: Top of salary range per annum	2022/23: Top of salary range per annum
Chief Executive	£103,157	£106,252	£120,967	£124,596
Director	£82,838	£85,323	£97,215	£100,131

4.2 Pay Multiples (ratio)

4.2.1 The pay multiple (ratio) between Chief Officers' pay and all other employees has not changed - the lowest pay scale and the top of the Chief Executive scale remains as 1 : 6.3

4.3 Gender Pay Gap

4.3.1 In accordance with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, which came into force on the 31 March 2017, employers with at least 250 employees are required to publish annual information as at 31 March each year. This information is published on the Council's website and on the Government Gender Pay Gap website no later than 30 March each year.

4.3.2 For the purpose of this report, the headline statistic is that the Council's median Gender Pay Gap data for 2021/22 is -17.3%. The negative gender pay gap is primarily due to the majority of

front-line operatives being male, and where line management and senior management roles are held by a significant proportion of women.

4.3.3 According to the ONS, for full time employees as at 01 April 2021 the gap is 7.9%; a slight increase from 7% as at 01 April 2020. Nevertheless, ONS are citing that this is still part of a downward trend as in April 2019, the gap was 9%.

4.3.4 Therefore, in comparison to the ONS statistics, the Council is positively positioned.

5. Risk Assessment

Legal or other duties:

- 5.1 Impact Assessment: None arising from the contents of this report
- 5.2 Crime & Disorder: None arising from the contents of this report.
- 5.3 Safeguarding: None arising from the contents of this report.
- 5.4 Dependencies: None arising from the contents of this report.
- 5.5 Other: None arising from the contents of this report.

6 Financial Implications

- 6.1 The 3% cost of living increase for 2022/23 is based on CPI inflation for September 2021, in accordance with the Council's agreed Pay Policy for 2020-24.
- 6.2 Annual cost of living adjustments linked to CPI inflation have been incorporated into the Medium-Term Financial Strategy for 2020-24 and the Council's future budget projections.
- 6.3 **Section 151 Officer's comments:** None arising from the contents of this report.

7 Legal Implications

- 7.1 The key provisions concerning pay accountability are cited in the body of the report. The deadline for approval is 31 March 2022 preceding the financial year to which the statement relates. The Localism Act requires the Council to publish its approved pay policy statement.
- 7.2 **Legal Officer's comments:** None arising from the contents of this report.

8 Policies, Plans & Partnerships

- 8.1 **Council's Key Priorities:** Effective Council.
- 8.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.
- 8.3 **Climate & Environmental Impact of recommendations:** None arising from the contents of this report.
- 8.4 **Sustainability Policy & Community Safety Implications:** None arising from the contents of this report.
- 8.5 **Partnerships:** None arising from the contents of this report.

9 Background papers

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

Previous reports:

- Epsom & Ewell Borough Council Pay Policy Statement 2021/22, Strategy & Resources 28 January 2021
- Epsom & Ewell Borough Council Pay Policy Statement 2021/22, Council 16 February 2021

Other papers:

- Openness and accountability in local pay: guidance under section 40 of the Localism Act 2011
<https://www.gov.uk/government/publications/openness-and-accountability-in-local-pay-guidance>
- Openness and accountability in local pay: guidance under section 40 of the Localism Act 2011: supplementary guidance
<https://www.gov.uk/government/publications/openness-andaccountability-in-local-pay-supplementary-guidance>

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Pay Policy Statement

2022/2023

Version number: 5
Date: January 2022

Tracking

Policy Title	Pay Policy Statement 2022/2023		
SMT sign off			
Committee	Strategy & Resources	Date approved	
	Full Council	Date approved	
Review due date	12 months	Review completed	
Service	HR & Organisational Development		

Revision History

Revision Date	Revisor	Previous Version	Description of Revision
March 2019	Shona Mason	Version 2	Updated for 2019/20
January 2020	Debbie Childs	Version 3	Updated for 2020/21
January 2021	Debbie Childs	Version 4	Updated for 2021/22
January 2022	Debbie Childs	Version 5	Updated for 2022/23

Document Approvals

Each revision requires the following approvals:

Sponsor/Approval		Date
S&R	Version2	2 April 2019
Full Council	Version 2	30 April 2019
S&R	Version 3	30 January 2020
Full Council	Version 3	13 February 2020
S&R	Version 4	28 January 2021
Full Council	Version 4	16 February 2021
S&R	Version 5	27 January 2022
Full Council	Version 5	15 February 2022

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1. Introduction and Background Summary

- 1.1. Under the Localism Act 2011 the Council is required to publish an annual pay policy statement which has been approved by full Council.
- 1.2. The information is set out under headings which have been prescribed by the Localism Act and relates to 2022/23 financial year.

2. Purpose

- 2.1 The statement sets out the levels of remuneration for the Council's Chief Officers as well as a general approach to pay which is lifted from the Council's Employee Pay & Remuneration Policy.
- 2.2 The information set out in the pay policy statement meets the requirements of the legislation and details the relationship between those employees who are lowest paid and Chief Officers.
- 2.3 The policy statement outlines the following key areas:
 - Level and elements of remuneration for each Chief Officer
 - Remuneration of Chief Officers on recruitment
 - Increases and additions to remuneration for each Chief Officer
 - The approach to the payment of Chief Officers on their ceasing to hold office or to be employed by the authority
 - The publication of and access to information relating to remuneration of Chief Officers
 - Pay multiple (ratio) between Chief Officers' pay and all other employees
 - Election fees
 - Policy on employing someone who has taken redundancy
 - Policy on employing someone who is also drawing a pension
 - Policy on lowest paid

3. Level and elements of remuneration for each Chief Officer

- 3.1 All staff are employed on an Epsom & Ewell Borough Council contract of employment and therefore are subject to PAYE. All employees are on local conditions and the pay structure applies to all employees, including Chief Officers. The grade allocated to a post is determined by the qualifications, skills and knowledge required as outlined in a role profile and person specification. The Council has a job evaluation scheme which is used to evaluate the grades of posts.
- 3.2 For the purposes of this policy statement, all references to "Chief Officers" is taken to include the Chief Executive and Directors. Their 2022/23 salary scales are set out in the table below:

Post	Bottom of salary range p.a.	Top of salary range p.a.
Chief Executive	£106,252	£124,596
Directors	£85,323	£100,131

- 3.3 In addition to basic pay these Officers may receive the following benefits, where applicable:
- Payment into the pension scheme if the employee has opted in and pays contributions at the required employee level themselves. Employer's contribution is currently 17.4% of pensionable pay; next actuarial valuation is due 31.03.2023.
 - Chief Executive and Director monthly allowance of 4% of basic salary in respect of subsistence and other expenses thereby reducing administration and providing a cap on the cost.
 - Payment of up to two annual subscriptions to professional institutions where this is an essential requirement of the role. Costs of memberships vary but most are around £200.
 - Allowance for the requirement to have a car for the effective performance of duties. The amount varies according to the role of the individual.
- 3.4 Our policy is to pay appropriately to attract competent and experienced Senior staff to lead the organisation. We do not aim to be in the upper quartile of payment levels locally but nearer the mid-point or median.
- 3.5 We recognise that the cost of housing in Epsom & Ewell is amongst the highest in the South East and that we are within commuting distance of London and the higher salaries there. All are taken into account when determining salary levels from sourced benchmarking information.
- 3.6 The overall consideration is what is reasonable and financially affordable.

4. Remuneration of Chief Officers on recruitment

- 4.1 Our policy is to appoint at the bottom of the salary scale, or near the bottom taking into account relevant skills and experience, progression through the grade is subject to satisfactory performance in accordance with our performance management scheme.
- 4.2 On occasion it may be necessary to appoint above the bottom point, in this case consideration will be given to the justification for doing so and will dependent upon factors such as experience and market conditions.
- 4.3 Appointments to the post of Chief Executive are made by the Council and appointments of Directors are made by an Appointments Panel.

5. Increases and additions to remuneration for each Chief Officer

- 5.1 Cost of living pay increases for all staff are considered every four years (in line with the Council's Pay Policy for 2020-24) through consultation with the Staff Consultative Group, which is made up of employee representatives and is the body which the Council consults with on terms and conditions of employment and other employee related matters.
- 5.2 Based on financial forecasts assessed at the commencement of the 2020-24 four-year period, an annual 2% cost of living increase was budgeted for based on the Government's target for CPI at that time.
- 5.3 Based on the CPI figure of 3.1% for September 2021, a capped 3% cost of living increase will be applied to the pay scales for 2022/23 in line with the four-year pay deal.
- 5.4 When determining pay awards, we consider financial affordability as well as the increase in cost of living for all staff.
- 5.5 All employees (including Chief Officers) can be awarded a single increment on the salary scale annually. This is dependent on satisfactory performance with no automatic progression through grades. All employees are expected to perform their duties to a satisfactory standard to progress through the grade.
- 5.6 Once an employee reaches the top of their salary scale there is no opportunity for further progression, however, any cost-of-living increase will apply.

6. The approach to the payment of Chief Officers on their ceasing to hold office or to be employed by the authority

- 6.1 Our Managing Workforce Change policy sets out a consistent method of calculating redundancy pay which uses the Modified Statutory Redundancy ready reckoner which is applied to all redundant employees including Chief Officers.
- 6.2 The level of redundancy pay is calculated on weekly earnings using the statutory system. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment.
- 6.3 The Council has a Local Government Pension Scheme Discretions Policy which is applicable to all employees, including Chief Officers.

7. The publication of and access to information relating to remuneration of Chief Officers

- 7.1 Our annual pay policy statement will be published on the website where it can be easily accessed by any interested parties such as taxpayers and external organisations.
- 7.2 Information about Chief Officer remuneration is also published as part of the Final Statement of Accounts.

8. Pay multiple (ratio) between Chief Officers' pay and all other employees

- 8.1 The pay of all employees is set according to the Council's pay scales. There is a fixed relationship between each point on each of the grades. There are no predefined pay ratios between different groups of employees or specific posts.
- 8.2 The bottom of our lowest pay scale in 2022/23 will be £19,907 per annum and the top of the Chief Executive scale will be £124,596 per annum. This results in a pay multiple of 1 : 6.3
Please note that this is based on pay scales and not actual salaries.
- 8.3 This is therefore within the maximum ratio 1: 20 identified as a maximum pay multiple in the Hutton Review of Public Sector Pay.
- 8.4 As at 30 November 2021 the mean average pay for employees other than Chief Officers was £30,362; therefore, currently the ratio of mean average Chief Officer pay to mean average pay of other employees is 1: 3.2

NB The mean average pay for employees other than Chief Officers in 8.4 may fluctuate throughout the year depending on staff in post and their respective salaries.

9. Election fees

- 9.1 Fees in respect of the role of Returning Officer for, borough and county elections are paid separately from and in addition to the relevant Officer's salary package. The amount payable varies according to the size of the electorate and number of postal voters and is calculated as set out in the Appendix 1. (Election of county/ borough / parish councillors in Surrey: scale of returning officer's fees and charges – 2020/21).
- 9.2 This fee structure is organised by Guildford Council. Once issued, consultation is undertaken with this Council and then passed by the Surrey Chief Executives. A new fee structure is not due to be released until February 2022 at the very earliest.
- 9.3 Payments for employees below Chief Officer level for Local Election duties are made in accordance with the same scale.

10. Gender Pay Gap

- 10.1 In accordance with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, which came into force on the 31 March 2017, employers with at least 250 employees are required to publish annual information as at 31 March each year. This information is published on the Council's website and on the Government Gender Pay Gap website no later than 30 March each year.
- 10.2 The Council has, and will continue to comply, with the submission of this data.

11. Policy on employing someone who has taken redundancy

- 11.1 Employees who leave the Council voluntarily are free to apply for jobs that are advertised.
- 11.2 Employees who leave the Council with a redundancy payment and subsequently apply and are successful for a position within the Council must repay any redundancy payment if the appointment is taken up within 4 weeks of their termination date.
- 11.3 If the appointment start date is longer than 4 weeks the employee can return to work in the position offered in accordance with the Redundancy Modification Order and will lose any contractual rights to have their continuous service recognised for all purposes.

12. Policy on employing someone who is also drawing a pension

- 12.1 We employ staff on merit and pay the full salary applicable to the role. We would not take into account whether a person was already in receipt of a pension in respect of previous employment with the Council or otherwise.
- 12.2 We will consider requests from staff who wish to draw their pension but continue working in a reduced capacity either through a reduction in working hours or levels of salary / responsibility.

13. Policy on lowest paid

- 13.1 When determining any pay award, we will take into account the needs of the lowest paid along with national living wage requirements set out by Government.
- 13.2 No employee will be paid below the UK National Living Wage.

				2019/2020 Bringing payments up to Living Wage	2020/2021 (Hourly Rate) The Hourly rate is calculated for working 15 1/2 hours
ELECTION OF COUNTY/ BOROUGH / PARISH COUNCILLORS IN SURREY: SCALE OF RETURNING OFFICER'S FEES AND CHARGES - 2020/2021					
	The scale of Fees and Charges specifies the maximum recoverable amounts available for each electoral area.				
	It also sets maximum recoverable amounts for specified services and specified expenses.				
	Neither of these can be exceeded but the Returning Officer is entitled to disburse funds on the different functions specified in the fee scale as he/she sees fit, provided the expenditure is accounted for properly and only spent on what is necessary for the efficient and effective conduct of the election.				
	This scale of Fees and Charges is also to be used at any referendum held under the regulations listed in the Notes at the bottom of Annex 1.				
	All references in this document to the Returning Officer or County DRO are to be read and interpreted as applying to the Counting Officer at any Referendum covered by the list of regulations in the Notes at the bottom of Annex 1.				
Part A -	Note: The Returning Officer or County DRO may allocate some of his/her fee to deputies or vire them to another expenditure head.				
	Calculated by using CBZX 12 month rolling index on National Statistics website			2019/2020	2020/2021(Hourly Rate)
	for 2007/8 and 2008/9 and average rate of increase in pay across County authorities during 2017 for 2017/18.			Bringing payments up to Living Wage	The Hourly rate is calculated for working 15 1/2 hours
1	(a) Separate County, Borough or Parish Elections				
	First 500 electorate			£32	£32
	For every additional 500 electors, or part thereof			£16	£16
	(b) Combined County / Borough and Parish Elections				
	First 500 electorate (in combined part of area only)			£43	£43
	For every additional 500 electors, or part thereof (in combined part of area only)			£21	£21
	Note 1: Where a combined fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.				
	Note 2: Where a single election is payable from this fee scale in combination with an election paid by central government, the combination element will only be paid by this local fee scale if there is no payment for combination in the government fee scale.				
	Note 3: Where more than two elections are combined from this fee scale, the following payment will be made per 500 electors or part thereof for each extra election. This is only applicable in the areas in which those elections apply.			£6.00	£6.00
	(c) Uncontested Election *			£27.00	£27.00
	* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested.				
2	In each contested electoral area, for services in connection with the despatch and receipt of postal ballot papers				
	For first 100 postal voters			£7.00	£7.00
	For each additional 75 postal voters or fraction thereof			£6.00	£6.00
3	In each contested electoral area, for services in connection with the preparation and issue of Official Poll Cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll)				
	First 2000 poll cards			£20.00	£20.00
	For every additional 250 poll cards, or fraction thereof			£1.00	£1.00
4	NOTE: At a contested by-election the total fee payable to the Returning Officer must be at least equal to the sum of the Presiding Officer and Count Assistant fees stated at B1(a) and B4(a)(I) respectively and the amount opposite			£90.00	£90.00
5	Max fee for training Presiding Officers and Poll Clerks per session (min 25 people at ordinary election. One session only at by-election if training deemed necessary).			£162.00	£162.00
	This fee to be distributed direct to the Trainer(s).				
Part B -	Expenses of Returning Officer or County DRO for which maximum amounts are specified				
In no case shall a charge exceed the sum actually and necessarily payable or paid by the Returning Officer or County Deputy Returning Officer. Subject thereto the MAXIMUM charges shall be as follows:					
1	For the Presiding Officer at each Polling Station				
	(i) (a) at separate Borough or Parish Polls (including payment for use of mobile phone £5)			£260.00	£269 (£17.03)
	(I) (b) at combined Borough / Parish Polls (including payment for use of mobile phone £5)			£300.00	£319 (£20.25)
	(i) (c) for each extra election above a combined election			£30.00	£30.00
	(ii) Where at a polling place there is more than one polling station, the maximum recoverable amount in respect of one only of the presiding officers at the polling station at such a polling place is increased by			£20.00	£20.00
	NB Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B1 (a) & (b) are increased by			£40.00	£40.00
	Max fee per session for training of Presiding Officers as necessary			£43.00	£43.00
2	For each Poll Clerk at each Polling Station				
	(a) at separate Borough or Parish Polls			£145.00	£167 (£10.77)
	(b) at combined Borough / Parish Polls			£170.00	£192 (£12.39)
	(c) for each extra election above a combined election depending on local circumstances and as the Returning Officer thinks fit				
				£15.00	£15.00
	Part time Poll Clerk			Will be calculated on hourly rate	Will be calculated on hourly rate
	NB Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B2 (a) & (b) are increased by			£40.00	£40.00
	Max fee per session for training of Poll Clerks as necessary			£43.00	£43.00

3	For the remuneration of persons employed in the despatch and receipt of postal ballot papers. (NB. See C3 below. If external contractors are used to prepare/despatch ballot paper packs then the total fee is actual costs.)				
	For each 100 postal ballot papers, or fraction thereof in each electoral area of the County / Borough / Parish			£75.00	£75.00
4	For the remuneration for persons employed in connection with the count				
	(a) Counting Assistants				
	(i) For overnight counts				£17.00
	(ii) For Weekend Day time counts				£14.00
	(iii) For Day time counts				£11.00
	(b) Count Supervisors				
	(i) For overnight counts				£27.00
	(ii) For Weekend Day time counts				£24.00
	(iii) For Day time counts				£22.00
	(c) Senior Count Supervisors				
	(i) For overnight counts				£33.00
	(ii) For Weekend Day time counts				£30.00
	(iii) For Day time counts				£28.00
5	For each Electoral Division, Ward or Parish Ward				
	(a) Contested Elections: * County/Borough Councillors and Parish Councillors				
	(i) Separate Polls				
	First 500 electorate			£35.00	£35.00
	For every additional 500 electorate, or part thereof			£17.00	£17.00
	(ii) Combined Polls (County/Borough & Parish)				
	First 500 electorate (in combined part of area only)			£46.00	£46.00
	For every additional 500 electorate, or part thereof (in combined part of area only)			£23.00	£23.00
	Note: Where a combined clerical fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.				
	(b) Uncontested Elections * :			£28.00	£28.00
	* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested. The Fee is also applicable at Ordinary Elections where the Parish or Parish Ward is contested but the Borough Ward is uncontested.				
	*For un-contested Parish elections the Returning Officer can charge a maximum administration fee			£150.00	£150.00
6	Preparation and issue of poll cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll)				
	For every 100 cards or fraction thereof			£5.00	£5.00
Part C -	Expenses of Returning Officer for which NO maximum amounts are specified				
1	For travelling and overnight subsistence expenses of:				
	(a) the Returning Officer				
	(b) the Deputy Returning Officer(s)				
	(c) any Presiding Officer or Poll Clerk				
	(d) any clerical or other assistants employed by the Returning Officer				
2	Expenses in printing or otherwise producing the ballot papers			Actual costs	Actual costs
3	Expenses in printing or otherwise producing the postal ballot paper packs by external contractors. (NB See B3 above. If external contractors are used to prepare/despatch ballot paper packs then the total actual costs apply).			Actual costs	Actual costs
4	Expenses in printing or otherwise producing the official poll cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll) and in delivering them to voters, excluding the expenses referred to in paragraph 6 of Part B above			Actual costs	Actual costs
5	Expenses in printing or otherwise producing and, where appropriate, publishing notices and other documents required by the Representation of the People Acts				
6	Expenses in renting, heating, lighting and cleaning any building or room for the purpose of the election			Actual costs	Actual costs
7	Expenses in adapting any building or room and in restoring it to a fit condition for its normal use			Actual costs	Actual costs

8	Expenses in the provision of voting compartments and any other furniture necessary for polling stations. Prior agreement to be sought from paying authority.				
9	Expenses in the provision of ballot boxes and instruments to stamp on the ballot papers the official mark and also the provision of devices to record the signatures relating to the issue of ballot papers. Prior agreement to be sort from paying authority.				
10	Expenses in the conveyance to and from the polling stations of:				
	(a) the ballot boxes and ballot papers, and			Actual costs	Actual costs
	(b) the voting compartments, any other furniture necessary for polling stations and the instruments to stamp on the ballot papers the official mark or any other equipment required in the administration of the election.			Actual costs	Actual costs
11	Expenses in the provision of stationery and writing implements and in postages, including postal ballot paper postages (but excluding official poll cards - see paragraph 4 of Part C above) telephone, bank charges and other miscellaneous items			Actual costs	Actual costs
12	Expenses in connection with the provision of security measures			Actual costs	Actual costs
13	Expenses in connection with the employer's portion of superannuation contributions for the Returning Officer, Deputy Returning Officer(s), etc				
14	Expenses in the provision of equipment and software for the checking of personal identifiers on the postal voting statements. Prior agreement to be sought from paying authority.				
15	Reimbursement of up to 50% of the costs of any elections management software licence charge in the year in which local elections are held. Further scaled down to a proportionate amount if a by-election held.				
	For maximum levels of expenditure for certain duties under Part C above - see Annex 1 attached.				
ANNEX 1					
Maximum Levels of Expenditure under Part C of Scale of Fees and Charges for County / District / Borough / Parish Elections within Surrey					
Head	Duty				
C1(c)	Presiding Officer Travel - Fixed w			£25.00	£25.00
C1(c)	Poll Clerk Travel - Fixed w			£10.00	£10.00
	Mileage rates applicable in rural areas where fixed travel is not appropriate			£0.48	£0.48
C1(d)	Fixed Travel of staff to transport boxes at the Count (if not delivered by Presiding Officer)			£21.00	£21.00
C1(d)	Count staff travel - fixed w			£10.00	£10.00
C2	Checking Ballot Papers - per 10,000 ballot papers or part thereof ww			£18.00	£18.00
C4	Poll Cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll) - Hand delivery			£0.19	£0.19
C7	Polling Station Inspectors - maximum payable per person 1 w			£262.00	£269.00 (£17.03)
C8	Preparation of Ballot Boxes & stamping instruments (each polling station)			£9.00	£9.00
C8	Preparation of Stamping Instruments used at postal vote issue			£4.00	£4.00
C10	Transport of Postal Votes to Count - 2 per District / Borough 1 w			£85.00	£85.00
C10	Staff to transport boxes at Count - per District / Borough 1 ww			£635.00	£635.00
C10	Remove bundles of counted votes - 3 per District / Borough 1 w			£141.00	£141.00
C11	Mobile telephones (where no land lines available).			This will now be part of the payment for the duties undertaken	This will now be part of the payment for the duties undertaken
C12	Security at Count - per District / Borough 1 ww			£254.00	£254.00
C12	Security at Count - Fixed Travel 1 w			£14.00	£14.00
	Note: C12 restriction on ordinary day of election only to be removed				
NOTES	1 Applicable only at the Ordinary Day of Election for County /Borough / Parish Councillors				
	w payable per person				
	ww maximum payable to be disbursed appropriately				
	Referendum regulations applicable to this fee scale:				
	The Local Authorities (Conduct of Referendums) (England) Regulations 2012				
	The Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012				
	The Neighbourhood Planning (Referendums) Regulations 2012				
ANNEX 2					
Proposed calculation and distribution of core payments - see Word document annexed to this document. Actual payments agreed					
by each Surrey authority to be recorded in the 'Actual Core Staff Payments' worksheet. Core staff will be paid overtime as per agreed Council policy or if no policy in place a minimum of normal hourly rate is pa					
	Signed				
	James Whiteman, Returning Officer Guildford Borough Council				
	On behalf of all Surrey Returning Officers				

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ANNUAL PLAN 2022-2023

Head of Service: Gillian McTaggart, Head of Corporate Assurance

Wards affected: (All Wards);

Urgent Decision?(yes/no)

If yes, reason urgent decision required:

Appendices (attached): Appendix 1 – Annual Plan 2022-2023

Summary

This report sets out the Annual Plan 2022-2023 outlining the key objectives to support the delivery of the Council's Four Year Plan 2020-2024. The plan was approved by Strategy & Resources Committee on 27 January 2022.

Recommendation (s)

The Council is asked to:

- (1) Approve, with any amendments, the draft key objectives and deliverables identified within the Annual Plan for 2022-2023**

1 Reason for Recommendation

- 1.1 Members are being asked to approve the Council's priorities for 2022-2023 through the Annual Plan.

2 Background

- 2.1 In 2020, the Council approved both the Future 40 Vision and the Four Year Plan for 2020 to 2024. The Four Year Plan provides a framework for decision making, which ensures that available resources are allocated to meet the needs of our communities. Having a clear vision for the future, aligned with strategic priorities and activities also provides a framework for managing the effectiveness of the organisation, as well as for managing individual services. This in turn allows for good and effective scrutiny of both decisions and performance.

- 2.2 The six themes in the Four Year Plan are:

Green & Vibrant - A better place to live where people enjoy their surroundings.

Safe & Well - A place where people feel safe, secure, and lead healthy, fulfilling lives.

Opportunity & Prosperity - A successful place with a strong, dynamic local economy where people can thrive.

Smart & Connected - Alive and connected socially, economically, geographically, and digitally.

Cultural & Creative - A centre for cultural and creative excellence and inspiration.

Effective Council—Engaging, responsive and resilient Council.

- 2.3 An annual plan includes objectives that are developed each year to support the delivery of the Four Year Plan. The previous Annual Plan 2021-2022 was reported to the Strategy & Resources Committee and then approved by full Council in September 2021. The objectives for 2022-2023 were approved by Strategy & Resources on 27 January 2022.
- 2.4 At the September Council meeting, a new corporate planning process and timetable was agreed to align the budget setting process with the setting of annual priorities. The revised timetable ensures that funding is agreed at an earlier stage and that priorities and projects can be delivered without the need to request additional funding.

3 Annual Plan 2022-2023

- 3.1 There has been a robust process to develop the annual plan 2022–2023. A number of workshops were held with members to identify the priorities against the 6 themes agreed in the Four Year Plan. The Annual Plan was then developed in discussion with the Chair and Vice Chair of all policy committees.. This identified key thematic areas to be taken forward. A mapping process then identified areas of work already in progress, operational priorities for inclusion in the Service Delivery Plan and also areas that would not be progressed or deferred for future years.
- 3.2 The proposed objectives for 2022-2023 are outlined in Appendix 1. There are 30 objectives in the proposed Annual Plan. Three objectives have continued from 2021-2022 including the delivery of the Regulation 18 consultation for the Local Plan, CCTV review and the review of homelessness policies. These are carried forward as additional time is required to complete these objectives. Further objectives around climate change, community engagement, enforcement and the platinum jubilee are included as the next steps from last year's plan. The Committee should note that in developing the 2023-2024 Annual Plan it will take into account objectives that span over a longer period and any not completed within 2022-2023.

- 3.3 The objectives take into consideration current budgets and the very significant impact of the Covid 19 pandemic on the Council's financial position and existing resources. Any additional funding requirements not included in the budget would need to be identified as outlined in Section 5. Please note the draft Annual Plan was amended to reflect changes requested by the Strategy & Resources Committee on 27th January 2022.
- 3.4 An update on performance against the priorities within the Annual Plan 2021-2022 has not yet been reported to the Audit, Crime & Disorder and Scrutiny Committee, due to a lack of resources within the Corporate Assurance Team. A new member has joined the Team in January 2022 and has started to review performance reporting which will go to the Audit, Crime & Disorder and Scrutiny Committee in April. The Annual Plan for 2022-2023 will be monitored regularly.

4 Risk Assessment

Legal or other duties

4.1 Impact Assessment

- 4.1.1 Failure to approve the key objectives and performance targets for 2022-2023 under the Four Year Plan will mean that there will be a lack of clear direction and priorities upon which decision making can be directed and resources allocated. Without a set of key objectives and performance targets, there is a risk that key stakeholders and especially the public will be unclear about the Council's aspirations and goals and may therefore be unwilling to commit their time and energy to working with the Council for the betterment of the community. This would prove particularly challenging as the Council looks to attract new inward investment to stimulate the economy and work more closely with partners.
- 4.1.2 The Annual Plan for 2022-2023 includes actions and objectives that aim to enhance equality and diversity across the Borough such as: digital inclusion, health and wellbeing, community safety and climate change.

4.2 Crime & Disorder

- 4.2.1 Appendix 1 includes objectives derived from the Four Year Plan theme "Safe and Well."

4.3 Safeguarding

- 4.3.1 No specific concerns in this report.

4.4 Dependencies

- 4.4.1 Several key objectives will be delivered with partner agencies.

4.5 Other

4.5.1 No specific concerns in this report.

5 Financial Implications

5.1 In developing the Annual Plan 2022-2023, the financial implications of all priorities has been taken into consideration within the budget proposals for 2022-2023. For any priorities that require a separate business case to identify financial implications, these would need to be considered by the appropriate Committee in accordance with the Financial Regulations.

5.2 **Section 151 Officer's comments:** The Annual Plan will be supported by the 2022/23 budget, which will support delivery of the plan while maintaining the financial health of the organisation.

6 Legal Implications

6.1 Issues of equality/human rights, climate change mitigation and sustainability must feature in corporate planning and those issues are dealt with in the body of this report.

6.2 Officers will receive legal advice and assistance on individual items implemented as part of corporate planning and will need to comply with constitutional requirements including applicable standing orders.

6.3 **Legal Officer's comments:** none arising from the content of this report.

7 Policies, Plans & Partnerships

7.1 **Council's Key Priorities:** All key priorities are engaged.

7.2 **Service Plans:** All agreed priorities will be included in the relevant service delivery plans. In addition these plans will encompass several operational priorities identified by Members.

7.3 **Climate & Environmental Impact of recommendations:** The Annual Plan supports the delivery of the key priority Green & Vibrant to provide a better place to live where people enjoy their surroundings. The Annual Plan also considers those areas not achieved or on-going from the Climate Change Action Plan.

7.4 **Sustainability Policy & Community Safety Implications:** The Annual Plan supports the delivery of the key priority Safe & Well: a place where people feel safe, secure, and lead healthy, fulfilling lives.

7.5 **Partnerships:** The Council cannot deliver the Four Year Plan on its own and will work with a range of partners to help and support its delivery.

8 Background papers

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

Previous reports:

- Annual Plan 2022-2023: Strategy & Resources Committee, 27 January 2022. Online available: <https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=132&MId=1098>

Other papers:

- Future 40 – Long term vision for Epsom and Ewell: Strategy & Resources Committee, 14 January 2020. Online available: <http://th-modgov-01/documents/s15129/FUTURE40%20-%20LONG-TERM%20VISION%20FOR%20EPSOM%20AND%20EWELL.pdf>
- Four Year Plan 2020-2024: Strategy & Resources Committee, 14 January 2020. Online available: <http://th-modgov-01/documents/s14997/Four%20year%20plan%202020%20-%202024.pdf>

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No.	Ctte	2022/23 Outcome (Priority)	Key Deliverables	Service Delivery Plan	Responsible Officer	4 Year Plan Theme & Priority	Dates / Key Milestones
1	S&R	Create opportunities for business and commercial growth within the Borough	Proposals for providing "Pop Up" opportunities within the Borough.	* Proposals for providing "Pop Up" opportunities within the Borough.	Head of Property and Regeneration	OP3	30-Jun-22
2	S&R	Create opportunities for business and commercial growth within the Borough	Proposals for delivering flexible work space within the Borough.	* Proposals for delivering flexible work space within the Borough.	Head of Property and Regeneration	OP3	30-Jun-22
3	S&R	Increase digital connectivity for all	Feasibility study to install WIFI capability across the Borough at key identified sites.	* Feasibility study to install WiFi capability across the Borough at key identified sites.	Head of Place Services	SC2	31-Oct-22
4	S&R	Support networks enabled	Enhance engagement activities with businesses to facilitate networking and understand of their needs.	* Increased attendance at Business Leaders Breakfast. * Work with the LEP to work with businesses, schools and education providers to ensure a suitably skilled local workforce.	Head of Place Services	SC3	31-Oct-22
5	S&R	Improve access to services through technology	An ICT Strategy to further improve resident's access to services and support future working requirements.	* ICT Strategy with funding schedule to inform and support delivery of the ICT road map.	Head of Digital and Service Transformation	EC2	30-Sep-22
6	S&R	Improve residents awareness of Council's services and activities	A Communication Plan to support delivery of the Annual Plan and champion the work of the Council.	* Agree Communication Plan for 2022/23. * Revamp of Members Update. * Review Council's approach to social media to enhance engagement.	Head of Digital and Service Transformation	EC4	01-Apr-22 01-Apr-22 30-June-22
7	S&R	Maximise opportunities to improve use of council buildings and maximise income	Implementation of the recommendations arising from the Strategic Asset Reviews.	* Complete Town Hall asset review for member consideration.	Head of Property and Regeneration	EC1	30-Apr-22 30-Jun-22
8	S&R	Develop new income generating opportunities to ensure delivery of council services to residents	Businesses cases to be prepared which will generate additional income.	* Business cases to generate additional income, one of which is to include identifying opportunities to generate income through sponsorship activities.	Head of Operational Services	EC1	Initial report 01-Apr-22 Business cases & implementation Ongoing to 31-Mar-23
9	C&W	Create a cultural and creative identity for Epsom & Ewell	Create an identity for creative and cultural excellence which connects with a new generation of creatives.	* Build Better Arts & Culture Partnerships. * Improve culture and arts partnerships to deliver new opportunities (requires baseline) including UCA, Laines and The Horton.	Head of Operational Services	CC1	Programme developed 30-Jun-22 Delivery via items 10, 11 & 12
10	C&W	Promote Epsom & Ewell as a centre for creative and cultural excellence	Work with partners to deliver an enhanced programme of cultural and creative events across the Borough and within council venues.	Deliver more cultural events in venues: * Playhouse: Expand the programme to encourage a wider audience whilst maximising income. * Bourne Hall: Increase the no of events and activities whilst maximising income. * C&W Centre: Expand activities in Centre focusing on culture and arts (requires baseline). * Promote the Borough's identity as a Hub for arts and culture through events' programmes and festivals (including specific branding).	Head of Operational Services	CC3	31-Oct-22

11	C&W	Promote the Borough's rich history and heritage	Deliver a programme of activities focused on heritage assets which include the delivery of heritage tours across the Borough.	* Deliver and promote activities and tours by creating a programme of activities which focuses on our heritage assets. * Deliver heritage tours across the Borough.	Head of Operational Services	CC2	31-Oct-22 31-Mar-23
12	C&W	Promote the Borough's rich history and heritage	Develop proposals to explore the use of digital media to promote our heritage	* Develop proposals to explore the use of digital media to promote our heritage.	Head of Operational Services	CC2	30-Jun-22
13	C&W	Improve the ability of residents to access and use information	Identify the barriers for digital inclusion and deliver the initiatives to address them.	* Obtain quality resident research which will enable us to develop a proposition to address digital inclusion. * Improve the ability of residents to access and use information. * Provide/facilitate training for older generations in the community and wellbeing centre. * Engage with Age Concern to deliver training and support, with a programme for delivery. * Build partnerships with agencies to deliver digital inclusion.	Head of Housing and Communities	SC2	Identify barriers 30-Sep-22 Delivery of initiatives Ongoing to 30-Mar-23(+)
14	C&W	Reduce homelessness and associated costs	Homelessness and Rough Sleepers Strategy.	* Develop and implement a new Homelessness and Rough Sleepers Strategy.	Head of Housing and Communities	SW1	Strategy 01-Apr-22 Delivery of initiatives Ongoing to 31-Mar-23(+)
15	C&W	Reduce homelessness and associated costs	Working with partners to increase housing solutions.	* Progress options for EEBC land to deliver housing solutions. * Develop close working and liaison with key partners to identify and deliver joint solutions. * Continue to evaluate acquisitions of properties utilising the Property Acquisition Fund to deliver accommodation to prevent numbers in nightly paid accommodation. * Increased early intervention to prevent homelessness and work with existing homeless people to engage solutions for permanent accommodation (KPI to be developed on increase turnover in homelessness accommodation).	Head of Housing and Communities	SW1	Work programme commenced 30-Apr-22 and ongoing to 31-Mar-23(+)
16	C&W	Improve the wellbeing of residents	A programme of events which address activity levels, social isolation, domestic abuse and mental health.	Improve the wellbeing of residents: * Agree communication approach to support health and wellbeing and initiatives. * Expand the number of health and wellbeing activities in our venues and parks/open spaces. * Deliver Surrey Youth Games. * Expand activities in Community and Wellbeing Centre. * Work with staff and partners to improve the Council's awareness and response to domestic abuse.	Head of Housing and Communities	SW1	Programme of events 30-Jun-22 Delivery 31-Mar-23(+)
17	C&W	Enhanced Community engagement and listening to our residents	A Community Panel which reflects the diverse nature of our Borough.	* Create new Citizens Panel that reflects the diverse nature of the Borough.	* Head of Housing and Communities * Head of Digital and Service Transformation	SW1	Proposal 30-Apr-22 Implementation 30-Jun-22

18	C&W	Enhanced Community engagement and listening to our residents	A series of community conversations to be held with an emphasis on listening to the seldom heard.	* A series of community conversations to be held with an emphasis on listening to the seldom heard.	Head of Housing and Communities	SW1	Programme 30-Jun-22 Conversations 31-Mar-23(+)
19	E&SC	Develop a programme of revenue generating activities	Markets operated at additional sites within the Borough.	* Deliver additional markets in the Borough.	Head of Operational Services	EC1	30-Sep-22
20	E&SC	Develop a programme of revenue generating activities	A feasibility report for providing a pet crematorium and/or cemetery.	* Produce a feasibility report for providing a pet crematorium and /or cemetery.	Head of Operational Services	EC1	01-Oct-22
21	E&SC	Develop a programme of revenue generating activities	A feasibility report for building a crematorium within the Borough.	* Produce a feasibility report for building a crematorium in the Borough.	* Head of Operational Services * Head of Housing and Communities	EC1	30-Jun-22
22	E&SC	Reduce our impact on the environment and work towards being carbon neutral by 2035	Working with partners to deliver the Climate Change Action Plan.	* Continue to deliver the Climate Change Action Plan. * Produce a costed climate change action plan, including options appraisals for actions that require significant investment.	Head of Place Development	GV3	Working group consider plan 01-April-22 Agree costed plan action plan 31-Jul-22
23	E&SC	Reduce our impact on the environment and work towards being carbon neutral by 2035	Seasonal awareness campaigns to promote greener more sustainable living.	* Seasonal awareness campaigns to promote greener more sustainable living, feeding into annual communications plan.	Head of Place Development	GV3	Communications plan 30-Apr-22 Delivery 31-Mar-23(+)
24	E&SC	Maintain clean and attractive streets and open spaces	Visible patrols across the Borough promoting behavioural change to maintain our clean and attractive streets and open spaces.	* Review current available legal powers which could be used for enforcement and providing briefing note on powers and appropriate training. * Implement a patrols' rota within the new Enforcement Team to increase visibility in the Borough.	Head of Housing and Communities	GV1	31-Jul-22
25	E&SC	Enhance the Borough's natural assets	Tree Planting Strategy with accompanying programme of tree planting.	* Deliver the Tree Planting scheme and agreed programme of tree planting for 2022/23, in collaboration with the County Council.	Head of Place Development	GV2	Strategy 30-Apr-22 Planning programme 31-Mar-23
26	E&SC	Supporting residents to feel safe and secure	Review of current CCTV arrangements.	* Review current CCTV arrangements in consultation with partners in order to develop an options appraisal.	Head of Housing and Communities	SW2	31-Aug-22
27	E&SC	Supporting residents to feel safe and secure	Key areas of concern addressed through the Community Safety Partnership and working with partners.	* Produce a plan to address key issues and 'hot spots' in the Borough. * Work with the Partnership to address violence against women and girls (VAWG) as a priority.	Head of Housing and Communities	SW2	Action plan prepared 31-May-22 Issues addressed 01-Jun-22 to 31-Mar-23
28	LPP	Progress adoption of the Council's Local Plan	Regulation 18 Consultation undertaken.	* Deliver the Regulation 18 Consultation in line with the agreed Local Plan timetable.	Head of Place Development	All	31-Mar-23
29	LPP	Protect the Borough's rich heritage	Adoption of a local Heritage List including buildings and objects.	* Adopt a list of local heritage assets.	Head of Place Development	CC2	30-Sep-22

30	LPP	Enhance the Borough's natural assets	Proposal for a plan and budget to review TPOs.	* Undertake a business case to assess the benefits, risks and opportunities of undertaking a full review of all council TPOs and propose how this work would be carried out with associated budget.	Head of Place Development	GV2	30-Sep-22
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FINANCIAL REGULATIONS REVIEW

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	1 – LGA Peer Review Feedback Report 2 – Council Action Plan, Update 3 – Amended Financial Regulations

Summary

Following the Local Government Association (LGA) Finance Peer Review, this report presents a review of the Council's financial decision-making procedures and recommends changes to the Financial Regulations for the Committee's consideration. The report also provides an update on the LGA Peer Review Action Plan.

Recommendation (s)

The Council is asked to:

- (1) Agree with Strategy and Resources Committee's recommendation to approve the proposed changes to Financial Policy Panel's responsibilities and to the Financial Regulations as set-out in this report, with effect from 1 April 2022.**

1 Reason for Recommendation

- 1.1 In March 2021, the LGA Finance Peer Report (Appendix 1) recommended that the Council review its approach to decision making and scrutiny. The Council's agreed Action Plan (Appendix 2) included a commitment to undertake this review by November 2021.

2 Background

- 2.1 The Financial Regulations were last reviewed and updated in 2019, and this latest review considers the following key recommendations from the peer review report:
 - 2.1.1 Review the approach to financial decision making and scrutiny.

- 2.1.2 Ensure budget monitoring is considered by the relevant committee(s).
- 2.1.3 Refresh the approach to the Capital Programme.
- 2.2 The whole peer review report, attached at Appendix 1, has been considered in this review and the recommended changes to the Financial Regulations. In addition, the following statement from the peer report is highlighted:
- 2.3 *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.*
- 2.4 The separate Committee Terms of Reference Review agenda item incorporates the recommended changes to committee responsibilities that are set-out in this report.
- 2.5 **On 27 January 2022, Strategy and Resources Committee considered the changes proposed in this report, and agreed to recommend to Full Council that the report proposals be approved.**

3 Review of Financial Policy Panel

- 3.1 Financial Policy Panel (FPP) is currently scheduled to meet four times a year. It provides a forum for the Committee Chairs of Strategy & Resources, Community & Wellbeing, and Environment & Safe Communities, together with five other nominated members, to discuss and advise S&R Committee on financial matters. The specific functions of FPP are included in the following table, alongside a recommendation for whether the function should remain with FPP or transfer to another Committee.

Table 1 - Existing FPP Responsibilities		Current Committee	Proposed Committee	Rationale
To advise S&R Committee on:	All matters relating to the Budget and Policy Framework (including the setting of staff pay);	Financial Policy Panel	Financial Policy Panel	It is considered important to retain FPP, as it provides a cross-committee forum, including opposition representation, to discuss strategic budget and finance matters. The Panel provides S&R with important advice and recommendations, supported by a cross-committee mandate, prior to formal reports going to the Committee. Specifically, FPP should be retained to: <ul style="list-style-type: none"> - Advise on the budget setting framework for the next financial year - Consider the annual central government funding settlement and provide a recommendation to Council on the level of council tax for the next financial year, with a cross-Committee mandate. - Consider the Treasury Management Strategy, before it is approved at Full Council.
	New legislation or government policy relating to local government finance;	Financial Policy Panel	Financial Policy Panel	
	To respond on behalf of the S&R to urgent consultation requests from central or regional government.	Financial Policy Panel	Financial Policy Panel	
	Performance against key performance indicators.	Financial Policy Panel	Audit, Crime & Disorder & Scrutiny	The majority of corporate performance indicators are not finance related. Current practice is to report performance indicators to Audit, Crime & Disorder and Scrutiny; it is proposed that this be continued.
	The capital programme, capital funding and to receive annual CIL and S106 Update reports.	Financial Policy Panel	Strategy & Resources	Currently, the programme is reviewed by both Capital Member Group and FPP, before approval at S&R. As FPP duplicates the work of Capital Member Group, FPP's involvement could be discontinued.
	Procurement strategy and those matters that have budget or procurement implications for more than one committee.	Financial Policy Panel	Strategy & Resources	In practice, the Council's procurement policies and Contract Standing Orders are approved directly at S&R; it is proposed that this be continued.
	To ensure effective scrutiny of the treasury management strategy and policies.	Financial Policy Panel & Strategy & Resources	Audit, Crime & Disorder & Scrutiny	The Treasury Management function should be monitored and scrutinised by the Council's Audit Committee, therefore the treasury management interim and outturn reports should transfer to ACDS. Member training will be provided annually, to facilitate effective scrutiny of the treasury function.

	Any major variances of the Capital Programme	Financial Policy Panel	Strategy & Resources and relevant Policy committee	S&R has responsibility for the Council's funding framework; it is not considered necessary for FPP to duplicate this work on the capital programme. Requests for additional resources will be the responsibility of S&R and Policy Committee, in line with the Financial Regulations. Quarterly capital monitoring reports will go to ACDS.
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- 3.1 It is considered important that FPP be retained, as it provides an important cross-Committee forum for discussing the Council's budget and financial policy framework, and for making recommendations to S&R with a cross-Committee mandate.
- 3.2 However, as can be seen from the table, five of FPP's eight existing responsibilities could be undertaken equally or more efficiently by other existing Committees.
- 3.3 Should the re-alignment of responsibilities proposed in Table 1 be agreed, the number of FPP meetings could be reduced, from four per year to two. One meeting would be required in July to advise on the budget setting framework for the next financial year, with a second meeting in late January to consider the annual central government funding settlement and to provide a recommendation to Council on the level of council tax for the next financial year, with a cross-Committee mandate.

4 Review of Other Responsibilities

- 4.1 The Peer Review recommended that the Council consider splitting the audit and scrutiny elements of Audit, Crime & Disorder and Scrutiny Committee (ACDS) into separate committees. As the smallest district council in Surrey with just 38 members, it is considered that resources are too limited to operate two separate Committees for audit and scrutiny.
- 4.2 Therefore, as the Council would have difficulty resourcing a new Committee within existing resources and budgets, for practical considerations it is recommended that responsibility for both audit and scrutiny should remain with the existing ACDS Committee.
- 4.3 Other key recommendations of the peer review – as previously set out in section 2 – are considered in the following table:

4.4

Table 2 - Other LGA Recommendations	Current Committee	Proposed Committee	Rationale
To receive quarterly budget monitoring reports	New responsibility	Audit, Crime & Disorder & Scrutiny	Budget monitoring reports are currently circulated on Members Update, with adverse budget variances >£100k reported to the relevant Policy Committee. Following the Peer Review key recommendation, it is proposed that quarterly revenue budget monitoring reports should be taken to Audit, Crime & Disorder and Scrutiny Committee. This would require ACDS Committees to take place in September, November, February and July each year. Adverse budget variances >£100k would still also be reported to the relevant Policy Committee to identify mitigating actions.
To receive the financial outturn, Statement of Accounts, and external audit reports.	Strategy & Resources	Audit, Crime & Disorder & Scrutiny	In accordance with the Peer Review recommendation for the final accounts, it is proposed that responsibility for approving these reports should transfer to Audit, Crime & Disorder & Scrutiny Committee.
To agree a 5 Year Rolling Capital Programme	Council	Council	The capital programme, presented annually to Full Council, currently covers three years with projections for Years 2 and 3 typically only forecasting Disabled Facilities Grant expenditure. Following the Peer Review recommendation to refresh the capital programme, it is proposed to extend the projections to five years, and to include indicative costings for all foreseeable capital schemes from the Asset Management Plan (not just Disabled Facilities Grant) in the five year period.

- 4.5 To implement the changes proposed in the table above and in section 3, Appendix 1 contains the amendments (as tracked changed) to the Financial Regulations that would be required. The Financial Regulations have also been updated to reflect the current senior officer management structure.
- 4.6 Full Council is asked to accept the recommendation from Strategy and Resources Committee to approve the above changes and Financial Regulations amendments.

- 4.7 The actions and proposed changes in this Financial Regulations Review are in addition to the actions agreed within the Action Plan approved by S&R Committee in May 2021. Appendix 2 provides an update on progress against the whole Action Plan.

5 Other Proposals

- 5.1 The Financial Regulations currently require that any proposal containing a request for additional resources should be reported both to the relevant policy committee and to S&R Committee for approval.
- 5.2 The rationale for this requirement is to ensure one Committee (S&R) has oversight of all new spending commitments, which enables financial implications to be monitored and considered holistically, to ensure they are affordable, rather than in isolation by individual committees. Without this requirement, it would be possible for individual policy committees to separately commit the Council to unaffordable spending plans, without the proper oversight of one Committee to consider spending plans holistically.
- 5.3 Therefore, the Financial Regulations ensure there is a sound process for agreeing additional resources. However, while the theory behind the requirement is sound, in practice it can result in relatively minor new commitments being reported to two Committees, or even bypassing the relevant policy committee and going straight to S&R Committee.
- 5.4 To ensure proper oversight is maintained but in a manner that is proportionate, a threshold of £50,000, per policy committee per financial year is proposed, under which policy committees can approve new proposals without a separate report to Strategy & Resources Committee, provided that both a funding option for the additional expenditure can be identified, and the approval of the Chair of Strategy and Resources Committee and Chief Finance Officer is obtained.
- 5.5 The procedure at paragraph 5.4 can be used on multiple occasions, but with a cumulative cap of £50,000 per policy committee in a financial year.
- 5.6 By retaining the approval of the Chair of Strategy & Resources and CFO, the Council will ensure that new spending proposals continue to be considered in the round, but without a separate full report being required to S&R Committee for every item under the £50,000 threshold.
- 5.7 Members are asked whether they wish to support this threshold, which is included within the amended Financial Regulations (Appendix 3) at paragraph 6.7.
- 5.8 **Should this threshold be supported, it is also proposed to update the thresholds for use of capital reserves – as set out as tracked changes in section 7 of the Financial Regulations – to become consistent with the existing revenue reserves threshold, and to streamline operational procedures and reduce the burden on Committees.**

5.9 The Financial Regulations have also been updated to reflect the Council's current officer structure, specifically to include Directors, and job titles have been updated as appropriate.

5.10 It is proposed that any changes that are agreed to the Financial Regulations and Financial Policy Panel's responsibilities should be effective from 1 April 2022.

6 Finance Training for Members

6.1 The Peer Review Action Plan committed to providing members with annual training on finance related matters. To meet and exceed this commitment, the finance team plans to provide the following member engagement on an ongoing basis, as agreed at Strategy and Resources Committee on 27 January 2022:

6.1.1 Following each quarterly budget monitoring report, a one-hour, virtual 'drop-in' session will be held to communicate the budget monitoring position and for Members to ask any related questions.

6.1.2 A comprehensive annual Members' Briefing, around late Autumn, to cover key aspects of local government finance, including the Council's overall financial position, progress on revenue/capital budget setting, reserves and any government funding announcements.

6.1.3 Annual treasury management training will continue to be provided to members responsible for scrutinising the treasury management function. The training can be open to all members who wish to attend.

7 Risk Assessment

Legal or other duties

7.1 Impact Assessment

7.1.1 It is considered that the proposed changes will improve and strengthen the Council's financial decision-making procedures, while removing any unnecessary duplication of responsibilities that currently exists.

7.2 Crime & Disorder

7.2.1 None arising from the contents of this report.

7.3 Safeguarding

7.3.1 None arising from the contents of this report.

7.4 Dependencies

7.4.1 The Committee Terms of Reference Review incorporates the recommended changes to committee responsibilities set-out in this report.

7.5 Other

7.5.1 None arising from the contents of this report.

8 Financial Implications

8.1 There are no additional cost implications associated with the proposed amendments to the Financial Regulations.

8.2 By streamlining the responsibilities of FPP to remove duplication, and updating the financial thresholds within the Financial Regulations, the Council should become more operationally efficient, while maintaining a robust framework for financial management.

8.3 **Section 151 Officer's comments:** The LGA Peer Review has provided an opportunity for the Council to review and further strengthen its already robust financial processes.

8.4 The changes proposed in this report would achieve that key objective and address the related LGA Peers' recommendations.

9 Legal Implications

9.1 None arising from the contents of this report.

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

10 Policies, Plans & Partnerships

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

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

10.3 **Climate & Environmental Impact of recommendations:** No significant impact.

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

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

11 Background papers

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

Previous reports:

- LGA Finance Peer Review report to S&R Committee, 13 May 2021

Other papers:

- None.

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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 (5th 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 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.

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) 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
- 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>

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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	Officer(s)	Success Measure	Target Date	RAG Status	January 2022 Update
1	Bring together into a clear strategic statement the change and recovery intentions of the Council.	<p>1. The Covid-19 recovery plan - Build Back Better - was approved at Strategy & Resources (S&R) Committee on 16 March 2021.</p> <p>2. Financial implications of the recovery will be assessed and factored into the Council's budget setting process for 2022/23.</p>	Chief Finance Officer	<p>1. The Council's budget framework and projections for 2022/23 will be reported to S&R Committee in September 2021.</p> <p>2. A balanced budget for 2022/23 will be presented to Full Council in February 2022.</p>	<p>1. September 2021</p> <p>2. February 2022</p>		<p>The Strategic Recovery Plan, linked to the 2040 Vision, was approved at S&R on 16 March 2021.</p> <p>The long-term financial implications of Covid-19 will only be established with reasonable certainty once 'new normal' service demand levels become clear, post-restrictions.</p> <p>The Council's budget projections for 2022/23 were presented to S&R Committee in September. A balanced budget, including updated projections following central government's funding settlement in December, has been prepared for Full Council in February 2022.</p>

LGA Peer Recommendation		EEBC Action	Officer(s)	Success Measure	Target Date	RAG Status	January 2022 Update
2	Review the approach to financial decision making and scrutiny.	<p>1. The Chief Finance Officer will review the Financial Regulations (within the Constitution), including the roles and responsibilities of different Committees.</p> <p>2. The review will report to S&R Committee in November 2021.</p>	Chief Finance Officer	The review will report to S&R Committee in November 2021, with any changes to the Financial Regulations (within the Constitution) presented to Full Council for approval in February 2022.	February 2022		The review is presented to this January S&R Committee. Should the changes proposed by the review be approved, they will then go on to Full Council for approval to be incorporated into the Constitution.
3	Consider how members and officers can adapt to support each other through the forthcoming period of change.	<p>1. Relevant Heads of Service will meet with new Committee Chairs and Vice Chairs, to establish new working relationships.</p> <p>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.</p>	<p>1. Chief Executive</p> <p>2. Chief Finance Officer</p>	<p>1. Heads of Service to report to Leadership Team that meetings have taken place.</p> <p>2. 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.</p>	<p>1. June 2021</p> <p>2. March 2022</p>		<p>1. New meeting patterns have been established.</p> <p>2. The proposed training is presented to this January S&R. It incorporates quarterly finance updates for members, plus a comprehensive, annual Members' Briefing around late Autumn to communicate the Council's overall financial position, progress on revenue/capital budget setting, and any government funding announcements.</p>

LGA Peer Recommendation		EEBC Action	Officer(s)	Success Measure	Target Date	RAG Status	January 2022 Update
4	Ensure budget monitoring is considered by the relevant committee(s).	<p>1. Material budget variances in excess of £100k are already reported to Committees, as per the Financial Regs.</p> <p>2. The Chief Finance Officer will review budget monitoring procedures within the Financial Regulations and report to S&R Committee in November 2021.</p> <p>3. In the meantime and pending the outcome of the above review, quarterly budget monitoring reports will be presented to ACDS, commencing 2021/22 Quarter 1.</p>	Chief Finance Officer	<p>1. Financial Regulations review to be presented to S&R Committee.</p> <p>2. 2021/22 Quarter 1 budget monitoring report presented to Audit, Crime & Disorder & Scrutiny Committee.</p>	<p>1. November 2021</p> <p>2. September 2021</p>		<p>The review is presented to this January S&R Committee. Should the changes proposed by the review be approved, they will then go on to Full Council for approval to be incorporated into the Constitution.</p> <p>Quarterly budget monitoring reports to ACDS Committee have commenced from September 2021.</p> <p>A message has been put on the council's website to direct the public to these budget monitoring reports.</p>
5	Refresh the approach to the Capital Programme.	<p>1. The Chief Finance Officer will review the Financial Regulations including the approach to the Capital Programme.</p> <p>2. The review will report to S&R Committee in November 2021.</p>	Chief Finance Officer	The review will report to S&R Committee, with any changes to the Financial Regulations (within the Constitution) presented to Full Council for approval in February 2022.	November 2021 / February 2022		<p>The review is presented to this January S&R Committee with a proposal that the capital programme be extended to a five year rolling programme (from the current three years).</p> <p>Should the change proposed by the review be approved, it will then go on to Full Council for approval to be incorporated into the Constitution.</p>

LGA Peer Recommendation		EEBC Action	Officer(s)	Success Measure	Target Date	RAG Status	January 2022 Update
6	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 & Planning Policy Committee on 4 March 2021.</p> <p>2. Funding for the Local Plan programme was agreed by Strategy & Resources Committee on 30 March 2021.</p> <p>3. Progress against the programme will be reported twice yearly to Licensing & Planning Policy Committee. Should funding implications arise, these would be reported to S&R Committee as appropriate.</p>	Head of Planning	Local Plan to be agreed by December 2023	December 2023		<p>The Local Plan timetable is under review with a detailed project plan being prepared to identify the milestones for each key stage to December 2023. The Local Development Scheme will then be updated.</p> <p>The priority is on completing the evidence base required for the Regulation 18 consultation and draft plan preparation, to enable the Council to move soundly onto the Reg19 stage.</p> <p>The new Local Plan Working Group established in July 2021 will consider elements of the draft plan as they are progressed.</p>

LGA Peer Recommendation		EEBC Action	Officer(s)	Success Measure	Target Date	RAG Status	January 2022 Update
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	<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 & Safe Communities at the next scheduled update in January 2022.</p> <p>2. Updated MTFS presented to Council in Feb 2022 to include agreed implications of the Climate Change Action Plan.</p>	<p>1. January 2022</p> <p>2. February 2022</p>		<p>The Council is reviewing its major property assets, which will have significant implications for the Council's climate impact going forward. It is unlikely that all property reviews will be complete by the end of the year, in time to fully cost the Climate Change Action Plan for E&SC in January 2022.</p> <p>The plan will be costed as soon as the relevant information is available.</p>
8	Collectively reflect further on...progressing the work on shared services...in a phased and managed way.	<p>1. On 16 March 2021, S&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>	Chief Executive	At least one collaboration proposal, if viable, presented to Committee in the current financial year.	March 2022		<p>A report to S&R Committee in September resulted in collaboration arrangements for the Building Control Service being proposed.</p> <p>Other collaboration opportunities will be assessed as they arise.</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.				
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SECTION 5 - Financial Regulations

Issued: July 2002; Revised July 2013, February 2019, February 2022

1 About Financial Regulations

The role and function of Financial Regulations

- 1.1 Financial Regulations are a set of rules (standing orders) that govern the financial affairs of the Council. They are approved by the Council and apply to all members and officers of the Council and anyone acting on its behalf must comply with the Regulations.
- 1.2 The Regulations identify the financial responsibilities of the full Council, Committees and Panels, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer, Directors, Heads of Service and Budget Managers.
- 1.3 Any reference to the Chief Finance Officer should be interpreted as meaning the Council's S151 Officer. The Chief Finance Officer is the Council's S151 Officer.
- 1.4 Where decisions have been delegated or devolved to other responsible officers, references to the relevant Director or Head of Service in the Regulations should be read as referring to those officers.
- 1.5 All members and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is lawful, correctly authorised, provides value for money and achieves best value. Compliance with Financial Regulations will help discharge this responsibility.

What do Financial Regulations cover?

- 1.6 The Financial Regulations set out the financial management policies of the Council.
- 1.7 Financial Regulations are not detailed procedure notes. The Finance Rule Book sets out in more detail some of the procedures to which staff who manage budgets or carry out financial transactions need to adhere, , although it will not necessarily cover all eventualities. Where appropriate Managers should maintain their own operating procedure notes to fit in with the needs of their own service.
- 1.8 All members and officers **must** comply with Financial Regulations.

- 1.9 Although the Financial Regulations and the Finance Rule Book cover all major financial systems and processes, the Council has other procedures which set out how Council funds are managed. Regard must be had to the requirements of the Council's Procurement and Capital Strategies as well as Contract Standing Orders..

What if something is not clear?

- 1.10 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations that Members, Officers and others acting on behalf of the Council are required to follow.
- 1.11 If you are not clear what a regulation means to your work area, or how to apply it, please ask for guidance. You can ask the Chief Finance Officer, Head of Finance, Chief Accountant, Head of Policy, Performance and Governance, or your service accountant.

What will happen if I don't comply?

- 1.12 If it is minor non-compliance then you will be asked to correct the situation as appropriate. A serious breach will be reported to the Chief Finance Officer and Strategic Management Team, and may require to be reported to Audit, Crime & Disorder and Scrutiny Committee dependent upon the nature of the breach. The rules in the Council's Disciplinary Procedures may also be engaged.

FINANCIAL MANAGEMENT

2 Financial Management – General

Status of Financial Regulations

- 2.1 It is the responsibility of each Committee, Director, Head of Service and Budget Manager to ensure compliance with all the requirements of these Regulations.
- 2.2 The Regulations also apply to services carried out under agency arrangements for any other Authority or organisation except where it has been agreed in advance by the Chief Finance Officer, to comply with another organisation's regulations. Agents acting for the Council will be expected to comply with these Regulations unless otherwise agreed by the Chief Finance Officer.

- 2.3 These Regulations also apply to arrangements with any other Authority, partnership or organisation except where it is otherwise specifically agreed by the Chief Finance Officer.
- 2.4 The Financial Regulations do not override any statutory provisions.
- 2.5 The Regulations must be read in conjunction with current schemes of delegation to Committees and Officers.

Responsibilities of the Chief Finance Officer

- 2.6 The Chief Finance Officer is the Council's S151 Officer and has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden.
- 2.7 The statutory duties arise from:
- Section 151 of the Local Government Act 1972
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Accounts and Audit Regulations 2015
- 2.8 The Chief Finance Officer is responsible for:
- the proper administration of the authority's financial affairs
 - setting and monitoring compliance with financial management standards
 - advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - providing financial information
 - preparing the revenue budget and capital programme
 - treasury management
 - determining the Council Tax Base
 - determining the Business Rates Base
- 2.9 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the full Council and the external auditor if the Authority or one of its Officers:

- (a) Has made or is about to make a decision which involves or would involve the Council incurring unlawful expenditure.
- (b) Has taken, or is about to take, a course of action which if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency; or
- (c) Is about to enter an item of account, which is unlawful.

2.10 Section 114 of the 1988 Act also requires the Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally.

2.11 The Chief Finance Officer is responsible for maintaining a regular review of the Financial Regulations and submitting any additions or changes necessary to the full Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, serious breaches of the Financial Regulations to the Audit, Crime & Disorder and Scrutiny Committee.

Responsibilities of Directors and Heads of Service

2.12 Directors and Heads of Service are responsible for ensuring that Committee members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.

2.13 It is the responsibility of Directors and Heads of Service to consult with the Chief Finance Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

2.14 Directors and Heads of Service are responsible for ensuring that all staff in their division are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. A copy of the document will be available on the Council's Internet and intranet site.

2.15 Directors and Heads of Service shall control expenditure and income, monitor performance, and take the necessary action to avoid exceeding any budget. The Chief Finance Officer shall provide appropriate financial information and the means by which budgets may be monitored effectively.

2.16 Where expenditure or income involves a contractual agreement with a third party, the Directors and Heads of Service must follow procedures laid down in the Contracts Standing Orders.

- 2.17 Directors and Heads of Service shall establish sound arrangements for the planning, appraisal, authorisation and control of their operations to ensure that economy, efficiency and effectiveness are achieved.
- 2.18 Directors and Heads of Service may nominate staff – called Budget Managers - to manage budgets on their behalf. This delegation does not in any way reduce the overall responsibilities of Directors and Heads of Service. Budget Managers shall carry out their responsibilities in line with these Regulations and the Finance Rule Book.

Authorised Signatories

- 2.19 Directors and Heads of Service shall determine who is authorised to sign official documents on their behalf, and shall provide the Chief Finance Officer with up-to-date lists of specimen signatures of authorised Officers. The Chief Finance Officer will refuse to accept any document submitted where the authorising signature does not correspond to that notified.

3 Accounting Arrangements

Accounting policies

- 3.1 The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting records and procedures

- 3.2 The Chief Finance Officer is responsible for determining the accounting procedures and records for the Council. The Chief Finance Officer will ensure that the accounting systems are maintained and that the accounts of the Council and supporting records are kept up to date.

The Annual Statement of Accounts

- 3.3 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).
- 3.4 The Audit, Crime & Disorder and Scrutiny Committee is responsible for approving the Annual Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations 2015.

Allocation of Accounting Duties

- 3.5 The following principles shall be observed in the allocation of accounting duties:
- (a) The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;
 - (b) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

Subsidies and Grants Receivable

- 3.6 The Chief Finance Officer will take such action and establish procedures to ensure that the Council's subsidy and grant entitlement are maximised.

FINANCIAL PLANNING

4 Financial Planning - General

Policy Framework

- 4.1 The full Council is responsible for agreeing the Council's policy framework and budget. In terms of financial planning, the key elements are:-
- The Corporate Plan and Key Priorities
 - The Four Year Financial Plan
 - The Annual Budget
 - The Capital Strategy and Capital Programme.
 - The Treasury Management Strategy
- 4.2 The Council is responsible for approving the policy framework and budget which will be proposed by the Strategy and Resources Committee.
- 4.3 The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework.

Reserves

- 4.4 It is the responsibility of the Chief Finance Officer to advise the Strategy and Resources Committee and/or the full Council on prudent levels of reserves for the Authority.
- 4.5 The Chief Finance Officer is responsible for ensuring that reserves are used only for the purposes for which they were earmarked.
- 4.6 The Chief Finance Officer may authorise the use of reserves for their intended purpose up to the following limits:

Value	Level of Responsibility
Up to £20,000	Chief Finance Officer
From £20,000 to £50,000	Chief Finance Officer in consultation with the relevant Committee Chair
Above £50,000	Committee approval required

- 4.7 The above limits do not apply to reserves held for accounting purposes. Reserves held for accounting purposes are used at the discretion of the Chief Finance Officer and include:
- Property Income Equalisation Reserve
 - Business Rates Equalisation Reserve
 - VAT Reserve
 - Insurance Reserve

Financial Plan

- 4.8 The Chief Finance Officer shall maintain a forward Financial Plan. The Financial Plan will show the financial implications of changes in Council policy, legislation, service levels, activity and other factors for at least three years ahead. The Chief Finance Officer will review financial projections annually. The plan will show, in summary, the estimated impact of future spending plans on the General Fund.
- 4.9 In order that the information requirements of the Financial Plan and Medium Term Financial Strategy are satisfied, reports to Committees with significant financial implications shall show the full year effect of the proposals and the implications for at least the next three financial years.

- 4.10 Budget Targets including updates of the financial projections should be presented to the Strategy and Resources Committee by the Chief Finance Officer no later than October each year.

Review and Notification to the Chief Finance Officer

- 4.11 Directors, Heads of Service and Budget Managers must regularly review the financial implications of changes in policy and other factors, and must notify the Chief Finance Officer promptly of the impact on current and future budgets.

5 Revenue Budget Preparation

Budget format

- 5.1 The general format of the budget will be approved by the Strategy and Resources Committee on the advice of the Chief Finance Officer.
- 5.2 The detailed form of the revenue estimates shall be determined by the Chief Finance Officer and must be consistent with the general directions of the Strategy and Resources Committee.

Budget preparation

- 5.3 Directors and Heads of Service shall prepare estimates of income and expenditure reflecting agreed key service priorities in consultation with the Chief Finance Officer in accordance with guidelines issued by the Strategy and Resources Committee.
- 5.4 The Chief Finance Officer shall report on the estimates to the appropriate policy committees. They shall in turn report the estimates to the Council with such recommendations as are deemed necessary.
- 5.5 The Chief Finance Officer shall advise the Strategy and Resources Committee and other committees as necessary on budget matters.
- 5.6 The Directors and Heads of Service shall supply the Chief Finance Officer with such information as is necessary to support the estimates.

Budget Timetable

- 5.7 The Chief Finance Officer will prepare a budget timetable each year. All budget submissions shall be made in accordance with the timetable.

6 Revenue Budget Control

Budget monitoring and control

- 6.1 It is the responsibility of each Director and Head of Service to manage and direct resources to achieve the objectives of the budget. This involves the monitoring of expenditure and income and the regular review of performance. Where budgets are delegated to Budget Managers they are charged with the same responsibility.
- 6.2 Once approved by the Council, the revenue budget will give authority for expenditure to be incurred in the appropriate year unless:
 - (a) It would cause the appropriate budget head to be overspent,
 - (b) It is a long-term financing agreement that will have implications for government capital controls in which case the Chief Finance Officer must be consulted.
 - (c) It is a contingency sum requiring the approval of the relevant committee before expenditure is incurred.
- 6.3 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively.
- 6.4 The Chief Finance Officer must report to Audit, Crime & Disorder and Scrutiny Committee on the overall budget position on a regular basis.

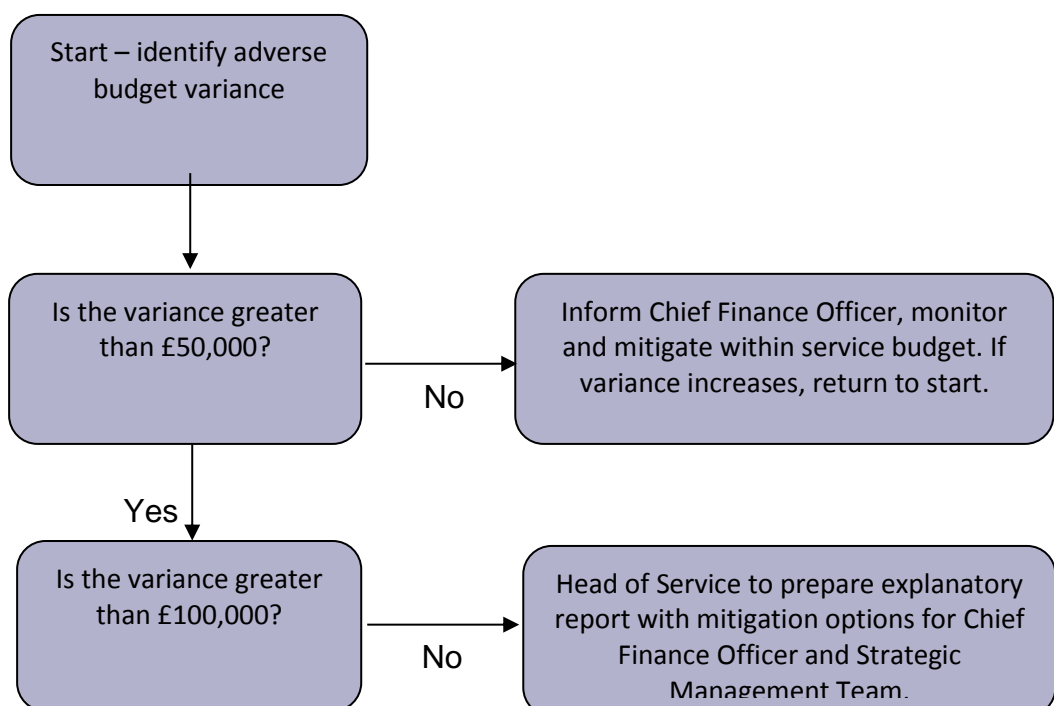
New Services and Extension of Service Provision

- 6.5 Any proposal to incur expenditure relating to the adoption of a new policy or extension of an existing policy not already sanctioned by the Council, must be accompanied by a report to the relevant policy committee with the financial implications agreed in advance with the Chief Finance Officer.
- 6.6 Proposals which commit future budgets to a level of expenditure greater than that provided for in the current year shall be reported to the relevant policy committee and the Strategy and Resources Committee and clearly show the total level of future annual commitment.

- 6.7 However, should the additional expenditure be beneath the threshold of £50,000 and a funding option can be identified, the proposal can be submitted just to the relevant policy committee for approval (and not to S&R Committee aswell), provided approval is also obtained from the Chair of Strategy & Resources Committee and the Chief Finance Officer.
- 6.8 The procedure at paragraph 6.7 can be used on multiple occasions, but with a cumulative cap of £50,000 per policy committee in a financial year.

Supplementary Estimates

- 6.9 Policy Committees are required to manage services within the overall revenue and capital budget allocations. The Council will exceptionally consider supplementary estimates for significant added expenditure that cannot be managed within the total agreed budget.
- 6.10 Where it is apparent that the budget for a service may be exceeded (or there will be a shortfall of income) by a material sum (see flowchart at 6.9), the Head of Service must prepare a written report setting out the reasons and proposing how the shortfall may be met, and submit it to the Chief Finance Officer. The Chief Finance Officer will advise on the action to be taken, which may include proposals for a report to Strategic Management Team and/or Policy Committee, virement or exceptionally a request for supplementary estimate.
- 6.11 The following flowchart sets out the recommended course of action and thresholds for adverse budget variances. Exceptions to the recommended action should only be permitted with the agreement of the Chief Finance Officer.



Yes
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Head of Service to prepare explanatory report with mitigation options for Chief Finance Officer, Strategic Management Team and Policy Committee.

- 6.12 Expenditure may be authorised in an emergency by the Chief Finance Officer with the agreement of the Chair of the relevant Committee and shall be reported to the next meeting of that Committee. This procedure will only be adopted if the emergency does not provide sufficient time to follow the procedure set-out at 6.25.

Virement of revenue budgets

- 6.13 A revenue virement is the transfer of resources from one revenue budget to another (i.e. a transfer from existing approved budgets). Should the request require a new use of reserves, please refer to section 4 of the Financial Regulations
- 6.14 The delegated approvals for virements within the same Committee are --

Value	Level of Responsibility
Up to £20,000	Budget Managers
From £20,000 to £50,000	Relevant Director or Head(s) of Service, and Chief Finance Officer
Above £50,000	Committee approval required

- 6.15 Virements between committees above £50,000 require the approval of Strategy and Resources Committee and the other relevant Committee(s). Virements between committees below £50,000 can be approved by Committee Chairs and the Chair of Strategy and Resources Committee.
- 6.16 Virements between revenue and capital budgets will not be permitted due to the different sources of funding.
- 6.17 All virements must be completed on approved virement documentation.
- 6.18 Virements out of cost centre will be monitored in aggregate, based on the limits specified above, during the financial year by the relevant service accountant.

- 6.19 Virements between revenue income and expenditure will be permitted only where the additional expenditure will generate the income and with the approval of the Chief Finance Officer.
- 6.20 Virements in or out of the salary budget must be within control totals maintained by the Chief Finance Officer.
- 6.21 The virement of training budgets for any purpose other than training requires an express recommendation of the Head of HR and OD.
- 6.22 Virements must not be made in or out of the Epsom and Walton Downs Conservators and Nonsuch Park Joint Management Committee accounts.
- 6.23 Virements that provide new resources should only be approved if it can be demonstrated that the resources are affordable in the context of the whole Council's financial position.
- 6.24 Where the proposed virement involves a significant issue of principle, or a significant proportion of the original budget, the approval of the Strategy and Resources Committee is required.
- 6.25 The above virement arrangements do not apply to adjustments to budgets that arise due to accounting or technical reasons such as correcting errors, budget restructuring due to internal reorganisation, capital and pension charges, and changes to grant regimes, provided these do not impact on the net budget of the Council.
- 6.26 Where an approved budget is a contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that its use is in accordance with the purposes for which it has been established and has been approved by the Chief Finance Officer.

Treatment of year-end balances

- 6.27 Underspends on the revenue account will not normally be carried forward. Exceptionally such requests to allow the fulfillment of commitments will require the approval of the Strategy and Resources Committee

Emergency or Urgent Action Requests

- 6.28 Where a decision cannot wait until the next Council or relevant policy committee meeting, then under the Constitution the Chief Executive and the Directors are empowered to take all necessary decisions in cases of emergency or urgency (Constitution Part 3, Section 7 - Scheme of Delegation to Officers, paragraph 7.4d). The definition of emergency and urgency is set-out in the Constitution in Part 3, Section 7, paragraph 7.5.
- 6.29 Delegated Authority Forms should be used for such decisions and are can be obtained from Democratic Services.

7 Capital Programme

Preparation of the capital programme

- 7.1 The Chief Finance Officer is responsible for maintaining a rolling capital programme and this is reported annually for consideration by Strategy and Resources Committee.
- 7.2 The programme will include spending plans and funding for the forthcoming five years. The detailed form of the programme shall be determined by the Chief Finance Officer and must be consistent with the general directions of the Strategy and Resources Committee.
- 7.3 Projects that are reliant on the receipt of government or other third party funding, including central government and other grants must follow the normal capital programme procedures.

Capital Member Group and Capital Officer Group

- 7.4 The Capital Member Group has responsibility for advising on the capital programme in consultation with the Chief Finance Officer, to be presented to Policy Committees and Strategy & Resources Committee for approval.
- 7.5 The Capital Officer Group is responsible for the appraisal of all capital schemes submitted annually by budget managers. The assessment process will take into account key strategies including key priorities, the Asset Management Plan and the available capital resources. (More detail is provided in the Finance Rule Book).

New capital schemes

- 7.6 New schemes will be assessed based on the criteria within the Capital Strategy and recommended to the relevant committee within the capital funding released by the Strategy and Resources Committee, prior to approval from full Council. Each new scheme must have a capital project appraisal form completed and be approved by the Capital Member Group.

Status of capital programme approval

- 7.7 Inclusion in the capital programme does not of itself confer authority to incur expenditure before:
- (a) The relevant Committee has approved a project appraisal in accordance with the procedures set out in the Capital Strategy and the Asset Management Plan;
 - (b) A tender or quotation has been received which does not exceed the amount included in the programme and any other relevant cost limits;
 - (c) All necessary statutory approvals have been received;
 - (d) External funding has been secured where relevant;
 - (e) Spend to Save Schemes have been appraised and demonstrated pay-back of investment.

Variations to capital projects

- 7.8 The size, content or specification of a scheme shall not be significantly changed without the approval of the relevant service committee.

Virement

- 7.9 The guidance for virement of the capital programme is as follows:-

Value	Level of Responsibility
Within Cost Centre/ Capital Scheme	Relevant Budget Manager/ Project Manager

- 7.10 All virements must be completed on the approved virement documentation

Monitoring of progress

- 7.11 The detailed monitoring is the responsibility of the Capital Officer Group. It is the Chief Finance Officer's responsibility to report to Members on a quarterly basis and to submit any major variances of the Capital Programme to the appropriate committee for approval, in line with the table below.
- 7.12 An officer who becomes aware that the estimated cost of a capital scheme for which he/she is responsible is likely to be exceeded should notify the Chief Finance Officer. The Chief Finance Officer can authorise additional funding per capital scheme up to the following limits:

Value	Level of Responsibility
Up to £20,000	Chief Finance Officer
From £20,000 to £50,000	Chief Finance Officer in consultation with the Chair of the relevant Policy Committee and the Chair of S&R
Above £50,000	Committee approval required

- 7.13 For capital schemes not completed by 31st March, a schedule of capital budgets to be carried forward will be presented to Strategy and Resources Committee by July.
- 7.14 At year-end, officers are responsible for applying the most appropriate source of capital funding to finance capital expenditure.

RISK MANAGEMENT AND CONTROL OF RESOURCES

8 Risk Management

Introduction

- 8.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include but is not limited to the proactive participation of all those associated with planning and delivering services.

Risk management

- 8.2 The Strategy and Resources Committee is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The risk management framework is monitored and reviewed by the Audit, Crime & Disorder, & Scrutiny Committee.
- 8.3 The Chief Executive and all Heads of Service are responsible for managing the Council's risks, taking mitigating action and promoting risk management throughout the authority.

Internal control

- 8.4 The Chief Finance Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use. In addition, the Monitoring Officer has statutory responsibilities to report on prospective breaches of the law or maladministration.
- 8.5 The Accounts and Audit Regulations require every local authority to conduct a review at least once a year of the effectiveness of its system of internal control and shall include an Annual Governance Statement, prepared in accordance with proper practices. Directors and Heads of Service are responsible for ensuring effectiveness systems of internal control within their service.
- 8.6 It is the responsibility of Directors and Heads of Service to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Preventing fraud and corruption

- 8.7 The Chief Finance Officer, in conjunction with the Head of Corporate Assurance is responsible for the development and maintenance of a policy to prevent fraud and corruption and for submitting it for approval to the Strategy and Resources Committee, prior to obtaining approval from full Council.
- 8.8 It is the responsibility of Directors and Heads of Service to make the relevant staff aware of the requirements of the protocol for addressing the issues raised by the Criminal Finances Act 2017 and the Money Laundering Regulations 2017 and the Terrorism Act 2006.

Staffing

- 8.9 The Head of Paid Service is responsible for determining how officer support for committee roles within the authority will be organised.
- 8.10 The Head of Paid Service is responsible for providing overall management to staff. The Head of Paid Service is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

8.11 The Chief Finance Officer is responsible for controlling total staff numbers by:

- advising the Strategy and Resources Committee on the budget necessary in any given year to cover estimated staffing levels;
- adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs;
- the proper use of appointment procedures.

Security of Assets and Information

8.12 Directors and Heads of Service should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

8.13 Directors and Heads of Service shall be responsible for maintaining proper security and privacy of information contained in the financial and other records under their control.

8.14 To comply with data protection legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018, the Data Protection Officer shall be responsible for maintaining proper security and the appropriate degree of privacy of information held within the Council, either electronically or in other formats e.g. microfiche, paper output etc. All staff are responsible for ensuring that they keep information secure and use personal data in a manner consistent with the Council's Data Protection Act Policy, Retention Policy and ICT policy.

8.15 The Strategy and Resources Committee is responsible for reviewing the Data Protection Act policy.

9 Insurance

Review of Arrangements

9.1 The Chief Finance Officer, in conjunction with the Head of Corporate Assurance, is responsible for ensuring that proper insurance exists where appropriate and advising the Strategy and Resources Committee on insurance arrangements. This includes

- (a) Adequate insurance to cover all assets in the organisation

- (b) Acceptable levels of risk are determined and insured against where appropriate

- 9.2 Details of insurance requirements are summarized below and provided in detail in the Finance Rule Book.

Review of Insurance Cover

- 9.3 The Chief Finance Officer, in conjunction with the Head of Corporate Assurance, shall keep under review all insurance cover in consultation with other Heads of Service as appropriate.

Records of Insurance Cover

- 9.4 The Chief Finance Officer, in conjunction with the Head of Corporate Assurance, shall maintain records of all insurance placed by the Council, showing the property and/or risks covered.

Notification of Risks

- 9.5 Directors and Heads of Service must give prompt notification to the Chief Finance Officer and the Head of Corporate Assurance of all new risks, properties or vehicles that require to be insured and of any alterations affecting existing insurance.
- 9.6 Directors and Heads of Service shall give prompt notification in writing to the Head of Corporate Assurance of any loss, liability, damage or any event which may result in a claim against the Council, or in a claim by the Council under a policy of insurance or otherwise.

Negotiation of Claims

- 9.7 The Head of Corporate Assurance shall negotiate all claims in consultation with other officers as necessary.

Partnerships and 3rd Parties

- 9.8 Directors and Heads of Service, in consultation with Head of Corporate Assurance, must ensure that the correct insurance cover is in place for any arrangements with contractor, partners or 3rd parties prior to such arrangements being entered into.

Fidelity Guarantee Policy

- 9.9 All appropriate employees of the Council shall be included in a suitable fidelity guarantee policy.

10 Audit

Audit requirements

- 10.1 The Accounts and Audit Regulations require every local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.
- 10.2 The Council is responsible for appointing its external auditors. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by the Local Audit and Accountability Act 2014.
- 10.3 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

Provision of Internal Audit

- 10.4 The Chief Finance Officer and Head of Corporate Assurance shall maintain an adequate and effective system of internal audit to satisfy the Council's responsibilities under the Accounts and Audit Regulations 2015. The audit shall be performed, as far as practicable, to the standards set out in the "Public Sector Internal Audit Standards (PSIAS).
- 10.5 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 10.6 Strategy and Resources Committee is responsible for approving the procurement of the Council's internal audit service.

Powers of Internal Auditors

- 10.7 To assist in complying with the requirements of the Accounts and Audit Regulations 2015, the Chief Finance Officer or his authorised representative shall have authority to:
 - (a) Enter at all reasonable times on any Council premises or land.
 - (b) Have access at all times to all records, documents and correspondence relating to any financial and other transactions of the Council, whether held by employees of the Council or by Consultants' employees under a contract for professional services.

- (c) Require and receive such explanations as are necessary concerning any matter under examination.
- (d) Require any employee of the Council to produce cash, stores or any other Council property under his control.

Reporting of Irregularities

- 10.8 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council or any suspected irregularity in the exercise of the functions of the Council the relevant Director or Head of Service concerned shall immediately notify the Chief Finance Officer and the Head of Corporate Assurance. The Chief Finance Officer and/or the Head of Corporate Assurance shall take such steps as considered necessary by way of investigation and report. This regulation does not relieve any Director or Head of Service from giving similar notification to the Chief Executive who may consider any legal and/or disciplinary implications.

Annual Report on Internal Audit

- 10.9 At least once a year a report shall be presented to the Audit, Crime & Disorder & Scrutiny Committee reviewing the internal audit coverage undertaken during the previous year and the audit plan for the forthcoming year.

Chief Internal Auditor

- 10.10 The post of Head of Internal Audit, whether internally appointed or through a contract, shall be a fully qualified member of one of the following bodies: -
- (a) An Institute that is a member of the Consultative Committee of Accounting Bodies (CCAB);
 - (b) The Institute of Internal Auditors.

Internal Audit Charter

- 10.11 The Chief Finance Officer, in conjunction with the Head of Corporate Assurance shall be responsible for approving the Internal Audit Charter Section. The purpose of this document is to:
- (a) to define the internal audit activity's purpose, authority and responsibility;
 - (b) Outline the scope of internal audit work; and
 - (c) Obtain corporate agreement on how internal audit should operate.

Whistleblowing

- 10.12 All officers must report any suspected cases of fraud or corruption and should have regard to the Council's Whistleblowing Policy. The purpose of this policy is to establish a means by which employees who either suspect or have identified cases of fraud, corruption or other malpractice may raise issues of concern and be confident that those issues are dealt with seriously and fairly without fear of harassment.

11 Control of Assets

Use of Council Property

- 11.1 The Council's property must only be used in accordance with the ordinary course of the Council's business. Any other use can only be made in accordance with specific directions issued by the Head of Service concerned.

Property

- 11.2 The Head of Property & Regeneration will maintain an up to date register of all properties owned by the Council. The register shall record the purpose for which held, location, extent, purchase details, particulars of nature of interest and rents payable and particulars of tenancies granted.
- 11.3 The Chief Legal Officer shall have the custody of all title deeds under secure arrangements.

Inventories

- 11.4 Heads of Service shall maintain up to date inventories of the Council's furniture, fittings and equipment, and plant and machinery that has a significant value. The care and custody of such equipment shall be the responsibility of the Managers concerned.
- 11.5 The Head of ICT shall maintain a complete and up to date inventory of all information technology equipment.

Stocks and Stores

- 11.6 Directors and Heads of Service shall be responsible for the care and custody of the stocks and stores in their division. Stocks shall be kept at the optimum level sufficient to provide an effective service.

Responsibility for Security

- 11.7 Each Head of Service is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment cash, and other assets under his control. The Chief Finance Officer must be consulted where security is thought to be defective or where it is considered that special security arrangements may be needed.

Cash Holdings

- 11.8 Maximum limits for each cash holding shall be agreed with the Chief Finance Officer and Head of Corporate Assurance and shall not be exceeded without their express permission (see Finance Rule Book).

Disposal of assets

- 11.9 Each Director or Head of Service shall be responsible for obtaining the best value for the Council when disposing of assets under their control. The Chief Finance Officer shall be responsible for issuing guidance for the disposal of assets (see Finance Rule Book).

12 Treasury Management and Trust Funds

Treasury Management Policy

- 12.1 The Council shall adopt the key recommendations contained in the CIPFA publication "Treasury Management in the Public Services; Code of Practice".
- 12.2 The Council will create and maintain, as the cornerstones for effective treasury management:
- (a) A treasury management policy statement, stating the policies and objectives of its treasury management activities
 - (b) Suitable treasury management practices, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 12.3 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, an interim report providing analysis of current performance and a final annual report, in the form prescribed in its treasury management practices.

- 12.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Audit, Crime & Disorder and Scrutiny Committee and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement and treasury management practices and CIPFA's Standard of Professional Practice on Treasury Management.

Treasury Policy Statement

- 12.5 The content of Treasury Management Strategy will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Any such amendments will not result in the Council materially deviating from the Code's key recommendations.

Treasury Management Practices

- 12.6 The content of treasury management practices will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Any such amendments will not result in the Council materially deviating from the Code's key recommendations.

Reporting on Treasury Management Activities

- 12.7 Each year, the Chief Finance Officer shall report to the Council on the proposed strategy for treasury management for the forthcoming financial year.
- 12.8 The Chief Finance Officer shall report to Audit, Crime & Disorder and Scrutiny Committee annually on the activities of the Treasury Management operation and on the exercise of Treasury Management powers delegated to him/her. The report shall comprise an Annual Report on Treasury Management for presentation by the end of July of the succeeding financial year. A second, interim report on current performance shall be presented in Autumn to the Audit, Crime & Disorder and Scrutiny Committee.

Trust Funds

- 12.9 All trust funds shall be in the name of the Council unless specifically approved by the Council otherwise. The Chief Executive is responsible for ensuring trust funds are operated within any relevant legislation and the specific requirements of each trust.

Investments and Borrowings Records

- 12.10 The Chief Finance Officer shall make all borrowings and investments in the name of the Council, except where and to the extent the Council has authorised its investments to be invested by an outside agent.
- 12.11 The Chief Finance Officer shall maintain a register of loans and investments and records of all borrowings and investments made by the Council.
- 12.12 All negotiable investments, financial bonds and securities held in the name of the Council or its nominees shall be held under secure arrangements.
- 12.13 The requirements of the Council's Treasury Management Policies and Treasury Management Schedules must be followed at all times.

SYSTEMS AND PROCEDURES

13 Systems and Procedures - General

Introduction

- 13.1 Sound systems and procedures are essential to an effective framework of accountability and control.

Responsibility

- 13.2 The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by officers to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. Heads of Service are responsible for the proper operation of financial processes in their own departments.
- 13.3 Any changes to agreed procedures by Directors or Heads of Service to meet their own specific service needs should be agreed with the Chief Finance Officer.

Training

- 13.4 Heads of Service should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.

Data Protection and Freedom of Information Legislation

- 13.5 Heads of Service must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation in line with procedures agreed by the Head of Information Technology and the Council's Information Governance Officer. Divisional Managers must ensure that staff are aware of their responsibilities under the freedom of information legislation.

Schemes of Delegation

- 13.6 It is the responsibility of Directors and Heads of Service to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Director or Head of Service's behalf in respect of payments, income collection and placing orders, together with the limits of their authority.

14 Banking Arrangements and Cheques

Banking Arrangements

- 14.1 The Council shall review its banking arrangements at least every 5 years.
- 14.2 All arrangements with the Council's bankers must be made by or under arrangements approved by the Chief Finance Officer who is authorised to operate such banking accounts as he may consider necessary. For the avoidance of doubt, the Chief Finance Officer is also authorised to make such arrangements as are necessary with custodians for the purposes of holding investments, including cash balances, managed by external fund managers.
- 14.3 Unless otherwise agreed by the Chief Finance Officer, all Council bank accounts shall stand in the name of the Epsom and Ewell Borough Council, but in any case not in the name or designation of any officer.

Bank Stationery

- 14.4 All cheques, and other debit and credit forms shall be ordered only on the authority of the Chief Finance Officer, who shall make proper arrangements for their safe custody.

Signing of Cheques

- 14.5 Cheques on the Council's banking accounts shall bear the facsimile signature of the Chief Finance Officer or be signed by the Chief Finance Officer or other officer authorised to do so.

Electronic Payment Systems

- 14.6 Where payments are to be transmitted electronically, the Chief Finance Officer shall approve the necessary arrangements to safeguard the Council against potential loss.

Authorisation of Payments

- 14.7 All payments, including BACs payments, in excess of £40,000 shall be countersigned by two authorised officers.
- 14.8 Only those Officers identified in the Council's Treasury Management Procedures are authorised to make payments from the Council's accounts or otherwise approve the transmission of funds. Treasury Management Procedures must be followed at all times.

15 Income

Income Policy

- 15.1 The Council's income policy shall be determined by the Strategy and Resources Committee as part of the Financial Plan. The Chief Finance Officer is responsible for setting targets for fees and charges within the Financial Plan.
- 15.2 The charge to be made for any service, so far as not delegated as set out in the Constitution to an officer, must be approved by the relevant service committee.

Review of Fees and Charges

- 15.3 The Heads of Service shall review charges at least once a year. Such charges shall then be submitted to the relevant Committee for approval, except where delegated authority shall otherwise provide. The financial implications of such reviews shall be reflected in the estimates for the forthcoming financial year.

Collection of Monies

- 15.4 The collection of all money due to the Council shall be under the supervision of the Chief Finance Officer or under arrangements specifically approved by the Chief Finance Officer.

Security and Controls

- 15.5 Each Divisional Manager is responsible for the regular review of their department's internal procedures for collecting and controlling income to ensure that the most effective controls are used.

Notification of Income Due

- 15.6 Each Head of Service shall inform the Chief Finance Officer promptly with such particulars of all amounts due as may be required by him to record correctly all sums due to the Council and to ensure the prompt rendering of accounts for the recovery of income due. This shall include details of all contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Chief Finance Officer shall have the right to inspect any documents or other evidence in this connection.

Money Laundering

- 15.7 The Council is required by law to establish procedures for money laundering as set out in the Anti Money Laundering Policy contained in the Finance Rule Book.
- 15.8 The Head of Corporate Assurance discharges the duty of the designated Money Laundering Officer and is responsible for updating policies and procedures and providing advice to all staff. All staff must abide by the policy at all times and take prompt and proper action if they have any suspicions of money laundering.

Recovery of Debts

- 15.9 Heads of Service shall ensure that debts due to the Council are referred to the Chief Finance Officer for recovery without delay.
- 15.10 The Chief Finance Officer shall take all reasonable steps to recover amounts due to the Council, including the appointment of Enforcement Officers or other collection agencies.
- 15.11 The Chief Finance Officer is authorised to initiate County Court proceedings and sign the appropriate forms for the recovery of sundry debts.
- 15.12 With the exception of outstanding Council Tax and Business Rates, all outstanding debts which have been initiated in the County Court but which are being contested shall be referred to the Chief Finance Officer who shall take all reasonable steps to recover them.

Writing Off Debts

- 15.13 A debt that is properly due to the Council shall only be reduced or written off as irrecoverable on the authority of: -
- (a) The Chief Finance Officer for debts up to £5,000, and

- (b) Over £5,000 up to £20,000, in consultation with the Chair of Strategy and Resources provided that they are satisfied that the debt is not recoverable at reasonable effort and expense.
- (c) Write offs in excess of £20,000 should be reported to the Strategy and Resources Committee.

- 15.14 The above limits do not apply to the write off of business rates debts, where the liable party is subject to insolvency action as prescribed in the Insolvency Act 1986 and the Council is not legally able to continue with recovery action. The write-off of these debts can be authorised by the Head of Digital and Service Transformation, in conjunction with the Chief Finance Officer.
- 15.15 A record of all amounts written off shall be maintained by the Chief Finance Officer and shall be kept up to date.

16 Orders for Work, Goods and Services

Key Controls

- 16.1 Orders shall only be issued for goods or services if the cost is covered by an approved revenue or capital budget.
- 16.2 All orders must comply with the Council's Standing Orders for Contracts and the guidelines set down in the Council's Procurement Strategy.
- 16.3 Official orders must be issued for all work, goods or services to be supplied to the Council except for instances listed in the Finance Rule Book and such other exceptions as the Chief Finance Officer may approve.
- 16.4 Directors and Heads of Services are responsible for ensuring that any procurement of contractors is compliant with HMRC's IR35 off-payroll working rules.

Official Orders

- 16.5 Official orders shall be in a form approved by the Chief Finance Officer and are to be signed only by staff approved by the appropriate Director or Head of Service. They shall include any contractual requirements set out in Standing Orders for Contracts.
- 16.6 Each order shall conform to directions regarding purchasing and the standardisation of supplies and materials.

- 16.7 A copy of each order shall be retained by the responsible officer and shall show the cost or estimated cost of the work or goods and the relevant application. The copy may be kept in paper form or in an electronic form.
- 16.8 Telephone, facsimile transfer ("fax") or verbal orders shall be confirmed as soon as practicable, within 2 working days, by official orders that clearly show that they confirm instructions previously issued.
- 16.9 Official orders must only be used for legitimate Council business. They must not be used for the procurement of goods, materials or services for the personal or other use of an employee, nor must personal or private use be made of Council contracts.

Variation of Orders

- 16.10 Variations to Official Orders must be confirmed as soon as practicable in writing with a reference to the original Official Order.

Staff Benefits Scheme

- 16.11 Any procurement under the staff benefit package must be made in accordance with the regulations for that scheme.

Related Party Transactions

- 16.12 Any Officer who is in a position to influence the award of a contract or the placing of an order must inform their Head of Service if a transaction will involve an individual or company with whom they have a relationship.
- 16.13 No-one employed by the Council should enter into a contract with the Council, either as an individual or as a company, other than through their employment contract unless otherwise approved by the Chief Executive.

17 Paying for Work, Goods and Services

Separation of Duties

- 17.1 The activity of ordering/receiving goods should be separate from the authorization of payment of the account.

Method of Payment

- 17.2 The normal method of payment of money due from the Council shall be by BACS drawn on the Council's banking accounts by the Chief Finance Officer.

Certification of Invoices

- 17.3 All managers and authorised signatories are responsible for examining, verifying and certifying invoice(s) and any other payment vouchers arising from activities in their division. An authorized signatory must be satisfied that all works, goods or services received to which the account relates have been carried out , examined and approved, are within budget and are correctly coded. Such certification, by or on behalf of the Director or Head of Service, shall be in manuscript or by an electronic method approved by a Director or Head of Service. The names of officers authorised to sign such records shall be sent to the Chief Finance Officer by each manager together with specimen signatures and shall be amended on the occasion of any change within agreed limits specified in the Finance Rule Book.

Examination of Invoices

- 17.4 Invoices and other payment vouchers shall be passed without delay to the Chief Finance Officer who shall examine them to the extent that is considered necessary, for which purpose he shall be entitled to make such enquiries and to receive such information and explanations as may be required. Where the Chief Finance Officer is satisfied that a certified account has not fully complied with the Council's Standing Orders for Contracts or Financial Regulations, it shall be returned to the certifying officer requesting an explanation. In the event that no satisfactory explanation is forthcoming, the Chief Finance Officer shall report on the circumstances to the Strategic Management Team meeting and take action as necessary.

Payment Policy

- 17.5 Heads of Service shall take all reasonable steps necessary to ensure that the payment is made within 30 days wherever possible.
- 17.6 Special payment terms may only be agreed with suppliers following the prior agreement of the Chief Finance Officer.

Purchasing Cards

- 17.7 Nominated officers agreed by the Chief Finance Officer can have purchasing cards for the purchase of low value approved items. The nominated officers are responsible for ensuring all payments are made timely and correctly with appropriate authorization and vouchers corresponding to payments. The nominated officers are responsible for ensuring their cards are held securely at all time (further details are available in the Finance Rule Book and procedures).

18 Payments to Employees and Members

Responsibility

- 18.1 The Head of Human Resources and Organisational Development is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members.

Payment of Salaries and Wages

- 18.2 The payment of all salaries, wages, pensions, compensations and other emoluments to all employees or former employees of the Council shall be made under arrangements approved and controlled by the Chief Finance Officer.
- 18.3 The Head of Human Resources and Organisational Development shall maintain effective records affecting the payment of salaries and wages, and in particular:
- (a) Appointments, (both permanent and temporary), resignations, dismissals, suspensions, secondments, and transfers;
 - (b) Absences from duty for sickness or other reason, apart from approved leave;
 - (c) Changes in remuneration;
 - (d) Information necessary to maintain records of service for pensions, income tax and National Insurance.

Appointment of Staff

- 18.4 Appointments of all employees shall be made in accordance with the Human Resources Policies and Procedures of the Council and the approved establishments, grades and rates of pay.

Variations to the Establishment

- 18.5 Any proposal to vary the authorised establishment shall be made in accordance with the Human Resources Policies and Procedures approved by the Council.

Time Sheets and other Records

- 18.6 The format of all time records and other pay documents must be approved by the Head of HR and Organisational Development.

Claims for Staff Expenses

- 18.7 All claims for payment of car allowances, training expenses, subsistence allowances, travelling and incidental expenses shall be submitted via the HR Self Service system and duly certified by the appropriate manager, by a specified date in each month.
- 18.8 The certification by the relevant manager shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.
- 18.9 All officers must keep receipts for inspection by HMRC. These should also be submitted to the appropriate manager and stored via the HR Self Service system.

Payments to Members

- 18.10 Payment to Members shall be in accordance with the Council's Members' Allowances Scheme.
- 18.11 Payment to co-opted members entitled to claim travelling and/or other allowances will be made by the Chief Finance Officer upon receipt of the prescribed form duly completed.

19 Taxation

Responsibility

- 19.1 The Chief Finance Officer is responsible for advising Directors and Heads of Service, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- 19.2 The Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.
- 19.3 The Chief Finance Officer be responsible for all communications with HM Revenue and Customs for all matters relating to taxation. The Chief Finance Officer shall maintain records and accounts sufficient to meet the obligations of the collection agencies.
- 19.4 The Chief Finance Officer shall report any significant changes relating to the Council's tax affairs to Strategy and Resources Committee.

- 19.5 The Chief Finance Officer shall be responsible for creating and maintaining an awareness of the importance of effective tax accounting across the whole organisation, and especially among those responsible for the processing of transactions.
- 19.6 The Chief Finance Officer shall issue instructions and manuals as appropriate based on up to date legislation.

Appointment of Advisors

- 19.7 The Chief Finance Officer shall appoint professional advisers where considered necessary to resolve any taxation issues.

Property Transactions

- 19.8 The Chief Finance Officer and Head of Property and Regeneration shall be informed of all proposed acquisitions, disposals, rentals and leasing of property at the planning stage and shall advise on the taxation implications accordingly.

EXTERNAL ARRANGEMENTS

20 Partnerships, External Arrangements and Work for Third Parties

- 20.1 Heads of Service, Directors and the Chief Executive are permitted to bid for external funds, provided they first inform the Chief Finance Officer, and if appropriate the Director and Chief Executive, and can evidence that the bid will have no negative impact on the Council's budget. Should the proposed bid involve a significant issue of policy, it should be reported to the relevant policy committee.
- 20.2 The Chief Finance Officer is responsible for issuing any required guidance on the financial aspects of contracts with third parties and external bodies.
- 20.3 Heads of Service and managers must ensure that work for 3rd parties does not have an adverse impact on any of the Council's services. Before entering into agreements, a risk management appraisal must be undertaken. All guidance issued by the Chief Finance Officer must be complied with and all agreements and arrangements must be properly documented.
- 20.4 The Chief Finance Officer in conjunction with the Head of Corporate Assurance, must ensure that adequate insurance arrangements are in place for all partners, 3rd parties or external arrangements. The Chief Finance Officer is responsible for advising on the tax implications of agreements with other parties.

- 20.5 The relevant Director or Head of Service is responsible for approving partnership arrangements and informing the Chief Finance Officer of such arrangements. Where appropriate Directors or Heads of Service should seek financial and legal advice prior to entering into a partnership arrangement and that risk assessments are undertaken.
- 20.6 Directors and Heads of Service are also responsible for evaluating any long term implications of entering into such arrangements and informing the Chief Finance Officer.
- 20.7 The Director or Heads of Service must also ensure that adequate records are maintained of any expenditure, grant or income including match funding.
- 20.8 The appropriate Director or Head of Service and manager is responsible for ensuring that all funding notified by external bodies is received and used for the intended purpose and properly recorded in the Council's accounts. It is also the responsibility of the appropriate Director or Head of Service to inform the Chief Finance Officer of bids for external funding with any implications such as match funding and or revenue budget implications.
- 20.9 Any contracts must comply with the Council's Contract Standing Orders.

COMMITTEE TERMS OF REFERENCE

Head of Service: Jackie King, Director of Corporate Services

Wards affected: (All Wards);

Urgent Decision?(yes/no)

If yes, reason urgent decision required:

Appendices (attached): Appendix 1 – Amended Committee Terms of Reference

Summary

This report presents the amended Terms of Reference for Committees for approval by Council.

Recommendation (s)

The Council is asked to:

(1) Agree the amended Committee Terms of Reference.

1 Reason for Recommendations

- 1.1 Members are being asked to approve the amended Committee Terms of Reference in order that the Committee budgets can be aligned to the new responsibilities and to reflect the updated Financial Regulations.

2 Background

- 2.1 It was agreed that the Constitution would be reviewed and updated in 21/22 and this work was started but was put on hold due to the impact of Covid 19 and the lead officer for the work leaving the council.
- 2.2 As part of the budget process for 22/23 Members requested that committee budgets were developed in accordance with a review and realignment of the remit of each of the Committees, which would then be reflected in the annual priorities exercise.
- 2.3 To achieve that the Committee Terms of Reference were separated and brought forward in advance of the rest of the Constitution review work.

3 Committee Terms of Reference (ToR)

- 3.1 There has been a robust process to produce the amended ToR. The work has primarily been carried out in conjunction with Committee Chairs, supported by the LGA and the Centre for Governance and Scrutiny (CfGS).
- 3.2 This phase of the Constitution work has concentrated on the main Policy and Regulatory Committees and has also proposed establishing a new Sub-Committee. Members will note in Appendix 1 that there are still some Sub-Committees and Advisory Panel ToR that will require review as we move through the next stages of the workplan.

4 Next Steps

- 4.1 To date the scope of the work has been to review the remit of the Committees in terms of the functions and activities that they cover. Next steps will be to review membership, representation and numbers on each Committee, Sub-committee and Advisory Panel and whether they need to be updated. This will be covered in a separate session in the next few weeks with the Committee Chairs.
- 4.2 This will also cover the remit of the Advisory Panels to ascertain whether they need to be amended or updated in light of the changes made to the main Committees ToR.
- 4.3 Discussions have been held in January 2022 to set the workplan for the next stages of the Constitution review, with a view to having all of the work completed for recommendation to Full Council in April 2022.
- 4.4 The establishment of a cross party working group has been agreed by the Strategy & Resources Committee on 27 January 2022. In addition the members of the Committee will agree a workplan and timetable .
- 4.5 It is acknowledged that a previous working group was established to look at the Standing Orders around speaking at public meetings and the extensive input from members to that piece of work will be incorporated into the Constitution review.

5 Risk Assessment

Legal or other duties

5.1 Impact Assessment

Failure to approve the amended Terms of Reference will result in the priorities and budgets for 22/23 not being fully aligned which may lead to confusion and lack of clear accountability for areas of Committee business and decision making.

5.2 Crime & Disorder

5.2.1 No specific concerns in this report.

5.3 Safeguarding

5.3.1 No specific concerns in this report.

5.4 Dependencies

5.4.1 No specific concerns in this report.

5.5 Other

5.5.1 No specific concerns in this report.

6 Financial Implications

6.1 The proposed changes to Committee responsibilities are expected to be deliverable within the Council's existing overall budget envelope. Where responsibilities are transferred from one Committee to another, the associated existing budget will also be transferred between the relevant Committees, as at the date that the proposed changes become effective.

6.2 **Section 151 Officer's comments:** This Terms of Reference Review incorporates the changes proposed in the Financial Regulations Review as approved by Strategy & Resources Committee on 27th January 2022.

7 Legal Implications.

7.1 The involvement of the Monitoring Officer in this work will ensure that any Constitutional amendments are made in accordance with regulations and legal requirements.

7.2 **Legal Officer's comments:** None arising from the content of this report.

8 Policies, Plans & Partnerships

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

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

8.3 **Climate & Environmental Impact of recommendations:** Under the terms of reference Climate Change and environmental improvement schemes are the responsibility of Environment & Safe Communities Committee

8.4 **Sustainability Policy & Community Safety Implications:** under the terms of reference environmental protection, pollution control and biodiversity are the responsibility of Environment & Safe Communities Committee.

8.5 **Partnerships:** none arising from the content of this report

9 Background papers

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

Previous reports:

None

Other papers:

None

COMMITTEE TERMS OF REFERENCE

Explanation of Terms

Subject to the urgency provisions of (vii) below, powers, duties, and delegation arrangements for each Committee are set out under these headings:

1. TERMS OF REFERENCE

These set out the duties/functions/provision of services for which a Committee is responsible.

2. TO RECOMMEND (matters reserved for Full Council to determine)

This signifies that a Committee has no power of decision but may only make recommendations to Full Council to be determined there. Such recommendations are to the Council unless expressly stated to be otherwise.

3. TO RESOLVE (matters reserved for a Committee to determine)

This signifies that the Council has delegated its power to decide issues to a Committee. A Committee can resolve matters within its terms of reference, provided they are not reserved for determination by Full Council (by virtue of this Constitution or statute) even if the matter concerned does not appear within the list of its 'resolved' functions.

4. DELEGATION TO:

Each **Sub-Committee** is identified within the main Terms of Reference of each committee, together with (if any) the powers delegated by the parent Committee.

The Chief Executive and other Chief Officers (i.e. Statutory Officers, Directors and the Head of Finance) are empowered to exercise, on behalf of the Council, all those functions, which are not reserved in this Constitution for determination by Council, Committees or Sub-Committees.

5. URGENCY POWERS

The Chief Executive and Chief Officers are authorised to take decisions on the grounds of urgency regarding matters which would otherwise be reserved for determination by a Committee or Council. A matter can be deemed urgent if, in the reasonable opinion of the officer concerned, a delay would seriously prejudice the interest of the Council or of the public and it is not practicable to convene a quorate meeting of the relevant decision-making body in sufficient time to take the decision. The officer concerned shall also:

- advise and seek the views of the Chair of the appropriate Committee at the earliest opportunity;
- report the matter to next scheduled meeting of the appropriate Committee; and
- ensure all members are advised at the earliest opportunity (via members update currently).

6. **General arrangements**

- Notwithstanding the fact that a body has delegated a power to another body, the delegating body may elect to take a decision on such a matter itself.
- The Council, its Committees and Sub-Committees may delegate individual decisions to other Council bodies or Officers from time to time.
- Principles or policies laid down by the Council or its Committees shall not be contravened or varied without further recourse to the Council or the relevant Committee as appropriate.

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COMMUNITY AND WELLBEING COMMITTEE

(10 members)

1. TERMS OF REFERENCE

1. To carry out the functions falling within the committee's area of responsibility as set out below, working within the budget and policy framework approved by Council, except where these functions remain reserved to the Council or have been delegated to another Committee within the Council's scheme of delegation.
2. To establish Sub-Committees to progress work of the Committee.
3. To decide on matters falling within its responsibility or delegate decision making to Directors. However, this does not prevent the Committee from choosing to exercise the function itself.

Areas of responsibility:

- a. Tourism, culture, and recreational activities including the arts, sports and other leisure activities;
- b. PREVENT and PROTECT (part of the CONTEST – Counter Terrorism strategy);
- c. Council venues including The Playhouse, Bourne Hall, Ewell Court House, The Rainbow Centre, Bourne Hall Museum;
- d. Services for young people;
- e. Affordable housing;
- f. Strategic housing and investment;
- g. Housing standards, homelessness, homelessness prevention and advice, housing needs assessment;
- h. Housing benefit in relation to welfare aspects;
- i. Private sector housing and administration of housing grants;
- j. Collaboration and Partnerships related to the remit of this Committee;
- k. Personal social services for older and disabled persons including community meals services, community alarm, day centres, community transport;

- l. Community and Voluntary sector grants;
- m. Consultations on local health service provision and NHS services;
- n. Armed Forces Covenant;
- o. Voluntary Sector.

In carrying out its responsibilities the Committee will

- 1. Work in partnership with other Policy committees and sub committees.
- 2. Develop, make decisions about and keep under review the Committee's budget ensuring any decisions about spend are made within the allocated budget envelope.
- 3. Ensure any decisions about additional spend to the Committee's agreed budget are in accordance with the Financial Regulations.
- 4. Have consideration to the Risk Management Strategy, Key Performance indicators and any action relevant to the Committee's remit;
- 5. Work with the Voluntary Sector, health partners and other agencies.
- 6. Have oversight of any matters of interest or concern relevant to this Committees remit.

2. TO MAKE RECOMMENDATIONS REGARDING:

- a. Changes to this Committee's Terms of Reference.
- b. Other matters under the Committee's jurisdiction which, by virtue of statutory provision, must be determined by full Council.
- c. New policies or changes in policy within the remit of the Committee which would require resources beyond those allocated to the Committee.

3. TO RESOLVE

- a. New policies or changes in policy within the remit of the Committee which can be accommodated within the Committee's overall allocation of resources.

4. DELEGATION TO OFFICERS

- 1. To the Chief Executive and Directors, the power to implement Council/Committee policies and deal with the day-to-day management of services relevant to this Committee, including the discharge of all functions of the Council, except for those which are

identified above as reserved for determination by the Council, Committee or Sub-Committee.

2. The officers referred to in 1. above have the power in turn to delegate to other officers of their choice, the power to deal on their behalf and in their name with any of the above functions. Such delegation shall be in writing and signed by the relevant SMT Member and may contain such limitations or be subject to such conditions as that Officer shall decide.
3. Where committee delegated action has been taken by officers in 1. and 2. above, or the use of urgency powers has been exercised by the Chief Executive or Director this must be reported back to the Chair and Vice Chair at the next available meeting.

Health Liaison Panel

To advise the Community & Wellbeing Committee on:

(These ToR have not been amended at this stage as there needs to be a review of the scope of this panel)

1. Preparing, promoting and monitoring the Council's Health Strategy in association with National Health Service bodies, Social Services and the voluntary sector;
2. Providing leadership and liaising with NHS bodies, the County Council and other agencies to promote the effective use of all resources and the delivery of best value Health and Social Services to the community.
3. Working in partnership with a Member from each of the following – Elmbridge Borough Council, Mole Valley District Council, Reigate & Banstead District Council and officers from these local authorities on:
 - a. Promoting the interests of the local residents in any decisions concerning health services;
 - b. Developing a shared vision for the nature, location and quality of local NHS services;
 - c. Facilitating partnership working and the sharing of information and to co-ordinate input into the NHS decision-making processes.
4. Providing a focus for the Councillor-lead meetings and interaction with local NHS representatives.

5. Furthering the local democratic legitimacy of NHS bodies and their local public accountability.

ENVIRONMENT AND SAFE COMMUNITIES

(10 Members)

1. TERMS OF REFERENCE

1. To carry out the functions falling within the committee's area of responsibility as set out below, working within the budget and policy framework approved by Council, except where these functions remain reserved to the Council or have been delegated to another Committee within the Council's scheme of delegation.
2. To recommend to Council new or changes in previously agreed policies.
3. To establish Sub Committees to progress work of the Committee.
4. To decide on matters falling within its responsibility or delegate decision making to Directors. However, this does not prevent the Committee from choosing to exercise the function itself.

Areas of responsibility:

- a. Waste management refuse collection and recycling services;
- b. Climate change and environmental improvement schemes;
- c. Highway matters that are the responsibility of the Borough Council including drainage;
- d. Consider and approve local transportation policy;
- e. PROTECT strategy;
- f. Contaminated Land and Waterways;
- g. Parks, open spaces and countryside and Allotments;
- h. Grounds maintenance;
- i. Public spaces, public realm and cleansing;
- j. Street trading including markets;
- k. Environmental protection, pollution control and biodiversity;
- l. Food hygiene;
- m. Health & Safety;

- n. Burials, cemeteries, and closed churchyards;
- o. Street naming and numbering;
- p. Parking including the provision and management of parking and the fixing of charges and parking enforcement.
- q. Collaboration and Partnerships related to the remit of this Committee.

In carrying out its responsibilities the Committee will

- 1. Work in partnership with other Policy committees and sub committees;
- 2. Develop, make decisions about and keep under review the Committee's budget ensuring any decisions about spend are made within the allocated budget envelope;
- 3. Ensure any decisions about additional spend to the Committee's agreed budget are in accordance with the Financial Regulations;
- 4. Have consideration to the Risk Management Strategy, Key Performance indicators and any action relevant to the Committee's remit;
- 5. Work with partners and other agencies to fulfil its responsibilities;
- 6. Have oversight of any matters of interest or concern relevant to this Committees remit.

2. TO MAKE RECOMMENDATIONS REGARDING:

- a. Changes to this Committee's Terms of Reference.
- b. Other matters under the Committee's jurisdiction which, by virtue of statutory provision, must be determined by full Council.
- c. New policies or changes in policy within the remit of the Committee which would require resources beyond those allocated to the Committee.

3. TO RESOLVE

- a. New policies or changes in policy within the remit of the Committee which can be accommodated within the Committee's overall allocation of resources.
- b. Responses to consultations from the Government, other authorities and external agencies where there is a potentially significant impact upon the delivery of services falling under the remit of the Committee.

- c. Rents and charges for services, accommodation and land, not under the purview of another Committee.

4. DELEGATION TO CRIME AND DISORDER SUB-COMMITTEE

1. Act as the local Crime & Disorder Committee;
2. To call upon representatives of outside organisations and partner agencies to present information about services which have a significant impact upon local residents including measures delivered via the Community Safety Partnership.

5. DELEGATION TO OFFICERS

1. To the Chief Executive and Directors, the power to implement Council/Committee policies and deal with the day-to-day management of services relevant to this Committee, including the discharge of all functions of the Council, except for those which are identified above as reserved for determination by the Council, Committee or Sub-Committee.
2. The officers referred to in 1. above have the power in turn to delegate to other officers of their choice, the power to deal on their behalf and in their name with any of the above functions. Such delegation shall be in writing and signed by the relevant SMT Member and may contain such limitations or be subject to such conditions as that Officer shall decide.
3. Where committee delegated action has been taken by officers in 1. and 2. above, or the use of urgency powers has been exercised by the Chief Executive or Director this must be reported back to the Chair and Vice Chair at the next available meeting.

Crime and Disorder Sub Committee

1. To be active members of the Community Safety Partnership (CSP), which is a statutory multi agency group which meets quarterly with the remit to work together to reduce crime and disorder in the community. The primary functions of the CSP are to:
 - reduce high harm crime (Child Sexual Exploitation, Violence Against Women and Girls, Serious Organised Crime including Human Trafficking and Modern Slavery) and anti-social behaviour by tackling offenders, reduce reoffending and to support vulnerable victims and areas;

- protect the most vulnerable individuals in our communities from high harm and abuse;
 - maintain public confidence by making residents feel safe and secure.
2. The PREVENT and PROTECT activities, both part of the CONTEST (Counter Terrorism) strategy which uses an early intervention multi-agency problem solving approach to manage risk and works in pre criminal space. The main aim of the Prevent workstream is to reduce the threat to the UK from terrorism by stopping people becoming terrorists or supporting terrorism. The PROTECT workstream concentrates on keeping the public safe from an attack.

LICENSING AND PLANNING POLICY COMMITTEE

(10 members)

1. TERMS OF REFERENCE

1. To be responsible for exercising regulatory and policy functions under the relevant legislation concerning the determination of:
 - a. Alcohol and entertainment licence applications;
 - b. Gambling licence applications;
 - c. Applications for the granting, renewal, transfer or revocation of sex establishments licenses; private hire and public hire licences.
2. To be responsible for influencing and controlling development and use of land as Local Planning Authority including:
 - a. Preparation, adoption and review of the statutory Development Plan, including Local Development Documents;
 - b. Preparation, adoption and review of Supplementary Planning Documents.
3. To carry out the functions falling within the Committee's area of responsibility as set out below, working within the budget and policy framework approved by Council, except where these functions remain the reserve of the Council or have been delegated to another Committee within the Council's scheme of delegation.
4. To recommend to council new or changes to previously approved policies.
5. To establish Sub Committees or member working groups to progress work of the Committee.
6. To decide on matters falling within its responsibility or delegate decision making to Directors of the council. However, this does not prevent the Committee from choosing to exercise the function itself.

Areas of responsibility:

- a) To consider and approve Local Plan documents for public consultation (including Development Plan Documents up to Preferred Options stage and Supplementary Planning Documents up to Consultation stage);
- b) To consider and recommend for approval to Council, submission versions of Development Plan documents;

- c) To consider and approve final versions of Supplementary Planning Guidance (including Masterplans and Design Codes) Planning Guidance Documents, land use policy statements, masterplans and briefs for specific areas;
- d) and any subsequent changes to the Development Plan not constituting a new or substantially revised Development Plan Document;
- e) To consider and approve other informal policy guidance for adoption;
- f) To consider and approve the Council's Local Development Scheme and Annual Monitoring Report;
- g) To consider and approve (i) draft Conservation Area Appraisals and Management Plans for public consultation and (ii) the final version of Conservation Area Appraisals and Management Plans;
- h) To consider and approve the Council's Local List of historic assets or policy documents to safeguard the historic environment;
- i) To consider and approve matters related to the Community Infrastructure Levy (CIL) leading up to the examination in public and the adoption of the CIL charging schedule;
- j) To consider and comment upon other authorities' or stakeholder's planning policy documents;
- k) To respond to government consultations on draft planning legislation and proposed planning policies;
- l) To consider any other planning policy matters not included in any of the above as deemed necessary by the Head of Planning;
- m) To consider and approve Hackney Carriage and Private Hires policies and procedures;
- n) To consider and determine (or delegate to a Licensing Sub Committee):
 - (i) Opposed and/or contentious applications made under the Licensing Act 2003 and/or applications for review under the said Act;
 - (ii) Opposed and/or contentious applications made under the Gambling Act 2005 and/or applications for review under the said Act;

- (iii) Opposed and/or contentious applications for the granting, renewal, transfer or revocation or sex establishments licenses; private hire and public hire licences in reference to applications listed in 1 a) above;
- o) To consider and approve a licensing policy statement and gambling policy statement for recommendation to the Council and to keep this under review in accordance with the Licensing Act 2003 and the Gambling Act 2005 respectively;
- p) Collaboration and Partnerships related to the remit of this Committee.

2. TO MAKE RECOMMENDATIONS REGARDING:

- a. Changes to this Committee's Terms of Reference.
- b. Other matters under the Committee's jurisdiction which, by virtue of statutory provision, must be determined by full Council.
- c. New policies or changes in policy within the remit of the Committee which would require resources beyond those allocated to the Committee.

3. TO RESOLVE:

- a. New policies or changes in policy within the remit of the Committee which can be accommodated within the Committee's overall allocation of resources.
- b. Preparation and review of Local Planning Development Documents.
- c. Adoption of Neighbourhood Development Plans.
- d. Adoption of Supplementary Planning Documents.
- e. Confirmation of Conservation Area designations.
- f. Confirmation of lists of local heritage assets.
- g. Responses to consultations from the government, other authorities, external agencies and other bodies, including transportation related consultations, where they would have a significant impact on the delivery of the Local Plan or on the District's environment.
- h. The seeking of Deemed Planning Consents.
- i. Approving Local Development Orders, Neighbourhood Development Orders and Community Right to Build Orders.

4. DELEGATION TO OFFICERS

1. To the Chief Executive and Directors, the power to implement Council/Committee policies and deal with the day-to-day management of services relevant to this Committee, including the discharge of all functions of the Council, except for those which are identified above as reserved for determination by the Council, Committee or Sub-Committee.
2. The officers referred to in a) above have the power in turn to delegate to other officers of their choice, the power to deal on their behalf and in their name with any of the above functions. Such delegation shall be in writing and signed by the relevant SMT Officer and may contain such limitations or be subject to such conditions as that Officer shall decide.
3. Where committee delegated action has been taken by officers in a). and b) above, or the use of urgency powers has been exercised by the Chief Executive or Director this must be reported back to the Chair and Vice Chair at the next available meeting.

The Licensing (Hearings) Sub Committee

Determination of license/registration applications relating to:

- (a) a personal licence where an objection has been made;
- (b) a personal licence with unspent convictions;
- (c) a premises licence where a representation has been made;
- (d) a club premises certificate where a representation has been made;
- (e) a provisional statement where a representation has been made;
- (f) a variation of a premises licence/club premises certificate where a representation has been made;
- (g) a variation of designated premises supervisor if there is a police objection;
- (h) a transfer of premises licence if there is a police objection;
- (i) interim authorities if there is a police objection;
- (j) review of a premises licence/club premises certificate.

The Licensing (General) Sub Committee

Determination of license/registration applications relating to:

- (a) Opposed and/or contentious applications for the granting, renewal, transfer or revocation of gaming permits;
- (b) Opposed and/or contentious applications for the granting, renewal, transfer or revocation of sex establishment licences;
- (c) Contentious applications for the grant or renewal of Private Hire and Hackney Carriage Driver, Vehicle and Operator Licences and the refusal, suspension or revocation of these licences where serious offences or breaches of licence conditions have been committed.

STRATEGY AND RESOURCES COMMITTEE

(10 Members)

1. TERMS OF REFERENCE

1. To make recommendations to the Council on budget and policy matters;
2. To provide strategic direction to the operation of the Council, determining policies in the areas set out below and any cross-cutting policies that impact on other Committee areas;
3. To make decisions regarding land and property including acquisition, disposal and appropriation, not within the purview of any other Committee;
4. To provide strategic oversight of the Corporate Risk Register;
5. To be responsible for all policy matters not otherwise allocated to any other Committee and to determine any disputes or differences between Committees;
6. The annual budget preparation process and consideration of overall Committee budgets, including the setting of Council Tax and prudential indicators.
7. Civic and Ceremonial matters (including the appointment of representatives on Outside Bodies with the exception of the list considered at the Annual Meeting of the Council; Members' Allowances and Regalia).
8. The appointment of, and disciplinary action against, Chief and Statutory Officers.

Areas of responsibility:

- a. Lead on the Corporate Governance Framework (jointly with the Chairs of Standards & Constitution and Audit & Scrutiny Committees) incorporating Strategic Planning, Corporate Risk and Performance Management;
- b. Council compliance with Financial Regulations;
- c. All matters relating to the oversight of the approved Council Budget and Policy Framework (including the setting of staff pay);
- d. Medium Term Financial Strategy to include, though not exclusively, Capital Investment Strategy, Council tax support scheme, Business Rates and use of Council reserves;
- e. Implementation and monitoring of Treasury management policies;

- f. Asset management Strategy including the purchase, management and disposal of real property owned or held by the Council (note other committees may have responsibilities for service provision, venues or activities);
- g. Community right to Challenge and Community Right to bid for Assets of Community Value;
- h. Exercise the Council's functions as Shareholder and consider recommendations from the Shareholders Sub Committee, making decisions as required;
- i. Exercise of the Council's powers as Trustee of any land or money held by the Council in trust
- j. Administration of Council Tax & Housing benefits;
- k. Collaboration and Partnerships related to the remit of this Committee;
- l. Electoral matters including polling stations, ward boundaries, ballots and referendums;
- m. Procurement strategy and those matters that have budget or procurement implications for more than one committee;
- n. The local economy and regeneration;
- o. Emergency planning, resilience and business continuity;
- p. Agreeing, recommending and reviewing key Corporate and Financial strategies (including but not limited to those relating to Workforce matters; ICT; Information Management, Information Governance and Data Protection; Communication and Engagement) which do not fall within the remit of other Committees.
- q. Dealing (in the first instance) with any matters of general policy which do not fall within the terms of reference of any other committee and are not reserved to the Full Council.

In carrying out its responsibilities the Committee will

- 1. Work in partnership with other Policy Committees and Sub Committees;
- 2. Develop, make decisions about and keep under review the Committee's budget ensuring any decisions about spend are made within the allocated budget envelope;
- 3. Ensure any decisions about additional spend to the Committee's agreed budget are in accordance with the Financial Regulations;

4. Have consideration to the Risk Management Strategy, Key Performance indicators and any action relevant to the Committee's remit;
5. Have oversight of any matters of interest or concern relevant to this Committees remit.

2. TO MAKE RECOMMENDATIONS REGARDING:

- a. New policies or changes in policy within the remit of the Committee which would require resources beyond those allocated to the Committee;
- b. Financial programmes for overall revenue and capital expenditure, including the Medium Term Financial Strategy and, as part of the annual budget setting process, the level of Council Tax and Prudential Indicators, subject to consultation with other Policy Committees;
- c. Changes of use of Council owned (General Fund) land, subject to consultation with other Policy Committees who may be responsible for services currently operating from the land in question;
- d. Annual pay policy statements;
- e. Civic and ceremonial matters as detailed in 1 (7) above;
- f. Polling District and Ward Reviews, ballots and referendums;
- g. Changes to this Committee's Terms of Reference;
- h. Other matters under the Committee's jurisdiction which, by virtue of statutory provision, must be determined by full Council.

3. TO RESOLVE

1. New policies or changes in policy within the remit of the Committee which can be accommodated within the Committee's overall allocation of resources;
2. The formation of other subsidiary companies and special purpose vehicles as deemed necessary to support property projects;
3. Determination of applications by community organisations for rental subsidies in respect of their use of Council owned land;
4. Determination of the tax base for Council Tax purposes;
5. Rents and charges for services, accommodation and land which are outside of the purview of other Committees;

6. Responses to consultations from the Government, other authorities and external agencies where there is a potentially significant impact upon the delivery of services falling under the remit of the Committee.

4. DELEGATION TO OFFICERS

1. To the Chief Executive and Directors, the power to implement Council/Committee policies and deal with the day-to-day management of services relevant to this Committee, including the discharge of all functions of the Council, except for those which are identified above as reserved for determination by the Council, Committee or Sub-Committee.
2. The officers referred to in 1. above have the power in turn to delegate to other officers of their choice, the power to deal on their behalf and in their name with any of the above functions. Such delegation shall be in writing and signed by the relevant SMT Member and may contain such limitations or be subject to such conditions as that Officer shall decide.
3. Where committee delegated action has been taken by officers in 1. and 2. above, or the use of urgency powers has been exercised by the Chief Executive or Director this must be reported back to the Chair and Vice Chair at the next available meeting.

Shareholder Sub Committee

(These ToR have not been amended as this will be done as part of the Annual Plan priority of reviewing EEPIC)

- (a) Power to remove and appoint company directors;
- (b) Approve the annual company business plan, ensuring that it aligns with the corporate objectives of the Council;
- (c) Periodically evaluate financial performance of a company, and performance against the current business plan;
- (d) Consider any recommendations to cease trading by a company;
- (e) Monitor compliance with relevant legislation;
- (f) Approve any Shareholder Agreement with the company, or any variation to such agreement;

- (g) Consider such other matters, as require prior consultation with shareholders or as are reserved to the Shareholders in general meeting and make such decision on those matters as they think fit.

Financial Policy Panel

1. TERMS OF REFERENCE

1. To advise the Strategy and Resources Committee on the budget setting framework for the next financial year;
2. Consider the annual central government funding settlement and provide a recommendation to Council on the level of council tax for the next financial year, with a cross-Committee mandate;
3. Consider the Treasury Management Strategy, before it is recommended for approval at Full Council.

Human Resources Panel

(These ToR have not been amended at this stage as there needs to be a review of the scope and frequency of this panel)

1. TERMS OF REFERENCE

1. To advise the Strategy and Resources Committee on:
 - a. employment policies and good practice (excluding the setting of staff pay);
 - b. staff wellbeing.
2. The Panel is able to invite the Staff Consultative Group to attend the Panel as and when required or to present such reports as it may require.

AUDIT AND SCRUTINY COMMITTEE

(10 Members)

1. TERMS OF REFERENCE

1. To be responsible for the scrutiny and review of the decisions and performance of the Council;
2. To carry out the functions falling within the Committee's area of responsibility as set out below, working within the budget and policy framework approved by Council, except where these functions remain the reserve of the Council or have been delegated to another Committee within the Council's scheme of delegation.
3. To seek assurance of the existence and application of key policies and strategies as well as undertaking scrutiny of performance monitoring to evaluate whether expected outcomes are being achieved in accordance with the Council's Strategic Plan.
4. To establish Sub-Committees to progress work of the Committee.
5. To decide on matters falling within its responsibility or delegate decision making to Directors of the council. However, this does not prevent the Committee from choosing to exercise the function itself.

Areas of Responsibility:

- a. Overall responsibility for audit and governance frameworks (including functions of an audit committee);
- b. Oversee compliance with the Council's duties concerning Best Value;
- c. Monitor implementation of agreed recommendations and actions from both the Internal and External audit reports;
- d. Monitor progress on the Council's Annual Plan on a quarterly basis;
- e. Review and approve the Annual Governance Statement;
- f. Exercise scrutiny over the Council's budget; the management of its budget, capital programme, treasury management, reserves, revenue borrowing and assets and the audit arrangements thereof, plus associated strategy and policies;
- g. Exercise scrutiny of the quarterly budget monitoring reports;

- h. Exercise scrutiny and approval (where applicable) of the annual Statement of Accounts, financial outturn, and external audit reports;
- i. Receive an annual report setting out the activities relating to compliance with key council policies including (but not limited to) Anti-Bribery, Anti-Corruption, Whistleblowing policies, Modern Slavery and Equality, Diversity and Inclusion;
- j. Receive and review the Local Government Ombudsman's annual report;
- k. Receive and review, on a quarterly basis, the latest version of the key performance indicators and targets from each Committee which seek to ensure the provision of cost effective, quality services to the community (as part of the Council's own performance management regime);
- l. Review and/or scrutinise decisions made, or actions taken, in connection with the discharge of any of the Council's functions and make reports and/or recommendations to full Council where necessary;
- m. Undertake, in specific circumstances, pre-scrutiny reviews relating to Council services, projects or services;
- n. Exercise the right to call-in, for reconsideration, decisions made but not yet implemented by any Policy Committee.

In carrying out its responsibilities the Committee will

- 1. Work in partnership with other Policy committees and Sub Committees.
- 2. Have consideration to the Corporate Risk Management Strategy, Key Performance indicators and any other actions relevant to the Committee under scrutiny;
- 3. Have oversight of any matters of interest or concern relevant to this Committees remit.

2. TO MAKE RECOMMENDATIONS REGARDING:

- a. Matters with significant budgetary and/or policy implications arising from Internal or External audit reports.
- b. Matters with significant budgetary and/or policy implications arising from the reviewing and scrutinising of the performance of the Council in relation to its policy objectives, performance targets, Committee Work Plans and any Government sponsored assessment regime.

- c. Matters with significant budgetary and/or policy implications arising from presentations by representatives of outside organisations about services which have a significant impact upon local residents.
- d. Consideration of any Councillor Call for Action.
- e. Changes to this Committee's Terms of Reference.
- f. Other matters under the Committee's jurisdiction which, by virtue of statutory provision, must be determined by full Council.

3. TO RESOLVE:

- a. Matters in connection with 2 (a) to (c) above with no significant budgetary and/or policy implication.
- b. Decisions to refer matters to Policy Committees.

4. DELEGATION TO OFFICERS

- 1. To the Chief Executive and Directors, the power to implement Council/Committee policies and deal with the day-to-day management of services relevant to this Committee, including the discharge of all functions of the Council, except for those which are identified above as reserved for determination by the Council, Committee or Sub-Committee.
- 2. The officers referred to in 1. above have the power in turn to delegate to other officers of their choice, the power to deal on their behalf and in their name with any of the above functions. Such delegation shall be in writing and signed by the relevant SMT Member and may contain such limitations or be subject to such conditions as that Officer shall decide.
- 3. Where committee delegated action has been taken by officers in 1. and 2. above, or the use of urgency powers has been exercised by the Chief Executive or Director this must be reported back to the Chair and Vice Chair at the next available meeting.

PLANNING COMMITTEE

(13 members)

1. TERMS OF REFERENCE

1. To be responsible for exercising regulatory functions under the Town and Country Planning legislation specifically:
 - i. Determination of planning and related applications.
 - ii. Determination of Tree Preservation and High Hedges applications
2. To receive and review the summary of enforcement action taken in response to breaches of control on a quarterly basis.
3. To receive and review summaries of planning appeals on a quarterly basis or when appeals have been received as appropriate

2. TO MAKE RECOMMENDATIONS REGARDING:

- a. Applications for planning related permission submitted by the Council itself.
- b. Changes to the Committee's Terms of Reference.
- c. Other matters under the Committee's jurisdiction which, by virtue of statutory provision, must be determined by full Council.

3. TO RESOLVE:

- a. Determination of planning and related applications referred to the Committee by any Member of the Council and/or the Head of Planning in accordance with the provisions set out in the Councils constitution
- b. Guidelines under which the Committee shall determine its level of involvement in individual planning, building and enforcement decisions.
- c. Confirmation (or modification) of Tree Preservation Orders where there are unresolved objections.

4. DELEGATION TO OFFICERS

- a. To the Chief Executive and Directors, the power to implement Council/Committee policies and deal with the day-to-day management of services relevant to this Committee, including the discharge of all functions of the Council, except for those which are

identified above as reserved for determination by the Council, Committee or Sub-Committee.

- b. The officers referred to in 1. above have the power in turn to delegate to other officers of their choice, the power to deal on their behalf and in their name with any of the above functions. Such delegation shall be in writing and signed by the relevant SMT Member and may contain such limitations or be subject to such conditions as that Officer shall decide.
- c. To the Chief Executive and Directors the power to authorise, in writing, officers to enter on to land or to apply for a warrant and thereafter enter land pursuant to sections 196A-196C and 214B-214D of the Town and Country Planning Act 1990 as amended.

STANDARDS AND CONSTITUTION

(9 Members)

1. TERMS OF REFERENCE

1. Promoting and maintaining high standards of conduct by Councillors in accordance with the duty contained in Section 27 of the Localism act 2011.
2. Assisting Councillors to observe the Members' Code of Conduct.
3. Advising the Council on the adoption or revision of the Members' Code of Conduct.
4. Granting dispensations under Section 33 of the Localism act 2011 to Councillors from the requirements relating to interests set out in the Members' Code of Conduct.
5. Making arrangements for investigating and determining complaints regarding alleged breaches of the Members' Code of Conduct.
6. Discharging, through a Hearings Panel, decisions made following consideration of reports by an Investigating Officer in connection with 5) above.
7. Receiving requests for, and/or proposing, review of the Constitution or parts thereof as necessary.

2. TO MAKE RECOMMENDATIONS REGARDING:

1. Significant revisions to the Constitution (subject to other Policy Committees being able to make recommendations direct to Council about proposed changes to their Terms of Reference).
2. The adoption and revision of the Members' Code of Conduct.
3. Changes to the Committee's Terms of Reference.
4. Other matters under the Committee's jurisdiction which, by virtue of statutory provision, must be determined by full Council.

3. TO RESOLVE:

The granting of dispensations in the following circumstances (under Section 33 of the Localism act 2011) to Councillors from the requirements relating to interests set out in the Members' Code of Conduct:

- a. that without the dispensation, the representation of Political Groups transacting the business would be so upset as to alter the outcome of any vote on the matter;
- b. that dispensation is in the interests of persons living in the authority's area;
- c. it is otherwise considered appropriate to grant a dispensation.

4. DELEGATION TO HEARINGS PANELS

1. Determination of complaints referred by an Investigating Officer regarding alleged breaches of the Members' Code of Conduct.
2. Such Panels shall comprise three Borough Councillors serving on the Standards and Constitution Committee.

5. DELEGATION TO OFFICERS

1. To the Monitoring Officer, in consultation with the Chair of the Standards and Constitution committee, to grant dispensations in situations where so many Members of the decision-making body have Disclosable Pecuniary Interests in a matter that it would otherwise impede the transaction of the business.
2. To the Monitoring Officer and/or Deputy Monitoring Officer respectively the power to determine matters in respect of the Code of Conduct and arrangements for dealing with allegations of breach (following consultation with the Independent Person where required) except for those which are identified above as reserved for determination by the Council, Committees or Hearings Panel.

Standards and Constitution - Hearing Sub Committee

Determination of complaints referred by the Monitoring Officer and Investigating Officer regarding alleged breaches of the Members' Code of Conduct. Such Panels shall comprise three Borough Councillors serving on the Standards and Constitution Committee.