

AUDIT AND SCRUTINY COMMITTEE

Thursday 17 November 2022 at 7.30 pm

Place: Council Chamber, EpsomTown Hall

Link for public online access to this meeting: https://attendee.gotowebinar.com/register/8353224459240843787

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

Councillor Steve Bridger (Chair)
Councillor Nigel Collin (Vice-Chair)
Councillor Rob Geleit
Councillor David Gulland
Councillor Christine Howells

Councillor Previn Jagutpal Councillor Phil Neale Councillor David Reeve Councillor Alan Sursham Councillor Chris Webb

Yours sincerely

Interim Chief Executive

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

EMERGENCY EVACUATION PROCEDURE

No emergency drill is planned to take place during the meeting. If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions.

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move to the assembly point at Dullshot Green and await further instructions; and
- Do not re-enter the building until told that it is safe to do so.

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 terms of reference and membership of this Committee are available on the Council's website. The website also provides copies of agendas, reports and minutes.

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Exclusion of the Press and the Public

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

Questions from the Public

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

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

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

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

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

Written questions must be received by Democratic Services by noon on the tenth working day before the day of the meeting. For this meeting this is **Noon**, **Thursday 3 November 2022**

Registration for oral questions is open until noon on the second working day before the day of the meeting. For this meeting this is **Noon, Tuesday 15 November 2022**

AGFNDA

1. QUESTION TIME

To take any questions from members of the Public.

2. DECLARATIONS OF INTEREST

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

3. MINUTES OF THE PREVIOUS MEETING (Pages 5 - 10)

The Committee is asked to confirm as a true record the Minutes of the Meeting of the Committee held on 14 June 2022 (attached) and to authorise the Chair to sign them.

4. 2021-22 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS (Pages 11 - 154)

This report presents the 2021/22 Statement of Accounts and Grant Thornton's Audit Findings report following the external audit.

5. INTERNAL AUDIT PROGRESS REPORT 2022-2023 (NOVEMBER 2022) (Pages 155 - 174)

This report summarises progress against the Internal Audit Plan 2022-2023.

6. TREASURY MANAGEMENT YEAR-END PERFORMANCE 2021/22 (Pages 175 - 190)

This report presents the Council's treasury management performance in 2021/22.

7. **2022/23 INTERIM TREASURY MANAGEMENT PERFORMANCE** (Pages 191 - 198)

This report provides an update on treasury management performance for the first six months of 2022/23.

8. **COUNTER FRAUD & WHISTLEBLOWING** (Pages 199 - 206)

This report provides the committee with an overview of the systems and processes the Council has in place to prevent, detect and address fraud.

9. **EQUALITY, DIVERSITY & INCLUSION REPORT** (Pages 207 - 216)

The report provides an overview of the activities undertaken by the Council regarding equality, diversity and inclusion.

10. PERFORMANCE & RISK REPORT - SEPTEMBER 2022 (Pages 217 - 246)

The appendix to this report provides an overview of the council's performance with respect to its annual plan objectives, key performance indicators and corporate risks.

11. **REVENUE BUDGET MONITORING - QUARTER 2** (Pages 247 - 260)

This report presents the forecast revenue outturn position for the current financial year 2022/23, as at Quarter 2 (30 September).

12. CAPITAL BUDGET MONITORING - QUARTER 2 (Pages 261 - 272)

This report presents the capital monitoring position at Quarter 2 for the current financial year 2022/23.

13. CODE OF CORPORATE GOVERNANCE (Pages 273 - 296)

This report provides an update to the format and content of Council's Code of Corporate Governance ('the Code'). The previous Code was adopted in 2017. The Code acts a foundational document in the production of the Annual Governance Statement ('AGS'), which assesses the effectiveness of the Council's governance arrangements. The AGS is brought to this committee in June each year.

14. COMMITTEE WORK PROGRAMME 2022-2023 (Pages 297 - 302)

This report presents the Committee with the work programme for 2022-2023.

Minutes of the Meeting of the AUDIT AND SCRUTINY COMMITTEE held at the Council Chamber, Epsom Town Hall on 14 June 2022

PRESENT -

Councillor Steve Bridger (Chair); Councillor Nigel Collin (Vice-Chair); Councillors Rob Geleit, David Gulland, Steven McCormick (as nominated substitute for Councillor David Reeve), Phil Neale, Alan Sursham and Chris Webb

<u>In Attendance:</u> Councillor Christine Howells (connected remotely); Neil Pitman (Head of Southern Internal Audit Partnership) (Southern Internal Audit Partnership (Internal Auditor)) (Items 8-9 only) (connected remotely) and Natalie Jerams (Assistant Head of Partnership) (Southern Internal Audit Partnership (Internal Auditor)) (Items 8-9 only) (connected remotely)

Absent: Councillor Previn Jagutpal and Councillor David Reeve

Officers present: Gillian McTaggart (Head of Corporate Assurance), Will Mace (Business Assurance Manager) and Tim Richardson (Democratic Services Manager)

1 QUESTION TIME

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

2 DECLARATIONS OF INTEREST

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

3 MINUTES OF THE PREVIOUS MEETING

The Minutes of the previous meeting of the Audit and Scrutiny Committee held on 7 April 2022 were agreed as a true record and signed by the Chair.

4 ANNUAL REPORT ON THE USE OF DELEGATED POWERS

The Committee received a report setting out significant decisions taken by Officers in consultation with Committee Chairs for the period 29 May 2021 to 27 May 2022, in accordance with the Council's Scheme of Delegation to Officers.

The following matter was considered:

a) **Definition of significant decisions.** A Member of the Committee suggested that the term "significant decision" (as referred to in paragraph 2.4 of the report) should be defined within the Constitution. The Head of Corporate Assurance informed the Committee that the scheme of Delegation to Officers was currently under review and that this suggestion would be passed to the Council's Monitoring Officer for consideration.

Following consideration, the Committee resolved:

- (1) To note the significant decisions taken by Officers in consultation with relevant Chairman/Chair recorded using the delegated authority process from 29 May 2021 to 27 May 2022.
- 5 ANNUAL GOVERNANCE STATEMENT 2021-2022

The Committee received a report seeking approval of the draft Annual Governance Statement 2021-2022.

The following matters were considered:

- a) Chief Internal Auditor's Annual Opinion. Following a question from a Member, the Head of Corporate Assurance informed the Committee that the Chief Internal Auditor's Annual Opinion was referenced within the report and was included as a later item on the agenda.
- b) **Demonstration of compliance with principles.** A Member of the Committee expressed the view that the documents listed on page 28 of the agenda pack set out the behavioural framework followed by the Council rather than providing evidence of how compliance with the principle had been achieved. It was noted that Officers would consider this matter for future reports.
- c) Action dates for issues. The Committee noted that recommendations from the Annual Governance Statement were included on an action tracker maintained by Officers. The Committee was informed that the ICT Strategy would be presented to the Strategy and Resources Committee in September 2022.
- d) Attachment to Financial Statements. The Committee noted that the Council's External Auditor would review the Annual Governance Statement during their consideration of the Council's annual financial statements.

Following consideration, the Committee resolved with 7 votes for and 1 vote against, to:

(1) Approve the 2021-2022 draft Annual Governance Statement as set out at Appendix 1 to the report, prior to it being signed by the Chief Executive and the Chair of the Strategy & Resources Committee.

- (2) Give delegated authority to the Chief Finance Officer to make any required amendments to the Annual Governance Statement prior to its submission with the Statement of Accounts.
- 6 FOUR YEAR PLAN: YEAR END PERFORMANCE REPORT 2021-2022

The Committee received a report presenting the end of year position for the objectives and key performance indicators (KPI's) from the Annual Plan 2021-2022.

The following matters were considered:

- a) Status of AP7, Identify tree planting areas and a policy and procedure for tree planting. A Member enquired why this target was Amber status. The Business Assurance Manager informed the Committee that whilst much of this work had been completed, additional actions had been identified in relation to the tree Planting Strategy which were yet to be completed.
- b) **Validation of data.** In response to a query from a Member, the Committee was informed that Performance data was validated by Head of Service Officers.
- c) Status of AP14, Develop and adopt a Planning Enforcement Plan. A Member of the Committee queried whether a Planning Enforcement Plan had been adopted by the Council. In response, the Business Assurance Manager informed the Committee that he would confirm the status of the action with the relevant Head of Service and provide an update to the Committee following the meeting.

Following consideration, the Committee resolved with 5 votes for and 3 abstentions to:

- (1) Note the achievement of the individual key objectives and KPI's for 2021-2022 as set out in Appendix 1.
- (2) Consider the update on those targets not achieved as set out at Appendix 2.
- **7** WORK PROGRAMME 2022-2023

The Committee received a report presenting its work programme for 2022-2023.

The following matter was considered:

a) ICT Strategy. The Committee noted that a report on the ICT Strategy would be presented to the September 2022 meeting of the Strategy and Resources Committee. An update on the Strategy would be presented to the Audit & Scrutiny Committee in November 2022 following consideration by the Strategy and Resources Committee.

Following consideration, the Committee unanimously resolved to:

(1) Note and agree the on-going work programme for 2022-2023 as presented in Section 2 of the report.

8 INTERNAL AUDIT PROGRESS REPORT 2021-2022

The Committee received a report summarising progress against the Internal Audit Plan 2021-2022.

The following matters were considered:

- a) Actions to address limited assurance reports. Following a question from a Member, the Internal Auditor informed the Committee that Officers were required to produce an action plan to address observations from internal audit reports. The Internal Auditor was content that the action plans produced by officers in response to the limited assurance reports were sufficient to address the matters identified and mitigate the future risk. The Internal Auditor assessed the target date and priority that had been given to actions and would follow them to completion.
- Assurance opinion on audit reports. Following a question from a Member, the Internal Auditor provided the Committee with a verbal summary of the nature of the assurance opinion issued on reports. It was noted that the assurance opinion related to the control framework in place and the appliance of those controls. The assurance opinion did not relate to the priority of the Audit or revisions to its due date.
- c) Future work plan for Internal Auditor. The Internal Auditor informed the Committee that she would discuss the future work plan with the Head of Corporate Assurance following the recent resignation of the Council's Chief Executive. This would include whether any additional reports relating to corporate governance were required.

Following consideration, the Committee unanimously resolved to:

- (1) Note the internal audit progress report from Southern Internal Audit Partnership attached at Appendix 1 to the report.
- 9 ANNUAL INTERNAL AUDIT REPORT & OPINION 2021-2022

The Committee received a report presenting the Annual Internal Audit Report and Opinion 2021-2022.

The following matters were considered:

a) Comparison with other local authorities. The Internal Auditor informed the Committee that it was difficult to compare the Council's Annual Internal Audit Report and Opinion with those of other local authorities, due to the specific nature of the work undertaken. It was also difficult to

compare the report with that of the council for previous years due to the same reason.

b) **Risk Management.** Following a question from a Member, the Internal Auditor informed the Committee of the grounds by which the Council's Risk Management had been provided with a limited assurance rating. In response to a further question from the Member, the Internal Auditor undertook to confirm the testing arrangements in place with regard to service risks, and to inform the Councillor of these following the meeting.

Following consideration, the Committee agreed with 7 votes in favour and 1 abstention to:

(1) Receive the Annual Internal Audit Report and Opinion 2021-2022 attached at Appendix 1 of the report.

The meeting began at 7.30 pm and ended at 9.01 pm

COUNCILLOR STEVE BRIDGER (CHAIR)

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2021-22 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS

Head of Service: Brendan Bradley, Head of Finance

Wards affected: (All Wards);

Urgent Decision?(yes/no) No
If yes, reason urgent decision N/A

required:

Appendices (attached): Appendix 1: Provisional Audit Findings Report

Appendix 2: 2021/22 Statement of Accounts (includes Annual Governance Statement)
Appendix 3: Letter of Representation

Summary

This report presents the 2021/22 Statement of Accounts and Grant Thornton's Provisional Audit Findings report following the external audit.

Recommendation (s)

The Committee is asked to:

- (1) Approve the Statement of Accounts for the year ended 31 March 2022;
- (2) Receive the Provisional Audit Findings for 2021/22;
- (3) Agree the management action in response to the audit recommendations detailed at Appendix A of the Provisional Audit Findings report;
- (4) Agree that the Chair or Vice Chair of Audit and Scrutiny Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;
- (5) Delegate any further amendments to the 2021/22 Statement of Accounts to the Chief Finance Officer in consultation with the Chair or Vice Chair of Audit and Scrutiny Committee.

1 Reason for Recommendation

1.1 Approving the recommendations will enable the Council to meet its statutory requirements under the Accounts and Audit Regulations (England), regarding the preparation of its year-end accounts for 2021/22.

2 Background and Proposals

- 2.1 The Accounts and Audit (Amendment) Regulations 2022 require councils this year to publish unaudited Statement of Accounts by 31 July and the audited Statement of Accounts by 30 November.
- 2.2 The Council met the first requirement by publishing its unaudited accounts on 23 June and will meet the second requirement with approval of the audited Statement of Accounts at this meeting.
- 2.3 The Statement of Accounts incorporate disclosures that show the combined financial position of the council and Epsom & Ewell Property Investment Company. These disclosures are known as group accounts.
- 2.4 Grant Thornton, the Council's external auditor, has issued their Provisional Audit Findings following completion of the audit of the Statement of Accounts. The report is attached at Appendix 1.
- 2.5 As part of the audit, Grant Thornton performed sufficient work to gain assurance that the group accounts are materially accurate.
- 2.6 The Provisional Audit Findings Report will be presented to the committee by a senior officer from Grant Thornton, who will also answer any questions members may have on the audit.
- 2.7 The audited Statement of Accounts are included as Appendix 2 to this report. The accounts are complex and so Members are asked to raise any detailed queries with the Head of Finance prior to the meeting.
- 2.8 Audit and Scrutiny Committee is asked to approve the audited Statement of Accounts and authorise the Chair to sign the accounts on behalf of the committee.
- 2.9 The Annual Governance Statement (AGS) was approved at Audit and Scrutiny Committee on 14 June 2022. The AGS has been provided to Grant Thornton who plan to issue an unmodified (i.e. favourable) opinion. The AGS will then be signed by the Chair of Strategy and Resources and Chief Executive prior to publication on the council's website.
- 2.10 The Council is required to provide Grant Thornton with a Letter of Representation, attached at Appendix 3. The Letter of Representation provides the auditor with assurance that the Council has fulfilled its responsibilities relating to the audit and financial statements.
- 2.11 Grant Thornton undertakes the external audit in accordance with International Standards on Auditing (ISAs). Under updated ISA 240 guidance, Grant Thornton submitted a number of audit queries to management, to inform its risk assessment for the audit. The management response to these queries was approved by Audit and Scrutiny Committee at their meeting on 7 April 2022.

2.12 The Council's financial performance for 2021/22 was reported to Strategy & Resources Committee on 26 July 2022.

3 Outcome of Audit

- 3.1 The following specific points are made in the report:-
- 3.2 The auditors anticipate issuing an unqualified (i.e. favourable) opinion on the Council's Statement of Accounts.
- 3.3 The audit has not identified any material adjustments to the unaudited accounts that are required to be reported to Audit and Scrutiny Committee. Any adjustments that have been agreed and implemented did not affect the council's reported outturn position or usable reserves.
- 3.4 The audit has identified three immaterial differences, as set-out in Appendix A of the Provisional Audit Findings Report, which have not been adjusted for in 2021/22's accounts. £320k relates to an overstatement of depreciation on the Council's property, plant and equipment assets. These assets are valued at an estimated £74.8m; in this context an estimation difference of £320k is immaterial, consequently the adjustment will be made in the 2022/23 accounts.
- 3.5 The non-accrual of unused holiday leave, calculated at £110k at 31 March 2022, has not been adjusted for in line with the council's policy. Differences on debtor and creditor listings of £50k each will be adjusted for as necessary in 2022/23. Both items are below the materiality threshold set out on page 6 of the Provisional Audit Findings Report.
- 3.6 As explained in the Appendix E of the Provisional Audit Findings Report, a separate Value for Money opinion will be presented to a subsequent meeting of this committee, expected to be in February 2023. Grant Thornton expect to issue the Value for Money opinion alongside its Annual Report as per the National Audit Office's updated guidelines, which require the Auditor's Annual Report to be issued within three months of the opinion on the financial statements.
- 3.7 As set-out on page 3 of the Provisional Audit Findings Report, the anticipated unqualified opinion is subject to the auditors concluding their evaluation work and receiving assurance from the Surrey Pension Fund auditors.
- 3.8 Appendix A of the Provisional Audit Findings Report includes the recommendations where management action has been agreed with the auditors.

4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

- 4.1.1 None.
- 4.2 Crime & Disorder
 - 4.2.1 None.
- 4.3 Safeguarding
 - 4.3.1 None.
- 4.4 Dependencies
 - 4.4.1 None.
- 4.5 Other
 - 4.5.1 The Council has a statutory requirement to approve and publish its audited Statement of Accounts by 30 November 2022, under the Accounts and Audit (Amendment) Regulations 2022.
 - 4.5.2 The completion of the audit of the Council's accounts is dependent on the completion of the Surrey County Council Pension Fund audit, which is outside the control of the Council. There is a risk that this audit will not conclude by the end of November, preventing any Surrey district or the County Council, from publishing their audited accounts. In the event of the pension audit not being completed by the end of November, the Council will publish a statutory notice of delay of publication of accounts and the final Statement of Accounts will be published as soon as practicable following the relevant assurance being received from the Pension Fund audit.

5 Financial Implications

- 5.1 The external audit fee for 2021/22 is expected to be £64,574 (the fee is subject to approval of Public Sector Audit Appointments Ltd), as set-out in the Provisional Audit Findings Report, Appendix B. For comparison the 2020/21 audit fee was £59,289 and the 2019/20 audit fee was £51,175.
- 5.2 Audit fees have increased across the local government sector since 2018/19, principally due to additional audit requirements introduced by the Financial Reporting Council and National Audit Office.
- 5.3 The Council's budget was £36,750 for the 2021/22 external audit fee. This has been increased for future years to reflect the increased cost.
- To fund increased audit fees, DLUHC has committed additional funding of £15m for the local government sector, of which EEBC received £17,746 for 2020/21. The Council is expected to receive the same sum for 2021/22. It is anticipated that this funding will be used to bridge the gap between the council's budget and the actual audit fee.

5.5 **Section 151 Officer's comments**: The Statement of Accounts are extensive and detailed so please raise any queries regarding Appendix 2 with the Head of Finance prior to the committee meeting.

6 Legal Implications

- 6.1 The requirements for external audit are set out in the executive summary of the Provisional Audit Findings report.
- 6.2 The Accounts and Audit (Amendment) Regulations 2022 require that the audited Statement of Accounts and Annual Governance Statement be approved by a member committee and published on the council's website by 30 November 2022.
- 6.3 **Legal Officer's comments**: The legal implications are contained within the body of the report.

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities**: The following Key Priorities are engaged: Effective Council.
- 7.2 **Service Plans**: The matter is included within the current Service Delivery Plan.
- 7.3 Climate & Environmental Impact of recommendations: None.
- 7.4 Sustainability Policy & Community Safety Implications: None.
- 7.5 **Partnerships**: None.

8 Background papers

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

Previous reports:

- 2021-22 Provisional Financial Outturn, reported to Strategy and Resources Committee on 26 July 2022.
- Annual Governance Statement 2021-22, reported to Audit and Scrutiny Committee on 14 June 2022.
- 2021-22 External Audit Plan, reported to Audit and Scrutiny Committee on 7 April 2022.

Other papers:

None.

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The Audit Findings for Epsom and Ewell Borough Council

Year ended 31 March 2022

Fpsom and Ewell Borough Council
Cotober 2022



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Your key Grant Thornton team members are:

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Appendices

- A. Audit adjustments
- B. Fees
- C. Audit Opinion
- D. Management Letter of Representation
- E. Audit letter in respect of delayed VFM work

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and Audit & Scrutiny Committee.

Name: Paul Cuttle

For Grant Thornton UK LLP Date: 17 October 2022 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 as part of our audit planning process. 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Epsom and Ewell Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Our audit work was performed remotely during June-October. Our findings are summarised on Audit Practice ('the Code'), we are required to report whether, in our opinion:

• the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the

year; and

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have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

pages 5 to 14. We have identified adjustments to notes to the financial statements. These adjustments are detailed in Appendix A. We also noted uncorrected audit adjustments as detailed in Appendix A that have a net impact on Comprehensive Income and Expenditure Statement of £0.2m.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (see Appendix C) or material changes to the financial statements, subject to the following outstanding matters;

- Completion of IAS 19 assurance from pension fund auditors of Surrey County Council Pension Fund:
- Test of source data for other land and building and investment properties valuations;
- Completion of housing benefits expenditure testing;

Inpletion on the impleteness test on income to subsequent event procedures;

Receipt of management representation letter; and Review of the final set of financial statements.

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

Incomplete the statement of the published with the financial statements we have audited.

The published audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to We have not yet completed all of our VFM work and so are not in a position to issue our consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to 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 the following specified criteria:

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

Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by February 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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. As at writing, we have not identified a risk of significant weakness. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

G Statutory duties

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

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

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in February 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Audit & Scrutiny Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those harged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Scrutiny Committee meeting in November 2022, as detailed in Appendix C.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan.

| | Group Amount (£) | Council Amount (£) |
|--|------------------|--------------------|
| Materiality for the financial statements | 1.06m | 0.9m |
| Performance materiality | 0.795m | 0.675m |
| Trivial matters | 0.053m | 0.045m |



age 22

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

You face external scrutiny of your spending and this could potentially place management under gradue pressure in terms of how they report performance.

by therefore identified management override of control, in particular journals, management Betimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

We have:

evaluated the design effectiveness of management controls over journals;

- analysed the journals listing and determined the criteria for selecting high risk unusual iournals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- obtained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work to date has not identified significant issues in respect of this risk.

The revenue cycle includes fraudulent transactions

Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Our judgement is that the significant risk at the Council relates to the improper recognition of grants with terms and conditions attached. We will therefore target our audit work in this area of the revenue. We note from our initial discussions with management, that significant COVID-19 funding has been received during 2021/22. We will specifically consider this funding stream as part of our consideration of grants with terms and conditions.

We performed the following procedures to address the risk:

- · tested a sample of grant income to underlying evidence of award to check that revenue has been recognised in line with any terms and conditions attached to the funding
- requested management to prepare an analysis of all COVID-19 funding received in year along with the proposed accounting treatment for each funding stream. We selected sample of COVID-19 funding, review evidence of award to check with terms and conducted on whether management's treatment of the funding in the financial statements is appropriate.

 reviewed and discussed with management accounting estimates relating to revenue recognition.

 Our audit work has not identified any issues.
- reviewed and discussed with management accounting estimates relating to revenue

Our audit work has not identified any issues.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Risk of fraud related to expenditure recognition PAF Practice Note 10

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period.

Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

We have:

- inspected transactions incurred around the end of the financial year to assess whether they
 had been included in the correct accounting period;
- inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and
- investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.

Our audit work to date has not identified significant issues in respect of this risk.

PValuation of land and buildings

Lyou revalue your land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- · evaluated the competence, capabilities and objectivity of the valuation expert;
- wrote to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into your asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different current value at year end.

Our audit work to date has not identified significant issues in respect of this risk.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£36.8 million in your balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for ocal government accounting (the applicable financial reporting framework). We have attherefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

Note the source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to
 ensure that the Council's pension fund net liability is not materially misstated and
 evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Procedures forming part of our audit approach which at the time of writing remain in progress include:

 obtain assurance from the auditor of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Subject to satisfactory completion of the outstanding procedure, our audit work has not identified any issues in respect of valuation of the pension fund liability.

2. Financial Statements - key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Valuations of land and buildings and investment properties

properties

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Other land and buildings comprises £34.3m of specialised assets such as leisure centre and theatre, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£28.8m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2022 on a five yearly cyclical basis. 31% of total assets were revalued during 2021/22.

The Council's investment property has a value of £59m as at 31 March 2022. Majorities of the Investment properties have been valued at fair value in 21/22 but excludes properties that are below de minimis value with a total of £0.08m.

The valuation of properties valued by the valuer has resulted in a net decrease of £8.2m for other land and buildings while net increase of £4.3m for investment properties. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2021, considering industry average indices and rental income to determine whether there has been a material change in the total value of these properties. As the differences are immaterial the Council has not adjusted the value as at 31 March 2022.

Management's assessment of assets not revalued has identified no material change as at 31 March 2022.

After applying indices, depreciation and impairment, the total year end net carrying value of Other Land and Buildings was £63.1m a net decrease of £7.1m from the 2020/21 (£70.2m) while Investment properties was a net increase of £4.3m from 2020/21 (£54.7m).

Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2021. Management's assessment of assets not revalued has identified no material change to the properties value.

The Council has engaged Wilks Head and Eve for the valuation of land and buildings and investment properties. We have considered and completed the following in the course of our audit:

- assessment of management's expert;
- Impact of any changes on the valuation method;
- consistency of estimate against Gerald Eve report;
- reasonableness of movement in estimates;
- adequacy of disclosure of estimate in the financial statements; and
- evaluated classification of investment properties.

Based on the valuation report, the valuer has not reported material valuation uncertainty for both other land and buildings and investment properties due to quantum of market evidence that support the valuation.

We are currently testing the completeness and accuracy of underlying information used to determine the valuation estimate but as date of writing, we have not identified significant issues. We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Agenda Item ² Appendix 1

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Net pension liability

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The Council's net pension liability at 31 March 2022 is £36.8m (PY £46.2m) comprising the Surrey County Council Pension Fund. The Council uses Human Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £8.5m net actuarial gain during 2021/22.

Audit Comments

We have considered and completed the following in the course of our testing:

- Assessment of management's expert
- Assessment of actuary's approach taken, based on the full valuation as at 31 March 2020 to confirm reasonableness of approach.
- Use of PwC as auditors expert to assess actuary and assumptions made by actuary - the table compares your Actuary's assumptions

| Assumption | Actuary Value | PwC range | Assessment |
|--|------------------|--------------|------------|
| Discount rate | 2.70% | 2.70%-2.75% | • |
| Pension increase rate | 3.20% | 3.15%- 3.30% | • |
| Salary growth | 4.10% | 3.30%-4.30% | • |
| Life expectancy – Males currently aged 45 / 65 | 23.1 | 21.4 -24.3 | • |
| Life expectancy – Females currently aged 45 / 65 | 26.2 | 24.8 -26.7 | • |

- · Completeness and accuracy of the underlying information used to determine the estimate
- · Impact of any changes to valuation method
- Reasonableness of the Council's share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements

At the time of writing, the assurance from IAS 19 protocol from the auditors of Surrey County Council Pension Fund is outstanding.

Assessment

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

We consider 's process is

Assessment

appropriate and key assumptions are neither optimistic or cautious

Agenda Item Appendix 1

2. Financial Statements - other communication requirements

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

| Issue | Commentary | | |
|---|--|--|--|
| Matters in relation to fraud | We have previously discussed the risk of fraud with the Audit & Scrutiny Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. | | |
| Matters in relation to related parties | We are not aware of any related parties or related party transactions which have not been disclosed. | | |
| ര് Matters in relation to laws and ௸regulations | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. | | |
| Written representations | A letter of representation will be requested from the Council. | | |
| Confirmation requests from third parties | We requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank of investment balances. This permission was granted and the requests were sent. | | |
| Accounting practices | We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. | | |
| Audit evidence | All information and explanations requested from management was provided. | | |
| and explanations/ significant difficulties | AA PQ | | |

2. Financial Statements - other communication requirements



Our responsibility

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

Issue

Commentary

Going concern

In performing our work on going concern, we have had reference to Statement of Recommended Practice - Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Council and the environment in which it operates

- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- the Council's financial reporting framework
 the Council's system of internal control for identifying events or conditions relevant to going concern
 management's going concern assessment.

 The basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:
 a material uncertainty related to going concern has not been identified
 management's use of the going concern basis of accounting in the preparation of the financial statements is

 Appropriate.

2. Financial Statements - other responsibilities under the Code

| Issue | Commentary | | |
|---|---|--|--|
| Other information | We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. | | |
| | No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix C. | | |
| Matters on which we report by | We are required to report on a number of matters by exception in a number of areas: | | |
| Te xception ຜ ອ ອ ຜ ວ ວ ວ | • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, | | |
| | if we have applied any of our statutory powers or duties. | | |
| | where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. | | |
| | We have nothing to report on these matters. | | |
| Specified procedures for Whole of Government Accounts | We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. | | |
| | Note that work is not required as the Council is not expected to exceed the threshold. | | |
| Certification of the closure of the audit | We intend to delay the certification the closure of the 2021/22 audit of Epsom and Ewell Borough Council in the audit report, as detailed in Appendix C, due to outstanding VFM work. | | |

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting Priteria.







Improving economy, efficiency and effectiveness

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



Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

Improvement recommendations. If implemented the little.



These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Agenda Item Appendix 1

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by February 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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 have not identified any significant weaknesses from our initial planning work as reported in March 2022 audit plan.

4. Independence and ethics

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

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

Details of fees charged are detailed in Appendix B.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Audit and non-audit services

କ୍ରେr the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified. ରୁ ଦେବନ

| Service | Fees £ | Threats identified | Safeguards |
|---|--------|--|--|
| Audit related | | | |
| Certification of Housing Benefit Claim | TBC | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is TBC in comparison to the total fee for the audit of £64,574 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| | | Self review (because GT provides audit services) | To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. |

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Appendices

A. Audit Adjustments

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

Impact of adjusted misstatements

As of date, we have not identified any adjusted misstatements which we are required to report to those charged with governance.

Misclassification and disclosure changes

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

| Disclosure omission | Auditor recommendations | Adjusted? | | |
|---|---|--|--|--|
| One employee was included in the incorrect executive remuneration banding in Note 28. The employee was recorded | Audit adjustment proposed to correct error in Note 28. | ✓ | | |
| in £125,000 - £129,999 band instead of £120,000 - £124,999 Band. | Management response | | | |
| 20.13. | Agreed to adjust. | | | |
| The credit risk analysis in Note 18 Financial Instruments Disclosure incorrectly excluded short term investments. Also, | Audit adjustment proposed to correct errors in Note 18. | ✓ | | |
| finance lease at amortised cost has been included as a positive figure in the note by mistake. | Management response | | | |
| | Agreed to adjust. | | | |
| The useful range of Other Land and Building (OLB) in Note 15 was incorrectly disclosed. Based on our work on PPE Closing | Audit adjustment proposed to correct errors in Note 15. | ✓ | | |
| balance we noted a property under OLB that has a useful life of 5 years. The disclosure in Note 15 mentioned that the useful life ranges between 15-50 years. | Management response | >) | | |
| | Agreed to adjust. | Apper er | | |
| | | \frac{\fin}}}}}{\frac}{\frac{\frac}{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac}}}}}}}}{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac}}}}}}}{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac}}}}}}{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac}}}}}}{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac}}}}}}}}{\frac{ | | |

A. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit & Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below.

| Detail | Comprehensive Income and Expenditure Statement £m | Statement of Financial Position £m | Impact on total net expenditure £m | Reason for not adjusting |
|---|---|------------------------------------|------------------------------------|--|
| Overstatement on depreciation expense An incorrect useful life of four (4) years has been applied to an asset (Poole Road Sports Arena) in calculating depreciation expense as opposed to the correct useful life of 26 years. This whas resulted in an overstatement on depreciation expense charged and the corresponding accumulated depreciation. Whe error has been acknowledged by management and they have opted to carry it forward as an unadjusted error as it is below materiality to be corrected in 2022/23. | 0.32 | 0.32 | 0.32 | The Council has not adjusted as this is below materiality. |
| Non-accrual of holiday leave Based on procedures performed for Employee benefit expenditure, we noted that the Council does not accrue outstanding annual leave on the basis that it isn't material. The calculated holiday accrual amounted to £0.11m. | 0.11 | (0.11) | (0.11) | The Council has not adjusted as this is below materiality. |
| Differences on debtors and creditors listing We noted a £0.05m difference between the general ledger balance of debtors control account at year end and the Council's aged debt listing. On the other hand, a £0.05m difference was noted on creditors listing related to NNDR payable. Management opted not to adjust for these items on the grounds of materiality, and will instead adjust as necessary during 2022/23. Net impact of these reconciliation differences amounted to understatement on net assets and potentially impacts the CIES by the same amount of £0.1m. | 0.10 | 0.10 | 0.10 | The Council has not adjusted as this is below materiality. |

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B. Fees

We set out below our fees charged for the audit.

| Audit fees | Final 2020/21 | Proposed 2021/22 | |
|---------------------------------|---------------|------------------|--|
| Statutory Audit (excluding VAT) | £59,289 | £64,574 | |

Similar to 2020/21, the Council will receive a grant to support additional fees relating to new accounting standards and the change to the VFM audit. The Council's grant will be £17,746.

In the prior year the PSAA approved the distribution of surplus funds relating to 2020/21 to opted-in bodies. The Council's share of the surplus was £6,790. No announcement relating to 2021/22 has been made at the time of issuing this report.

Non-audit services undertaken for the Council are set out in the Independence and ethics section on page 17.

The 2021/22 fee and prior years is broken down as follows:

| 37 | Actual Fee 2020/21 | Proposed fee 2021/22 |
|--|--------------------|----------------------|
| Scale fee published by PSAA | £34,425 | £36,825 |
| Group accounts | £2,813 | £2,813 |
| Other previously agreed fee variations | £22,050 | £22,050 |
| Infrastructure assets | - | £2,500 |
| Total audit fees (excluding VAT) | £59,289 | £64,574 |

C. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report or amend as appropriate.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Epsom and Ewell Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure 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 2021/22.

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 2022 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 2021/22; and
- · have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK,

including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cape significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the

financial statements is appropriate.

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C. Audit opinion

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities [set out on page x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit & Scrutiny Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

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C. Audit opinion

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- · We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit & Scrutiny Committee, concerning the group and Authority's policies and procedures relating to:
- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or noncompliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit & Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.
- · Our audit procedures involved:
- evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
- journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed noncompliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
 Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

C. Audit opinion

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority and group including:
- the provisions of the applicable legislation
- guidance issued by CIPFA, LASAAC and SOLACE
- the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services:
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements. We document our understanding of the arrangements the Authority has in place for

Agenda Item Appendix 1

C. Audit opinion

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Epsom and Ewell Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

John Paul Cuttle, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

D. Management Letter of Representation

Dear Sirs

Epsom and Ewell Borough Council Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council and its subsidiary undertakings, Epsom and Ewell Property Investment Company Limited, for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand

our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

- there are no unrecorded liabilities, actual or contingent
- none of the assets of the [group and]Council has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or nonrecurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for the misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

D. Management Letter of Representation

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

xvii. Any other matters that the auditor may consider appropriate.

Information Provided

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xviii. We have provided you with:

 access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters; b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

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D. Management Letter of Representation

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit & Scrutiny Committee at its meeting on [ENTER DATE].

Yours faithfully

| age | 0 | Name |
|-----|---|----------|
| ٠. | | Position |
| | | Date |
| | | Name |
| | | Position |

Date.....

Signed on behalf of the Council

Agenda Item Appendix 1

E. Audit letter in respect of delayed VFM work

Dear Chair of Audit & Scrutiny Committee,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than **February 2023**.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Paul Cuttle

Director



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Unaudited Statement of Accounts

2021/22

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Certificate of the Chief Finance Officer

| certify that the unaudited Statement of Accounts, set out on the following pages 4 to 83, presents true and fair view of the financial position of the Council at 31 March 2022 and of its income and expenditure for the year ended 31 March 2022. | | | | | | |
|---|--|--|--|--|--|--|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Lee Duffy (CPFA) | | | | | | |
| Chief Finance Officer (S151 Officer) | | | | | | |
| 17 November 2022 | | | | | | |
| | | | | | | |
| | | | | | | |
| Councillor Steve Bridger | | | | | | |
| Chair of Audit and Scrutiny Committee | | | | | | |
| 17 November 2022 | | | | | | |

Narrative Report

1. Introduction

Welcome to Epsom and Ewell Borough Council's Statement of Accounts for 2021/22, which reports the Council's financial performance during the year.

Epsom and Ewell Borough Council (EEBC) sits within Surrey and provides a wide range of services to residents and businesses, including waste & recycling, planning, parking, environmental health, housing and economic development. During 2021/22 the Council's full range of services were delivered by three Committees – Environment & Safe Communities, Community & Wellbeing, and Strategy & Resources – and can be accessed online at www.epsom-ewell.gov.uk.

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

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

2. Impact of Covid-19

During 2021/22, Covid-19 continued to have a major impact on services, particularly during periods when government restrictions were in place. The Council's response during 2021/22 included assisting the NHS by providing testing and vaccination sites, implementing government regulations, making Test & Trace and Household Support Fund payments to eligible residents, putting in place measures to make town centres and public spaces Covid-secure, and helping to sustain the local economy by administering government-funded business rates reliefs and business grants.

The Council itself sustained disruptions to its income streams from services such as car parks and Council venues, which were only partly compensated by central government.

The Council is likely to face ongoing budget pressures throughout 2022/23, as services and associated income levels take time to gradually rebuild and adapt to new economic norms. Future financial plans will continue to be monitored and reviewed accordingly.

3. Financial Performance

The Council's financial performance is summarised by the table below, as reported to Members in July 2022:

| 2020/21 | | | 2021/22 | |
|---------|--|---------|---------|----------|
| Outturn | Committee | Budget | Outturn | Variance |
| £'000 | | £'000 | £'000 | £'000 |
| (494) | Strategy and Resources | 2,087 | 822 | (1,265) |
| 4,925 | Environment & Safe Communities | 2,637 | 3,854 | 1,217 |
| 7,602 | Community & Wellbeing | 6,557 | 7,136 | 579 |
| 12,033 | SUB-TOTAL | 11,281 | 11,811 | 530 |
| (2,247) | Capital Charges | (2,669) | (2,669) | 0 |
| (9,743) | External Funding | (8,612) | (8,612) | 0 |
| 43 | TOTAL (met by contribution (to)/from General Fund reserve) | 0 | 530 | 530 |

The Council recorded a £530k adverse variance on its revenue account for 2021/22, which was within 6.2% of the agreed budget. The £530k outturn variance has been funded by a contribution from the General Fund balance at year-end.

The outturn position was supported by £1.154m of government grants during the year, which are disclosed in Note 5 to the Statement of Accounts. Without these government grants (and all else being equal), the Council's revenue outturn would have shown a £1.684m adverse variance.

The Council achieved a collection rate of 98.5% for council tax and 98.7% for business rates. Outstanding council tax arrears remain subject to recovery action (subject to government guidance) until such times as these sums are fully paid or written off.

4. Reserves

The Council's General Fund balance stands at £2.85m at 31 March 2022 (£3.38m prior year). In-year net withdrawals from strategic earmarked reserves totalled £1.897m. The withdrawals from reserves were partially offset by £2.6m business rates grants from the Department for Levelling Up, Housing & Communities (DLUHC), which will be required to fund the Council's £2.77m share of the business rates collection fund deficit by 2023/24. Usable reserve balances are summarised by the following table; a full breakdown is shown in the notes to the Statement of Accounts.

| Usable Reserves | 2021/22 Opening Balance £'000 | 2021/22 Movement £'000 | 2021/22 Closing Balance £'000 |
|-------------------------------|--|------------------------------|--|
| General Fund Balance | (3,383) | 530 | (2,853) |
| Strategic Earmarked Reserves | (25,152) | 1,896 | (23,255) |
| Sub-Total Revenue Reserves | (28,535) | 2,426 | (26,109) |
| Community Infrastructure Levy | (8,419) | (901) | (9,320) |
| Capital Receipts Reserve | (4,050) | 229 | (3,821) |
| Total Usable Reserves | (41,003) | 1,754 | (39,249) |

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

5. Capital Expenditure

Capital investment on the Council's core capital programme amounted to £1.735m in 2021/22 (£2.791m in 2020/21). A summary of expenditure by Committee is shown below:

| 2020/21 | 2020/21 | | 2021/22 | | | |
|---------|------------------------------------|-------------------|---------|----------|--|--|
| Outturn | Core Capital Programme Expenditure | Current Budget | Outturn | Variance | | |
| £'000 | | £'000 | £'000 | £'000 | | |
| 349 | Strategy & Resources Committee | 851 | 333 | (519) | | |
| 1,531 | Environment & Safe Communities | 1,882 | 873 | (1,009) | | |
| 911 | Community & Wellbeing Committee | 1,616 | 529 | (1,087) | | |
| 2,791 | Total | 4,350 | 1,735 | (2,614) | | |

On the core capital programme, actual expenditure was £1.735m, which is £2.614m less than the 2021/22 budget. The main projects contributing to the underspend are Disabled Facilities Grant (789k); replacement of EEBC lamp columns (£409k); Hogsmill stream repairs (£261k) and replacement of the CRM and data warehouse (£380k).

The detailed capital outturn position was reported to Strategy & Resources Committee on 26 July 2022.

In addition to the core capital programme, £224k was spent on the CIL 15% Neighbourhood Scheme, £34k on a new vehicle on a finance lease, £228k on the residential property acquisition programme and £303k paid from capital resources to fund the Horton Chapel project.

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

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| | <u>Expenditure</u> | |
| 2,791 | Core Programme | 1,735 |
| 0 | Vehicle Finance Lease | 34 |
| 0 | Property Acquisition Funds | 228 |
| 54 | CIL Neighbourhood Scheme | 224 |
| 228 | Horton Chapel | 303 |
| 3,073 | Total Expenditure | 2,523 |
| | <u>Funding</u> | |
| 485 | Capital Reserves | 229 |
| 734 | Government Grants | 455 |
| 200 | Revenue | 398 |
| 0 | Section 106 Receipts | 361 |
| 1,654 | Community Infrastructure Levy Receipts | 1,046 |
| 3,073 | Subtotal Capital Funding | 2,489 |
| 0 | Vehicle Finance Lease - to be financed in future years | 34 |
| 3,073 | Total | 2,523 |

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

There were no capital receipts generated by the Council during the year, and £229k were applied to fund in-year capital expenditure. The balance of the Council's usable capital reserves at 31 March 2022 is £3.821m (compared to £4.050m at 31 March 2021), of which £766k is committed to funding capital projects rolled forward into 2022/23.

6. Pension Liability

For accounting purposes, a valuation of the pension fund is carried out under IAS19 to produce an accounting surplus or deficit at the balance sheet date. The balance of the Council's pension liability decreased from £46.2m to £36.8m at 31 March 2022, a favourable movement of £9.4m. The Council's actuary estimated that at 31 March 2022, future liabilities amount to £122.6m (£127.1m at 31 March 2021) with assets of £85.8m (£80.9m at 31 March 2021).

The financial assumptions used by the actuary to calculate the future liability – such as those for inflation and discount rates – are set-out in the pension liability disclosure note. The main reason for the favourable movement in 2021/22 is an increase, from 2.0% to 2.7%, in the assumed discount rate applied to future scheme liabilities, partly offset by increased future assumed rates of pension and salary increases.

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

7. Investments and Borrowings

The annual treasury management strategy, which was approved by Councillors in February 2022, is available on the Council's website.

At 31 March 2022, the Council held £24.1m long-term investments and £36.2m loans to its wholly owned subsidiary company, these balances were unchanged from the prior year. The Council held £10.0m in short term investments at year end (nil at 31 March 2021); in addition to £25.0m invested in money market funds at 31 March 2022 (prior year £18.7m). During 2021/22, the Council generated £1.89m of interest income (£1.87m in 2020/21) and received £0.603m dividend income (£0.868m in 2020/21).

In previous years, the Council has undertaken external borrowing specifically to invest in commercial properties, to generate long term income streams. Long-term borrowing at 31 March 2022 remained at £64.4m, unchanged from the prior year. The Council paid £1.63m interest on these borrowings during the year (also £1.63m in 2020/21).

8. Epsom & Ewell Property Investment Company Limited

In September 2017, the Council established a 100%-owned subsidiary, Epsom & Ewell Property Investment Company Limited, principally to manage its two high quality, out-of-Borough

commercial properties. The company aims to achieve rental yields from the properties, which will assist the Council in becoming more financially self-sufficient and sustaining high-quality services to local residents and businesses. The two properties have a combined value of £59.5m at 31 March 2022 (prior year £58.6m). The property portfolio remained unchanged during 2021/22, with the company delivering a net £894k benefit, after transfers to earmarked reserves, to the Council's general fund in the year (net £429k benefit in 2020/21). The assets, liabilities, reserves, income and expenditure figures for the company have been consolidated into group accounts from page 74.

9. Future and Economic Outlook

Changes in economic/social activity following the Covid-19 pandemic, and the ongoing 'cost of living' crisis due to elevated inflation and energy costs, are all expected to have a lasting impact on the economy throughout 2022/23 and beyond.

Income from council tax, business rates and fees and charges – such as from car parks, Council venues, and planning fees – is dependent on the ability of individuals and businesses to pay. These income streams will all be impacted in some way by economic changes following the pandemic and by the cost of living crisis, as the wider economy adapts to new ways of operating. The Council's income streams are monitored closely to ensure that any adverse trends are identified and addressed early.

Central Government funding also remains uncertain due to its Fair Funding Review, which has again been deferred to 2023/24 at the earliest. New Homes Bonus has also been further reduced, which will impact upon the funding available for projects in future financial years.

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

The Council's Medium Term Financial Strategy 2020-2024 (report available on the Council's website) requires the delivery of identified annual savings totalling £1.8 million between now and 2024, in order to achieve a balanced revenue budget over the period. The Council continues to monitor and review its future financial plans accordingly during 2022/23.

10. Statement of Accounts

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

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

The Statement of Accounts is designed to meet statutory government and accounting standards, which can make it a complex, technical document in places. To assist readers, a simplified Balance Sheet and Comprehensive Income & Expenditure Statement are presented as follows:

| 31 March 2021 | A Simplified Balance Sheet | 31 March 2022 |
|---------------|----------------------------------|---------------|
| £'000 | | £'000 |
| | What we own: | |
| 138,389 | Assets | 135,789 |
| 24,117 | Investments | 34,117 |
| 162,506 | | 169,906 |
| | What we are owed: | |
| 6,011 | Amounts due before 31 March 2023 | 2,861 |
| 36,512 | Amounts due after 31 March 2023 | 36,806 |
| 42,524 | | 39,667 |
| | What we owe: | |
| (12,673) | Amounts due before 31 March 2023 | (30,700) |
| (69,913) | Amounts due after 31 March 2023 | (69,507) |
| (536) | Provisions | (460) |
| (46,201) | Pension Deficit | (36,793) |
| (129,323) | | (137,459) |
| | | |
| 20,724 | Cash and cash equivalents | 34,635 |
| 96,431 | Net Assets | 106,749 |
| | Represented by our Reserves: | |
| (41,003) | Usable Reserves | (39,249) |
| (55,428) | Unusable Reserves | (67,500) |
| (96,431) | Total Reserves | (106,749) |

The complete Balance Sheet is shown within the Statement of Accounts.

| A Simplified Comprehensive Income & Expenditure Statement from 1 April 2021 to 31 March 2022 | Expenditure | Income | Net Expenditure/ (Income) | | |
|--|-------------|----------|---------------------------------|--|--|
| | £'000 | £'000 | £'000 | | |
| Spending within Services | 49,568 | (31,563) | 18,005 | | |
| Other Income and Expenditure | 3,182 | (24,232) | (21,050) | | |
| (Surplus)/Deficit on Provision of Services in CIES | 52,750 | (55,796) | (3,045) | | |
| Adjustments between Funding/Accounting and Internal/Statutory Reporting Bases | | | | | |
| Net Expenditure Charged to General Fund Balance | | | | | |

The complete CIES is shown within the Statement of Accounts.

At Note 7, the Expenditure and Funding Analysis shows a full reconciliation between net expenditure in the CIES and net expenditure chargeable to the general fund as presented in our outturn reports.

The CIES includes all capital and pension adjustments that are required under generally accepted accounting principles, but which under statutory provisions do not need to be funded from council tax. In addition, the CIES recognises EEBC's share of council tax and business rates transactions on an accruals basis, with the timing difference being adjusted through the collection fund adjustment account rather than through the general fund, in accordance with statutory requirements.

11. Further Information

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

Comprehensive Income and Expenditure Statement for year ended 31 March 2022

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

| | 2020/21 | | | 2021/22 | | |
|-------------------|--------------|--------------------------|---|---------------------|--------------|-----------------|
| Gross Expenditure | Gross Income | 000,3 Net Expenditure | Committee | G Gross Expenditure | Gross Income | Net Expenditure |
| 10,232 | (5,072) | 5,160 | Environment & Safe Communities | 13,016 | (7,166) | 5,849 |
| 13,930 | (3,337) | 10,593 | Community and Wellbeing | 12,599 | (4,404) | 8,194 |
| 24,374 | (21,401) | 2,973 | Strategy and Resources | 23,954 | (19,992) | 3,961 |
| 48,536 | (29,810) | 18,726 | Cost of Services | 49,568 | (31,563) | 18,005 |
| 4,279 | (6,162) | (1,883) | Financing and investment Income and Expenditure (Note 12) | 3,182 | (12,656) | (9,474) |
| 0 | (15,697) | (15,697) | Taxation and non-specific grant income and expenditure (Note 13) | 0 | (11,576) | (11,576) |
| 52,815 | (51,669) | 1,146 | (Surplus) or Deficit on Provision of Services | 52,750 | (55,796) | (3,045) |
| | | (3,084) | (Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23) | | | 4,782 |
| | | 7,544 | Remeasurement of net defined benefit liability/(asset) (Note 32) | | | (12,055) |
| | | 4,460 | Other Comprehensive (Income) and Expenditure | | | (7,273) |
| | | 5,606 | Total Comprehensive (Income) and Expenditure | | | (10,318) |

Movement in Reserves Statement for the year ended 31 March 2022

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

| to council tax for the year. | Usable Reserves | | | Unusable Reserves | | | | | | |
|---|-----------------------|-------------------------|-------------------------|-------------------------|----------------------|-------------------------------|---------------------------------------|-----------------|-------------------------------|----------------|
| | General Fund Balances | Capital Receipts Reserv | Capital Grants Unapplie | Subtotal Usable Reserve | Revaluation Reserves | Capital Adjustment Account | Collection Fund Adjustment Account | Pension Reserve | Subtotal Unusable Reserves | Total Reserves |
| 2021/22 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 01 April 2021 | (28,535) | (4,050) | (8,419) | (41,003) | (49,013) | (59,224) | 6,609 | 46,201 | (55,428) | (96,431) |
| Movement in Reserves | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (3,045) | 0 | 0 | (3,045) | 4,782 | 0 | 0 | (12,055) | (7,273) | (10,318) |
| Adjustments between accounting basis and funding under regulations (Note 9) | 5,470 | 229 | (901) | 4,798 | 0 | (3,551) | (3,895) | 2,647 | (4,798) | 0 |
| (Increase) or Decrease | 2,425 | 229 | (901) | 1,753 | 4,782 | (3,551) | (3,895) | (9,408) | (12,072) | (10,318) |
| Balance at 31 March 2022 carried forward | (26,109) | (3,821) | (9,320) | (39,249) | (44,231) | (62,775) | 2,714 | 36,793 | (67,500) | (106,750) |
| General Fund analysed over: | | | | | | | | | | |
| Amounts earmarked (Note 10) | (23,255) | | | | | | | | | |
| Amounts uncommitted | (2,853) | | | | | | | | | |
| Total - | (26,109) | | | | | | | | | |
| 2020/21 | | | | | | | | | | |
| Balance at 01 April 2020 | (18,374) | (4,535) | (7,677) | (30,586) | (45,929) | (61,739) | (1,136) | 37,354 | (71,450) | (102,036) |
| Movement in Reserves | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 1,146 | 0 | 0 | 1,146 | (3,084) | 0 | 0 | 7,544 | 4,460 | 5,606 |
| Adjustments between accounting basis and funding under regulations (Note 9) | (11,306) | 485 | (742) | (11,563) | 0 | 2,514 | 7,745 | 1,303 | 11,563 | 0 |
| (Increase) or Decrease | (10,160) | 485 | (742) | (10,417) | (3,084) | 2,514 | 7,745 | 8,847 | 16,022 | 5,606 |
| Balance at 31 March 2021 carried forward | (28,535) | (4,050) | (8,419) | (41,003) | (49,013) | (59,224) | 6,609 | 46,201 | (55,428) | (96,431) |
| General Fund analysed over: | | | | | | | _ | | | |
| Amounts earmarked (Note 10) | (25,152) | | | | | | | | | |
| Amounts uncommitted | (3,383) | | | | | | | | | |
| Total | (28,535) | | | | | | | | | |
| | | | | | | | | | | |

Balance Sheet as at 31 March 2022

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

| 2020/21 | | | 2021/22 |
|-----------|------------------------------------|------|-----------|
| £'000 | | Note | £'000 |
| | Long-term Assets | | |
| 81,736 | Property, Plant and Equipment | 15 | 74,840 |
| 54,663 | Investment Properties | 16 | 58,974 |
| 722 | Heritage Assets | | 722 |
| 611 | Intangible Assets | 17 | 584 |
| 24,117 | Long Term Investments | 18 | 24,117 |
| 36,512 | Long Term Debtors | 19 | 36,806 |
| 592 | Surplus Assets | 15 | 592 |
| 198,952 | Total Long-term Assets | | 196,634 |
| | Current Assets | | |
| 66 | Inventories | | 78 |
| 6,011 | Short-term Debtors | 19 | 2,861 |
| 0 | Short-term Investments | 18 | 10,000 |
| 20,724 | Cash and Cash Equivalents | 20 | 34,635 |
| 26,801 | Total Current Assets | | 47,574 |
| | Current Liabilities | | |
| (12,264) | Short-term Creditors | 21 | (30,290) |
| (409) | Lease Liability - Within One year | 31 | (410) |
| (12,673) | Total Current liabilities | | (30,700) |
| | Long-term Liabilities | | |
| (64,427) | Long Term Borrowing | 18 | (64,427) |
| (46,201) | Defined Benefit Pension Liability | 32 | (36,793) |
| (3,230) | Capital Grants Receipts in Advance | 14 | (3,203) |
| (536) | Long-term Provisions | 22 | (460) |
| (2,257) | Lease Liability - Over One year | 31 | (1,877) |
| (116,650) | Total Long-term Liabilities | | (106,759) |
| 96,431 | NET ASSETS | | 106,749 |
| | Total Reserves | | |
| (41,003) | Usable Reserves | 23 | (39,249) |
| (55,428) | Unusable Reserves | 23 | (67,500) |
| (96,431) | TOTAL RESERVES | | (106,749) |

Cash Flow Statement as at 31 March 2022

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

| 2020/21 £'000 | | Note | 2021/22 £'000 |
|------------------|---|------|------------------|
| | | | |
| 1,146 | Net (Surplus) or Deficit on the Provision of Services | CIES | (3,045) |
| (7,543) | Adjustment for Net (Surplus) or Deficit on the Provision of Services for non- cash movements | 24 | (2,947) |
| 4,394 | Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 24 | 3,608 |
| (2,002) | Net cash flows from Operating Activities | | (2,384) |
| (8,438) | Net cash outflow / (inflow) from Investing Activities | 25 | 7,257 |
| (47) | Net cash outflow / (inflow) from Financing Activities | 26 | (18,784) |
| (10,488) | Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period | | (13,911) |
| | | | |
| 10,236 | Cash and Cash Equivalents at the Beginning of the Period | | 20,724 |
| 10,488 | Net Increase/(decrease) in Cash and Cash Equivalents | | 13,911 |
| 20,724 | Cash and Cash Equivalents at the End of the Reporting Period | 20 | 34,635 |

Notes to the Core Statement of Accounts

Note 1: Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations, in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future. The going concern assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies, with limits on their revenue-raising powers arising only at the discretion of central government.

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

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- · Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue (including NNDR, Council Tax and Grants) and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Employee leave/overtime carried forward from previous year is not accrued unless material.

3. Employee Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (derived from a "Hymans Robertson" corporate bond yield curve based on the
- · constituents of the iBoxx AA corporate bond index.

- The assets of Surrey Pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities current bid price;
 - Unquoted securities professional estimate;
 - Unitised securities current bid price; and
 - Property market value.

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

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

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

Discretionary Benefits: The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of

an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

4. Events after the Balance Sheet Date

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

5. Financial Instruments

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

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

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

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

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

Financial Assets Measured at Amortised Cost

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

Expected Credit Loss Model

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

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Any material fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on market prices wherever possible.

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

6. Intangible Assets

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

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

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

7. Interest in Subsidiary Company

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

8. Investment Property

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

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

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

9. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases: Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the

carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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

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

The Authority as Lessor

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

10. Overheads and Support Services

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

11. Property, Plant and Equipment

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

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

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

Measurement: Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

· Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

 Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

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

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

Disposals and Non-current Assets Held for Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where

there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to noncurrent assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

12. Charges to Revenue for Non-Current Assets

Charges to Revenue for Non-Current Assets

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

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

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

adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

13. Heritage Assets

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

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

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

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

14. Provisions

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

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

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

15. Reserves

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

16. VAT

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

17. Collection Fund

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

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

18. Government Grants and Contributions

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

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

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

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

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

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

Community Infrastructure Levy

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

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

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

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

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

20. Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in

an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

There are no accounting standards due to come into force in 2022/23 that would have a material effect on the Council's transactions for 2021/22 and balances at 31 March 2022. As permitted by CIPFA, the Council expects to implement IFRS16 for the 2024/25 Statement of Accounts. Ahead of implementation, an impact assessment will be undertaken and disclosed as required within the 2023/24 Statement of Accounts.

Note 3: Critical Judgements in Applying Accounting Policies

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

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|--|---|
| Property, Plant and Equipment £74.8m | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets and valuation assumptions, including estimates of remaining useful life. Despite the ongoing Covid-19 pandemic, at the reporting date, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. The depreciation charge for PPE in 2021/22 was £2.217m. A movement of 1% would result in a change in the depreciation charge of approximately £22.2k. A 1% movement in the net book value of all PPE would result in a movement in the balance sheet of £748k. |
| Investment Properties £58.97m | The Council's investment properties have been independently valued by Wilks, Head and Eve. Despite the ongoing Covid-19 pandemic, at the reporting date, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards. | A movement of 1% in the value of the investment property portfolio would result in an additional debit/credit to the CIES of £590k, which would be charged against the Revaluation Reserve or Capital Adjustment Account balances. The impact on usable reserves would be nil. |

| Pension Liability £36.8m | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. | the pension disclosure note contains a sensitivity analysis of the impact of changes |
|--------------------------------|--|--|
|--------------------------------|--|--|

Note 5: Material Items of Income and Expenditure

Covid-19 continued to have a major impact on the Council's operations – this disclosure note details the material impacts which related to government grants received and administered during 2021/22. All material items of income and expenditure are included on the face of the CIES.

Government Grant Support to EEBC in CIES

To manage the impact of Covid-19 and to support services, the Council received £1.15m of government grants and lost income compensation during 2021/22 (£5.56m in 2020/21), as shown in the following table:

| Covid-19 Government Grants for EEBC | £'000 | Included in CIES line: |
|---|-------|--------------------------------------|
| Income Compensation Scheme (from DLUHC) | 506 | Taxation & non-Specific Grant Income |
| Environmental Health Grants (from SCC) | 137 | Environment & Safe Communities |
| New Burdens - Business Grants Administration (BEIS) | 131 | Strategy & Resources |
| Re-opening High Streets Safely/Welcome Back Fund | | |
| (European Fund) | 113 | Strategy & Resources |
| Clinically Extremely Vulnerable Persons Grant (SCC) | 105 | Strategy & Resources |
| | | Strategy & Resources (£48k) |
| Contain Outbreak Management Fund (DHSC) | 79 | Community & Wellbeing (£31k) |
| Test & Trace Administration (DHSC) | 44 | Strategy & Resources |
| Protect & Vaccinate (DLUHC) | 23 | Community & Wellbeing |
| Household Support Fund Administration (SCC) | 17 | Strategy & Resources |
| Total Covid-19 Government Support | 1,154 | |

Grant Support to Businesses and Residents – recorded within CIES

Acting in a principal capacity, the Council received the following Covid-19 related government grants; the Council then pays the grants out to eligible businesses and residents. The grant income and associated expenditure is included within the CIES, in accordance with the accounting requirements for principal arrangements.

| Grant name | Grant received in 2020/21 by EEBC (£000) | Payable to: | Grant paid out in 2020/21 (£000) | Income & expenditure reported in CIES | Remaining grant balance at 31/03/21 (£000) | Additional grant received/(unspent grant returned) by EEBC in 2021/22 | Grant paid out in 2021/22 (£000) | Remaining grant balance at 31/03/22* (£000) |
|----------------------------|---|-------------|---|---------------------------------------|---|--|---|--|
| Local Restrictions Support | | Eligible | | Strategy & | | | | |
| Grant - Open (BEIS) | 139 | Businesses | (62) | Resources | 76 | 0 | (5) | 72 |
| Discretionary Grant Fund | | Eligible | | Strategy & | | | | |
| (BEIS) | 550 | Businesses | (550) | Resources | 0 | 0 | 0 | 0 |
| Additional Restrictions | | | | | | | | |
| Support Grant - | | Eligible | | Strategy & | | | | |
| Discretionary (BEIS) | 2,329 | Businesses | (943) | Resources | 1,386 | 0 | (1,321) | 64 |
| Emergency Assistance - | | Epsom & | | | | | | |
| Food & Essential Supplies | | Ewell | | Community | | | | |
| (SCC) | 39 | Foodbank | (39) | & Wellbeing | 0 | 0 | 0 | 0 |
| Household Support Fund | | Eligible | | Strategy & | | | | |
| (SCC) | 0 | Residents | 0 | Resources | 0 | 150 | (116) | 34 |
| Council Tax Hardship Grant | | Eligible | | Strategy & | | | | |
| (DLUHC) | 344 | Residents | (299) | Resources | 45 | 0 | 0 | 45 |
| Total | 3,400 | - | (1,892) | - | 1,508 | 150 | (1,442) | 216 |

^{*}Remaining balances are expected to be paid out to eligible businesses/residents in 2022/23, or returned to the grantor, as appropriate depending on the grant. The amounts are held on the balance sheet at 31 March 2022 within creditors.

Grant Support to Businesses and Residents – recorded through Balance Sheet

Acting in an agency capacity, the Council received the following Covid-19 related government grants, which are then paid out to eligible businesses and residents. The grant transactions are not included within the CIES, in accordance with the accounting requirements for agency arrangements. The balances are held on the balance sheet within creditors, and included as financing cash inflows and outflows in the Cash Flow Statement.

| Grant name | Grant received in | Payable to: | Grant paid out in | Remaining grant balance | Additional grant received/(unspent | Grant paid out in | Remaining grant balance |
|---------------------------------|-------------------|-------------|-------------------|-------------------------|------------------------------------|-------------------|-------------------------|
| | 2020/21 by | | 2020/21 | • | grant returned) by | 2021/22 | at 31/03/22* |
| | EEBC (£000) | | (£000) | (£000) | EEBC in 2021/22 | (£000) | (£000) |
| Small Business Grant Fund and | | | | | | | |
| Retail, Hospitality and Leisure | | Eligible | | | | | |
| Grant Fund (BEIS) | 10,005 | Businesses | (10,005) | 0 | 0 | 0 | 0 |
| Local Restrictions Support | | Eligible | | | | | |
| Grants (BEIS) | 5,710 | Businesses | (2,910) | 2,800 | 0 | (188) | 2,612 |
| | | Eligible | | | | | |
| Wet-Led Pub Grants (BEIS) | 19 | Businesses | (12) | 7 | (7) | 0 | 0 |
| Closed Business Support | | Eligible | | | | | |
| Grants (BEIS) | 3,654 | Businesses | (1,916) | 1,738 | 0 | (89) | 1,649 |
| Test & Trace - self isolation | | Eligible | | | | | |
| payments (DHSC) | 144 | Residents | (56) | 89 | 82 | (122) | 49 |
| | | Eligible | | | | | |
| April 2021 Restart Grant (BEIS) | 0 | Businesses | 0 | 0 | 2,894 | (2,894) | 0 |
| Omicron Hospitality & Leisure | | Eligible | | | | | |
| Grant (BEIS) | 0 | Businesses | 0 | 0 | 474 | (445) | 29 |
| Additional Restrictions Grant | | | | | | | |
| (30 Dec 2021 to 31 March | | Eligible | | | | | |
| 2022) (BEIS) | 0 | Businesses | 0 | 0 | 162 | (149) | 13 |
| Council Tax Energy Rebate - | | Eligible | | | | | |
| Main Scheme (DLUHC) | 0 | Residents | 0 | 0 | 2,324 | 0 | 2,324 |
| Council Tax Energy Rebate - | | Eligible | | | | | |
| Discretionary Scheme (DLUHC) | 0 | Residents | 0 | 0 | 188 | 0 | 188 |
| Total | 19,532 | - | (14,898) | 4,634 | 6,116 | (3,887) | 6,863 |

*Remaining balances are expected to be paid out to eligible businesses/residents in 2022/23, or returned to the grantor, as appropriate depending on the grant. The amounts are held on the balance sheet at 31 March 2022 within creditors.

Note 6: Events after the Balance Sheet Date

There are no material post balance sheet events to disclose.

Note 7: Expenditure and Funding Analysis

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

| | 2020 |)/21 | | | | 2021 | L/22 | |
|----------------------------------|---------------------------------------|--|-----------------------------------|-----------------------------------|----------------------------------|---------------------------------------|--|-----------------------------------|
| Net Expenditure Chargeable | Adjustments between Funding and | Adjustments between internal and | Net Expenditure in the CIES | | Net Expenditure Chargeable | Adjustments between Funding and | Adjustments between internal and | Net Expenditure in the CIES |
| to General Fund | Accounting Basis | statutory reporting | | | to General Fund | Accounting Basis | statutory reporting | |
| £'000 | £'000 | £'000 | £'000 | Committee | £'000 | £'000 | £'000 | £'000 |
| 4,925 | 1,018 | (784) | 5,160 | Environment & Safe Communities | 3,854 | 2,786 | (790) | 5,849 |
| 7,602 | 4,070 | (1,080) | 10,593 | Community & Wellbeing | 7,136 | 2,221 | (1,163) | 8,194 |
| (494) | (1,275) | 4,743 | 2,973 | Strategy & Resources | 822 | (1,267) | 4,407 | 3,961 |
| 12,033 | 3,813 | 2,880 | 18,726 | Net Cost of Services | 11,811 | 3,740 | 2,453 | 18,005 |
| (11,990) | 7,493 | (13,083) | (17,580) | Other Income and Expenditure | (11,281) | (9,211) | (558) | (21,050) |
| 43 | 11,306 | (10,204) | 1,146 | (Surplus) or Deficit | 530 | (5,471) | 1,896 | (3,045) |
| (3,426) | | | | Opening General Fund balance | (3,383) | | | |
| (3,383) | | | | Closing General Fund balance | (2,853) | | | |

Note to the Expenditure & Funding Analysis 2021/22

| eneral Fund | Purposes | | | ., | | Expenditure |
|-------------|---|---|---|---|---|---|
| | | | (Note 3) | between | : make we el O | |
| | (Note 1) | (Nicto 2) | | | internal & | in the CIES |
| | | (Note 2) | | Funding and | statutory | |
| | | | | Accounting | reporting | |
| | | | | Basis | | |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 3,854 | 1,710 | 1,076 | 0 | 2,786 | (790) | 5,849 |
| 7,136 | 1,248 | 973 | 0 | 2,221 | (1,163) | 8,194 |
| 822 | (923) | (344) | 0 | (1,267) | 4,407 | 3,961 |
| 11,811 | 2,034 | 1,706 | 0 | 3,740 | 2,453 | 18,005 |
| (11,281) | (6,258) | 940 | (3,894) | (9,211) | (558) | (21,050) |
| 530 | (4,224) | 2,646 | (3,894) | (5,471) | 1,896 | (3,045) |
| | | | | | | |
| | | | | | | |
| £'000 | | | | | | |
| (3,383) | | | | | | |
| 530 | | | | | | |
| | | | | | | |
| (2,853) | | | | | | |
| | 7,136 822 11,811 (11,281) 530 £'000 (3,383) | 3,854 1,710 7,136 1,248 822 (923) 11,811 2,034 (11,281) (6,258) 530 (4,224) £'000 (3,383) 530 | 3,854 1,710 1,076 7,136 1,248 973 822 (923) (344) 11,811 2,034 1,706 (11,281) (6,258) 940 530 (4,224) 2,646 £'000 (3,383) 530 | £'000 £'000 £'000 £'000 3,854 1,710 1,076 0 7,136 1,248 973 0 822 (923) (344) 0 11,811 2,034 1,706 0 (11,281) (6,258) 940 (3,894) 530 (4,224) 2,646 (3,894) £'000 (3,383) 530 | £'000 £'000 <th< td=""><td>£'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 2,786 (790) 7,136 1,248 973 0 2,221 (1,163) 822 (923) (344) 0 (1,267) 4,407 11,811 2,034 1,706 0 3,740 2,453 (11,281) (6,258) 940 (3,894) (9,211) (558) 530 (4,224) 2,646 (3,894) (5,471) 1,896 £'000 (3,383) 530</td></th<> | £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 2,786 (790) 7,136 1,248 973 0 2,221 (1,163) 822 (923) (344) 0 (1,267) 4,407 11,811 2,034 1,706 0 3,740 2,453 (11,281) (6,258) 940 (3,894) (9,211) (558) 530 (4,224) 2,646 (3,894) (5,471) 1,896 £'000 (3,383) 530 |

Note to the Expenditure & Funding Analysis 2020/21

| | Net Expenditure Chargeable to General Fund | for Capital | | | Adjustments between Funding and | Adjustments between internal & statutory reporting | Net Expenditure in the CIES |
|---|--|-------------|-------|-------|---------------------------------------|--|-----------------------------------|
| General Fund | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Environment & Safe Communities | 4,925 | 346 | 672 | 0 | 1,018 | (784) | 5,160 |
| Community & Wellbeing | 7,602 | 3,557 | 513 | 0 | 4,070 | (1,080) | 10,593 |
| Strategy & Resources | (494) | (505) | (770) | 0 | (1,275) | 4,743 | 2,973 |
| Net Cost of Services | 12,033 | 3,398 | 416 | 0 | 3,813 | 2,880 | 18,726 |
| Other Income and Expenditure | (11,990) | (1,139) | 888 | 7,745 | 7,493 | (13,083) | (17,580) |
| Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services | 43 | 2,258 | 1,303 | 7,745 | 11,306 | (10,204) | 1,146 |
| | £'000 | | | | | | |
| | (3,426) | | | | | | |
| Opening General Fund at 1 April 2020 | | | | | | | |
| (Surplus)/Deficit | 43 | | | | | | |
| Closing General Fund balance at 31 March 2021 | (3,383) | | | | | | |

Note 1. Adjustments for Capital Purposes

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

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

Note 2. Adjustments for Pension Benefits

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

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

Note 3. Other Differences

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

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

Note 8: Expenditure and Income analysed by Nature

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

| 2020/21 £'000 | Expenditure/Income | 2021/22 £'000 |
|------------------|---|------------------|
| | Expenditure | |
| 13,947 | Employee benefits expenses | 15,754 |
| 30,674 | Other services expenses | 31,065 |
| (495) | Support Services recharges | (530) |
| 4,179 | Depreciation, amortisation, impairment, & revaluation | 3,151 |
| 2,699 | Interest payments | 2,747 |
| 573 | Precepts and Levies | 562 |
| 1,237 | Movement in Investment Properties | 0 |
| 52,815 | Total Expenditure | 52,750 |
| | Income | |
| (13,277) | Fees, charges and other service income | (19,008) |
| (2,860) | Interest and investment income | (2,613) |
| | Income from council tax, non-domestic rates (business | |
| (8,646) | rates) and associated S31 grants | (8,314) |
| (26,886) | Government grants and contributions | (21,550) |
| 0 | Movement in Investment Properties | (4,311) |
| (51,669) | Total Income | (55,796) |
| 1,146 | (Surplus) or Deficit on the Provision of Services | (3,045) |

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

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

| 2021-22 | Usa | ble Reser | ves | ves |
|---|-------------------------|------------------|-----------------------------------|-------------------|
| | General Fund Balance | Capital Receipts | Capital Grants Unapplied (CIL) | Unusable Reserves |
| | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | |
| Reversal of items debited or credited to the CIES | | | | |
| Charges for depreciation and impairment of non current assets | (2,217) | 0 | 0 | 2,217 |
| Revaluation losses on Property Plant and Equipment | (1,139) | 0 | 0 | 1,139 |
| Reversal of movements in the market value of Investment Properties | 4,311 | 0 | 0 | (4,311) |
| Reversal of impairment charges to the CIES of non-current assets in prior years | | | | |
| where the non-current assets have had an upward revaluation in year | 395 | 0 | 0 | (395) |
| Amortisation of intangible assets | (191) | 0 | 0 | 191 |
| Revenue expenditure funded from capital under statute | (1,513) | 0 | 0 | 1,513 |
| Insertion of items not debited or credited to the CIES | | | | |
| Statutory provision for the financing of capital investment | 1,416 | 0 | 0 | (1,416) |
| Capital expenditure charged against General Fund balances Revaluation gains charged direct to Revaluation Reserve | 398 | 0 | 0 | (398) |
| Adjustments primarily involving Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the CIES | 1,947 | 0 | (1,947) | 0 |
| Application of grants to capital financing transferred to the CAA | 816 | 0 | 1,046 | (1,863) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 229 | 0 | (229) |
| Other adjustment | | | | , , |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited | (5,103) | 0 | 0 | 5,103 |
| or credited to the CIES | , , | | | |
| Employ er's pensions contributions and direct pay ments to | 2,456 | 0 | 0 | (2,456) |
| pensioners payable in the year | | | | , , , |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax income credited to the CIES differs | 51 | 0 | 0 | (51) |
| from council tax income calculated in accordance with statutory requirements | | | | (*) |
| Amount by which NDR income credited to the CIES differs | 3,844 | 0 | 0 | (3,844) |
| from NDR income calculated in accordance with statutory requirements | -,0.1 | | | (=,5) |
| Total Adjustments | 5,470 | 229 | (901) | (4,798) |

| Reversal of items debited or credited to the CIES Charges for depreciation and impairment of non current assets (2,153) 0 0 2,153 Revaluation losses on Property Plant and Equipment (2,001) 0 0 2,001 Reversal of movements in the market value of Investment Properties (1,237) 0 0 1,237 Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year Amortisation of intangible assets (94) 0 0 94 Revenue expenditure funded from capital under statute (1,521) 0 0 1,521 Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment 1,359 0 0 (1,359) Capital expenditure charged against General Fund balances 200 0 0 (200) Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Statutory provision of grants to capital funder statute to the CAA 2,395 0 (2,395) 0 Application of grants to capital funders to the CAA 2,395 0 (2,395) 0 Application of grants to capital funders to the CAA 2,395 0 (2,395) 0 Application of grants to capital funders to the CAA 2,395 0 (2,395) 0 Application of grants to capital funders the CIES Cherical Receipts Reserve to finance new capital expenditure 0 485 0 (485) Cherical Receipts Reserve to finance new capital expenditure 0 485 0 (485) Cherical Receipts Reserve to finance new capital expenditure 0 485 0 (2,372) Cherical Receipts Reserve to finance new capital expenditure 0 485 0 (2,420) Cherical Receipts Reserve to finance new capital expenditure 0 485 0 (2,420) Cherical Receipts Reserve to finance new capital expenditure 0 485 0 (2,420) Cherical Receipts Reserve to finance new capital expenditure 0 485 0 (2,420) Cherical Receipts Reserve to finance new capital expenditure 0 485 0 (2,420) Cherical Receipts Reserve to finance redited to the CIES differs 1 4 (2,7747) Cherical Receipts Reserve to finance credited to the CIES differs 1 5 (7,747) Cherical Receipts Reserve to finance c | 2020-21 | Usa | ves | | |
|--|---|-------------------------|------------------|-----------------------------------|----------------|
| Adjustments primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the CIES Charges for depreciation and impairment of non current assets (2,153) 0 0 2,153 Revaluation losses on Property Plant and Equipment (2,001) 0 0 0 2,001 Reversal of movements in the market value of investment Properties (1,237) 0 0 1,237 Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year (94) 0 0 94 Reversule expenditure funded from capital under statute (1,521) 0 0 0 1,521 Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment Capital expenditure charged against General Fund belances 200 0 0 (2,395) 0 Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied tredefied to the CIES 2,395 0 (2,395) 0 Application of grants to capital financing treatfered to the CAA 724 0 1,654 Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to refirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to 2,420 0 0 (2,420) pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements | | General Fund Balance | Capital Receipts | Capital Grants Unapplied (CIL) | Unusable Reser |
| Reversal of items debited or credited to the CIES Charges for depreciation and impairment of non current assets (2,153) 0 0 2,153 Revaluation losses on Property Plant and Equipment (2,001) 0 0 2,001 Reversal of movements in the market value of Investment Properties (1,237) 0 0 1,237 Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year Amortisation of intangible assets (84) 0 0 94 Revenue expenditure funded from capital under statute (1,521) 0 0 1,521 Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment Capital expenditure charged against General Fund balances 200 0 0 (2,395) Capital expenditure charged against General Fund balances 200 0 0 (2,395) Capital expenditure charged against General Fund balances 200 0 0 (2,395) Capital grants and contributions unapplied credited to the CIES Statutory provision of grants to capital funder statute to the CAA 200 1,654 Capital grants and contributions unapplied credited to the CIES 2,395 0 (2,395) Capital grants and contributions unapplied credited to the CAA 201 1,654 Capital grants and contributions unapplied credited to the CAA 202 0 1,654 Capital grants and contributions unapplied credited to the CAA 203 0 1,654 Capital grants and contributions and functions and the capital Receipts Reserve: 203 0 (2,395) Cother transfers 204 Capital Receipts Reserve to finance new capital expenditure 205 0 2,420 Cother transfers 207 0 0 2,420 Cother transfers 208 0 0 0 2,420 Capital statutory patients in the vear 209 0 0 2,420 Capital statutory in the Collection Fund Adjustment Account: 209 0 0 0 2,420 Capital statutory requirements 209 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 | | £000 | £000 | £000 | £000 |
| Charges for depreciation and impairment of non current assets (2,153) 0 0 2,153 Revaluation losses on Property Plant and Equipment (2,001) 0 0 2,001 Reversal of movements in the market value of Investment Properties (1,237) 0 0 1,237 Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year 68 0 0 (68) Amortisation of intangible assets (94) 0 0 94 Revenue expenditure funded from capital under statute (1,521) 0 0 1,521 Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment 1,359 0 0 (1,359) Capital expenditure charged against General Fund balances 200 0 0 (200) Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA 724 0 1,654 (2,378) Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure 0 485 0 (485) Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to refirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs 2 0 0 0 (2,420) from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 | Adjustments primarily involving the Capital Adjustment Account: | | | | |
| Revaluation losses on Property Plant and Equipment (2,001) 0 0 2,001 Reversal of movements in the market value of Investment Properties (1,237) 0 0 1,237 Reversal of Impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year 68 0 0 0 (68) Amortisation of intangible assets (94) 0 0 94 Revenue expenditure funded from capital under statute (1,521) 0 0 1,521 Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment 1,359 0 0 (1,359) Capital expenditure charged against General Fund balances 200 0 0 (200) Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES 2,395 0 (2,395) 0 Application of grants to capital financing transferred to the CAA 724 0 1,654 (2,378) Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure 0 485 0 (485) Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited 0 (3,723) 0 0 3,723 or credited to the CIES Employer's pensions contributions and direct payments to 2,420 0 0 (2,420) pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs 2 0 0 7,747 from NDR income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 | Reversal of items debited or credited to the CIES | | | | |
| Reversal of movements in the market value of Investment Properties Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year Amortisation of intangible assets Revenue expenditure funded from capital under statute (1,521) 0 0 1,521 Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment 1,359 0 0 (1,359) Capital expenditure charged against General Fund balances 200 0 0 (200) Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA 724 0 1,654 (2,378) Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure 0 485 0 (485) Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to 2,420 0 0 (2,420) pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs 2 0 0 0 (2,420) from council tax income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 | Charges for depreciation and impairment of non current assets | (2,153) | 0 | 0 | 2,153 |
| Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year Amortisation of intangible assets Revenue expenditure funded from capital under statute (1,521) Revenue expenditure charged against General Fund balances 200 (1,359) (2,00) Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES 2,395 (2,395) (2,395) (2,395) (2,378) Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure O 485 O 485 O 485 O 485 O 485 O 688 O 0 0 (2,395) O 7,723 O 0 0 (2,420) Pensioners funding the Pensions Reserve: Reversal of items relating to retirement benefits debited O 3,723 O 0 0 (2,420) Pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs | Revaluation losses on Property Plant and Equipment | (2,001) | 0 | 0 | 2,001 |
| where the non-current assets have had an upward revaluation in year Amortisation of intangible assets Revenue expenditure funded from capital under statute (1,521) 0 0 1,521 Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment 1,359 0 0 0 (1,359) Capital expenditure charged against General Fund balances 200 0 0 0 (200) Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA 724 0 1,654 (2,378) Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements | Reversal of movements in the market value of Investment Properties | (1,237) | 0 | 0 | 1,237 |
| Amortisation of intangible assets Revenue expenditure funded from capital under statute (1,521) 0 0 0 1,521 Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment 1,359 0 0 0 (1,359) Capital expenditure charged against General Fund balances 200 0 0 0 (200) Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA 724 0 1,654 (2,378) Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure O 485 0 (485) Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to referement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements | Reversal of impairment charges to the CIES of non-current assets in prior years | | | | |
| Revenue expenditure funded from capital under statute Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment Capital expenditure charged against General Fund balances Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA Application of grants to capital financing transferred to the CAA Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs | where the non-current assets have had an upward revaluation in year | 68 | 0 | 0 | (68) |
| Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment Capital expenditure charged against General Fund balances Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA Application of grants to capital financing transferred to the CAA Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements | Amortisation of intangible assets | (94) | 0 | 0 | 94 |
| Statutory provision for the financing of capital investment Capital expenditure charged against General Fund balances Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs Amount by which NDR income credited to the CIES differs | Revenue expenditure funded from capital under statute | (1,521) | 0 | 0 | 1,521 |
| Capital expenditure charged against General Fund balances Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners pay able in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs | Insertion of items not debited or credited to the CIES | | | | |
| Adjustments primarily involving Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs Amount by which NDR income credited to the CIES differs (7,747) O 7,747 from NDR income calculated in accordance with statutory requirements | Statutory provision for the financing of capital investment | 1,359 | 0 | 0 | (1,359) |
| Capital grants and contributions unapplied credited to the CIES Application of grants to capital financing transferred to the CAA Application of grants to capital financing transferred to the CAA Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure O 485 Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) O 7,747 from NDR income calculated in accordance with statutory requirements | Capital expenditure charged against General Fund balances | 200 | 0 | 0 | (200) |
| Application of grants to capital financing transferred to the CAA Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by which NDR income credited to the CIES differs Amount by income calculated in accordance with statutory requirements | Adjustments primarily involving Capital Grants Unapplied Account: | | | | |
| Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure O | Capital grants and contributions unapplied credited to the CIES | 2,395 | 0 | (2,395) | 0 |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited (3,723) 0 0 3,723 or credited to the CIES Employer's pensions contributions and direct payments to 2,420 0 0 (2,420) pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs 2 0 0 (2) from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 7,747 from NDR income calculated in accordance with statutory requirements | Application of grants to capital financing transferred to the CAA | 724 | 0 | 1,654 | (2,378) |
| gain/loss on disposal to the CIES Use of the Capital Receipts Reserve to finance new capital expenditure Other transfers Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs Amount by which NDR income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) O 7,747 To 7,747 | Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure O | Transfer of cash sale proceeds credited as part of the | | | | |
| Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited (3,723) 0 0 3,723 or credited to the CIES Employer's pensions contributions and direct payments to 2,420 0 0 (2,420) pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs 2 0 0 (2) from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 from NDR income calculated in accordance with statutory requirements | gain/loss on disposal to the CIES | | | | |
| Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited (3,723) 0 0 3,723 or credited to the CIES Employer's pensions contributions and direct payments to 2,420 0 0 (2,420) pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs 2 0 0 (2) from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 from NDR income calculated in accordance with statutory requirements | Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 485 | 0 | (485) |
| Reversal of items relating to retirement benefits debited or credited to the CIES Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 7,747 0 7,747 | Other transfers | | | | |
| or credited to the CIES Employer's pensions contributions and direct payments to 2,420 0 0 (2,420) pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs 2 0 0 (2) from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 from NDR income calculated in accordance with statutory requirements | Adjustments involving the Pensions Reserve: | | | | |
| Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 7,747 0 7,747 | Reversal of items relating to retirement benefits debited | (3,723) | 0 | 0 | 3,723 |
| Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs 2 0 0 (2) from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 from NDR income calculated in accordance with statutory requirements | or credited to the CIES | | | | |
| Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES differs 2 0 0 (2) from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 from NDR income calculated in accordance with statutory requirements | Employer's pensions contributions and direct payments to | 2,420 | 0 | 0 | (2,420) |
| Amount by which council tax income credited to the CIES differs 2 0 0 (2) from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 from NDR income calculated in accordance with statutory requirements | pensioners payable in the year | | | | |
| from council tax income calculated in accordance with statutory requirements Amount by which NDR income credited to the CIES differs (7,747) 0 7,747 from NDR income calculated in accordance with statutory requirements | Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which NDR income credited to the CIES differs (7,747) 0 0 7,747 from NDR income calculated in accordance with statutory requirements | Amount by which council tax income credited to the CIES differs | 2 | 0 | 0 | (2) |
| from NDR income calculated in accordance with statutory requirements | from council tax income calculated in accordance with statutory requirements | | | | |
| from NDR income calculated in accordance with statutory requirements | Amount by which NDR income credited to the CIES differs | (7,747) | 0 | 0 | 7,747 |
| Total Adjustments (11,306) 485 (742) 11,563 | from NDR income calculated in accordance with statutory requirements | | | | |
| | Total Adjustments | (11,306) | 485 | (742) | 11,563 |

Note 10: Movements in Usable Reserves

| | Balance at 31 March | Transf | fers | Balance at 31 March | Trans | fers | Balance at 31 March |
|--|------------------------|----------|-------|------------------------|---------|--------|------------------------|
| | 2020 | ln | Out | 2021 | ln | Out | 2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund | (3,426) | 0 | 43 | (3,383) | 0 | 530 | (2,853) |
| Strategic Reserves | | | | | | | |
| Insurance | (466) | (1) | 25 | (442) | (1) | 9 | (434) |
| Repairs and Renewals | (360) | (34) | 3 | (391) | (66) | 1 | (456) |
| Interest Equalisation | (400) | 0 | 0 | (400) | 0 | 400 | 0 |
| VAT Reserve | (251) | 0 | 52 | (199) | (8) | 0 | (206) |
| Place Development Reserve | | | | | | | |
| (Formerly Housing & Planning | (87) | 0 | 0 | (87) | (176) | 39 | (225) |
| Delivery Grant) | | | | | | | |
| Property Maintenance | (550) | (173) | 175 | (548) | (223) | 82 | (689) |
| Commuted Sums | (1,464) | (29) | 46 | (1,447) | (29) | 36 | (1,439) |
| Corporate Projects Reserve | (3,956) | (826) | 110 | (4,673) | (756) | 1,299 | (4,130) |
| Community Safety | (111) | (2) | 4 | (109) | 0 | 5 | (104) |
| Local Partnership Fund | (28) | 0 | 0 | (28) | 0 | 0 | (28) |
| Prevention, Personalisation & Partnership Fund | (73) | 0 | 0 | (73) | 0 | 0 | (73) |
| Business Rates Equalisation | (1,291) | (8,015) | 0 | (9,306) | (2,736) | 6,884 | (5,158) |
| Residential Property Acquisition Fund | (1,161) | 0 | 95 | (1,066) | 0 | 49 | (1,017) |
| Property Income Equalisation | (3,830) | (1,666) | 0 | (5,496) | (3,102) | 138 | (8,459) |
| HIA Hardship fund | (88) | (36) | 0 | (124) | 0 | 0 | (124) |
| Sports & Leisure Development | (86) | (2) | 0 | (87) | (2) | 13 | (76) |
| Housing/Homelessness Support Grants | (596) | 0 | 211 | (385) | (63) | 116 | (332) |
| Homelessness Reduction Act | (19) | 0 | 0 | (19) | 0 | 19 | 0 |
| Mortgage Rescue Funding | (9) | 0 | 0 | (9) | 0 | 9 | 0 |
| Surrey Homeless Alliance Funding | (1) | 0 | 0 | (1) | 0 | 1 | 0 |
| Basic Payments Scheme | (123) | (19) | 0 | (141) | (3) | 2 | (142) |
| Covid Grants Reserve | 0 | (121) | 0 | (121) | (94) | 52 | (163) |
| Subtotal Strategic Reserves | (14,948) | (10,924) | 721 | (25,152) | (7,259) | 9,154 | (23,255) |
| Community Infrastructure Levy | (7,677) | (2,574) | 1,833 | (8,419) | (2,084) | 1,183 | (9,320) |
| Capital Receipts Reserves | (4,535) | 0 | 485 | (4,050) | 0 | 229 | (3,821) |
| Total Usable Reserves | (30,586) | (13,498) | 3,082 | (41,003) | (9,343) | 11,096 | (39,249) |

Note 11: Other Operating Expenditure in CIES

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---|------------------|
| () | (Gains) /Losses on the Disposal of Non- Current Assets | 0 |
| 0 | Total | 0 |

Note 12: Financing and Investment Income and Expenditure in CIES

| 2020/21 | | 2021/22 |
|---------|---|---------|
| £'000 | | £'000 |
| 1,835 | Interest Payable and Similar Charges | 1,807 |
| 864 | Net Interest on the Net Defined Benefit Liability | 940 |
| 1,237 | Movement in Investment Property Valuations | (4,311) |
| (2,960) | Investment Property Rentals Trading Account | (5,298) |
| (1,874) | Interest Receivable and Similar Income | (1,887) |
| (986) | Other Income from Subsidiary | (726) |
| (1,883) | Total | (9,474) |

Note 13: Taxation and Non Specific Grant Income in CIES

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

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| (6,726) | Council Tax Income | (6,948) |
| (1,920) | Non Domestic Rates & S31 Relief Grants | (1,366) |
| (385) | New Homes Bonus Grant* | (249) |
| (1,018) | Covid-19 Unringfenced Support Grant | (365) |
| (3,082) | Covid-19 Income Compensation Scheme | (506) |
| (2,565) | Capital Grants and Contributions | (2,143) |
| (15,697) | Total | (11,576) |

^{*}New Homes Bonus received in 2021/22 was £0.25m, however, this sum was transferred to the Corporate Project Reserve and is not used to fund the general fund budget. Further grants credited to services are detailed in Note 14.

Note 14: Other Government Grants Credited to Services

In addition to Taxation and Non Specific Grant Income in Note 13 the following significant government grants and contributions were credited to Cost of Services in the CIES:

| 2020/21 | | 2021/22 |
|----------|--|----------|
| £'000 | | £'000 |
| (49) | Council Tax Support Admin Grant | (122) |
| (169) | Benefits Admin Grant | (130) |
| (17,173) | Rent Allowances- Housing Benefit Subsidy | (16,033) |
| (4) | Elections | (81) |
| (137) | Personal Services | (201) |
| (86) | Highways and parking | (83) |
| (138) | Venues | (116) |
| (567) | Homelessness & Rough Sleepers | (821) |
| (585) | Covid-19 New Burden & Support Grants | (529) |
| (1,937) | Covid-19 Support for eligible Businesses & Individuals | (1,442) |
| (722) | Contain Outbreak Management Fund (Covid-19) | (79) |
| 0 | Place Development Grants | (145) |
| 0 | Youth Hub | (52) |
| (734) | Disabled Facilities Grant | (455) |
| (99) | Other Smaller Grants | (140) |
| (22,400) | Total | (20,431) |

Capital Grants and Contributions Receipts in advance

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

| 2020/21 | | 2021/22 |
|---------|--|---------|
| £'000 | | £'000 |
| (3,230) | Other grants and Section 106 Contributions | (3,203) |
| (3,230) | Total | (3,203) |

Note 15: Property, Plant and Equipment

Property, Plant and Equipment Valuation

The Borough Council's property portfolio is valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end; as a minimum, revaluations occur at least once every five years. In line with the Code of Practice the Council maintains a valuation programme that concentrates on categories of assets. Valuations are undertaken by Wilks, Head and Eve, Chartered Surveyors. The properties that were revalued in 2021/22 account for £80.36 million of the gross book value of assets at 31 March 2022.

Despite the impact of the Covid-19 pandemic, at the reporting date, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.

The UK officially left the EU with the transition period ending as of 31st December 2020. Whilst the deal provides a more certain position in relation to the UK's future relationship with the EU the full implications of the deal will take some time to realise. There remains therefore a period of uncertainty in relation to many factors that impact the construction markets, supply & demand and, costs associated with this market.

The recent Russian invasion of Ukraine has added to the levels of global uncertainty during the period. As a response the international community has been united in applying sanctions against the Russian state which is now reported to be having an impact on the Russian economy. The reliance on energy resource may lead to wider implications across Europe although this may be more relevant to the 2022-23 financial period. Whilst there doesn't appear to be any specific impact to the value of the assets within the portfolio because of the invasion currently this will continue to be monitored as the crisis develops.

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

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

Depreciation

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

- Other Land and Buildings 5 to 50 years
- · Vehicles, plant and equipment 1 to 39 years
- · Infrastructure Assets 4 to 50 years

Agenda Item 4 Appendix 2

Movements on Non Current Assets – Property, Plant & Equipment & Surplus Assets 2021/22

| Property, Plant Equipment & Surplus Assets | Other Land and Buildings | Vehicle Plant and Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Surplus Assets | Totals |
|--|--------------------------|-----------------------------------|--------------------------|---------------------|------------------------------|-------------------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross Book Carrying Value as at 1 April 2021 | 73,560 | 9,190 | 1,108 | 4,375 | 353 | 592 | 89,178 |
| Additions | 71 | 197 | 119 | 0 | 458 | 0 | 847 |
| Revaluation Movement Recognised in the Revaluation Reserve | (5,412) | 109 | 0 | 0 | 0 | 0 | (5,303) |
| Derecognition - Disposals | 0 | (475) | 0 | 0 | 0 | 0 | (475) |
| Assets Reclassified | 0 | 83 | 0 | 0 | (83) | 0 | 0 |
| Other Movements | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross Book Carrying Value at 31 March 2022 | 68,219 | 9,106 | 1,227 | 4,375 | 728 | 592 | 84,247 |
| Accumulated Impairment & Depreciation as at 1 April 2021 | (3,377) | (2,500) | (32) | (942) | 0 | 0 | (6,851) |
| Depreciation Charge for the Year | (1,482) | (705) | (30) | 0 | 0 | 0 | (2,217) |
| Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service | (743) | 0 | 0 | 0 | 0 | 0 | (743) |
| Derecognition - disposals | 0 | 474 | 0 | 0 | 0 | 0 | 474 |
| Depreciation Written out to the Revaluation Reserve | 521 | 0 | 0 | 0 | 0 | 0 | 521 |
| Accumulated Impairment & Depreciation as at 31 March 2022 | (5,081) | (2,731) | (62) | (942) | 0 | 0 | (8,816) |
| TOTAL NET CARRYING BOOK VALUE at 31 March 2022 | 63,138 | 6,375 | 1,166 | 3,433 | 728 | 592 | 75,431 |

Movements on Non Current Assets – Property, Plant & Equipment & Surplus Assets 2020/21

| Property, Plant Equipment & Surplus Assets | Other Land and Buildings | Vehicle Plant and Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Surplus Assets | Totals |
|--|--------------------------|-----------------------------------|--------------------------|---------------------|------------------------------|-------------------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross Book Carrying Value as at 1 April 2020 | 70,519 | 9,743 | 158 | 4,384 | 1,495 | 592 | 86,891 |
| Additions | 83 | 0 | 0 | 0 | 1,154 | 0 | 1,237 |
| Revaluation Movement Recognised in the Revaluation Reserve | 1,832 | 70 | 0 | 0 | 0 | 0 | 1,902 |
| Revaluation movement recognised in the Surplus/Deficit on the Provision of Service | | | | | | | 0 |
| Derecognition - Disposals | 0 | (623) | 0 | 0 | 0 | 0 | (623) |
| Assets Reclassified | 1,126 | 0 | 950 | 0 | (2,296) | 0 | (220) |
| Other Movements | 0 | 0 | 0 | (9) | 0 | 0 | (9) |
| Gross Book Carrying Value at 31 March 2021 | 73,560 | 9,190 | 1,108 | 4,375 | 353 | 592 | 89,178 |
| Accumulated Impairment & Depreciation as at 1 April 2020 | (1,152) | (2,455) | (21) | (942) | 0 | 0 | (4,570) |
| Depreciation Charge for the Year | (1,334) | (808) | (11) | 0 | 0 | 0 | (2,153) |
| Depreciation written out to the Surplus/Deficit on the Provision of Service | (1,933) | 0 | 0 | 0 | 0 | 0 | (1,933) |
| Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - disposals | 0 | 623 | 0 | 0 | 0 | 0 | 623 |
| Depreciation Written out to the Revaluation Reserve | 1,042 | 140 | 0 | 0 | 0 | 0 | 1,182 |
| Accumulated Impairment & Depreciation as at 31 March 2021 | (3,377) | (2,500) | (32) | (942) | 0 | 0 | (6,851) |
| TOTAL NET CARRYING BOOK VALUE at 31 March 2021 | 70,183 | 6,690 | 1,076 | 3,433 | 353 | 592 | 82,327 |

Capital Expenditure

Capital expenditure and revenue expenditure funded from capital under statute (REFCUS) of £2.523m was incurred in 2021/22 as follows:

| 2020/21 | | 2021/22 |
|---------|---|---------|
| £'000 | | £'000 |
| 1,237 | Non Current Assets - PPE | 847 |
| 124 | Investment Assets | o |
| 191 | Intangibles | 164 |
| 1,521 | Revenue Expenditure Funded from Capital Under Statute | 1,513 |
| 3,073 | Total Capital Expenditure | 2,523 |

Funding of capital expenditure is detailed below:

| 2020/21 | | 2021/22 |
|---------|--|---------|
| £'000 | | £'000 |
| 485 | Capital Reserves | 229 |
| 734 | Government Grants | 455 |
| 200 | Revenue | 398 |
| 0 | Section 106 Receipts | 361 |
| 1,654 | Community Infrastructure Levy Receipts | 1,046 |
| 3,073 | Subtotal Capital Funding | 2,489 |
| 0 | Vehicle Finance Lease - to be financed in future years | 34 |
| 3,073 | Total | 2,523 |

A net contribution of £398k (£200k contribution in 2020/21) was set aside from revenue to finance capital expenditure in 2021/22.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2022 amounts to £380k as detailed below.

| 2020/21 | | 2021/22 |
|---------|---------------------------------------|---------|
| £'000 | | £'000 |
| 1,127 | Plan E Town Centre works | 0 |
| 23 | Outdoor Gym - Chessington Rd | 0 |
| 410 | Replacement of CRM and Data Warehouse | 380 |
| 76 | Renewal of Town Hall lifts | 0 |
| 1,636 | Total Capital Commitments | 380 |

Componentisation

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

Revaluations

The Council ensures that all property, plant and equipment required to be measured at fair value is re-valued, at least every five years. All operational buildings have been revalued within the past two years. In 2019/20, the Council engaged a new property valuing firm, Wilks, Head & Eve, following a competitive procurement exercise. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

| Valued at fair value as at: | 31 March 2019 £'000 | 31 March 2020 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 |
|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Operational Assets | | | | |
| Land and Buildings | 13,518 | 40,412 | 31,291 | 21,462 |

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

Note 16: Investment Properties

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

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| (3,302) | Rental Income from Investment Property | (5,733) |
| 342 | Other Net Expenditure Arising from Investment Property | 435 |
| (2,960) | Net (Income)/Expenditure | (5,298) |

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

Fair Value Hierarchy

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

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

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

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2022 by Wilks Head and Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Despite the impact of the Covid-19 pandemic, at the reporting date, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards. The following table summarises the movement in the fair value of investment properties over the year.

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---|------------------|
| 55,776 | Balance at the Start of the Year | 54,663 |
| 124 | Purchases/Enhancements | 0 |
| 0 | Disposals | 0 |
| (1,237) | Net gains/(losses) from Fair Value Adjustments | 4,311 |
| 0 | Transfers to Assets Held For Sale/Other adjustments | 0 |
| 54,663 | Balance at the Year End | 58,974 |

Note 17: Intangible Assets

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

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

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

| 2020/21 | | 2021/22 |
|---------|--|---------|
| £'000 | | £'000 |
| | Balance at the start of the year | |
| 540 | Gross Carrying Amounts | 786 |
| (246) | Accumulated Amortisation | (175) |
| 294 | Net Carrying Amount at the Start of the Year | 611 |
| 191 | Additions | 164 |
| 220 | Assets under construction brought into use | 0 |
| (165) | Disposals | (24) |
| 165 | Amortisation written out on disposal | 24 |
| (94) | Amortisation for the Period | (191) |
| 611 | Net Carrying Value at the End of the Year | 584 |

Note 18: Financial Instruments

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

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

| 2020 | 0/21 | | 2021/22 | |
|-------------|---------|--|-------------|---------|
| Non-Current | Current | | Non-Current | Current |
| £'000 | £'000 | | £'000 | £'000 |
| | | Financial Assets - Loans and Investments | | |
| 60,293 | 0 | Loans and Investments (Amortised Cost) | 60,293 | 10,000 |
| 0 | 18,700 | Loans and Investments (FVPL) | 0 | 25,000 |
| 60,293 | 18,700 | Total Loans and Investments | 60,293 | 35,000 |
| | | Financial Assets - Debtors | | |
| 0 | 3,495 | Trade Debtors (Amortised Cost) | 0 | 1,822 |
| 0 | 6 | Other Debtors (Amortised Cost) | 0 | 1 |
| 0 | 3,501 | Total included in Debtors | 0 | 1,823 |
| | | Financial Liabilities - Borrowings | | |
| (64,427) | 0 | Borrowings (Amortised Cost) | (64,427) | 0 |
| (64,427) | 0 | Total included in Borrowings | (64,427) | 0 |
| | | Other Financial Liabilities | | |
| (2,257) | (409) | Finance Lease (Amortised Cost) | 1,877 | (410) |
| (2,257) | (409) | Total included Other Financial Liabilities | 1,877 | (410) |
| | | Financial Liabilities - Creditors | | |
| 0 | (2,430) | Creditors (Amortised Cost) | 0 | (1,561) |
| 0 | (2,430) | Total included in Creditors | 0 | (1,561) |

Cash and cash equivalents are also financial assets and are disclosed separately in Note 20.

Material Soft Loans made by the Council

The Council has no material soft loans outstanding at 31 March 2022.

Unquoted Equity Instruments Measured at Cost

The Council has a shareholding in Epsom & Ewell Property Investment Company Limited (representing 100% of the company's capital). The shares are carried at cost of £24.117m and have not been re-valued, as a fair value cannot be measured without incurring excessive expense. The company was formed in September 2017. There are no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. There is no indication that the investment may be materially impaired. The Council has no current intention to dispose of the shareholding.

Income, Expense, Gains and Losses

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

| | 2020/21 | | | | 2021/22 | |
|----------------------------|--------------------------|---------|---|----------------------------|--------------------------|---------|
| Financial Liabilities - | Financial Assets - | Total | | Financial Liabilities - | Financial Assets - | Total |
| Borrowings | Loans and Investments | | | Borrowings | Loans and Investments | |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 208 | 0 | 208 | Interest expense - finance leases | 181 | 0 | 181 |
| 1,625 | 0 | 1,625 | Interest expense - borrowings | 1,625 | 0 | 1,625 |
| 0 | 0 | 0 | Fee expense | 0 | 0 | 0 |
| 1,833 | 0 | 1,833 | Total expense in Surplus or Deficit on the Provision of Services | 1,806 | 0 | 1,806 |
| 0 | (63) | (63) | Interest Income - treasury investments | 0 | (76) | (76) |
| 0 | (1,809) | (1,809) | Interest Income - loans to subsidiary | 0 | (1,809) | (1,809) |
| 0 | (1,872) | (1,872) | Total Income in Surplus or Deficit on the Provision of Services | 0 | (1,885) | (1,885) |
| 1,833 | (1,872) | (39) | Net (Income)/Expenditure for the Year | 1,806 | (1,885) | (79) |

Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the finance team, under policies approved by Strategy & Resources Committee in the Treasury Management Strategy.

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

The financial assets held by the Council at 31 March 2022 are detailed below.

| Financial Asset Category | Counterparty | Investment at 31 March 2022 |
|----------------------------------|-----------------------------|--------------------------------|
| Cash Equivalents - Fair | Value Through Profit & Loss | |
| | | |
| | Goldman Sachs | £5.0m |
| Deposits with Money | Deutsche | £5.0m |
| Market Funds | RBS | £5.0m |
| | UBS | £5.0m |
| | State Street | £5.0m |
| Total Cash Equivalents | | £25.0m |
| | | |
| Short Term Investmen | nts - Amortised Cost | |
| Fixed Term Deposit with Building | Standard Chartered | £5.0m |
| Societies and banks | Goldman Sachs | £5.0m |
| Total Short Term Inves | stments | £10.0m |

The Authority's maximum exposure to credit risk in relation to its investments is £35m. The Council has assessed its investment portfolio for signs of impairment, in accordance with the requirements of IFRS 9. All treasury investments are held in low risk funds and/or with low risk

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

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

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

| ` | Amount at 31 March 2022 | Historical experience of default | Historical experience adjusted for market conditions at 31-Mar-22 | Estimated maximum exposure to default and un- collectability at 31 March 2022 | Historical experience adjusted for market conditions at 31-Mar-21 | Estimated maximum exposure at |
|---------------------|-------------------------------|--|--|--|--|-------------------------------|
| | £'000 | % | % | £'000 | % | £'000 |
| | Α | В | С | (A x C) | С | |
| Money Market Funds | | 0 | 0 | 0 | 0 | 0 |
| Goldman Sachs | 5,000 | 0 | 0 | 0 | 0 | 0 |
| Deutsche | 5,000 | 0 | 0 | 0 | 0 | 0 |
| RBS | 5,000 | 0 | 0 | 0 | 0 | 0 |
| UBS | 5,000 | 0 | 0 | 0 | 0 | 0 |
| State Street | 5,000 | 0 | 0 | 0 | 0 | 0 |
| Fixed Term Deposits | | | | | | |
| Standard Chartered | 5,000 | 0 | 0 | 0 | 0 | 0 |
| Goldman Sachs | 5,000 | 0 | 0 | 0 | 0 | 0 |
| <u>Other</u> | | | | | | |
| Customers | 1,822 | 3.18% | 52.45% | 956 | 18.99% | 664 |

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

The Council does not generally allow credit for customers, but of the £1.8m balance £1.4m is overdue for payment. The overdue amount can be analysed by age as follows:

| 31-Mar-21 | | 31-Mar-22 |
|-----------|------------------------|-----------|
| £'000 | | £'000 |
| 874 | Less than three months | 243 |
| 513 | Three to Five months | 134 |
| 826 | More than Five Months | 1,018 |
| 2,213 | Total | 1,395 |

To reflect the increased aged debtors, the bad debt provision has increased by a net £291k, from £664k at 31 March 2021 to £955k at 31 March 2022.

Liquidity Risk

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

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

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

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

The Council has a number of strategies for managing interest rate risk. The finance team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This allows any adverse changes to be accommodated in the budget setting process.

According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | | | | | | | £'000 |
|-----------------------|--|------------|----------------|-------|-------------|------|-------|
| Increase investmer | | interest | receivable | on | variable | rate | 199 |
| Impact on | Sur | plus or De | ficit on the P | rovis | ion of Serv | ices | 199 |
| Decrease | Decrease in fair value of fixed rate investment assets | | | :S | 61 | | |

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

There have been no changes to the method and approach for compiling the risk information for 2021/22 compared to 2020/21.

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

These investments are included in the balance sheet at amortised cost less any expected credit loss (if short term investments) and those not due within the next year (long term investments).

Fair Values of Financial Assets and Financial Liabilities

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

Financial Assets

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

| 31-M | ar-21 | | 31-Mar-22 | |
|--------------------|------------|---|--------------------|------------|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value |
| £'000 | £'000 | | £'000 | £'000 |
| | | Financial Assets | | |
| 24,117 | 24,117 | Unquoted Equity Investment (Amortised Cost) | 24,117 | 24,117 |
| 36,176 | 69,285 | Loans to Subsidiary (Amortised Cost) | 36,176 | 62,687 |
| 0 | 0 | Other Investments (Amortised Cost) | 10,000 | 9,995 |
| 18,700 | 18,700 | Other Investments (FVPL) | 25,000 | 25,000 |
| 3,495 | 3,495 | Trade Debtors (Amortised Cost) | 1,822 | 1,822 |
| 82,488 | 115,597 | Total Financial Assets | 97,115 | 123,621 |

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

Financial Liabilities

| 31-M | ar-21 | | 31-M | ar-22 |
|--------------------|------------|--|--------------------|------------|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value |
| £'000 | £'000 | | £'000 | £'000 |
| | | Financial Liabilities held at amortised cost | | |
| 64,427 | 74,677 | PWLB Loans | 64,427 | 67,196 |
| 2,666 | 2,666 | Finance Lease Liabilities | 2,287 | 2,287 |
| 2,430 | 2,430 | Creditors | 1,501 | 1,501 |
| 69,523 | 79,773 | Total Financial Liabilities | 68,215 | 70,984 |

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

Note 19: Debtors

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

| 2020/21 £'000 | | |
|------------------|--------------------------------|-------|
| 1,744 | Central government bodies | 106 |
| 1,001 | Other Local Authorities | 528 |
| 279 | Council Tax Payers | 379 |
| 150 | Non Domestic Rate Payers | 333 |
| 2,837 | Other Entities and individuals | 1,515 |
| 6,011 | Total Debtors | 2,861 |

Long term debtors (greater than 365 days):

| 2020/21 | | 2021/22 |
|---------|---------------------|---------|
| £'000 | | £'000 |
| 336 | Lease Debtors | 630 |
| 36,176 | Loans to Subsidiary | 36,176 |
| 36,512 | Total | 36,806 |

Note 20: Cash and Cash Equivalents

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

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

| 2020/21 | | 2021/22 |
|---------|---------------------------|---------|
| £'000 | | £'000 |
| 2,024 | Cash at Bank | 9,635 |
| 18,700 | Cash Equivalents | 25,000 |
| 20,724 | Cash and Cash Equivalents | 34,635 |

Note 21: Creditors

A summary of creditors is detailed below.

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--------------------------------|------------------|
| (7,521) | Central Government Bodies | (24,857) |
| (244) | Other Local Authorities | (1,616) |
| (87) | Council Tax Payers | (91) |
| (66) | Non Domestic Ratepayers | (445) |
| (4,346) | Other Entities and individuals | (3,281) |
| (12,264) | Total | (30,290) |

Note 22: Provisions

A summary of Long Term Provisions is detailed below.

| | NDR Appeals |
|---------------------------------------|-------------|
| | £′000 |
| 2020/21 | |
| Opening balance at 1 April 2020 | (426) |
| Adjustment to opening balance | (103) |
| Net additional provision made in year | (7) |
| Balance at 31 March 2021 | (536) |
| 2021/22 | |
| Opening balance at 1 April 2021 | (536) |
| Net reduction in provision | 77 |
| Balance at 31 March 2022 | (459) |

The Council has one outstanding provision of £0.459m for its share of appeals against NDR (Business Rates) charges. The total £0.459m provision reflects an estimate of the potential effects of appeals that may be settled in future years.

Note 23: Reserves

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

| | Balance | Net Movement in | Balance | | |
|--|----------|--------------------|-----------|--|--|
| | 2020/21 | year | 2021/22 | | Further Detail of |
| Reserve | £'000 | £'000 | £'000 | Purpose of Reserve | Movements |
| General Fund | (3,383) | 530 | (2,853) | Resources available to meet future running costs for non-housing services | Movement in Reserve Statement (Note 10) |
| Strategic Reserves | (25,152) | 1,896 | (23,255) | Earmarked resources to provide funding for specific areas | Movement in Reserve Statement (Note 10) |
| Capital Grants Unapplied Account (CIL) | (8,419) | (901) | (9,320) | Community Infrastructure Levy used to fund investment in infrastructure. | Movement in Reserve Statement (Note 10) |
| Capital Receipts Reserve | (4,050) | 229 | (3,821) | Proceeds of Non Current Asset sales available to meet future capital investment | Detailed in this note below |
| Total Usable Reserves | (41,003) | 1,754 | (39,249) | | |
| Revaluation Reserve | (49,013) | 4,782 | (44,231) | Store of gains on revaluation of non current assets not yet realised through sales | Detailed in this note below |
| Capital Adjustments Account | (59,224) | (3,551) | (62,775) | Store of capital resources set aside to meet past expenditure | Detailed in this note below |
| Council Tax Adjustment Account | (5) | (51) | (56) | Balance held on collection fund and NNDR AC | Detailed in this note below |
| NNDR Adj Account | 6,614 | (3,844) | 2,770 | Balance held on collection fund and NNDR AC | Detailed in this note below |
| Pensions Reserve | 46,201 | (9,408) | 36,793 | Balancing account to allow inclusion of Pensions Liability in the Balance Sheet. | Note 32 |
| Total Unusable Reserves | (55,428) | (12,072) | (67,500) | | |
| Total Reserves | (96,431) | (10,318) | (106,749) | | |

Revaluation Reserve

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

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

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

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

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

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---|------------------|
| (45,929) | Balance at 1 April | (49,013) |
| (7,229) | Upward revaluation of assets | (2,340) |
| 4,145 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 7,122 |
| (3,084) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 4,782 |
| (49,013) | Balance at 31 March | (44,231) |

Movements in Amounts Capital Adjustment Account to Finance Capital Investment

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

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

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

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

| 2020/21 | | 2021/22 | |
|----------|---|-------------------|--|
| £'000 | | £'000 | |
| (61,739) | Balance brought forward at 1 April | (59,224) | |
| | Reversal of Items Relating to Capital Expenditure Debited or Credited to the | I | |
| | Comprehensive Income and Expenditure Statement | I | |
| 2,153 | - charges for depreciation and impairment of non-current assets | 2,217 | |
| 1,932 | - revaluation (gains)/losses on property, plant & equipment | 743 | |
| 94 | - amortisation of intangible assets | 191 | |
| 1,521 | - revenue expenditure funded from capital under statute | 1,513 | |
| 0 | -amounts of non-current assets written off on disposal or sale as part of the | 0 | |
| 0 | gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | |
| 5,700 | Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the | 4,664 | |
| 3,700 | Comprehensive Income and Expenditure Statement | | |
| (56,039) | Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year | (54 <i>,</i> 560) | |
| | Canital Financing Applied in the Year | | |
| (405) | Capital Financing Applied in the Year | (222) | |
| (485) | - use of the Capital Receipts Reserve used to finance new expenditure | (229) | |
| (2,378) | - capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (1,863) | |
| (1,359) | - statutory provision for the financing of capital investment charged against the general fund | (1,416) | |
| (200) | - capital expenditure charged against the General Fund | (398) | |
| (4,422) | Total Capital Financing Applied | (3,905) | |
| 1,237 | Movements in the market value of Investment Properties debited or credited to the | (4,311) | |
| 1,237 | Comprehensive Income and Expenditure Statement | | |
| (59,224) | Balance Carried Forward at 31 March | (62,775) | |

Usable Capital Receipts Reserve

| 2020/21 | | 2021/22 |
|---------|--|---------|
| £'000 | | £'000 |
| (4,535) | Balance brought forward at 1 April | (4,050) |
| 0 | Amounts receivable in year | 0 |
| 485 | Amounts applied to finance new capital investment | 229 |
| 485 | Total (Increase)/decrease in realised capital receipts | 229 |
| (4,050) | Balance carried forward at 31 March | (3,821) |

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

Pensions Reserve

Pension costs are detailed in Note 32.

Council Tax Collection Fund Adjustment Account and NNDR Adjustment Account

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

| 2020/21 | | 2021/22 |
|---------|--|---------|
| £′000 | | £'000 |
| (1,136) | Balance at the start of the year | 6,609 |
| (2) | Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | (51) |
| 7,747 | Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements | (3,844) |
| 6,609 | Balance at the end of the year | 2,714 |

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

| 2020/21 £'000 | Details | 2021/22 £'000 |
|------------------|---|------------------|
| 1 000 | Character demociation investment and unreliable of the comment | 2 000 |
| (4,086) | Charges for depreciation, impairment, and revaluation of non-current assets | (2,961) |
| (1,237) | Movements in the market value of Investment Properties | 4,311 |
| (94) | Amortisation of intangible assets | (191) |
| (1,303) | Movement in pension liability | (2,647) |
| (70) | Increase/(decrease) in debtors | (2,634) |
| (646) | (Increase)/decrease in creditors | 1,087 |
| (110) | (Increase)/decrease in provisions | 76 |
| 3 | Increase/(decrease) in inventories | 12 |
| (7,543) | Adjustment for Net (Surplus) or Deficit on the Provision of services for non- | (2,947) |
| (7,543) | cash movements | (2,347) |

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

| 2020/21 £'000 | Details | 2021/22 £'000 |
|------------------|--|------------------|
| | Capital Grants credited to surplus or deficit on the provision of services | 3,608 |
| 4,394 | Total | 3,608 |

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

| 2020/21 £'000 | Details | 2021/22 £'000 |
|------------------|--|------------------|
| 957 | Purchase of property, plant and equipment, investment property and intangible assets | 865 |
| | Short Term Investments | 10,000 |
| (4,394) | Capital Grants Received | (3,608) |
| (8,438) | Total | 7,257 |

Note 26: Cashflow from Financing Activities

| 2020/21 £'000 | Details | 2021/22 £'000 |
|------------------|--|------------------|
| 380 | Cash payments for the reduction of finance leases | 413 |
| 14/81 | Other financing activities (collection fund and grant agency arrangements) | (19,197) |
| (47) | Total | (18,784) |

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

| | Borrowings £'000 | Lease Liabilities £'000 | Total £'000 |
|---------------------------------|---------------------|----------------------------|----------------|
| 2020/21 | | | |
| Opening Balance at 1 April 2020 | (64,427) | (3,046) | (67,473) |
| <u>Cash Flows</u> | | | |
| Repayment | 0 | 380 | 380 |
| Balance at 31 March 2021 | (64,427) | (2,666) | (67,093) |
| 2021/22 | | | |
| <u>Cash Flows</u> | | | |
| Repayment | | 413 | 413 |
| Non-Cash | | | |
| Acquisition | 0 | (34) | (34) |
| Balance at 31 March 2022 | (64,427) | (2,287) | (66,714) |

Note 27: Members' Allowances

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

| Payments made | 2020/21 £'000 | 2021/22 £'000 |
|---------------|------------------|------------------|
| Salaries | 0 | 0 |
| Allowances | 182 | 185 |
| Expenses | 0 | 6 |
| Total | 182 | 190 |

Note 28: Executive Remuneration Bands and Exit Packages

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

| No. of Staff 2020/21 | Remuneration Range | No. of Staff 2021/22 |
|-------------------------|---------------------|-------------------------|
| 3 | £50,000 - £54,999 | 2 |
| 3 | £55,000 - £59,999 | 1 |
| 3 | £60,000 - £64,999 | 4 |
| 0 | £65,000 - £69,999 | 1 |
| 6 | £70,000 - £74,999 | 6 |
| 1 | £75,000 - £79,999 | 0 |
| 0 | £85,000 - £89,999 | 1 |
| 1 | £95,000 - £99,999 | 0 |
| 1 | £115,000 - £119,999 | 0 |
| 0 | £120,000 - £124,999 | 1 |
| 18 | Total | 16 |

Senior Officer Remuneration

Detailed remuneration information for senior employees is set out below.

| 2021/22 | Chief Executive | Director of Environment, Housing and Regeneration | Director of Corporate Services | Chief Finance Officer | Chief Legal Officer |
|--|-----------------|--|--------------------------------------|--------------------------|------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Salary | 112 | 78 | 57 | 71 | 41 |
| Expenses Allowances | 4 | 4 | 2 | 0 | 0 |
| Other Benefits | 8 | 7 | 4 | 0 | 0 |
| Total remuneration excluding Pension contributions | 124 | 89 | 64 | 71 | 41 |
| Pension Contributions | 19 | 14 | 10 | 12 | 7 |
| Total remuneration including pension contributions 2021/22 | 144 | 102 | 74 | 83 | 48 |

The Chief Operating Officer left the Council in January 2021 and was not replaced directly during the year. During 2021/22, the Council has employed two new Directors; a Director of Environment, Housing and Regeneration (started May 2022) and a Director of Corporate Services (started August 2022). The Chief Legal Officer left the Council during 2021/22 and the post has not been directly replaced.

Comparative 2020/21 figures are shown in the following table:

| 2020/21 | Chief Executive | Chief Finance Officer £'000 | Chief Legal Officer £'000 | Chief Operating Officer £'000 |
|--|-----------------|-----------------------------------|---------------------------------|--|
| Salary | 107 | 72 | 76 | 89 |
| Expenses Allowances | 4 | 0 | 0 | 3 |
| Other Benefits | 8 | 0 | 0 | 6 |
| Total remuneration excluding Pension contributions | 119 | 72 | 76 | 98 |
| Pension Contributions | 19 | 12 | 13 | 14 |
| Total remuneration including pension contributions 2020/21 | 138 | 84 | 90 | 112 |

Exit Packages

Following a corporate restructure in 2021/22, there were 13 exit packages paid totalling £295k including obligatory pension contributions. There were no exit packages paid in the prior year.

| No. of Staff 2020/21 | Exit Packages | No. of Staff 2021/22 |
|-------------------------|---------------------|-------------------------|
| 0 | £0 - £19,999 | 9 |
| 0 | £20,000 - £39,999 | 3 |
| 0 | £120,000 - £139,000 | 1 |
| 0 | Total | 13 |

Note 29: Audit Costs

In 2021/22, the Council expects to incur the following fees relating to external audit and inspection:

| 2020/21 Restated* | | 2021/22 |
|----------------------|---|---------|
| £'000 | | £'000 |
| 34 | Scale fee payable to the external auditors with regard to external audit | 34 |
| 26 | Additional audit fee variations (21/22 is subject to agreement of PSAA) | 26 |
| 6 | Additional fees for 20/21 Housing Benefit CAKE testing incurred in 21/22 | 0 |
| 16 | Fees payable to the external audit for the certification of Housing Benefit subsidy claim | 25 |
| 82 | Total | 85 |

^{*2020/21} figures have been re-stated to include an additional £6k fee, which arose post-year-end on the 2020/21 Housing Benefit audit. This additional £6k fee has been charged to the CIES in 2021/22.

Note 30: Capital Financing Requirement

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---|------------------|
| 91,636 | Opening Capital Financing Requirement | 90,277 |
| | Capital investment: | |
| 83 | Property, Plant and Equipment | 388 |
| 124 | Investment Properties | 0 |
| 1,154 | Assets under Construction | 458 |
| 0 | Community Assets | 0 |
| 191 | Intangible Assets | 164 |
| 1,521 | Revenue Expenditure Funded from Capital under Statute | 1,513 |
| (10) | Other movements* | 0 |
| | Sources of finance: | |
| (485) | Capital receipts | (229) |
| (2,378) | Government grants and other contributions | (1,863) |
| | Sums set aside from revenue: | |
| (200) | Direct revenue contributions | (398) |
| (1,359) | Minimum Revenue Provision | (1,416) |
| 90,277 | Closing Capital Financing Requirement | 88,895 |
| (1,359) | Increase/(decrease) in Capital Financing Requirement | (1,382) |

^{*} Correcting adjustment for over-accrued expenditure of £9.5k in the prior year.

Note 31: Finance and Operating Leases

Finance Leases in (Council as Lessee):

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

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--------------------------------|------------------|
| 2,863 | Vehicles, Plant, and Equipment | 2,451 |

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

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| 409 | Finance lease liabilities: Current | 410 |
| 2,257 | Finance lease liabilities: non- Current | 1,877 |
| 616 | Finance costs payable in future years – Interest | 443 |
| 3,282 | Minimum lease payments | 2,731 |

| Minimum Lease Payments 2020/21 £'000 | Finance Lease Liabilities 2020/21 £'000 | | Minimum Lease Payments 2021/22 £'000 | Finance Lease Liabilities 2021/22 £'000 |
|--------------------------------------|--|---|--------------------------------------|--|
| 588 | 409 | Not later than one year | 558 | 410 |
| 2,128 | 1,713 | Later than one year and not later than five years | 2,090 | 1,797 |
| 566 | 544 | Later than five years | 82 | 81 |

Lease payments are apportioned between:

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

Operating Leases in (Council as Lessee)

The Council has no material operating leases in.

Operating Leases out (Council as Lessor)

In 2021/22 the Council received £5.733m (note 16) gross rental income from investment properties (£3.302m in 2020/21), the majority of which was generated from operating leases.

With regard to the Council's activity as a lessor, the gross value of land and buildings assets held for use in operating leases was £58.2m in 2021/22 (£53.9m in 2020/21).

The lease payments receivable in future years are:

| Lease Income | | Lease Income |
|--------------|---|--------------|
| at 31 March | | at 31 March |
| 2021 | | 2022 |
| £'000 | | £'000 |
| 2,728 | Not later than one year | 2,861 |
| 6,969 | Later than one year and not later than five years | 9,523 |
| 76,989 | Later than five years | 85,593 |
| 86,686 | Total | 97,977 |

£41.9 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

Note 32: Pension Costs

Participation in Pension Schemes

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

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

Transactions Relating to Retirement Benefits

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

| 2020/21 | | 2021/22 |
|----------|---|----------|
| £'000 | | £'000 |
| | Comprehensive Income and Expenditure Statement | |
| | Net Cost of Services: | |
| 2,859 | Current service cost | 4,038 |
| 0 | Past service gain/cost | 125 |
| | Financing and Investment Income and Expenditure: | |
| 864 | Net Interest Expense | 940 |
| 3,723 | Total Post Employment Benefit Charged to the Surplus or Deficit on the | 5,103 |
| 3,723 | Provision of Services | 3,103 |
| | Other Post Employment Benefit Charged to the Comprehensive Income and | |
| | Expenditure Statement | |
| | <u>Remeasurements</u> | |
| 1,363 | Changes in demographic assumptions | (635) |
| 23,864 | Changes in financial assumptions | (7,882) |
| (1,136) | Other experience | 259 |
| (16,547) | Return on assets excluding amounts included in net interest | (3,797) |
| 7,544 | Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (12,055) |
| | Movement in Reserves Statement | |
| (3,723) | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (5,103) |
| 2,420 | Employers' contributions payable to scheme | 2,456 |

Assets and Liabilities in Relation to Post-employment Benefits

The liabilities shown below are the underlying commitments that the authority has to pay in retirement benefits over the long-term. The total net decrease in liability of £9.4m impacts the net assets of the authority as recorded in the balance sheet, resulting in an overall pension liability of £36.8m. The pension liability is 34.5% of the balance sheet net value in 2021/22 compared to 48% in 2020/21.

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

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2022 are as follows:

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| | 1 April 2021 | (127,127) |
| (2,859) | Current service cost | (4,038) |
| 0 | Past service cost | (125) |
| (2,317) | Interest cost | (2,552) |
| (596) | Contribution from scheme participants | (549) |
| 90 | Unfunded benefits paid | 90 |
| 3,505 | Benefits paid | 3,468 |
| | Remeasurement gains/(losses): | |
| (1,363) | - actuarial gains/losses arising from changes in demographic assumptions | 635 |
| (23,864) | - actuarial gains/losses arising from changes in financial assumptions | 7,882 |
| 1,136 | - Other experience | (259) |
| (127,127) | Estimated scheme liabilities at 31 March 2022 | (122,575) |
| 63,505 | 1 April 2021 Adjustment to opening balance | 80,926 |
| 1,453 | Interest income Remeasurement gain/(loss): | 1,612 |
| 16,547 | - return on plan assets, excluding the amount in net interest expense | 3,797 |
| 2,330 | Contributions from employer | 2,366 |
| 596 | Contributions from employees into the scheme | 549 |
| (3,505) | Benefits paid | (3,468) |
| 80,926 | Estimated scheme assets at 31 March 2022 | 85,782 |
| (46.201) | Net asset / (liability) 31 March 2022 | (36,793) |

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

Actual Return on Scheme Assets as per Actuaries

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--------------------------------|------------------|
| 18,000 | Actual return as per actuaries | 5,409 |

The return on the fund in market value terms for the period to 31 March 2022 is estimated based on actual funds return as provided by the administering authority and index returns where necessary.

Scheme History

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of liabilities: | | | | | | |
| Local Government Pension Scheme | (100,284) | (101,242) | (109,928) | (100,859) | (127,127) | (122,575) |
| Fair Value of Assets: | | | | | | |
| Local Government Pension Scheme | 66,991 | 67,207 | 70,394 | 63,505 | 80,926 | 85,782 |
| Total | (33,293) | (34,035) | (39,534) | (37,354) | (46,201) | (36,793) |

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

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

The Council expects to make employer's contributions totalling an estimated £2.298m into the Local Government Pension Scheme in the year to 31 March 2023.

Basis for Estimating Assets and Liabilities

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

| 2020/21 | | 2021/22 |
|---------|--|---------|
| | Longevity at 65 for current pensioners: | |
| 22.3 | Men | 22.1 |
| 24.7 | Women | 24.5 |
| | Longevity at 65 for future pensioners: | |
| 23.4 | Men | 23.1 |
| 26.4 | Women | 26.2 |
| 2.9% | Rate of increase in pensions | 3.2% |
| 3.8% | Rate of increase in salaries | 4.1% |
| 2.0% | Rate for discounting scheme liabilities | 2.7% |
| 25.0% | Take-up of option to convert annual pension into retirement lump sum | 25.0% |

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

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

- 0.1% decrease in Real Discount Rate would result in an approximate increase in the defined benefit liability of £2.16m (2%)
- 0.1% increase in the Salary Increase Rate would result in an approximate increase in the defined benefit liability of £0.15m (0%)

• 0.1% increase in the Pension Increase Rate would result in an approximate increase in the defined benefit liability of £1.99m (2%)

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

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

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

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

| Percentage of Fund Assets | | Percentage of Fund Assets |
|---------------------------------|--------------------|---------------------------------|
| 2020/21 | | 2021/22 |
| 74% | Equity Investments | 77% |
| 18% | Bonds | 14% |
| 6% | Property | 6% |
| 2% | Cash | 3% |
| 100% | Total | 100% |

Movement in net pension liability:

| 2020/21 | | 2021/22 |
|----------|----------------------------|----------|
| £'000 | | £'000 |
| (37,354) | Opening Balance | (46,201) |
| (2,859) | Current Service Costs | (4,038) |
| 0 | Past Service gains/(Costs) | (125) |
| (864) | Net Interest Expense | (940) |
| 2,420 | Employer Contributions | 2,456 |
| (7,544) | Remeasurements | 12,055 |
| (46,201) | Closing Balance | (36,793) |

Note 33: Contingent Liabilities & Assets

Contingent Liabilities

The Council had been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd that the amount subject to levy is £83,615 which may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities. The amount is unchanged from 31 March 2021. The Council's earmarked Insurance Reserve includes an amount to cover any potential future claims.

The Council is supporting an ongoing Health & Safety Executive investigation following an incident in December 2021 involving a waste collection vehicle. At 31 March 2022 there are no known material financial impacts, however, this remains under review as it depends on the outcome of the investigation. Should any financial impact arise, it will be included in the financial statements in line with proper accounting practice.

Contingent Assets

There are no material contingent assets at 31 March 2022.

Note 34: Related Parties

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

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

Members of the Council have direct control over the Council's financials and operating policies. The net cost to Epsom and Ewell Borough Council of related party transactions was £541k in 2021/22 (£697k in 2020/21). The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

| Organisation | 2020/21 £'000 | 2021/22 £'000 |
|---------------------------------------|------------------|------------------|
| Age Concern | 18 | 27 |
| British Telecommunications Plc | 11 | 17 |
| Citizen Advice Bureau | 126 | 133 |
| F Giles | 1 | 0 |
| Horton Chapel Arts & Heritage Society | 488 | 303 |
| London Borough of Merton | 7 | 49 |
| Local Government Association | 9 | 9 |
| Reed Employment | 37 | 4 |
| Total | 697 | 541 |

Epsom & Ewell Property Investment Company Limited

The Council owns a subsidiary company, Epsom and Ewell Property Investment Company Limited (EEPIC). As at 31 March 2022, four Council officers served as Directors of EEPIC – the Chief Executive, Head of Finance, Head of Property and Regeneration, and Head of Housing & Environmental Services. One Council officer – the Senior Accountant – served as Company Secretary. Under EEPIC's Business Plan, originally approved by Council in September 2017 and subsequently by the Shareholder Subcommittee each year, the Council provided loans and equity to EEPIC, for it to invest in commercial property and generate a return. During 2021/22 the Council entered into the following related party transactions with EEPIC:

| Transaction Description | 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Amounts received by EEBC from EEPIC | | |
| Interest receivable from EEPIC | (1,809) | (1,809) |
| Support services rechargeable to EEPIC | (118) | (123) |
| Dividend from EEPIC | (868) | (603) |
| Total | (2,795) | (2,535) |

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

Note 35: Collection Fund Income and Expenditure Account

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

| 2020/21 | | | | 2021/22 | | |
|------------|----------|----------------|--|----------|----------|----------------|
| Business | Council | Total | | Business | Council | Total |
| Rates | Tax | Total | | Rates | Tax | Total |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| | | | INCOME: | | | |
| 0 | (66,081) | (66,081) | Council Tax Receivable | 0 | (68,410) | (68,410) |
| (10,036) | 0 | (10,036) | Business Rates Receivable | (18,697) | 0 | (18,697) |
| 329 | 0 | 329 | Transitional Payments Payable | 149 | 0 | 149 |
| (9,707) | (66,081) | (75,788) | Total Income | (18,547) | (68,410) | (86,958) |
| | | | EXPENDITURE: | | | |
| | | | Apportionment of Prior Year Surplus/(Deficit) | | | |
| 56 | 0 | 56 | Central Government | (8,030) | 0 | (8,030) |
| 1,425 | 11 | 1,436 | Epsom & Ewell Borough Council | (6,424) | (6) | (6,430) |
| 3,231 | 77 | 3,308 | Surrey County Council | (1,606) | (46) | (1,652) |
| 0 | 14 | 14 | Surrey Police Authority | 0 | (8) | (8) |
| | | | Precepts, Demands and Shares | | | |
| 12,637 | 0 | 12,637 | Central Government | 12,686 | 0 | 12,686 |
| 10,110 | 6,713 | 16,823 | Epsom & Ewell Borough Council | 10,149 | 6,904 | 17,053 |
| 2,527 | 49,908 | 52,435 | Surrey County Council | 2,537 | 51,351 | 53,889 |
| 0 | 8,934 | 8,934 | Surrey Police Authority | 0 | 9,467 | 9,467 |
| | | | Charges to Collection Fund | | | |
| 140 | 400 | 540 | Increase / (Decrease) in Bad Debt Provision | (267) | 253 | (14) |
| 18 | 0 | 18 | Increase / (Decrease) in Provision for Appeals | (190) | 0 | (190) |
| 82 | 0 | 82 | Cost of Collection | 81 | 0 | 81 |
| 30,226 | 66,057 | 96,283 | Total Expenditure | 8,938 | 67,914 | 76,852 |
| 20,519 | (24) | 20,495 | (Surplus) / Deficit arising during the year | (9,610) | (496) | (10,106) |
| (3,983) | (32) | (4,015) | (Surplus) / Deficit b/fwd 1 April | 16,536 | (55) | 16,481 |
| 16,536 | (55) | 16,481 | (Surplus) / Deficit c/fwd 31 March | 6,925 | (551) | 6,375 |
| | | | Annual TERC | | I | l |
| 0.260 | _ | 0.160 | Apportionment to Preceptors/EEBC | 2.462 | | 2.462 |
| 8,268 | 0 (E) | 8,268 6,609 | Central Government | 3,463 | (56) | 3,463 2,714 |
| 6,614 | (5) | | Epsom & Ewell Borough Council | 2,770 | (56) | , |
| 1,654 0 | (42) | 1,612 | Surrey Police Authority | 693 0 | (418) | 274 |
| | (8) | (8) | Surrey Police Authority | | (77) | (77) |
| 16,536 | (55) | 16,481 | | 6,925 | (551) | 6,375 |

Notes to the Collection Fund Income and Expenditure Account

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

| | Band | Total Properties | Proportion | Relevant Amount for |
|-------------------------------|------|---------------------|--------------------|------------------------|
| | | For Band | To Band D | |
| | Α | 93.52 | 6/9 th | 62.35 |
| | В | 759.70 | 7/9 th | 590.88 |
| | С | 4,166.79 | 8/9 th | 3,703.81 |
| | D | 7,777.66 | 9/9 th | 7,777.66 |
| | E | 6,973.39 | 11/9 th | 8,523.03 |
| | F | 4,379.88 | 13/9 th | 6,326.49 |
| | G | 3,866.76 | 15/9 th | 6,444.53 |
| | Н | 129.95 | 18/9 th | 259.9 |
| Aggregate of Relevant Amounts | | | - | 33,688.65 |
| Estimated Collection Rate | | | | 98.40% |
| Council Tax Base | | | - - | 33,149.63 |

The Council achieved a council tax collection rate of 98.5% in 2021/22 (98.0% in 2020/21).

Non-Domestic Rates Statistics

| 2020/21 | | 2021/22 |
|---------|--|---------|
| £'000 | | £'000 |
| 64,319 | Total Non-Domestic Rateable Value at year end | 64,127 |
| 51.2 | National Non-Domestic Rate Multiplier (Standard) | 51.2 |

The Council achieved a business rates collection rate of 98.7% in 2021/22 (97.0% in 2020/21).

Precepting Bodies

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

| 2020/21 | | 2021/22 |
|---------|-----------------------------------|---------|
| £'000 | | £'000 |
| 49,908 | Surrey County Council | 51,351 |
| 8,934 | Surrey Police | 9,467 |
| 6,713 | Epsom and Ewell Borough Council | 6,904 |
| 65,555 | Total Precepts on Collection Fund | 67,722 |

Distribution of Council Tax Surplus/(Deficit)

| 2020/21 | | 2021/22 |
|---------|-------------------------------|---------|
| £000 | | £000 |
| 77 | Surrey County Council | (46) |
| 14 | Surrey Police Authority | (8) |
| 11 | Epsom & Ewell Borough Council | (6) |
| 102 | Balance at Year End | (60) |

Council Tax Provision for Bad Debts

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| 560 | Opening Balance | 935 |
| 375 | Increase/(Decrease) in Bad Debt Provision | 228 |
| 935 | Balance at Year End | 1,163 |

Group Accounts

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

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

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

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

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

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

<u>Disclosure Notes</u>
Group Creditors
Group Debtors
Group Investment Properties
Group Related Parties

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

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

Accounting Policies

The group income and expenditure account, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the Council and its subsidiary on a line by line basis. The accounts of the subsidiary have been prepared in accordance with UK Accounting Standards, FRS 102 and applicable law, using similar accounting policies and practices to those of the Council. However some accounting policies and practices do

differ in some respects from the Council's due to legislative requirements. Where there are differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

Group Comprehensive Income & Expenditure Statement

| 2020/21 Group CIES | | ES | | 2021/22 Group CIES | | ES |
|--------------------|--------------|--------------------------|---|--------------------|--------------|-----------------|
| Gross Expenditure | Gross Income | 000.3 Net Expenditure | Committee | Gooss Expenditure | Gross Income | Net Expenditure |
| 10,232 | (5,072) | 5,160 | Environment & Safe Communities | 13,016 | (7,166) | 5,849 |
| 13,930 | (3,337) | 10,593 | Community and Wellbeing | 12,599 | (4,404) | 8,194 |
| 24,374 | (21,401) | 2,973 | Strategy and Resources | 23,954 | (19,992) | 3,961 |
| 48,536 | (29,810) | 18,726 | Cost of Services | 49,568 | (31,563) | 18,005 |
| 4,578 | (5,017) | (439) | Financing and investment Income and Expenditure (Note 12) | 3,569 | (14,475) | (10,906) |
| 0 | (15,697) | (15,697) | Taxation and non-specific grant income and expenditure (Note 13) | 0 | (11,576) | (11,576) |
| 53,114 | (50,524) | 2,590 | (Surplus) or Deficit on Provision of Services | 53,138 | (57,615) | (4,477) |
| | | (3,084) | (Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23) | | | 4,782 |
| | | 7,544 | Remeasurement of net defined benefit liability/(asset) (Note 32) | | | (12,055) |
| 4,46 | | 4,460 | Other Comprehensive (Income) and Expenditure | (7, | | (7,273) |
| | | 7,050 | Total Comprehensive (Income) and Expenditure | | | (11,750) |

Group Movement in Reserves Statement

| Group Movement in Reserves Statement | EEBC Usable Reserves | EEBC Unusable Reserves | EEPIC Retained Earnings | EEPIC Revaluation Reserve | Total Group Reserves |
|---|-------------------------|------------------------------|-------------------------------|---------------------------------|----------------------------|
| 2021/22 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 01 April 2021 | (41,003) | (55,428) | (466) | 1,422 | (95,474) |
| Movement in Reserves During 2021/22 | | | | | |
| Total Comprehensive Income, Expenditure and Dividends | (3,045) | (7,273) | (427) | (1,005) | (11,750) |
| Adjustments between accounting basis and funding under regulations (Note 9) | 4,798 | (4,798) | 0 | 0 | 0 |
| Increase or Decrease in 2021/22 | 1,753 | (12,072) | (427) | (1,005) | (11,750) |
| Balance at 31 March 2022 carried forward | (39,249) | (67,500) | (893) | 417 | (107,225) |
| | | | | | |
| 2020/21 | | | | | |
| Balance at 01 April 2020 | (30,586) | (71,450) | (64) | (424) | (102,524) |
| Movement in Reserves During 2020/21 | | | | | |
| Total Comprehensive Income, Expenditure and Dividends | 1,146 | 4,460 | (401) | 1,846 | 7,050 |
| Adjustments between accounting basis and funding under regulations (Note 9) | (11,563) | 11,563 | 0 | 0 | (0) |
| Increase or Decrease in 2020/21 | (10,417) | 16,022 | (401) | 1,846 | 7,050 |
| Balance at 31 March 2021 carried forward | (41,003) | (55,428) | (466) | 1,422 | (95,474) |

Group Balance Sheet

| 2020/21 | | 2021/22 |
|----------------|------------------------------------|----------------|
| Group £'000 | | Group £'000 |
| | Long-term Assets | |
| 81,736 | Property, Plant and Equipment | 74,840 |
| 113,279 | Investment Properties | 118,495 |
| 722 | Heritage Assets | 722 |
| 611 | Intangible Assets | 584 |
| 0 | Long Term Investments | 0 |
| 336 | Long Term Debtors | 630 |
| 592 | Surplus Assets | 592 |
| 197,276 | Total Long-term Assets | 195,863 |
| | Current Assets | |
| 66 | Inventories | 78 |
| 6,855 | Short-term Debtors | 3,978 |
| 0 | Short-term Investments | 10,000 |
| 21,691 | Cash and Cash Equivalents | 35,881 |
| 28,612 | Total Current Assets | 49,937 |
| | Current Liabilities | |
| (13,270) | Short-term Creditors | (31,307) |
| (409) | Lease Liability - Within One year | (410) |
| (13,679) | Total Current liabilities | (31,717) |
| | Long-term Liabilities | |
| (64,427) | Long Term Borrowing | (64,427) |
| (46,201) | Defined Benefit Pension Liability | (36,793) |
| (3,230) | Capital Grants Receipts in Advance | (3,203) |
| (620) | Long-term Provisions | (559) |
| (2,257) | Lease Liability - Over One year | (1,877) |
| (116,734) | Total Long-term Liabilities | (106,859) |
| 95,474 | NET ASSETS | 107,225 |
| | Total Reserves | |
| (41,468) | Usable Reserves | (40,141) |
| (54,006) | Unusable Reserves | (67,083) |
| (95,474) | TOTAL RESERVES | (107,225) |

Group Cash Flow Statement

| 2020/21 Group | | 2021/22 Group |
|------------------|---|------------------|
| £'000 | | £'000 |
| 2,590 | Net (Surplus) or Deficit on the Provision of Services | (4,477) |
| (8,706) | Adjustment for Net (Surplus) or Deficit on the Provision of Services for non- cash movements | (1,794) |
| 4,394 | Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 3,608 |
| (1,721) | Net cash flows from Operating Activities | (2,663) |
| (8,438) | Net cash outflow / (inflow) from Investing Activities | 7,257 |
| (47) | Net cash outflow / (inflow) from Financing Activities | (18,784) |
| (10,207) | Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period | (14,190) |
| | | |
| 11,484 | Cash and Cash Equivalents at the Beginning of the Period | 21,691 |
| 10,207 | Net Increase/(decrease) in Cash and Cash Equivalents | 14,190 |
| 21,691 | Cash and Cash Equivalents at the End of the Reporting Period | 35,881 |

Group Creditors - Current

| 2020/21 Group Creditors £'000 | | 2021/22 Group Creditors £'000 |
|--|--------------------------------|--|
| (7,881) | Central Government Bodies | (25,216) |
| (244) | Other Local Authorities | (1,616) |
| (87) | Council Tax Payers | (91) |
| (66) | Non Domestic Ratepayers | (445) |
| (4,991) | Other Entities and individuals | (3,938) |
| (13,270) | Total | (31,307) |

Group Debtors - Current

| 2020/21 Group Debtors £'000 | | 2021/22 Group Debtors £'000 |
|--------------------------------------|--------------------------------|--------------------------------------|
| 1,744 | Central government bodies | 106 |
| 1,001 | Other Local Authorities | 528 |
| 279 | Council Tax Payers | 379 |
| 150 | Non Domestic Rate Payers | 333 |
| 3,681 | Other Entities and individuals | 2,632 |
| 6,855 | Total Debtors | 3,978 |

Group Investment Properties

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

| 2020/21 Group £'000 | | 2021/22 Group £'000 |
|---------------------------|--|---------------------------|
| (6,850) | Rental Income from Investment Property | (9,181) |
| 445 | Other Net Expenditure Arising from Investment Property | 551 |
| (6,405) | Net (Income)/Expenditure | (8,630) |

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

Fair Value Hierarchy

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

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

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

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

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

Valuation Process for Investment Properties

The Group's investment properties have been valued as at 31 March 2022 by Wilks, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

| 2020/21 Group £'000 | | 2021/22 Group £'000 |
|---------------------------|--|---------------------------|
| 116,238 | Balance at the Start of the Year | 113,279 |
| 124 | Purchases/Enhancements | 0 |
| 0 | Disposals | 0 |
| (3,083) | Net gains/(losses) from Fair Value Adjustments | 5,216 |
| 113,279 | Balance at the Year End | 118,495 |

Group Related Parties

During 2021/22, the Council entered into the following related party transactions with EEPIC:

| Transaction Description | 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Amounts received by EEBC from EEPIC | | |
| Interest receivable from EEPIC | (1,809) | (1,809) |
| Support services rechargeable to EEPIC | (118) | (123) |
| Dividend from EEPIC | (868) | (603) |
| Total | (2,795) | (2,535) |

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

EEPIC made a full-year profit before tax (excluding property revaluations) of £1.4m in 2021/22, paying a dividend of £0.6m to the Council. EEPIC's property valuations increased by £0.9m compared to 31 March 2021.

At 31 March 2022, four Council officers served as Directors of EEPIC – the Chief Executive, Head of Finance, Head of Property and Regeneration, and Head of Housing & Environmental Services. One Council officer – the Senior Accountant – served as Company Secretary.

Statement of Responsibilities

Council's Responsibilities

- 1. The Borough Council is required to:
 - Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Chief Finance Officer.
 - · Manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
 - · Approve and publish the audited Statement of Accounts by 30 November 2022.

Chief Finance Officer's (S151) Responsibilities

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

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

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

The Chief Finance Officer has also:

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

ANNUAL GOVERNANCE STATEMENT – 2021/22

1. Executive Summary

1.1. The Council is responsible for conducting its business in accordance with the law and proper standards. It is responsible for ensuring that money is safeguarded and properly accounted for and is used economically, efficiently, and effectively. The council must have proper arrangements in place for corporate governance and the effective exercise of their functions which included risk management.

2. Opinion

- 2.1. Our review of the effectiveness of corporate governance found that overall, the systems and processes that comprise the Council's governance arrangements are sound. The majority of elements are fully compliant and in line with the principles of delivering good governance as outlined in CIPFA/SOLACE Framework, "Delivering Good Governance in Local Government" 2016. Three significant governance arrangements were found as outlined in section 4, significant issues identified. The Council is committed to having a governance structure that is complaint with all codes published by CIPFA and SOLACE as outlined in the principles in section 9.
- 2.2. Our internal auditors Southern Internal Audit Partnership (SIAP) have been externally assessed as compliant with the Public Sector Internal Audit Standards. In September 2020 the Institute of Internal Auditors were commissioned to complete an external assessment of the SIAP that concluded that they conformed to the relevant codes and standards.
- 2.3. The Head of Internal Audit's opinion on the Council's governance and systems of internal control for 2021-2022 stated:

Annual Internal Audit Opinion 2021-2022

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

In my opinion, Epsom & Ewell Borough Council's framework of governance, risk management and control are 'Reasonable' and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

2.4. The internal audit year-end report for 2021-2022 will be brought to the Audit& Scrutiny Committee in June 2022. The Head of Internal Audit has also

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highlighted that several audits which have been rated as "limited" assurance. These highlight that the Council has significant issues to address over the next year to maintain and increase the robustness of the annual opinion. This will be addressed in 2022/23 and monitored through the implementation of agreed management actions

2.5. The latest opinion provided by External Audit, as reported in the External Auditors Annual Report in November 2021 stated that "we found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken". The External Auditors also issued an unqualified opinion on the Council's 2020/21 financial statements. The audit of the 2021/22 financial statements is expected to take place between July to September 2022.

3. Statement of the Chair of Strategy and Resources & Chief Executive

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

Significant issues identified as a result of the effectiveness review are recorded below, including actions to address them. We are satisfied that these steps will address the need for planned improvement and that monitoring arrangements are in place.

From the findings of this report, we are satisfied that the appropriate governance arrangements are in place and the Council remains committed to maintaining and improving the arrangements in future.

| Signed: |
|--|
| |
| Neil Dallen, Chair of Strategy and Resources |
| Date |
| Signed: |
| |
| Jackie King, Interim Chief Executive |
| Date |

4. Significant issues identified

4.1. The Council is satisfied that the appropriate governance arrangements are in place, however it remains committed to maintaining and where required improving those areas. Issues considered to be significant will be addressed in 2022-2023 and are listed below. Less significant areas for improvement are outlined in Section 9 under the relevant CIPFA good governance principle.

| Issues identified | Action to be undertaken taken |
|---|---|
| There is uncertainty regarding local government funding which will impact on the current Medium Term Financial Strategy financial stability Existing strategies in relation to changes in risk relating to | A rebasing exercise of the budget for 2022/23 was undertaken in Spring 2022 to ensure budgets are re-aligned to post-Covid service demand levels. Production of a new budget for 2023/24 will factor in updated income and expenditure levels following Covid-19, with a strategy developed for removing reliance on reserves to balance future budgets. Star chamber exercises with Heads of Service to identify savings/additional income will be undertaken in 2022/23. |
| investment properties may need | |
| reviewed | A number of strategic asset reviews are being undertaken to assess if operational assets remain fit for purpose and continue to provide value for money. |
| The arrangements for Information Governance and data protection need to be reviewed to ensure they are fully compliant with legislation and ICO guidance | Complete the recruitment of a new Data Protection Officer who will bring together and progress our information governance improvements. |
| Strengthening and updating the Constitution | The Member Working Group has agreed a programme of work to update the Constitution supported by the Monitoring Officer and this will be reported to the Standards Committee |

5. What is the Annual Governance Statement (AGS)?

5.1. The AGS provides assurance to residents and other stakeholders that the Council has in place good business practices, high standards of conduct, and sound governance arrangements. It provides processes and controls that are in place to manage the risks of failure in delivering planned outcomes. 5.2. The purpose of the AGS is to report publicly on the extent to which the Council's governance arrangements comply with the governance principles as stated in the CIPFA/SOLACE guidance "Delivering good governance in Local Government Framework". It also meets the requirements of the Accounts and Audit Regulations 2015 which require an authority to conduct a review at least once a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts.

6. What is the governance framework?

- 6.1. Governance can be defined as "comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved." Governance includes processes, procedures, policies, administrative systems, legal arrangements and so forth, "through which [an organisation's] objectives are set and pursued in" their environmental context, while "ensuring that stakeholders can have confidence that their trust in that [organisation] is well founded." By the Chartered Governance Institute UK & Ireland
- 6.2. The Council's governance framework comprises the systems and processes, culture, and values that it directs and controls. We adopted a Code of Corporate Governance (the Code) which encapsulates all relevant areas of our governance arrangements.
- 6.3. The Code reflects the principles of, and is consistent with, the CIPFA/SOLACE Framework: "Delivering Good Governance in Local Government". The CIPFA framework requires that local authorities are responsible for ensuring that:
 - Their business is conducted in accordance with all relevant laws and regulations.
 - Public money is safeguarded and properly accounted for.
 - Resources are used economically, efficiently, and effectively to achieve priorities which benefit the local authority.
- 6.4. The Code is structured to outline all processes and controls as required by the seven principles of the CIPFA Framework. Implementation of the framework cannot eliminate all risks but is designed to mitigate risks to an acceptable level and provide assurance to senior management and Members that adequate governance arrangements are in place.
- 6.5. The Council is a committee authority where policies and decisions are determined and scrutinized by the relevant committees as determined by the terms of reference.

- 6.6. The Council has the following committees in place, Audit, Crime & Disorder and Scrutiny, Licensing and Planning Policy, Community & Wellbeing, Environment and Safe Communities, Strategy & Resources, Planning and Standards.
- 6.7. The Council's Regulatory and Advisory Committees/Panels include Licensing (Hearing and General) Panels, the Appointments Panel, Financial Policy Panel, Health Liaison Panel, Human Resources Panel, and the Shareholder Sub-Committee.
- 6.8. In addition, the joint committees and outside bodies include Epsom and Walton Downs Conservators, Epsom & Walton Downs Consultative Committee, and the Nonsuch Park Joint Management Committee.

7. How has the statement been prepared?

- 7.1. The Council conducts an annual review of the effectiveness of its governance. This review is a self-assessment using the principles.
- 7.2. The effectiveness review is informed by the work undertaken by senior managers and their Divisional Assurance Statements. in addition, the Internal Audit Annual Report and recommendations from external audit are taken into account and any further reviews and external inspections:
 - All Heads of Service are required to complete a Divisional Assurance Statement.
 - The Statutory Officers were consulted on the review process and their roles and responsibilities and consulted on the outcome.
 - The Chief Executive and the Chair of Strategy and Resources sign the AGS.
 - Any frauds reported and complaints to the Ombudsman are reviewed.
 - The Head of Internal Audit's Opinion for 2021/22 is taken into account, and comments made by external audit and other external reviews.
 - Performance and performance indicators are reviewed.
 - Progress in implementing the action plan from 2020/21, as set out in section 10
 - The senior management team assists with good governance in delivering key services and making corporate decisions and monitors performance.
 - Key management roles are defined within the senior management team.
 - The Council's finances are driven through the Medium-Term Financial Strategy. The Council sets an annual budget which is regularly monitored and reviewed, and the Council's financial systems and processes are regularly audited.

8. Impact of Covid and significant events in 2021-2022

- 8.1. During 2021/22, the restrictions in place to respond to the Covid 19 pandemic have been lifted but there has continued to be an impact on the delivery of council services and new governance arrangements for financial payments. The financial impact of Covid continues to evolve and further revisions to budgets may be required.
- 8.2 Arrangement are in place to reduce risk of fraud in payment of additional grants to businesses and payments to households. The Council has registered to the National Investigation Service's (NATIS) anti-fraud service, which automatically checks payments leaving our bank account to flag any potential fraudulent business grant transactions and through the National Anti Fraud Network; the Network identifies and shares potential frauds from across the sector, including around Covid related business grants, for the Council to be aware of.
- 8.2. During 2020/21 a Local Government Boundary Commission review was undertaken of the Councils size and warding arrangements in the borough which will be implemented in 2022/23.
- 8.3. A new organisational structure was implemented in September 2021, and this included the creation of two director's posts and a senior management team and a corporate management team. The Council's Monitoring Officer who is responsible for the reporting on the lawfulness of the Council's activities was the Chief Legal Officer until 30th September and this role is now provided by an external solicitor who was appointed by Council as Monitoring Officer from 1st October 2021.

9. Corporate Governance Arrangements

9.1. This section outlines how the key systems and processes perform against the seven core principles in delivering good governance

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

9.2. This is demonstrated by:

The key documents that demonstrate compliance with this principle are.

- The Constitution, which sets out.
 - Codes of conduct for members and officers
 - Roles and functions of statutory officers, key posts, and members
 - Member/ Officer protocol
 - Scheme of Delegation
 - Whistleblowing procedures
 - Financial Regulations and Contract Standing Orders
- Complaints Policy

- Anti-Fraud and Corruption Strategy
- Anti-Bribery Policy
- Money Laundering Policy
- o Rules relating to Members external interests
- Rules relating to Gifts and Hospitality

9.3. Arrangements in place for good governance include

- Register of gifts and hospitality for Members and Officers
- The HR Team provide the people framework and the management of officers through performance management framework and disciplinary issues as they arise
- The Procurement Strategy and the CSO's were both updated in 2021/22.
- The Monitoring Officer brings to the attention anything that maybe unlawful or with high-risk challenge that hasn't already been covered within section of committee reports.
- An induction process in place for new staff and new members.
- Standards of conduct and behavior are maintained.
- Training and development of members and officers

9.4. Areas for improvements

- A Members Working Group was established to review the Constitution with an agreed work program including the new Model Councillor Code of Conduct 2020 to determine whether any changes are required prior to adoption.
- Updated training of performance management is being rolled out to all staff.

PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement

This is demonstrated by:

- Freedom of information publication schemes
- Statement of Community involvement
- Transparency Data
- Complaints Policy Complaints monitoring
- Minutes of Council meetings
- Decisions notices
- Council tax notices

9.5. Arrangements in place for good governance include

- All Council meetings are webcast and can be watched live.
- Petitions can be submitted in relation to matters of public concern and residents can submit questions to policy committees and the audit & Scrutiny Committee and attend meetings where questions are considered and answered
- Project management toolkit identifies stakeholders

9.6. Areas for improvements

- In the Annual Plan for 22/23, the Council has committed to updating the Citizens Panel, hold a series community conversation to improve engagements with residents.
- The Regulation 18 consultation of the Local Plan will be undertaken in 20 22/23

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

9.7. This is demonstrated by:

- Future 40 Vision
- Four Year Plan
- Annual Plan and Service delivery plans
- Equity, Diversity & Inclusion
- Medium Term Financial Strategy
- Procurement Strategy
- Economic Development
- Climate Change Action Plan
- Homelessness and Rough Sleeping Strategy

9.8. Arrangements in place for good governance include

- Annual review of Council's performance against the annual plan and key performance indicators to deliver strategic outcomes.
- Medium Term Financial Strategy and regular budget monitoring
- Climate Change Action Plan is being regularly monitored and reports
- Review is ongoing looking at strategic assets.
- A new performance and risk framework is being rolled out to support the achievement of corporate priorities

9.9. Areas for improvements

 Risk Management Strategy is being drafted for approval in 2022 with the development of corporate, committee and divisional risk registers

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

9.10. This is demonstrated by:

- Annual budget and Council tax report
- Treasury Management Strategy
- Project Management arrangements.

- Annual Plan and service delivery plan
- Committee forward plan
- Arrangements for good governance and compliance with CIPFA Financial management code
- 9.11. Arrangements in place for good governance include
 - Regular budget monitoring and financial planning
 - New corporate planning cycle aligning the setting of annual targets with budgets
 - Forward plan for committees
 - The Chief Finance Officer is the S151 Officer and in accordance with statutory requirements is responsible for delivering and overseeing the financial management arrangements for the Council
 - Implementation of all actions from LGA finance peer review
- 9.12. Areas for improvements

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

- 9.13. This is demonstrated by key documents.
 - New organizational structure
 - People Framework
 - Organisational Development Strategy
 - Role profiles
 - Scheme of delegation
- 9.14. Arrangements in place for good governance include
 - Regular meetings with committee chair and vice chairs
 - Annual appraisal of the Chief Executive
 - Member briefing programme and regular updates
 - Employee induction programme
 - Job descriptions and role profiles
 - Training programme and eLearning for staff
 - Employee Assistance Programme to support all employees
 - Exploring business cases for greater collaboration amongst other surrey authorities that are in the best interest of the Council
 - Annual report on Health& safety
- 9.15. Areas for improvements
 - Specific training on working remotely and managing people
 - Updated e-learning on range of governance issues

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

9.16. This demonstrated by key documents:

- Data Protection Policy and associated guidance
- Asset Registers and retention schedules
- Internal audit Charter and Internal Audit Plan
- Risk Management Strategy and annual report
- Asset Management Plan
- Updated Terms of reference for committees
- Financial Regulations and Contract Standing Orders
- Health & Safety policies and procedures
- Emergency planning and business continuity arrangements

9.17. Arrangements in place for good governance include

- Treasury Management annual report
- Governance arrangements in place for the Council's wholly owned subsidiary EEPIC
- Benchmarking against other Surrey districts
- Approval of committee reports through senior management team
- Updates on key corporate projects through senior management team
- Strategic risk register
- In response to the Covid 19 pandemic work on the budgets has been undertaken and there will be further work in 2022/23 on reducing the budget gap.

9.18. Areas for improvements

- A new performance and risk framework is being developed with new risk matrix and three lines of defense for risks, corporate, committee and divisional
- GDPR training is due to be held in 2022/23

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

9.19. This demonstrated by key documents:

- Annual Statement of Accounts
- Budget Monitoring Reports
- Performance Management reports
- Internal Audit Progress reports
- External Audit Annual Report on Epsom and Ewell Borough council and external auditors' opinion

9.20. Arrangements in place for good governance include

- The impact of the Covid 19 pandemic was reported
- Governance arrangements are in place for payment of household and business grants to reduce risks
- External Auditor reports are now reported to full council for greater transparency
- Compliance with accessibility regulations

9.21. Areas for improvements

Implementation of recommendations from external audit

10. Issues from 2020-2021

10.1. The implementation of the actions identified in 2020/21 have been monitored and reported in detail to the Audit, and Scrutiny Committee as part of the arrangements for approving the AGS. The table below provides an update.

| Issues identified in AGS for 2020/21 | Action taken to date |
|---|---|
| Funding shortfall caused by sustained losses to income and increased costs due to longterm impact of Covid-19 on Council services. Potential reduced funding from New Homes Bonus Grant and further losses in future years depending on outcome and timing of government reviews into Fair Funding and Business Rates. | There is a robust financial planning process in place which ties in with corporate objectives and service plans and workforce plans . There is ongoing work on the MTFS and identifying further savings . A number of Strategic Asset Reviews are in the process of being undertaken The budget for 2022/23 will be updated to factor income and expenditure levels following Covid-19. The action plan from the LGA Finance Peer Review has been implemented. |
| The full impact of the pandemic is unlikely to be clear until out of current national lockdown and all restrictions lifted Covid 19 Recovery Plan will need to assess both the medium- and longer-term impact on the economy and the community | The welcome back fund has been used to support the recovery and both the annual plan and service delivery plans for 2022/23 reflect the new demands created as a result of the pandemic and will support the recovery. The longer-term implications will be built into the MTFS |

Agenda Item 4 Appendix 2

| The Organizational Development Strategy People Framework & HR Polices will need to be refreshed to reflect the changing environment and new ways of working. | The people framework has been reviewed and further ongoing work is within the HR Service Delivery Plan for 22/23. |
|--|---|
| The Council need to build upon the digital improvements and opportunities resulting from the pandemic | A new ICT Strategy is being developed with ICT road map in place to deliver it. |
| There are challenges in delivering effective data security management and this needs to be embedded at a senior level | Implementation of recommendations from the Information Governance and data management audits. |

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

To follow.

Glossary of Financial Terms

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

FINANCIAL TERMS

Accounting Period The period of time covered by the Council's accounts. The Council's

financial year is the period from 1st April to the following 31 March.

Accrual The recognition of income and expenditure as it is earned or incurred, i.e.

not as cash received or paid.

Actuary Independent advisor to the Council on the financial position of the

Pension Fund.

Actuarial Valuation Independent triennial review of the Pension Fund assets, liabilities and

reserves, the results of which, including recommended employer's

contribution rates, the Actuary reports to the Council.

Agency Arrangement Arrangements under which the Council provides goods or services to

third parties on behalf of another organisation.

Amortisation The writing off of intangible assets or loan balances to revenue service

accounts over an appropriate period of time.

Balances The surplus or deficit on any account at the end of an accounting period.

The term is often used specifically to refer to the availability of

unallocated revenue reserves.

Budget A statement defining the Council's policies over a specified period of time

in terms of finance.

Capital Charges Charges made to individual service revenue accounts to reflect the cost

of the assets employed. Charges may include both notional interest and

depreciation elements (also referred to as asset rentals).

Capital Expenditure Expenditure incurred on the purchase or improvement of significant

assets including land, buildings and equipment, which will be of use or

benefit in providing services for more than one financial year.

Capital Financing

Charges

The annual cost of capital, including principal repayments, interest

charges and leasing costs.

Capital Receipts A capital receipt is the income received from the disposal of a capital

asset, the repayment of any loan, grant or other financial assistance given for a capital purpose. The receipts can only be used to meet capital expenditure, debts or other long-term liabilities. To qualify as a capital

receipt the income must exceed £10k.

Chartered Institute of Public Finance and Accountancy (CIPFA) CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.

Collection Fund

A fund administered by the Council as a 'billing authority'. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Surrey Police as required by statute.

Collection Fund
Adjustment Account

An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council's element of the Collection Fund balance at year-end.

Contingent Liabilities

Where possible "one-off" future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is inappropriate. Such items are disclosed in the form of a note to the accounts.

Council Tax

The main source of local taxation to local authorities. This is levied on households within its area by the billing authority and the proceeds paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Creditors

Amounts owed by the Council at the end of the accounting period.

Current Assets/Liabilities

These are assets or liabilities that are expected to fall due or be realised within one year of the reporting date.

Debtors

Amounts owed to the Council at the end of the accounting period.

Depreciation

The measure of the cost of the benefit of the non-current asset that has been consumed during the period.

Earmarked Reserves Balances set aside to meet specific future, usually non-recurring,

commitments.

Fees and Charges

Income receivable as payment for goods or services provided.

Intangible Assets

Capitalised expenditure not resulting in a tangible asset. Such amounts are amortised over an appropriate period.

Minimum Revenue The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external

Provision loans outstanding. The Council can set aside amounts in

additional to the minimum requirement, known as a voluntary

provision for debt redemption.

(National) Non-Domestic Rate(s) (NNDR) A levy on businesses based on the rateable value of the premises they occupy. It is also known as "business rates", the "uniform business rate" and the "national non-domestic rate". Since the localisation of Business Rates was introduced, NNDR is collected by billing authorities and distributed to central government, county and fire authorities on the basis of a pre-set formula which includes retaining a proportion of rate income for the billing authority.

Non-Current Assets/Liabilities

These are assets or liabilities that are expected to fall due or be realised more than one year after the reporting date.

Post Balance Sheet Events

Significant events which occur after the end of the accounting period but prior to the date when the accounts are issued.

Precept The precepting authorities' council tax. This is collected by billing

authorities on behalf of the precepting authorities.

Precepting Authorities Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rate. The Council bills and collects on behalf of the Surrey County Council and Police Authority. In addition, billing authorities pay a proportion of rate

income to precepting authorities (see NNDR above).

Provisions Amounts set aside to meet probable "one-off" future liabilities or

losses but where exact dates and amounts are uncertain. A government body that provides loans to local authorities.

Public Works Loans Board

Expenditure

Revenue

This is the routine day to day cost of providing the Council services. Under the <u>Local Government and Housing Act 1989</u>, all expenditure is regarded as revenue unless it is specifically

classified as capital.

Revenue Expenditure funded from Capital Resources Under Statute Expenditure that can be classified as capital expenditure but which does not result in the acquisition of an asset.

Revenue Support Grant

A grant paid by central government as part of "formula grant" to support local authority services in general, as opposed to specific grants which may only be used for a prescribed purpose.

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Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

November 2022

Dear Sirs

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

Epsom and Ewell Borough Council Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council and its subsidiary undertakings, Epsom and Ewell Property Company Limited, for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - none of the assets of the group and Council have been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, misclassification and disclosure changes included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out at a) above; and
 - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

- xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.
- xvi. Any other matters that the auditor may consider appropriate.

Information Provided

- xvii. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Scrutiny Committee at its meeting on 17 November 2022.

| Yours faithfully |
|---|
| Signed: |
| |
| |
| Name: Lee Duffy |
| Position: Chief Finance Officer |
| Date: |
| |
| |
| Signed: |
| |
| Name: Steve Bridger |
| Position: Chair of Audit & Scrutiny Committee |
| Date: |

INTERNAL AUDIT PROGRESS REPORT 2022-2023

Head of Service: Andrew Bircher, Head of Policy and Corporate

Resources

Wards affected: (All Wards);

Urgent Decision?(yes/no) No

If yes, reason urgent decision N/A

required:

Appendices (attached): Appendix 1 – Internal Audit Progress Report

Summary

This report summarises progress against the Internal Audit Plan 2022-2023.

Recommendation (s)

The Committee is asked to:

(1) Note the internal audit progress report from Southern Internal Audit Partnership attached at Appendix 1

1 Reason for Recommendation

- 1.1 This Committee has overall responsibility for the audit and governance frameworks, including the functions of an audit committee.
- 1.2 The Committee receives regular internal audit progress reports which update the Committee on progress made against the audit plan and the outcomes of individual audits.

2 Background

- 2.1 Southern Internal Audit Partnership (SIAP) was appointed as the Council's internal auditors from April 2019 for a period of four years.
- 2.2 The Internal Audit Plan and Charter was endorsed by the Committee on 7 April 2022.

3 Audit Plan 2022-2023

3.1 The report attached as Appendix 1 outlines the progress made against the current annual audit plan and analysis of live audit reports and outstanding management actions.

4 Outstanding Management Actions

4.1 Appendix 1 contains details on outstanding management actions from previous audits. Further verbal updates can be provided by officers during the meeting.

5 Risk Assessment

Legal or other duties

- 5.1 Impact Assessment
 - 5.1.1 None for the purposes of this report.
- 5.2 Crime & Disorder
 - 5.2.1 None for the purposes of this report.
- 5.3 Safeguarding
 - 5.3.1 None for the purposes of this report.
- 5.4 Dependencies
 - 5.4.1 The Head of Internal Audit (SIAP) will issue an annual Internal Audit Report and Opinion for 2022-2023 on completion of the annual plan. This report is a critical document that will be used in preparing the Annual Governance Statement for 2022-2023, which is included in the Statement of Accounts.
- 5.5 Other
 - 5.5.1 None for the purposes of this report.

6 Financial Implications

- 6.1 There are no financial implications in this report.
- 6.2 **Section 151 Officer's comments**: None arising from the contents of this report.

7 Legal Implications

7.1 There are no legal implications arising from this report.

7.2 Legal Officer's comments: The Council is required by statute (under the Regulation 5 of the Accounts and Audit Regulations 2015 and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function. Regulation 5 of the Accounts and Audit Regulations 2015 requires the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. In addition, the Council must each financial year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement (Regulation 6 (1) of the Accounts and Audit Regulations 2015). SIAP are the appointed Council's internal auditors. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

8 Policies, Plans & Partnerships

- 8.1 **Council's Key Priorities**: The following Key Priorities are engaged:
 - 8.1.1 Effective Council: Engaging, responsive and resilient Council.
- 8.2 Service Plans:
 - 8.2.1 The matter is not included within the current Service Delivery Plan.
- 8.3 Climate & Environmental Impact of recommendations:
 - 8.3.1 No relevance for the purpose of this report.
- 8.4 Sustainability Policy & Community Safety Implications:
 - 8.4.1 No relevance for the purpose of this report.
- 8.5 **Partnerships**:
 - 8.5.1 The Council's arrangements with partners, such as shared services, are considered within the remit of Internal Audit.

9 Background papers

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

Previous reports:

Internal Audit Progress Report – AND – Annual Internal Report & Opinion 2021-2022, Audit and Scrutiny Committee, 14 June 2022. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=157&Mld=1250 [Last accessed 21/10/2022]

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Audit and Scrutiny Committee 17 November 2022

 Internal Audit Plan 2022-2023 and Internal Audit Charter 2022-2023, Audit and Scrutiny Committee, 7 April 2022. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=157&Mld=1109 [Last accessed 21/10/2022]

Southern Internal Audit Partnership

Assurance through excellence and innovation

EPSOM & EWELL BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT – 2022/23

Prepared by: Natalie Jera

Natalie Jerams, Deputy Head of Partnership

October 2022

Appendix 1

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Agenda Item 5 Appendix 1

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations' 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'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations' objectives.

No

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2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

| Substantial | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently |
|-------------|---|
| | applied to support the achievement of objectives in the area audited. |

Reasonable There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

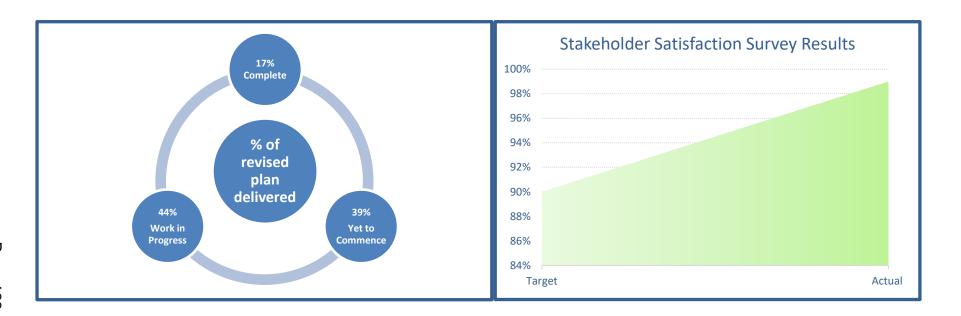
Limited Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

* Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 3

Agenda Item (Appendix 1

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

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4. Analysis of 'Live' audit reviews

| Audit Review | Report Date | Audit Sponsor | Assurance Opinion | Total Management | Not Yet Due | Complete | Overdue | | е |
|----------------------------------|----------------|----------------------|----------------------|---------------------|----------------|----------|---------|----|---|
| | | | | Actions* | | | | | |
| | | | | | | | L | M | Н |
| Fraud and Irregularities | 06/08/2019 | HofP&CR | Adequate | 4(0) | 0(0) | 3(0) | | 1 | |
| Information Governance | 17/08/2020 | HofP&CR | Adequate | 9(0) | 0(0) | 5(0) | | 4 | |
| Development Management | 03/03/2021 | HofP | Reasonable | 6(0) | 0(0) | 2(0) | | 4 | |
| Housing Benefits | 12/05/2021 | HofH&C | Substantial | 2(0) | 0(0) | 1(0) | 1 | | |
| Accounts Payable | 18/05/2021 | CFO | Reasonable | 6(0) | 0(0) | 5(0) | 1 | | |
| Programme and Project Management | 18/05/2021 | HofP&CR | Reasonable | 3(0) | 0(0) | 1(0) | | 2 | |
| Annual Governance Statement | 03/11/2021 | HofP&CR | Reasonable | 3(0) | 1(0) | 1(0) | | 1 | |
| Income Collection | 16/05/2022 | CFO | Reasonable | 4(0) | 1(0) | 3(0) | | | |
| HR & OD Performance Management | 20/05/2022 | HofHR&OD | Limited | 11(7) | 1(0) | 5(5) | | 3 | 2 |
| Data Management | 30/05/2022 | HofD&ST | Limited | 7(5) | 1(0) | 6(5) | | | |
| Health and Safety | 30/05/2022 | HofP&CR | Limited | 11(2) | 5(1) | 5(1) | | 1 | |
| Information Security | 30/05/2022 | HofD&ST | Reasonable | 5(1) | 1(0) | 3(1) | | 1 | |
| Information Governance | 30/05/2022 | HofP&CR / HofD&ST | Limited | 10(3) | 5(1) | 2(2) | | 3 | |
| Environmental Health | 06/06/2022 | HofH&C | Reasonable | 4(1) | 4(1) | 0(0) | | | |
| Community, Health and Wellbeing | 22/06/2022 | HofH&C | Limited | 4(0) | 0(0) | 0(0) | | 4 | |
| Local Plan | 29/06/2022 | HofP | Reasonable | 4(2) | 1(0) | 2(2) | | 1 | |
| Operational Services | 01/11/2022 | HofOS | Reasonable | 4(3) | 4(3) | 0(0) | | | |
| Total | | | | 97(24) | 24(6) | 44(16) | 2 | 25 | 2 |

^{*}Total number of actions (total number of high priority actions)

Agenda Item (Appendix 1

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There has been one new report published concluding a "limited" assurance opinion since the last progress report in June 2022.

| Community Health and Wellbeing | | | | | | | | | |
|--------------------------------------|-------------------|--------------------|--|--|--|--|--|--|--|
| Audit Sponsor | Assurance opinion | Management Actions | | | | | | | |
| Head of Housing & Community (HofH&C) | Limited | Low Medium High 0 | | | | | | | |

Summary of key observations:

This audit focussed on the development and delivery of the Health & Wellbeing Strategy and how it contributes to the four-year plan; the impact that COVID has had on service delivery and the health and wellbeing priorities for the Borough were also taken into consideration.

Strategic health and wellbeing priorities were agreed and documented in the Epsom and Ewell Borough Council Health and Wellbeing Strategy 2019-2023; the strategy was approved by the Community and Wellbeing Committee on 10th October 2019.

The Health and Wellbeing Strategy states that a detailed action plan would be both set and reviewed annually; a Health and Wellbeing Action Plan was developed and agreed by members in January 2020, but no subsequent plan has been set. We have been advised by the Head of Housing and Communities and the Health and Wellbeing Officer that the Annual Plan and internally focussed Service Delivery Plan have superseded the Health and Wellbeing Action Plan, however there is no link to the Strategy, which could impair understanding of objectives and lead to operational confusion. We also found that a key officer, who was the lead for two actions under the original Health and Wellbeing Action Plan, was not aware that it had been superseded. Further to this, reference to the Health and Wellbeing Action Plan in the Council's Four-Year Plan provides a link to the Health and Wellbeing Strategy, however, the reference is out of date as the action plan has been superseded.

The Draft Community Development Plan was produced in November 2021 but an approval process for the plan has not yet been agreed. Community Development Plan actions are not assigned to a lead officer and not all actions have specific measures of success. At this stage it is not clear how progress against the Community Development Plan will be measured and reported; the plan does not include monitoring arrangements. Through discussion with the Health & Wellbeing Officer reporting is an area for development, particularly in relation to impact and they would like to be in a position to produce an annual report in the future. In the meantime, reporting is likely to be through RAG rating of the report and number of projects delivered.

Although there used to be regular meetings between the Community Services Manager and the Health and Wellbeing Officer where any health and wellbeing needs identified through users of community services could be discussed and fed into the review of strategic priorities, we were advised that these have not taken place since the start of the pandemic.

| Audit Sponsor | | | | | | | | |
|---|--|--------|---------------------------------|--|--|--|--|--|
| CFO Chief Finance Officers Hard of Plancing | | | | | | | | |
| CFO | Chief Finance Officer | HofP | Head of Planning | | | | | |
| HofD&ST | Head of Digital and Service Transformation | HofOS | Head of Operational Services | | | | | |
| HofHR&OD | Head of HR and OD | HofP&R | Head of Property & Regeneration | | | | | |
| HofP&CR | Head of Policy & Corporate Resources | HofH&C | Head of Housing & Community | | | | | |
| CLO | Chief Legal Officer | | | | | | | |

6. Consultancy reports

Risk Management

The Council's existing Risk Management Strategy covered a period of four years from 2017 to 2021, consequently a new strategy was required. Following a recent restructure, the Council has enhanced its resourcing of risk management with the introduction of a new Assurance Team. A refresh of the strategy has now been completed and was presented and approved by the Strategy & Resources Committee on 26 July 2022.

Following an internal audit review of risk management during 2021/22 in which a limited assurance opinion was concluded, the Chairman and Vice Chairman of the Audit & Scrutiny Committee were keen for early internal audit oversight of the revised Risk Management Strategy prior to its presentation to the Audit & Scrutiny Committee later in the year. This piece of work was undertaken as a consultancy engagement rather than a risk-based assurance review.

An effective governance framework to support the delivery of the Risk Management Strategy is essential. The revised strategy outlines within Section 2.3 the 'Roles and Responsibilities' within the risk management framework. It is imperative that accountabilities are clearly aligned across internal policies / procedures and understood to enable those with responsibilities to effectively discharge their respective duties. Review of the Risk Management Strategy (July 2022) and the Council's Constitution highlighted some ambiguities.

The Council's overall risk appetite is articulated within the strategy to provide a benchmark against the risk parameters the organisation is prepared to operate within. However, the narrative accompanying the risk appetite could be misinterpreted by the reader to assume that there will never be any 'High' risks on the Council's risk register(s) which is an unrealistic and unsustainable position particularly in considering existing and emerging risks such as financial sustainability that even with mitigations in place will still feature as a residual red risk due to circumstances out of the Council's control.

Within Annex 1 of the strategy there is a worked example of a completed risk register for information and guidance, however, this does imply that mitigations / controls do not have to be in place before the residual risk score is determined which can be misrepresentative and provide the reader with a misconception of the current risk facing the organisation.

The monitoring and reporting of risk management arrangements is essential to its continued application and overview. The strategy acknowledges this within section 4, however, there is no defined role for either reporting or monitoring to or from the Senior Leadership/Management Team.

The revision of the Risk Management Strategy (July 2022) provides a strong foundation and framework for risk management within Epsom & Ewell Borough Council moving forward. It is acknowledged by the Council that the new processes and protocols introduced are still being developed and embedded, and further refinements are expected as the Strategy matures. It is anticipated that observations highlighted in this commissioned consultancy review will aid in that journey.

Whilst implicated but not specifically detailed, the regular review of the strategy will ensure a retained focus and effective alignment to good practice and organisational change.

Agenda Item : Appendix 1

7. Planning & Resourcing

The internal audit plan for 2022-23 was presented to the Senior Management Team and the Audit & Scrutiny Committee in April 2022.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

8. Rolling Work Programme

| Audit Review | Sponsor | Scoping | Terms of Reference | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|--|-----------------|---------|-----------------------|-----------|-----------------|-----------------|----------------------|---|
| 2021/22 reviews | | | | | | | | |
| Corporate Cross Cutting | | | | | | | | |
| Operational Services (Refuse/Recycling/Street Cleansing) | HofOS | ✓ | ✓ | ✓ | ✓ | ✓ | Reasonable | |
| Housing (Affordable Housing Delivery) | HofH&C | ✓ | ✓ | ✓ | ✓ | | | Draft report issued, management response pending. |
| Local Plan | HofP | ✓ | ✓ | ✓ | ✓ | ✓ | Reasonable | |
| Community Health & Wellbeing | HofH&C | ✓ | ✓ | ✓ | ✓ | ✓ | Limited | |
| Follow up | CFO/ HofP&CR | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | |
| 2022/23 reviews | | | | | | | | |
| Corporate | | | | | | | | |
| Financial Resilience/Savings Realisation | CFO | ✓ | ✓ | | | | | |
| Governance | | | | | | | | |
| Contract Management | HofP&CR | ✓ | ✓ | ✓ | ✓ | | | |
| Risk Management | HofP&CR | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | Position statement. |

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| Audit Review | Sponsor | Scoping | Terms of Reference | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|---|----------|---------|-----------------------|--------------|-----------------|-----------------|----------------------|------------------------------------|
| Procurement | HofP&CR | | | | | | | Q3 – scoping booked for 9/11/22 |
| Business Continuity & Emergency Planning | HofP&CR | | | | | | | Q4 |
| Human Resources & Organisational Development | HofHR&OD | | | | | | | Q4 |
| Ethical Governance | HofP&CR | ✓ | ✓ | \checkmark | | | | |
| Information Technology | | | | | | | | |
| Networks, Communications and Firewall Management | HofD&ST | | | | | | | Q3 |
| Systems Development | HofD&ST | | | | | | | Q4 |
| IT Business Continuity & Disaster Recovery – Follow Up | HofD&ST | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | |
| Core Financial Reviews | | | | | | | | |
| NNDR | HofD&ST | ✓ | ✓ | ✓ | | | | |
| Council Tax | HofD&ST | ✓ | ✓ | ✓ | | | | |
| Accounts Receivable/Debt Management | CFO | ✓ | | | | | | |
| Main Accounting | CFO | | | | | | | Q4 |
| Corporate Priorities | | | | | | | | |
| Homelessness | HofH&C | | | | | | | Q4 |
| Development Management – CIL | HofP | ✓ | ✓ | | | | | |
| Investments | HofP&R | ✓ | ✓ | ✓ | | | | |
| EWDC Conservators Account | CFO | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | |

Agenda Item 5 Appendix 1

9. Adjustment to the Internal Audit Plan

There have been the following amendments to the 2022/23 internal audit plan:

| Plan Variations | | | | | | |
|-----------------------|---|--|--|--|--|--|
| Added to the plan | Reason | | | | | |
| Risk Management | Following an internal audit review of risk management during 2021/22 in which a limited assurance opinion was concluded, the Chairman and Vice Chairman of the Audit & Scrutiny Committee were keen for early internal audit oversight of the revised Risk Management Strategy prior to its presentation to the Audit & Scrutiny Committee later in the year. This piece of work has been undertaken as a consultancy engagement rather than a risk-based assurance review. | | | | | |
| Removed from the plan | Reason | | | | | |
| Building Control | Defer to 2023/24 to allow the new service arrangements with Elmbridge Borough Council to embed. | | | | | |

Annex 1

Overdue 'High Priority' Management Actions

HR & OD Performance Management – Limited Assurance

Observation:

The Performance Management Policy confirms that Managers have the autonomy to decide how often My Performance Conversations meetings should be conducted but as a guide they should be at least every 4-8 weeks.

Audit testing of a sample of eight managers identified that none were achieving the expected frequency for holding the My Performance Conversation meetings, with the nearest being every 3 months.

| Management Action | Original Due Date | Revised Due Date | Latest Service Update |
|---|-------------------|---------------------|---|
| Include in performance objectives of Managers and Heads of Service the regularity and recording of MPCs with all staff. | 30.06.2022 | 31.12.2022 | The new Head of People and OD will be discussing this, along with the review of the MPC form, with SMT. |

Observation:

The Induction Checklist clearly states that by the end of the second month a discussion and agreement of personal targets for a Personal Development Plan must be undertaken.

The policy states that both managers and employees are responsible for monitoring progress on the agreed goals/objectives.

A sample of new starters were tested, and we confirmed that their progress is being reviewed and the relevant probationary meetings are being held to provide feedback and take any necessary actions. However, goals and objectives have not yet been set and we were advised that this task will be completed at the beginning of the new financial year.

We acknowledge that the new starters within our sample only recently joined the council (within the last three months), including temporary staff, but the expectation on setting goals/targets remains the same and should be completed as set by the policy.

| Management Action | Original Due Date | Revised Due Date | Latest Service Update |
|---|----------------------|---------------------|---|
| Conduct a survey of new starters post April 2022 to understand how they are settling in and whether they have clear goals/objectives set and a PDP set out. | 30.06.2022 | 31.12.2022 | Following the development of survey questions, new starters will be requested to complete the survey in order to gather their feedback. |

Annex 2

Appenda Item (

Overdue 'Low & Medium Priority' Management Actions

| Audit Review | Report Date | Opinion | Priority | Due Date | Revised Due Date |
|----------------------------------|-------------|-------------|----------|------------|---------------------|
| Fraud and Irregularities | 06.08.2019 | Adequate | Medium | 31.03.2020 | 30.11.2022 |
| Trada and megalantics | 17.08.2020 | Adequate | Medium | 30.11.2020 | 15.11.2022 |
| | | | Medium | 30.11.2020 | 31.12.2022 |
| Information Governance | | | Medium | 30.11.2020 | 31.12.2022 |
| | | | Medium | 30.11.2020 | 31.12.2022 |
| | | Reasonable | Medium | 30.04.2021 | 31.10.2022 |
| | | | Medium | 30.06.2021 | 31.10.2022 |
| Development Management | 03.03.2021 | | Medium | 30.06.2021 | 31.10.2022 |
| | | | Medium | 31.12.2021 | 31.10.2022 |
| Housing Benefits | 12.05.2021 | Substantial | Low | 01.10.2021 | 31.12.2022 |
| Accounts Payable | 18.05.2021 | Reasonable | Low | 31.12.2021 | 31.03.2023 |
| Decrease and Deciset Management | 10.05.2021 | Reasonable | Medium | 31.12.2021 | 31.12.2022 |
| Programme and Project Management | 18.05.2021 | | Medium | 31.12.2021 | 31.12.2022 |
| Annual Governance Statement | 3.11.2021 | Reasonable | Medium | 29.07.2022 | 30.11.2022 |
| | | Limited | Medium | 30.09.2022 | 31.03.2023 |
| HR & OD Performance Management | 20.05.2022 | | Medium | 30.09.2022 | 31.03.2023 |
| | | | Medium | 30.09.2022 | 31.03.2023 |
| Health and Safety | 30.05.2022 | Limited | Medium | 31.07.2022 | 31.01.2023 |
| Information Security | 30.05.2022 | Reasonable | Medium | 30.09.2022 | 31.03.2023 |
| | | Limited | Medium | 30.09.2022 | 31.01.2023 |
| Information Governance | 30.05.2022 | | Medium | 30.09.2022 | 28.02.2023 |
| | | | Medium | 30.09.2022 | 28.02.2023 |
| | | Limited | Medium | 30.06.2022 | TBC |
| Community, Health and Wellbeing | 22.06.2022 | | Medium | 31.08.2022 | TBC |
| Community, meaning and wembering | | | Medium | 31.08.2022 | TBC |
| | | | Medium | 30.09.2022 | TBC |
| Local Plan | 29.06.2022 | Reasonable | Medium | 30.09.2022 | 17.11.2022 |

Annex 3

Agenda Item 5 Appendix 1

Epsom & Ewell Borough Council Assurance Opinions (Pre 2020-21)

| Substantial | A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified. |
|-------------|---|
| Adequate | Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified. |
| Limited | Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk. |
| No | Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives. |

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2021-22 TREASURY MANAGEMENT YEAR-END PERFORMANCE

Head of Service: Brendan Bradley, Head of Finance

Wards affected: (All Wards);

Urgent Decision?(yes/no) No

If yes, reason urgent decision N/A

required:

Appendices (attached): Appendix 1 – Treasury Management Review

Appendix 2 – Prudential Indicators

Summary

This report has been carried forward from September's cancelled meeting. It presents the Council's treasury management performance in 2021/22.

Recommendation (s)

The Committee is asked to:

- (1) Receive the report on the Council's treasury management performance 2021/22;
- (2) Approve the 2021/22 prudential indicators.

1 Reason for Recommendation

- 1.1 Prior to 2022, treasury management performance was reported to Financial Policy Panel (mid-year position) and Strategy & Resources Committee (outturn position). However, following the LGA Finance Peer Review in 2021, Full Council agreed updated Financial Regulations (in February 2022) that require treasury management performance to be reported to Audit and Scrutiny Committee instead.
- 1.2 The Council's prudential indicators must also be approved by a Committee of members, in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Sector.

1.3 Approving the recommendations will enable the council to meet the above requirements.

2 Background & Executive Summary

- 2.1 Income earned from investments is used to help finance the Council's services and contributes to the key priority 'Effective Council'.
- 2.2 The Treasury Management Strategy, approved annually by Council in February, sets out the strategy and procedures for managing the investment of reserves, provisions and cash flow.
- 2.3 A review of treasury management performance and activity is prepared on an annual basis. This is completed in line with Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Sector and the Treasury Management Strategy approved by Council.
- 2.4 The reporting requirements of the annual performance review meet the requirements of the CIPFA Prudential Code.
- 2.5 The Council maintains revenue reserves, provisions and capital reserves as part of its financial strategy. Since March 2020 when pandemic restrictions were first introduced, the Council's cash balances have principally been invested in secure, liquid money market funds, to ensure security of the Council's funds amid heightened global market and economic volatility, and to ensure maximum liquidity for the Council to meet all cashflow commitments.
- 2.6 Internally managed balances can also be invested in longer term gilts or deposits with a balance retained to meet short term cash flows invested in temporary loans or money market funds. At 31 March 2022 the Council held £25.0 million in money market funds (£18.7m March 2021) and £10.0m in fixed term deposits (£0m March 2021).
- 2.7 In total at 31 March 2022, the Council's treasury investments were £35.0m (£18.7m March 2021).
- 2.8 At the same reporting date, the Council had external debt with the Public Works Loans Board of £64.4m (unchanged from March 2021).
- 2.9 The Committee will note that the Pension Fund does not form part of the Council's investments and is managed on our behalf by Surrey County Council.
- 2.10 The aim of treasury management is to ensure that funds are invested with institutions that balance the need to maximise investment returns with that of minimising risk on the monies invested. This means not investing in banks/building societies/institutions that offer high investment returns but are at high risk of defaulting.

- 2.11 During 2021/22, the Council generated £26,000 net interest on its treasury investments, compared to £30,000 generated in 2020/21. With the Bank of England base rate at 0.1% until December 2021, returns remained at a historically low level during 2021/22. However, as interest rates rise, investment income is expected to increase substantially during the current year 2022/23.
- 2.12 The Council's prudential indicators, disclosed at Appendix 2, must also be approved by a committee of members, in accordance with the CIPFA Code.
- 2.13 The Council's external treasury management advisors Link Asset Services, Treasury Solutions are scheduled to provide Audit & Scrutiny members with treasury management training on 17 November 2022 (immediately prior to the committee meeting of the same date).

3 Full Performance Review

- 3.1 A report on treasury management performance for 2021/22 is attached at Appendix 1.
- 3.2 The 2021/22 figures in this report are not expected to change, however, should there be any material amendments following completion of the external audit, these will be reported back to committee members.
- 3.3 No temporary borrowings were required in 2021/22 except occasional use of the Council's bank overdraft facility to manage daily cash flow.
- 3.4 The average gross return achieved for 2021/22 of 0.24% (0.29% in 2020/21) compares favourably with the benchmark seven day London Interbank Bid (LIBID) rate of -0.07% (minus 0.07%). This amounted to total gross interest income for the year of £68,900 generated on reserves, working balances and cash flow. After deducting fees, net interest income for the year amounted to £26,000.
- 3.5 The LIBID rate was abolished from 1 January 2022, therefore the quoted 0.07% benchmark relates to the period 1 April to 31 December 2021.
- 3.6 Going forward from 1 April 2022, the council's external treasury advisors recommend that treasury management performance is benchmarked against the Sterling Overnight Index Average (known as SONIA).
- 3.7 The net outturn position exceeded the mid-year forecast reported Financial Policy Panel in November 2021, when it was anticipated that net income from investments would be £8,000 at the end of the year. Returns in the second half of the year were higher than expected, because fixed term deposit rates started to gradually increase, in response to the wider market starting to anticipate earlier interest rate rises by the Bank of England to tackle rising inflation.

3.8 The performance for 2021/22 on the Council's investments was as follows;

| | Average Investment | Net Interest Received | Net Average Rate of Return | |
|--------------------------|-----------------------|--------------------------|----------------------------------|--|
| | £'m | £'000 | % | |
| Internally Managed Funds | | | | |
| Money Market Funds | 19.9 | 12.2 | 0.06 | |
| Fixed Rate Deposits | 3.8 | 13.3 | 0.36 | |
| Interest Bearing Account | 5.0 | 0.5 | 0.01 | |
| Grand Total | 28.6 | 26.0 | 0.09 | |

- 3.9 Returns on 2021/22 investments were £89,000 lower than the budgeted income for the year and the average net annualised return on investments was 0.09% (0.14% in 2020/21).
- 3.10 This performance has been impacted by the economic environment following the pandemic, as interest rates fell in March 2020. The Bank of England base rate remained at 0.1% until December 2021, when it increased to 0.25% for the final three months of 2021/22.

4 Internally Managed Funds

Money Market Funds

- 4.1 Money market funds are pooled investments that allow instant access to withdraw monies. The benefit of MMFs is that the risk on the investment is very low as the money invested in the fund is spread across a range of counterparties, which limits the exposure of a significant sum being invested with a defaulting counterparty.
- 4.2 The net return on money market funds of 0.06% compared favourably to the LIBID benchmark of -0.07%. Investment in money market funds has meant that cash balances could be called back with no notice required.

Interest Bearing Accounts

4.3 Interest bearing accounts offer the same instant access as the money market funds and deliver a rate of return linked to base rate set by the Bank of England.

- 4.4 The risk on these investments may be higher than the money market funds as money is deposited with one counterparty. Funds invested in this type of investment tend to be surpluses of daily cash flows which need to be called back at short notice.
- 4.5 The return made on interest bearing accounts of 0.01% compared favourably to the benchmark of -0.07%. Typically, this account was used when limits with other counterparties were reached.

Fixed Interest Investments

- 4.6 In 2021/22, the council placed two fixed term deposits in October and December 2021, to take advantage of increased expectations for interest rate rises. Over the year 2021/22, the amount invested in fixed term deposits averaged £3.75m. The average return made on this investment was 0.36% compared to the benchmark of -0.07%.
- 4.7 The current strategy and guidance obtained from our independent advisors is to limit fixed term investments to a period of one year.

5 Externally Managed Funds

- 5.1 The main benefit to the Council of using external fund managers is to minimise risk, as the funds invested are spread across a wide portfolio of financial institutions. This results in the overall exposure to a potential defaulting bank being limited to a small percentage of the overall holding.
- 5.2 Abrdn (formerly Aberdeen Asset Management) has been the Council's external fund manager since October 2007.
- 5.3 During the pandemic and throughout 2021/22, officers have used money market funds to hold cash balances instead of the external fund manager, as the money market funds allow the council to access cash balances more quickly if needed in the current uncertain environment.
- 5.4 Beyond the pandemic, due to its reliable performance over the past fifteen years, officers will continue to utilise Abrdn as the external fund manager when required.

6 Risk Assessment

Legal or other duties

- 6.1 Impact Assessment
 - 6.1.1 The council approved the Treasury Management Strategy for 2021/22, which includes a risk management approach to investment of funds and returns.
- 6.2 Crime & Disorder

- 6.2.1 None.
- 6.3 Safeguarding
 - 6.3.1 None.
- 6.4 Dependencies
 - 6.4.1 None.
- 6.5 Other
 - 6.5.1 None.

7 Financial Implications

- 7.1 Financial implications are set out in the body of the report. The net interest income of £26,000 was used to fund the council's budget requirement during the year.
- 7.2 **Section 151 Officer's comments**: Effective treasury management is essential to ensuring the security of the council's funds. Interest earned from the investments contributes towards the delivery of services to residents.
- 7.3 Any councillors who have any questions on the detail of treasury management performance for 2021/22 are requested to contact the Head of Finance prior to the meeting.
- 7.4 The 2022/23 mid-year position will be reported to this committee on 17 November 2022, along with treasury management training to be provided by the council's external advisors Link Asset Services, Treasury Solutions. Investment returns in 2022/23 are expected to be substantially higher than in 2021/22, owing to recent increases in the Bank of England base interest rate.

8 Legal Implications

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

9 Policies, Plans & Partnerships

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

10 Background papers

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

Previous reports:

- Treasury Management Strategy Appendix 11 of the Budget Report to Full Council on 16 February 2021
- Treasury Management Interim Report 2020/21 to Financial Policy Panel on 30 November 2021

Other papers:

Final accounts working papers 2021/22

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TREASURY MANAGEMENT - PERFORMANCE REVIEW 2021/22

1. Internally Managed Funds

Internally managed funds comprised the following fixed term deposit balances at 31 March:

| Fixed Term Deposits | Balance at 31 March 22 £'000 | Balance at 31 March 21 £'000 | Difference £'000 |
|---|------------------------------------|------------------------------------|---------------------|
| Short Term Investments (less than 1 year) | 10,000 | 0 | 10,000 |

The Council also used four money market funds and one special interest bearing account for liquid short term investments during 2021/22. Performance of the five funds is summarised as follows:

| Money Market Funds & | Average | Fund Performance | | |
|--|----------------------------|-----------------------|-----------------------------|--|
| Interest Bearing Account | balance held in fund | % Annual gross return | % Annual return net of fees | |
| | £'000 | | | |
| Goldman Sachs | 5,000 | 0.20 | 0.05 | |
| Deutsche Bank | 5,000 | 0.19 | 0.04 | |
| State Street Bank | 4,895 | 0.22 | 0.07 | |
| UBS | 5,000 | 0.23 | 0.08 | |
| RBS Special Interest Bearing Account (SIBA) | 4,984 | 0.16 | 0.01 | |
| Total | 24,879 | 0.20 | 0.05 | |

The total interest received on internally managed fixed term deposits in 2021/22 was as follows:

| Fixed Term Deposits | Average Value of Funds Invested £'000 | Gross Interest Earned £'000 | % Return Gross of Fees | % Return Net of Fees |
|------------------------|---|--------------------------------------|---------------------------|-------------------------|
| Short Term Investments | 3,750 | 19 | 0.51% | 0.36% |

The average gross rate of return achieved on money market funds and fixed term deposits was 0.24%, which exceeded the average seven day deposit rate of -0.07% by 0.31%. This compares to performance of 0.36% above the average seven day rate in 2020/21.

2. Externally Managed Funds

The Council did not hold any externally managed funds during 2021/22.

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1. Introduction

The Local Government Act 2003 introduced a new system of capital controls for Local Authorities. The key principle of the system of controls is that local authorities have the freedom to borrow for capital investment purposes providing that they can demonstrate that borrowing is affordable, sustainable and prudent.

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

Members' involvement through the process is essential in order that the Council can demonstrate that capital expenditure plans are affordable, external borrowing is prudent and sustainable and that treasury decisions are taken in accordance with good practice. The structure and content of the treasury management report complies with the requirements of the Code for 2021/22.

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

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

This appendix provides a commentary on each prudential indicator relevant to the Council and sets out the actual 2021/22 prudential indicators for approval as part of the Council's requirement to comply with the Prudential Code.

2. Affordability Prudential Indicator

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

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

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

| Ratio of Financing Costs to Net Revenue Streams | 2020/21 | 2021/22 | 2021/22 |
|---|---------|-----------|---------|
| | Actual | Estimated | Actual |
| General Fund | 9% | 8% | 12% |

The ratios above reflect the net cost of borrowing after allowing for investment income. 2021/22's ratio is higher than 2020/21 principally because 2020/21's net revenue streams were higher due to increased government support provided during the height of the pandemic, which reduced during 2021/22. In practice, the financing costs are fully funded by further income generated from both the Council's and Epsom & Ewell Property Investment Company's investment property acquisitions.

3. Capital Expenditure and the Capital Financing Requirement

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

The CFR forms one of the required prudential indicators. It includes the related capital expenditure and financing figures for each year, and the external debt for each year, which are mandatory prudential indicators.

In 2016/17 the Council agreed to borrow up to £80m to finance the acquisition of commercial properties within the Borough. In 2017/18, the Council agreed to borrow up to a further £300m to finance property investments through Epsom & Ewell Property Investment Company Limited. To date, the Council has acquired four investment properties for a combined £30m in-borough and two investment properties for a combined £60m out-of-Borough, all funded from borrowing. As a result, the CFR has increased substantially since 2015/16, when it had been nil.

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

The Committee is asked to receive the actual CFR and actual debt figures set out below:

| Capital Financing Requirement | 2020/21 Actual | 2021/22 Estimated | 2021/22 Actual |
|---|-------------------|----------------------|-------------------|
| | £'000 | £'000 | £'000 |
| Capital Expenditure: | | | |
| Capital programme expenditure | 2,886 | 4,260 | 1,735 |
| Assets acquired under finance leases | 0 | 0 | 34 |
| Total Capital Expenditure | 2,886 | 4,260 | 1,769 |
| Capital Financing: | | | |
| Capital receipts | 257 | 896 | 229 |
| Capital grants | 734 | 1,249 | 455 |
| Capital reserves | 1,600 | 1,791 | 653 |
| Revenue | 295 | 324 | 398 |
| Total Capital Financing | 2,886 | 4,260 | 1,735 |
| Minimum revenue provision | 1,359 | 1,412 | 1,416 |
| Capital Financing Requirement at 31 March | 90,277 | 88,865 | 88,895 |
| External Debt: | | | |
| External borrowing | 64,427 | 64,427 | 64,427 |
| Other short/long term liabilities | 2,666 | 3,401 | 2,287 |
| Total External Debt at 31 March | 67,093 | 67,828 | 66,714 |
| Internal borrowing | 23,184 | 21,037 | 22,181 |
| Capital Financing Requirement at 31 March | 90,277 | 88,865 | 88,895 |

4. External Debt

A key control over the Council's activity is to ensure that over the medium term net borrowing will only be for a capital purpose. The Council needs to ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of additional capital financing requirement for 2021/22 and next two financial years.

The following table sets out the actual levels of borrowing and investment for 2021/22:

| | 2020/21 Actual | 2021/22 Estimated | 2021/22 Actual |
|--|-------------------|----------------------|-------------------|
| | £'000 | £'000 | £'000 |
| Gross Borrowing at 31 March | 67,093 | 67,828 | 66,714 |
| Investments at 31 March | 18,700 | 15,454 | 35,000 |
| Net Borrowing at 31 March | 48,393 | 52,374 | 31,714 |
| Capital Financing Requirement Movement | 90,277 | (1,412) | (1,382) |

The Chief Finance Officer reports that the Council complied with the requirement to keep net borrowing below the CFR in 2021/22, and no difficulties are envisaged for the current or future years. This view takes into account current commitments and plans in the budget report.

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

The Authorised Limit

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

The Operational Boundary

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

The Committee is asked to receive the authorised and operational limits set out below:

| External Debt Boundaries | 2020/21 Actual | 2021/22 Estimated | 2021/22 Actual |
|---|-------------------|----------------------|-------------------|
| | £'000 | £'000 | £'000 |
| Authorised Limit for External Debt | | | |
| Borrowing for commercial properties | 64,427 | 145,000 | 64,427 |
| Other short/long term liabilities (finance leases)* | 2,666 | 3,000 | 2,287 |
| Total Authorised Limit for External Debt | 67,093 | 148,000 | 66,714 |
| Operational Boundary for External Debt | | | |
| Borrowing for commercial properties | 64,427 | 139,846 | 64,427 |
| Other short/long term liabilities (finance leases)* | 2,666 | 2,257 | 2,287 |
| Total Operational Boundary for External Debt | 67,093 | 142,103 | 66,714 |

5. Treasury Management Indicators

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

The treasury management service is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. It covers the borrowing and investment activities and the effective management of associated risks. Its activities are strictly regulated by statutory requirements

and a professional code of practice, the CIPFA Code of Practice for Treasury Management in Local Authorities.

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice at its meeting in April 2012 and Council approved the latest treasury management strategy and procedures in February 2021.

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

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

Upper Limits on Fixed Rate Exposure

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

Upper Limits on Variable Rate Exposure

This indicator identifies a maximum limit for the Council's exposure to variable interest rates for borrowing based upon the debt position net of investments. The Council has no plans to enter into any variable rate borrowing arrangements.

Maturity Structures of Borrowing

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

Total Principal Funds Invested for Periods Longer Than 364 Days

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

| | 2020/21 | 2021/22 | 2021/22 |
|---|---------|-----------|---------|
| Figures are for the financial year unless otherwise titled in italics | Actual | Estimated | Actual |
| otherwise titled in Italics | £'000 | £'000 | £'000 |
| Capital Expenditure | 2,886 | 4,260 | 1,769 |
| Capital Financing Requirement (CFR) at 31 March | 90,277 | 88,865 | 88,895 |
| Treasury Position at 31 March | | | |
| External borrowing | 64,427 | 64,427 | 64,427 |
| Other short/long term liabilities | 2,666 | 3,401 | 2,287 |
| Total Debt | 67,093 | 67,828 | 66,714 |
| Investments | 18,700 | 15,454 | 35,000 |
| Net Borrowing | 48,393 | 52,374 | 31,714 |
| Maximum Debt (Actual) compared to Authorised Limit (Original Indicator) | 67,093 | 67,828 | 66,714 |
| Average Debt compared to Operational Boundary (Original Indicator) | 67,093 | 67,828 | 66,714 |
| Ratio of financing costs to net revenue stream | 9% | 8% | 12% |
| Upper limits on fixed interest rates (against maximum position) as above | 67,093 | 67,828 | 66,714 |
| Upper limits on variable interest rates (against maximum position) as above | 0 | 0 | 0 |
| Materials at section fine death because (0/) | 2020/21 | 2021/22 | 2021/22 |
| Maturity structure fixed rate borrowing (%) | Actual | Estimated | Actual |
| Under 12 months | 0% | 0% | 0% |
| 12 months to 2 years | 0% | 0% | 0% |
| 2 years to 5 years | 0% | 0% | 0% |
| 5 years to 10 years | 8% | 8% | 8% |
| 10 years and above | 92% | 92% | 92% |
| Maximum principal funds invested over 364 days (against maximum position) | 0 | £10m | 0 |

TREASURY MANAGEMENT - INTERIM REPORT 2022/23

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): None

Summary

This report provides an update on treasury management performance for the first six months of 2022/23.

Recommendation (s)

The Panel is asked to:

- (1) Receive the presentation from Link Asset Services – Treasury Solutions;
- (2) Note the performance on return of investments for the first six months of 2022/23;
- (3) Note the current investment decisions being made within the terms set out in the Treasury Management Strategy.

1 **Reason for Recommendation**

1.1 The 2022/23 Treasury Management Strategy, agreed by Council in February, aims to ensure maximum return on investments for the Council within reasonable risk constraints. The Strategy requires a mid-year treasury management performance report to be brought before Audit & Scrutiny Committee – the recommendations ensure that this requirement is met.

2 Background

- 2.1 The Council's Treasury Management Strategy (the Strategy) is consistent with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management in the Public Services. It supports the achievement of the council's Medium Term Financial Strategy.
- 2.2 This report covers the performance of the treasury management function for the period 01 April 2022 to 30 September 2022.
- 2.3 The CIPFA Code also requires that adequate training be provided to members with responsibility for treasury management. To meet this requirement, an officer from Link Asset Services Treasury Solutions will provide a presentation to members immediately prior to the committee meeting on current treasury management issues.
- 2.4 The treasury function deals with the management of cash funds held by the Council. The level of funds held during the year will vary but, on average, currently amounts to around £35 million at September 2022 (£24 million at September 2021).
- 2.5 The aim of treasury management is to ensure funds are invested with institutions that balance the need to maximise investment returns with that of minimising risk on the monies invested. This means, for example, not investing in banks/building societies that are offering high investment returns but are at high risk of defaulting (for example Icelandic Banks in 2008).
- 2.6 Before an investment decision is made, officers will investigate any proposed counterparty to ensure its financial rating makes it eligible for investment. Even if the institution meets the criteria as set out in the financial strategy, independent advice will be sought from our external financial advisors before the investment is made.

3 Security, Liquidity and Yield

- 3.1 The Council's approved investment strategy and practice is to put security of investment at a higher priority than rate of return/yield. The day-to-day practice continues to be reviewed and refined, within the boundaries of the approved policy, in response to changing market conditions. The cornerstones of current policy/practice are:
 - 3.1.1 to restrict lending to only those institutions which fit the council's policy in terms of financial standing, credit ratings etc;
 - 3.1.2 generally, to restrict lending to the short-term (under one year) or to cover precept dates for the remainder of the year;
 - 3.1.3 to update financial limits to each institution depending on the quality of their financial ratings.

4 Current Performance

- 4.1 The average return from investments for 2022/23 was originally budgeted at 0.5% (at the time, the Bank of England base rate was 0.25%). This amounted to total income for the year of £110,000, to be generated on reserves, working balances and cash flow. In July, Strategy & Resources Committee agreed to re-base the council's budgets to reflect the post-Covid operating environment, which increased the budgeted target for treasury management income to £270,000 per annum.
- 4.2 The performance for the first six months of 2022/23 on the council's investments is as follows:

| | | 2022/23 | | |
|--------------------------|-----------------------|----------------------|------------------------------|------------------------------|
| 01 April to 30 September | Average Investment | Interest Received | Average Rate of Return | Average Rate of Return |
| | £'m | £'000 | % | % |
| Internally Managed Funds | | | | |
| Money Market Funds | 13.0 | 60 | 0.93 | 0.003 |
| Fixed Rate Deposits | 20.8 | 161 | 1.55 | No deposits |
| Interest Bearing Account | 0.8 | 1 | 0.17 | 0.010 |
| Grand Total | 34.6 | 222 | 1.28 | 0.005 |

- 4.3 During the first half of the year, £222,000 of interest had been earned, significantly overachieving the profiled budgeted target of £135,000 for the same period.
- 4.4 The Council has been able to capitalise on greater returns available in the market, as base rate increases by the Bank of England (in its attempt to temper inflation) have been swifter than forecast.
- 4.5 With expectations of further base rate rises to come, maturing deposits are all being replaced at higher rates and the impact of this should become even more apparent in the second half of the year.
- 4.6 The average return achieved for the first six months of 1.28% compares favourably with the benchmark overnight SONIA (Sterling Overnight Index Average) rate of 1.22%.

5 Internally Managed Funds

Money Market Funds

- 5.1 Money market funds (MMFs) are pooled investments that allow instant access to these monies. The benefit of MMFs is that the risk on the investment is very low as money invested in the fund is spread across a range of counterparties, which limits the exposure of a significant sum being invested with a defaulting counterparty. In addition, cash balances can be called back from MMFs with no notice required, ensuring the council has liquidity to meet its daily cash flow requirements.
- 5.2 The average return made on money market funds was 0.93%, although in recent weeks returns have increased significantly to c.2%, which should benefit the council further in the second half of the year.

Fixed Rate Term Deposits

5.3 The Council had five fixed term deposits at 30 September 2022; the average return on these deposits was 1.55%. Returns on individual deposits ranged from 0.86% (deposit placed in December 2021) to 3.69% (placed in August 2022). This example demonstrates how maturing deposits are being replaced at higher rates and the impact of this should benefit the Council further in the second half of the year.

Interest Bearing Accounts

- 5.4 Interest bearing accounts offer similar instant access as money market funds and deliver a rate of return linked to base rate set by the Bank of England.
- 5.5 The risk on these investments is higher than money market funds as money is deposited with one counterparty. Funds invested in this type of investment tend to be surpluses of daily cash flows which need to be called back at short notice.
- 5.6 The return on the interest-bearing account was just 0.15%, consequently, officers use this account the least, typically when counter party limits with other providers have been fully utilised.

6 Externally Managed Funds

- 6.1 Abrdn/Aberdeen Asset Management has been the council's external fund manager since October 2007.
- 6.2 The main benefit to the Council of using external fund managers is to minimise risk, as funds invested are spread across a wide portfolio of financial institutions. This results in the overall exposure to a potential defaulting bank being limited to a small percentage of the overall holding.
- 6.3 However, externally managed funds typically incur higher fees; the Council has not needed to utilise this resource during the period.

7 Treasury Management Strategy

- 7.1 In previous years, the council has held a greater proportion of its cash balances in liquid money market funds rather than in fixed term deposits, partially because interest returns on fixed term deposits had been very low.
- 7.2 With fixed rate deposit returns now increasing, officers have moved more funds into these investments, within the approved Treasury Management Strategy risk framework. It is anticipated that fixed term deposits will continue to be utilised in the forthcoming period to maximise interest returns available, while still holding sufficient cash in money market funds to diversify risk and ensure the Council has sufficient headroom to meet all day-to-day cash flow requirements.

8 Risk Assessment

Legal or other duties

- 8.1 Impact Assessment
 - 8.1.1 The Treasury Management Strategy sets out that investment decisions must be based first and foremost on security, then liquidity and finally yield, in order to minimise risk.

Investments with our external fund manager are considered low risk as the money invested in the fund is spread across a range of counterparties, this limits the exposure of a significant sum being invested with a defaulting counterparty.

- 8.2 Crime & Disorder
 - 8.2.1 None.
- 8.3 Safeguarding
 - 8.3.1 None.
- 8.4 Dependencies
 - 8.4.1 None.
- 8.5 Other
 - 8.5.1 None.

9 Financial Implications

9.1 The council's budget anticipates the equivalent of £270,000 of interest to help fund services in 2022/23, calculated as follows:

| | Budgeted £ | Forecast £ |
|---|---------------|---------------|
| Interest earned in year | 270,000 | 545,000 |
| Less Interest credited to specific provisions | (58,000) | (58,000) |
| Interest used to fund General Fund services | 212,000 | 487,000 |

- 9.2 The forecast interest at the end of 2022/23 is anticipated to overachieve the budgeted income by £275,000, which has been factored into the Q2 budget monitoring report to this same Committee.
- 9.3 **Section 151 Officer's comments**: Financial implications are set out in the body of the report. The interest rate environment has enabled officers to take advantage of opportunities to generate additional interest returns to help fund the council's services. Future interest rate expectations are currently relatively volatile and consensus expectations will be taken into account when setting the council's 2023/24 budgeted income target.

10 Legal Implications

- 10.1 There are no particular equalities or other legal implications for the purpose of this report.
- 10.2 **Legal Officer's comments**: None for the purposes of this report.

11 Policies, Plans & Partnerships

- 11.1 **Council's Key Priorities**: The following Key Priorities are engaged: Effective Council
- 11.2 **Service Plans**: The matter is included within the current Service Delivery Plan.
- 11.3 Climate & Environmental Impact of recommendations: None arising from the contents of this report.
- 11.4 **Sustainability Policy & Community Safety Implications**: None arising from the contents of this report.
- 11.5 **Partnerships**: There is partnership working with the external fund manager and the treasury consultants, but no particular implications arise from this report.

12 Background papers

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

Previous reports:

- 2021-22 Treasury Management Year-End Performance Audit & Scrutiny Committee
- Budget Report 2022/23 Full Council, February 2022

Other papers:

- Treasury Management Strategy 2022/23
- CIPFA Prudential Code
- Code of Practice for Treasury Management in Local Authorities (CIPFA)

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COUNTER FRAUD & WHISTLEBLOWING

Head of Service: Andrew Bircher, Head of Policy and Corporate

Resources

Wards affected: (All Wards);

Urgent Decision?(yes/no) No
If yes, reason urgent decision N/A

required:

Appendices (attached): None

Summary

This report provides the committee with an overview of the systems and processes the Council has in place to prevent, detect and address fraud.

Recommendation (s)

The Committee is asked to:

(1) The Committee is asked to note and comment on the contents of the report, the measures in place and the work being undertaken to prevent and detect fraud.

1 Reason for Recommendation

1.1 To ensure effective monitoring of fraud, corruption and whistleblowing is undertaken.

2 Background

- 2.1 In common with all other public bodies, the Council is potentially vulnerable to fraud. This is a new report identified through the updated terms of reference for this committee, and will be brought on an annual basis.
- 2.2 As stated by the Local Government Association, "[a]Il councils have a duty to protect the public purse and a major part of this is by limiting exposure to fraud and corruption and reducing risk through effective prevention and detection." Fraud can reduce the money available to support local communities.¹

- 2.3 Fraud can be defined as "any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain." The main legislation covering fraud is the Fraud Act 2006, however there are other specific pieces of legislation which cover particular Council activities. Within the Act there are three core sections: fraud by false representation, fraud by failing to disclose information, and fraud by abuse of position. There are other types of fraud that can fall within these definitions, such as corruption, bribery, theft and money laundering.⁴
- 2.4 Fighting Fraud and Corruption Locally, a strategy for the 2020s, provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. The previous two strategies focused upon three pillars of activities or strategic objectives, namely: Acknowledge, Prevent and Pursue. The latest version of the strategy includes new areas of activity: "Govern" and "Protect". Govern focuses on those charged with leadership to ensure robust arrangements are in place and that senior leadership and members support antifraud, bribery and corruption measures, and their embeddedness throughout the organisation. Protect is a new overarching responsibility to protect the public from fraud. In light of these changes, the Council's Anti-Fraud & Corruption Strategy will be updated by 30th April 2023.
- 2.5 Nonetheless it remains the case that "[t]he Council has a zero tolerance attitude to fraud and is totally opposed to any form of fraud and corruption."6
- 2.6 The Audit and Scrutiny Committee has "[o]verall responsibility for audit and governance frameworks", which includes fraud, corruption and whistleblowing policies.⁷ Therefore this report has been brought to the committee to help it fulfil these responsibilities.

3 What the Council has in place

3.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) published a code of practice in "managing the risk of fraud and corruption" in 2014, which sets out the following principles that embody good governance and effective management regarding fraud.⁸ These principles can be used to demonstrate what activities the Council has in place to manage the risk of fraud.

| A. Acknowledge responsibility. | Responsibility acknowledged within statements and policies published on a dedicated fraud webpage.⁹ |
|--------------------------------|--|
|--------------------------------|--|

| Member's and officer's codes of conduct incorporated into the Council's constitution. Codes include reference to principles such as the seven principles of public life, declaration of interests, gifts and hospitality and political neutrality (for officers). 10 Whistleblowing policy incorporated into the Council's constitution. 11 Annual report brought to Audit & Scrutiny Committee. Specific goal for fraud: listed in Service Delivery Plan 2022-2023 — 'Review Corporate Fraud Arrangements'. B. Identify risks. Fraud risk register in place with agreed mitigation measures (reviewed: no red / high risks). C. Develop a strategy. Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. Mandatory fraud awareness e-learning for staff. D. Provide resources. National Anti-Fraud Network (NAFN) member. National Fraud Initiative. Environmental health enforcement and PACE interview equipment. E. Take action. Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. Anti-Bribery Policy. Anti-Money Laundering Policy. Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments. 12 Internal Audit. | | |
|---|-----------------------|--|
| Plan 2022-2023 – 'Review Corporate Fraud Arrangements'. B. Identify risks. Fraud risk register in place with agreed mitigation measures (reviewed: no red / high risks). C. Develop a strategy. Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. Mandatory fraud awareness e-learning for staff. D. Provide resources. National Anti-Fraud Network (NAFN) member. National Fraud Initiative. Environmental health enforcement and PACE interview equipment. E. Take action. Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. Anti-Bribery Policy. Anti-Money Laundering Policy. Code of Conduct for Members. Officers' Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments. 12 | | incorporated into the Council's constitution. Codes include reference to principles such as the seven principles of public life, declaration of interests, gifts and hospitality and political neutrality (for officers).¹⁰ Whistleblowing policy incorporated into the Council's constitution.¹¹ Annual report brought to Audit & Scrutiny Committee. |
| measures (reviewed: no red / high risks). C. Develop a strategy. • Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. • Mandatory fraud awareness e-learning for staff. D. Provide resources. • National Anti-Fraud Network (NAFN) member. • National Fraud Initiative. • Environmental health enforcement and PACE interview equipment. E. Take action. • Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. • Anti-Bribery Policy. • Anti-Money Laundering Policy. • Code of Conduct for Members. • Officers' Code of Conduct. • Gifts and hospitality policy and register. • Pecuniary interest and conflicts of interest policies and register for Members. • Whistleblowing Policy. • ICT Security & Acceptable Use Policy (inc. cyber). • Password policy. • Segregation of duties for financial transactions. • Cyber: ICT mitigations tested and in place. • PCN Compliance. • External Audit, including financial fraud risk assessments. 12 | | Plan 2022-2023 – 'Review Corporate Fraud |
| Response Plan. Mandatory fraud awareness e-learning for staff. D. Provide resources. National Anti-Fraud Network (NAFN) member. National Fraud Initiative. Environmental health enforcement and PACE interview equipment. Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. Anti-Bribery Policy. Anti-Money Laundering Policy. Code of Conduct for Members. Officers' Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments. 12 | , | , · · · · · · · · · · · · · · · · · · · |
| D. Provide resources. National Anti-Fraud Network (NAFN) member. National Fraud Initiative. Environmental health enforcement and PACE interview equipment. Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. Anti-Bribery Policy. Anti-Money Laundering Policy. Code of Conduct for Members. Officers' Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments. 12 | • | Response Plan. |
| National Fraud Initiative. Environmental health enforcement and PACE interview equipment. Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. Anti-Bribery Policy. Anti-Money Laundering Policy. Code of Conduct for Members. Officers' Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments. 12 | | Mandatory fraud awareness e-learning for staff. |
| E. Take action. Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. Anti-Bribery Policy. Anti-Money Laundering Policy. Code of Conduct for Members. Officers' Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | D. Provide resources. | National Fraud Initiative. |
| Response Plan. Anti-Bribery Policy. Anti-Money Laundering Policy. Code of Conduct for Members. Officers' Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments. ¹² | | interview equipment. |
| Anti-Money Laundering Policy. Code of Conduct for Members. Officers' Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | E. Take action. | , |
| Code of Conduct for Members. Officers' Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | Anti-Bribery Policy. |
| Officers' Code of Conduct. Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | , , , |
| Gifts and hospitality policy and register. Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | |
| Pecuniary interest and conflicts of interest policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | |
| policies and register for Members. Whistleblowing Policy. ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | |
| ICT Security & Acceptable Use Policy (inc. cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | policies and register for Members. |
| cyber). Password policy. Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | G 3 |
| Segregation of duties for financial transactions. Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | cyber). |
| Cyber: ICT mitigations tested and in place. PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | |
| PCN Compliance. External Audit, including financial fraud risk assessments.¹² | | |
| External Audit, including financial fraud risk assessments. 12 | | · |
| assessments. ¹² | | · |
| Internal Audit. | | assessments.12 |
| | | Internal Audit. |

- National Fraud Initiative data matching.
- Revenues and benefits: in-house reviews undertaken, partnership with Department of Work & Pensions, ICT-based checks and balances,
- Government grant post-assurance checks completed.
- Procurement: Strategy, contract standing orders anti-collusion clauses in contracts, and access to credit safe.
- Divisional assurance statements.
- Homelessness assessments and eligibility checks, and multi-agency networks.
- Housing Allocation Policy and criteria; applications involve supporting documents and ID checks.
- Commissioning neighbouring Borough council to undertake housing fraud reviews/investigations.
- Pre-employment checks undertaken, e.g.: right to work, references, DBS checks as appropriate.
- Ongoing counter fraud action plan.
- Cases of reported fraud and/or whistleblowing in the last year: None.
- 3.2 As part of its business as usual operations, the Council has the following counter fraud relevant activities underway at present:
 - Officers and Members Code of Conduct that outline the seven principles of public life as the foundation.¹³
 - The planning transformation includes enforcement.
 - Heads of Service complete annual divisional assurance statements confirming that they are empowered to operate control procedures and take responsibility for their effective operation throughout the year. Further, they confirm that they are aware of their responsibilities to report upwards any unresolved matters of concern about internal control or fraud, and to deal with any matters reported to them in an expeditious manner.
- 3.3 During 2022-2023 an action plan for enhancing our arrangements, following a self-assessment, includes:
 - Updating the Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan, in line with the Fighting Fraud Locally Strategy, and publicising on EHub and 'Members News' with associated policies. This suite of policies will be taken to Strategy & Resources Committee for approval.

- Issue refresher e-learning training to officers and members.
- Scoping work being undertaken to explore how we could use data and publicise fraud information to strengthen our corporate approach to fraud.
- Internal Audit of Ethical Governance.
- Review of officers' declarations of interest forms and processes.

4 Risk Assessment

Legal or other duties

- 4.1 Equality Impact Assessment
 - 4.1.1 No implications for the purposes of this report.
- 4.2 Crime & Disorder
 - 4.2.1 The report provides an overview of the Council's counter fraud activities.
- 4.3 Safeguarding
 - 4.3.1 No implications for the purposes of this report.
- 4.4 Dependencies
 - 4.4.1 No implications for the purposes of this report.
- 4.5 Other
 - 4.5.1 None.

5 Financial Implications

- 5.1 None for the purposes of this report.
- 5.2 **Section 151 Officer's comments**: None arising from the contents of this report.

6 Legal Implications

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

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities**: The following Key Priorities are engaged: Effective Council.
- 7.2 **Service Plans**: The matter is included within the current Service Delivery Plan.
- 7.3 Climate & Environmental Impact of recommendations: Not applicable.
- 7.4 Sustainability Policy & Community Safety Implications: Not applicable.
- 7.5 **Partnerships**: as stated in the main body of the report.

8 Background papers

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

Previous reports:

Not applicable.

Other papers:

¹ Local Government Association [LGA] (2017) *A councillor's workbook on bribery and fraud prevention*, p. 4. Online available: https://www.local.gov.uk/publications/councillor-workbook-bribery-and-fraud-prevention [last accessed 18/07/2022].

² The Institute of Internal Auditors et al. (no date) *Managing the Business Risk of Fraud: A Practical Guide*, p. 6. Online available: https://www.iia.org.uk/media/158775/managing_the_business_risk_of_fraud.pdf [last accessed 18/07/2022].

³ HM Government (2006) *Fraud Act 2006*. Online available: https://www.legislation.gov.uk/ukpga/2006/35/contents [last accessed 18/07/2022].

⁴ Ibid., LGA (2017).

⁵ CIFAS (2020) Fighting Fraud and Corruption Locally. Online available: https://www.cifas.org.uk/insight/public-affairs-policy/fighting-fraud-corruption-local-authorities/ffcl-strategy-2020 [last accessed 22/08/2022].

⁶ Epsom & Ewell Borough Council [EEBC]a (2022) *Anti-fraud and anti-corruption strategy*. Online available: https://www.epsom-ewell.gov.uk/council/about-council/anti-fraud-and-corruption-strategy [last accessed 18/07/2022].

⁷ Epsom & Ewell Borough Council (2022) *Constitution: Part 3, pp.* 18-20. Online available: https://democracy.epsom-ewell.gov.uk/documents/s23990/Part%203%20-%20Responsibility%20for%20Functions%2004052022%20Constitution%20of%20Epsom%20and%20Ewell%20Borough%20Council.pdf [last accessed: 11/07/2022].

⁸ CIPFA (2014) *Code of practice on managing the risk of fraud and corruption*. Online available: https://www.cipfa.org/policy-and-guidance/reports/code-of-practice-on-managing-the-risk-of-fraud-and-corruption [last accessed 18/07/2022].

⁹ Epsom & Ewell Borough Council [EEBC]a (2022) *Anti-fraud and anti-corruption strategy*. Online available: https://www.epsom-ewell.gov.uk/council/about-council/anti-fraud-and-corruption-strategy [last accessed 18/07/2022].

¹⁰ EEBCb (2022) Constitution of Epsom and Ewell Borough Council: Part 5 – Codes and Protocols.
Online available: https://democracy.epsom-ewell.gov.uk/documents/s23992/Part%205%20-%20Codes%20and%20Protocols%2020042019%20Constitution%20of%20Epsom%20and%20Ewell%20Borough%20Council.pdf [last accessed 18/07/2022].

¹¹ Ibid., EEBCb (2022).

¹² Grant Thornton (2022) *Informing the audit risk assessment for Epsom & Ewell Borough Council 2021/22*, Audit & Scrutiny Committee 7 April 2022. Online available: https://democracy.epsom-ewell.gov.uk/documents/s23311/External%20Audit%20Plan%20Appendix%202.pdf [last accessed 19/07/2022].

¹³ HM Government (1995) *The Severn Principles of Public Life*. Online available: https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2 [21/10/2022].

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EQUALITY, DIVERSITY & INCLUSION REPORT

Head of Service: Andrew Bircher, Head of Policy and Corporate

Resources

Wards affected: (All Wards);

Urgent Decision?(yes/no) No

If yes, reason urgent decision N/A

required:

Appendices (attached): N/A

Summary

The report provides an overview of the activities undertaken by the Council regarding equality, diversity and inclusion.

Recommendation (s)

The Committee is asked to:

(1) Note and comment on the activities undertaken by the Council regarding equality, diversity and inclusion.

1 Reason for Recommendation

1.1 To provide members of the Audit and Scrutiny Committee details of the actions undertaken in respect of the public sector equality duty.

2 Background

- 2.1 As a public body, we have a specific duty under the public sector equality duty to publish equality objectives that demonstrate how we are meeting our responsibilities.¹
- 2.2 Section 149 of the Equality Act 2010,² places a general equality duty on the Council to have due regard to the need to:

- "Eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it
- Foster good relations between people who share a protected characteristic and people who do not share it."3
- 2.3 The characteristics protected under the Act are:
 - Age
 - Disability
 - Gender reassignment
 - Pregnancy and maternity
 - Race

- Religion or belief
- Sex
- Sexual orientation
- Marriage and civil partnership
- 2.4 Guidance on the public sector equality duty puts forward that compliance with the duty will result in:
 - better-informed decision making and policy development
 - more effective targeting of policy, resources and the use of regulatory powers
 - a more effective use of talent in the workforce
- a clearer understanding of the needs of service users, resulting in better quality services which meet varied needs
- better results and greater confidence in, and satisfaction with, public services
- a reduction in instances of discrimination and resulting claims.⁴
- 2.5 The Council has a number of activities in place to demonstrate its compliance with the public sector equality duty.
- 3 What the Council is doing to meet the public sector equality duty
 - 3.1 In March 2021, the Council adopted its 'Diversity, Equity and Inclusion Framework 2021-2024'. The framework sets out the equality principles and themes that the Council works towards.

Our principles

- To be a learning organisation, working to make improvements
- Engage with communities, partners and stakeholders
- To learn from our mistakes and experience
- Fulfil our duty under the Equalities Act 2010
- Require our contractors to abide by the Equalities Act 2010

Workplan themes

- Theme 1 Developing Inclusive Communities and creating Community Cohesion
 - o Tacking health inequalities in the Borough.
 - o Community Engagement.
 - Encouraging and promoting greater participation from BAME populations in the Borough.
 - Encourage share and promote events that celebrate diversity
 - Support vulnerable members of the community to tackle crime against protected characteristics.
- Theme 2 Engagement and Accessible Services:
 - Equality considerations are clearly presented as part of the Council's formal decision making process.
 - Improved accessibility of residents to information, services and activities.
 - Introduction of My Council Services to enhance access to digital services.
 - o Improved communication to businesses on equality matters.
 - Developing meaningful relationships and creating better understanding within our community.
 - Information about residents and service users including those with protected characteristics is used to inform service improvement in a manner that is complaint with data protection legislation.

- Theme 3 Workforce Inclusivity:
 - Having a diverse workforce.
 - Employees, councillors and contractors are aware of and actively uphold the Equality Duty and their equality responsibilities and training resources are available.
 - Ensure the People Framework supports employees in addressing inclusion and diversity.
 - Treat employees fairly and equally.
 - Developing the workforce to recognise bias. Acknowledge that prejudice exists and provide a platform for discussion.
- 3.2 For the Annual Plan 2021-2022, the Council sought to enhance its focus on policy priorities by incorporating its standalone action plans into the annual planning process. Therefore, the framework's themes and associated objectives are now considered as part of the annual planning process, and included in the Council's annual plans.
- 3.3 In 2021-2022 the Council delivered twelve actions which related to equality, diversity and inclusion, such as developing a programme to address mental health, loneliness, domestic abuse and digital exclusion, establishing a community and voluntary sector forum, and setting up a youth hub and food pantry.⁶
- 3.4 For this year (2022-2023), the Council has fourteen equality, diversity and inclusion activities planned, such as holding a series of community conversations, working with partners to increase housing solutions, and identifying barriers for digital inclusion. Progress on the annual plan is included in the corporate performance report, which is brought to this committee on a regular basis. The latest report features on this meeting's agenda. The Annual Plan for 2022-2023 supersedes all other action plans.
- 3.5 This is the first update to be reported to this committee on the Diversity, Equity and Inclusion Framework. The framework was approved by the Strategy & Resources Committee in March 2021, and due to the changes to the committees' terms of refence, as agreed at full Council on 15th February 2022,⁹ it will now be reported to this committee.
- 3.6 The report to Strategy & Resources Committee provided a one year action plan with a further action plan to be brought for years two and three of the framework. This report and the Annual Plan (referenced above) provide updates on the framework's action plan.
- 3.7 The Council also conducts several other equality, diversity and inclusion related activities across its departments, as follows:

| Team | Examples of EDI activity |
|-----------------|--|
| Human resources | Whistleblowing policy. |

| | Diversity, equality and discrimination e-learning for all staff. My Performance Conversations – employees. Disability confident employer. People Framework (policies and procedures): Part 1 and Part 2. Workforce diversity information, including representation of Borough demographics, provided to the Human Resources Panel. 10 Employee Assistance Programme in place. Diversity statements included in job adverts. Blind shortlisting in interviews. Apprenticeships. Signposting to support services - such as domestic abuse, Surrey LGBT community, health services - published on staff intranet. Mental health first aiders. Mandatory elearning in the induction programme. |
|---------------------------|---|
| Committees and Members | Equality impacts assessment included in the committee report template. Member and Officers codes of conduct embodied in Council constitution. |
| Housing and Communities | Member of Epsom & Ewell Community Safety Partnership, which covers topics such as domestic abuse, PREVENT, modern day slavery and violence against women and girls. Community development team supporting health inequalities and other specific areas including Syrian and Ukrainian refugees during 2022. Community Safety & Enforcement Officer. Social prescribing service supporting community wellbeing. Homelessness service. Home Improvement Agency. Vulnerable persons support. Provision of the Youth Hub in conjunction with the DWP. Consultation on Rough Sleepers and Homelessness Strategy. |
| Operational Services | Assisted waste collections service. Community and Wellbeing Centre, and wellbeing daycare. Community alarm service. |

| Communications | Meals at home service. Transport from home service. Shopping service. Assisted bathing service. Equality and diversity page on website, |
|-------------------------------------|---|
| | including gender pay gap data. Website accessibility and transparency. Communications strategy. |
| Corporate Assurance and Procurement | Corporate Equality Impact Assessment template. Contract Standing Orders in place. Provision for modern day slavery: procurements within threshold 3 require mandatory use of the standard supplier questionnaire, which includes a section on the supplier's approach to the Modern Slavery Act and slavery and human trafficking in the supply chain. Stated responsibility for procuring officers to consider equality and diversity implications. Emergency planning team. |
| IT | Staff working from home enabled. Website accessibility score monitored (96.6/100 – May 2022), and 'accessibility fixer guide' published on staff intranet. Role out of My Council Services to access digital information. |
| Planning | Local Plan consultations. |
| Business Support | On going review of Citizens Panel and community consultations as part of Annual Plan. |

- 3.8 As part of its business as usual operations, the Council has the following equality relevant activities underway:
 - Relaunch of the staff inclusion and diversity group (once the new Head of HR & OD is in post).
 - People Framework: Part 3, including equalities policies (once the new Head of HR & OD is in post).

- Refresher mandatory e-learning safeguarding training for staff and Members, and unconscious bias training.
- The Council received two equality related complaints from residents between April 2021 to-date. Both complaints have been responded to. Improvements have been made, and further work is ongoing.
- Maintain watching brief on the staged release of Census 2021 data, and update Borough Profile once information is available.
- Ongoing support of refugees.
- Production of corporate modern day slavery statement.
- Review of the Diversity, Equity and Inclusion Framework in line with the corporate planning process.

4 Risk Assessment

Legal or other duties

- 4.1 Equality Impact Assessment
 - 4.1.1 Not applicable.
- 4.2 Crime & Disorder
 - 4.2.1 Not applicable.
- 4.3 Safeguarding
 - 4.3.1 Not applicable.
- 4.4 Dependencies
 - 4.4.1 Not applicable.
- 4.5 Other
 - 4.5.1 Not applicable.

5 Financial Implications

- 5.1 No implications for the purposes of this report.
- 5.2 **Section 151 Officer's comments**: None arising from the contents of this report.

6 Legal Implications

- 6.1 No implications for the purposes of this report.
- 6.2 **Legal Officer's comments**: None arising from the contents of this report.

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities**: The following Key Priorities are engaged: All.
- 7.2 **Service Plans**: The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations**: No implications for the purposes of this report.
- 7.4 **Sustainability Policy & Community Safety Implications**: No implications for the purposes of this report.
- 7.5 **Partnerships**: Ongoing partnership with the Epsom & Ewell Community Safety Partnership.

8 Background papers

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

Previous reports:

- Strategy and Resources Committee, 30th March 2021, 7.00 pm, Epsom & Ewell Borough Council's Diversity, Equity and Inclusion Framework 2021-2024, no. 79. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=132&Mld=970 [last accessed 14/07/22].
- Strategy and Resources Committee, 22nd September 2020, 7.00 pm, Epsom & Ewell Borough Council's Diversity, Equity and Inclusion Framework 2021-2024, no. 79. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=132&Mld=967 [last accessed 22/08/2022].

Other papers:

- ¹ For more information see: HM Government, *Public sector equality duty*, 6 July 2012. Online available: https://www.gov.uk/government/publications/public-sector-equality-duty [last accessed 15/07/2022]; and, Equality and Human Rights Commission, *Public sector equality duty FAQs*, 3 March 2021. Online available: <a href="https://www.equalityhumanrights.com/en/public-sector-equality-duty-scotland/public-sector-equality-duty-scotland/public-sector-equality-duty-fags#:~:text=The%20public%20sector%20equality%20duty%20was%20created%20by%20the%20Eq
- faqs#:~:text=The%20public%20sector%20equality%20duty%20was%20created%20by%20the%20Equality,belief%2C%20sex%20and%20sexual%20orientation. [last accessed 15/07/2022].
- ² HM Government, *Equality Act 2010*, 14 July 2022. Online available: https://www.legislation.gov.uk/ukpga/2010/15/contents [last accessed 15/07/2022].
- ³ Equality and Human Rights Commission (EHR), *Technical Guidance on the Public Sector Equality Duty: England*, February 2021, p. 15. Online available: https://www.equalityhumanrights.com/en/publication-download/technical-guidance-public-sector-equality-duty-england [Last accessed 15/07/2022].
- ⁴ Ibid., EHR: Technical Guidance on the Public Sector Equality Duty: England, p.21.
- ⁵ Strategy and Resources Committee, 30th March 2021, 7.00 pm, Epsom & Ewell Borough Council's Diversity, Equity and Inclusion Framework 2021-2024, no. 79. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=132&Mld=970 [Last accessed 14/07/22].
- ⁶ See actions (AP): 1, 3, 8-9, 11-13, 18, 20, 22, 23b and 24 in *Four Year Plan: Year End Performance Report 2021-2022, Appendix 1: Key Objectives for 2021-2022*, Audit & Scrutiny Committee, 14 June 2022, no.6. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=157&Mld=1250&Ver=4 [last accessed 15/07/2022].
- ⁷ See actions: 1-3, 6, 9-10, 13-18 and 27-28 in *Annual Plan 2022-2023: Appendix 1*, Council, 15 February 2022, no. 43. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=146&Mld=1112 [last accessed 15/07/2022].
- ⁸ Audit & Scrutiny Committee (2022) Performance and Risk Report September 2022, 15th September, 7.30pm. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=157&Mld=1251 [due for publication W/E 11/09/2022].
- ⁹ Council (2022) *Committee Terms of Reference*, 15th February, 7.30pm. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=146&Mld=1112 [last accessed 22/08/2022].
- ¹⁰ Human Resources Panel meetings available online at: https://democracy.epsom-ewell.gov.uk/mgCommitteeDetails.aspx?ID=149 [last accessed 22/08/2022].

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PERFORMANCE & RISK REPORT - SEPTEMBER 2022

Head of Service: Andrew Bircher, Head of Policy and Corporate

Resources

Wards affected: (All Wards);

Urgent Decision?(yes/no) No
If yes, reason urgent decision N/A

required:

Appendices (attached): Appendix 1 – Performance Report: September

2022

Summary

The appendix to this report provides an overview of the council's performance with respect to its annual plan objectives, key performance indicators and corporate risks.

Recommendation (s)

The Committee is asked to:

- (1) Note and comment on the performance and risk information located at Appendix 1.
- (2) Note and comment on the format of the Appendix 1.

1 Reason for Recommendations

- 1.1 The terms of reference for this committee includes the responsibility for reviewing the performance of the council, and evaluating and monitoring progress on whether expected outcomes are being achieved in accordance with the council's strategic plans.¹
- 1.2 This report has been brought to the committee to aid its members in meeting these objectives. The format of the report has changed from previous additions. Therefore, the committee's feedback on its format would be appreciated.

2 Background

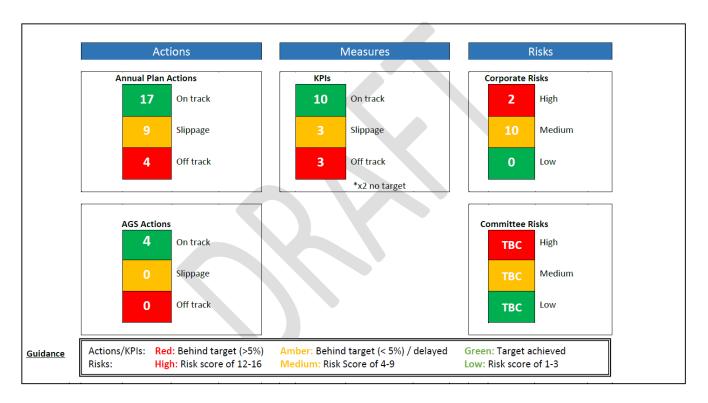
2.1 In February 2020 the council agreed a Four Year Plan for the period 2020 to 2024. The six themes are:

- 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.
- 2.2 Each year since the Four Year Plan's inception, annual plans have been developed to outline how each theme will be delivered. Progress reports on the annual plans, as well as information on key priority targets and risk information, have been regularly brought to this committee.
- 2.3 Following the end of year report on last year's annual plan being reviewed by this committee at its last meeting, and the updates to the council's risk management strategy being approved by Strategy & Resources Committee in July, it is timely to review the contents and format of the corporate performance report.

3 Performance Report - September 2022

- 3.1 Please note that this report was originally scheduled for the committee's meeting in September. This meeting was cancelled due to unforeseen circumstances. Given the timescales for data collection and production of the performance report, a November edition with Quarter 2 data has not been able to be produced. However officers can provide an overview of the Quarter 2 key performance data verbally during this meeting. The next corporate performance report will be brought to this committee at its February 2022 meeting.
- 3.2 Appendix 1 comprises an updated corporate performance report for the council. Alongside progress updates for the Annual Plan 2022-2023, the report includes refreshed key performance indicators, the corporate risk register, and progress on the annual governance statement actions.
- 3.3 A key aim of the updated report is to provide a concise overview of how the council is performing, in a single document, regarding its strategic objectives, service delivery, and risks that may hinder its ability to deliver these.

- 3.4 Given the report has been produced following updates as mentioned in 3.2, some sections are still in development at the time of writing. This mainly applies to Section 5, which sets out the policy committees risk registers. The registers are being progressed, and meetings have been arranged / undertaken since the risk management strategy was approved in July. However there has not been sufficient time to finalise the registers for this meeting.
- 3.5 In addition, as the performance report is produced to aid the committee's oversight of council performance, feedback on the new format is welcome and can be incorporated as the report develops.
- 3.6 The table below presents the summary dashboard from Appendix 1. Please note that key performance indicator information is provided on a quarterly basis, unless stated otherwise in Appendix 1. The other performance and risk information is the latest update at the time of this report's writing. Further details can be found in Appendix 1.



4 Risk Assessment

Legal or other duties

- 4.1 Equality Impact Assessment
 - 4.1.1 No direct risks; equality related objectives are contained with the Annual Plan 2022-2023, Section 2 within Appendix 1.

- 4.2 Crime & Disorder
 - 4.2.1 No direct risks; crime and disorder related objectives are contained with the Annual Plan 2022-2023, Section 2 within Appendix 1.
- 4.3 Safeguarding
 - 4.3.1 None for the purposes of this report.
- 4.4 Dependencies
 - 4.4.1 The production of this report is dependent on the capacity of other service areas and committees to consider and contribute to its content.
- 4.5 Other
 - 4.5.1 None: corporate risks are included in Appendix 1.

5 Financial Implications

- 5.1 No financial implications for the purposes of this report.
- 5.2 **Section 151 Officer's comments**: None arising from the contents of this report.

6 Legal Implications

- 6.1 No legal implications for the purposes of this report.
- 6.2 **Legal Officer's comments**: None arising from the contents of this report.

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities**: The following Key Priorities are engaged: Effective Council
- 7.2 **Service Plans**: The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations**: None for the purposes of this report.
- 7.4 **Sustainability Policy & Community Safety Implications**: None for the purposes of this report.
- 7.5 **Partnerships**: None for the purposes of this report.

8 Background papers

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

Previous reports:

 Epsom and Ewell Borough Council (2022) Four Year Plan: Year End Performance Report 2021-2022, Audit & Scrutiny Committee, Tuesday 14th June 7.30pm. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=157&Mld=1250&Ver=4 [last accessed 11/08/2022].

Other papers:

 Epsom and Ewell Borough Council (2022) Constitution of Epsom and Ewell Borough Council: Part 3 – Responsibilities for Functions, pp. 18-20. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=205&Mld=1404&Ver=4&Info=1 [last accessed 11/08/2022]. This page is intentionally left blank



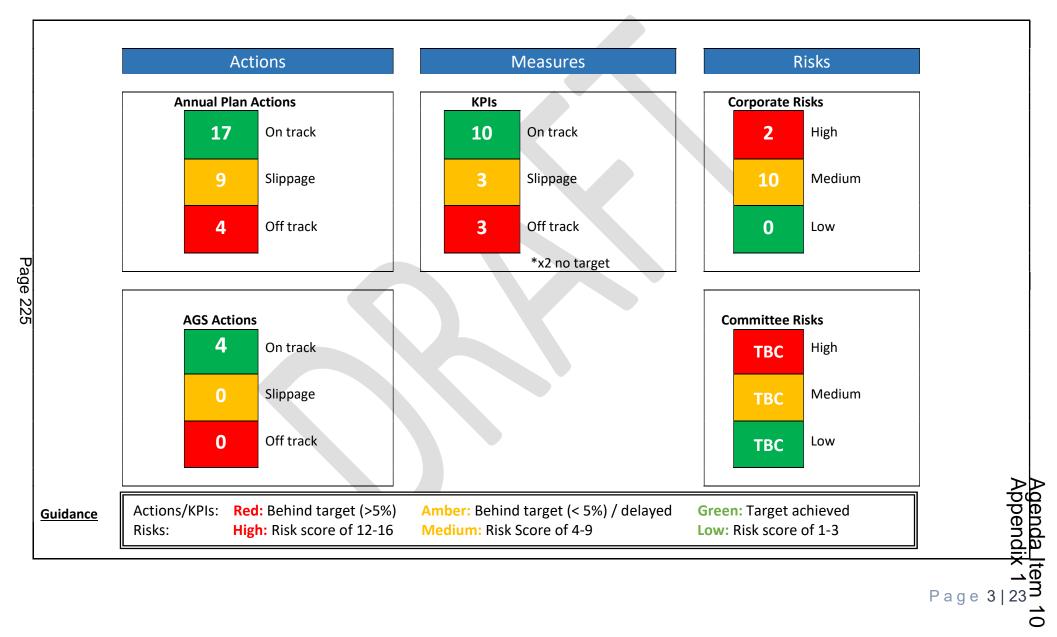
Corporate Performance Report

Date: September 2022

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| | Key Performance Indicators | |
| | Corporate Risk Register | |
| | Committee Risk Registers | |
| | Annual Governance Statement Actions | |
| U. | Alliual Governance Statement Actions | . ∠ა |

Summary 1.



2. Annual Plan Progress

Each year we prepare an Annual Plan, which contains objectives and actions that will deliver on the themes outlined in our Four Year Plan.

| | No. | Ctte | Key Deliverables | Responsible Officer | Dates / Key Milestones | RAG Status | Narrative for Ambers and Reds. |
|----------|-----|------|---|--|--------------------------------------|---------------|---|
| | 1 | S&R | Proposals for providing "Pop Up" opportunities within the Borough. | Head of Property and Regeneration | 30-Jun-22 | Green | * Proposals reported to members |
| | 2 | S&R | Proposals for delivering flexible work space within the Borough. | Head of Property and Regeneration | 30-Jun-22 | Green | * Proposals reported to members |
| Page 226 | 3 | S&R | Feasibility study to install WIFI capability across the Borough at key identified sites. | Head of Place Development | 31-Oct-22 | Red | * Action being reviewed by members. It is being considered as part of the Infrastructure Delivery Plan to support the Local Plan and possibly be pursued with the BID if established for a second term. |
| | 4 | S&R | Enhance engagement activities with businesses to facilitate networking and understand of their needs. | Head of Place Development | 31-Oct-22 | Green | * July business breakfast held. Local Enterprise Partnership commissioned to undertake work on behalf of the Council. |
| | 5 | S&R | An ICT Strategy to further improve resident's access to services and support future working requirements. | Head of IT | 30-Sep-22 | Green | * Strategy due to Strategy & Resources Committee in September 2022. |
| | 6 | S&R | A Communication Plan to support delivery of the Annual Plan and champion the work of the Council. | Head of Digital and Service Transformation | 01-Apr-22 01-Apr-22 30-June-22 | Amber | * Draft communications plan finalised. * Members update revamp completed. * Review of social media awaiting arrival onew Communications Manager in Octobe |

| 7 | S&R | Implementation of the recommendations arising from the Strategic Asset Reviews. | Head of Property and Regeneration | 30-Apr-22 30-Jun-22 | Amber | * Ongoing stakeholder discussions to explore options. |
|----------|-----|---|--|---|-------|---|
| 8 | S&R | Business cases to be prepared which will generate additional income. | Head of Operational Services | Initial report 01-Apr-22 Business cases & implementation Ongoing to 31-Mar- 23 | Amber | * Considering ideas around sponsorship, for the Playhouse, Bourne Hall and parks/open spaces. Project teams set up for Bourne Hall and parks/opens spaces to discuss possibilities which will include sponsorship of rooms at Bourne Hall and seats at the Playhouse, expanding the C & W Centre catering function and the Bourne Hall café. |
| 9 Pa | C&W | Create an identity for creative and cultural excellence which connects with a new generation of creatives. | Director of Policy and Corporate Resources | Programme developed 30-Jun-22 Delivery via items 10, 11 & 12 | Amber | * First stakeholder group meeting held Sept 22. Outcomes will be used to develop a collaborative Strategy for the Borough. This will drive the programme of events and activities. |
| Page 227 | C&W | Work with partners to deliver an enhanced programme of cultural and creative events across the Borough and within council venues. | Head of Operational Services | 31-Oct-22 | Green | * Programme of events in place, this will be the starting off point for the council. Officers have also discussed with Epsom BID management the programme of events they will supply to the town centre. The Community and Wellbeing Centre has arranged, in conjunction with the museum staff, some excursions for its members to include the historic areas within Epsom and Ewell. |
| 11 | C&W | Deliver a programme of activities focused on heritage assets which include the delivery of heritage tours across the Borough. | Head of Operational Services | 31-Oct-22 31-Mar-23 | Green | * As above, Community and Wellbeing excursion tours and planned countryside and Epsom Downs walks. |
| | | | | | | dix 1 dix 1 10 Page 5 23 |

| 12 | C&W | Develop proposals to explore the use of digital media to promote our heritage | Head of Operational Services | 30-Jun-22 | Green | * A funding bid has been submitted for the development of digital tours under the Arts, culture and Heritage Strategy work. |
|----------|-----|--|---|---|-------|---|
| 13 | C&W | Identify the barriers for digital inclusion and deliver the initiatives to address them. | Head of Housing and Communities | Identify barriers 30-Sep-22 Delivery of initiatives Ongoing to 30-Mar- 23(+) | Amber | * Amber due to increased service pressures due to the council's refugee and asylum response. |
| 14 | C&W | Homelessness and Rough Sleepers Strategy. | Head of Housing and Communities | Strategy 01-Apr-22 Delivery of initiatives Ongoing to 31-Mar- 23(+) | Green | * Scheduled for Community & Wellbeing committee in October. |
| Page 228 | C&W | Working with partners to increase housing solutions. | Head of Housing and Communities | Work programme commenced 30-Apr-22 and ongoing to 31-Mar-23(+) | Green | * Strategic housing group looking at additional affordable housing capacity. * Strategic Housing Manager due to start in Quarter 3. |
| 16 | C&W | A programme of events which address activity levels, social isolation, domestic abuse and mental health. | Head of Housing and Communities | Programme of events 30-Jun-22 Delivery 31-Mar-23(+) | Amber | * Delayed due to service pressures from loss of key staff and workload from refugees and Homes for Ukraine Scheme. Expect to action later in the year. Mitigation includes successful recruitment of new community development officer and refugee officer. |
| 17 | C&W | A Community Panel which reflects the diverse nature of our Borough. | * Head of Housing and Communities * Head of Digital | Proposal 30-Apr-22 | | * Delayed due to service pressures. Mitigations include a new post being recruited to in the Community |

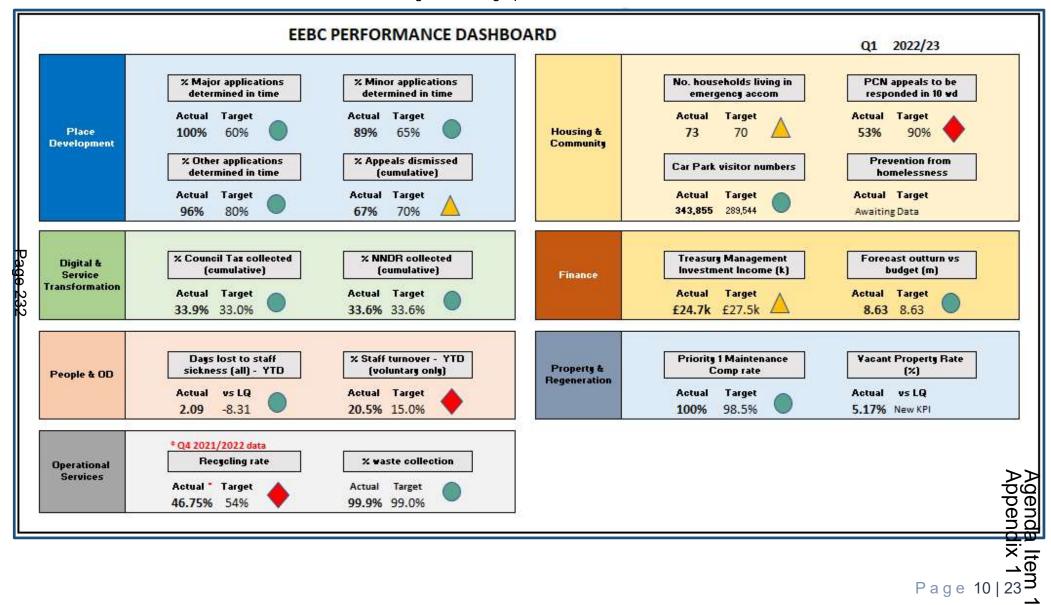
| | | | and Service Transformation | Implementation 30-Jun-22 | Red | Development team, and activities underway to increase internal capacity, and capacity of our partners via commissioning, to reduce service pressures. |
|------|------|---|--|---|-------|--|
| 18 | C&W | A series of community conversations to be held with an emphasis on listening to the seldom heard. | Head of Housing and Communities | Programme 30-Jun-22 Conversations 31-Mar-23(+) | Amber | *Delayed due to service pressures from loss of key staff and workload from refugees and Homes for Ukraine Scheme. Expect to action later in the year. Mitigation includes successful recruitment of new community development officer and refugee officer |
| D 19 | E&SC | Markets operated at additional sites within the Borough. | Head of Operational Services | 30-Sep-22 | Amber | * New Ewell Market opened last Saturday and was well received. The cost of fuel seems to be causing a difficulty in attracting traders in additional markets whether that is street trading in Stoneleigh or trading in Ewell Village, there is a need to promote this more. |
| 20 | E&SC | A feasibility report for providing a pet crematorium and/or cemetery. | Head of Operational Services | 1-Oct-22 | Green | * Investigations into pet crematorium have started, in early conversations with companies who supply this type of equipment to understand costs and accommodation needs. |
| 21 | E&SC | A feasibility report for building a crematorium within the Borough. | * Head of Operational Services * Head of Housing and Communities | 30-Jun-22 | Red | * Review of previous business case expected in November. |
| 22 | E&SC | Working with partners to deliver the Climate Change Action Plan. | Head of Place Development | Working group consider plan 01-April-22 | Green | * Ready, going to October as agreed by the Chair of Environment & Safe Communities Committee. |

| | | | | Agree costed plan action plan | | |
|----------------|------|--|---------------------------------|---|-------|---|
| 23 | E&SC | Seasonal awareness campaigns to promote greener more sustainable living. | Head of Place Development | 31-Jul-22 Communications plan 30-Apr-22 | Green | * Event attended. * Communications campaign underway, promoting available schemes to residents and businesses. |
| 24 | E&SC | Visible patrols across the Borough promoting behavioural change to maintain our clean and attractive | Head of Housing and Communities | Delivery 31-Mar-23(+) 31-Jul-22 | Green | * Recruitment undertaken and patrols initiated. |
| 25 Page 230 | E&SC | streets and open spaces. Tree Planting Strategy with accompanying programme of tree planting. | Head of Place Development | Strategy 30-Apr-22 Planting programme 31-Mar-23 | Green | * Ready, going to October as agreed by the Chair of Environment & Safe Communities Committee. |
|) 0 26 | E&SC | Review of current CCTV arrangements. | Head of Housing and Communities | 31-Aug-22 | Green | * Successful safer streets bid, future report due to come to committee. |
| 27 | E&SC | Key areas of concern addressed through the Community Safety Partnership and working with partners. | Head of Housing and Communities | Action plan prepared 31-May-22 Issues addressed 01-Jun-22 to 31- Mar-23 | Green | |
| 28 | LPP | Regulation 18 Consultation undertaken. | Head of Place Development | 31-Mar-23 | Green | * Going to October Licensing and Planning Policy Committee. |
| 29 | LPP | Adoption of a local Heritage List including buildings and objects. | Head of Place Development | 30-Sep-22 | Amber | * Waiting on response from Surrey County Council. |
| | | | | | | Page 8 23 |

| 30 | Proposal for a plan and budget to review TPOs. LPP | Head of Place Development | 30-Sep-22 | Red | * Other priorities have taken precedence such as Local Plan, tree strategy, tree maintenance contract, will monitor priority status. |
|----|---|------------------------------|-----------|-----|---|
|----|---|------------------------------|-----------|-----|---|

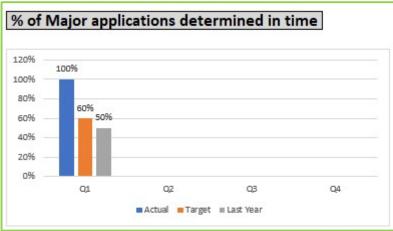


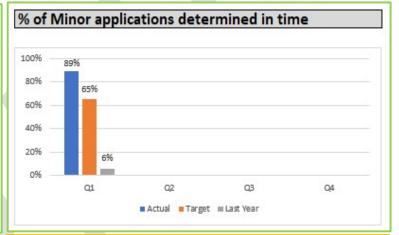
3. Key Performance Indicators The table below contains a summary of our performance against a set of indicators. Further detail is provided in the following individual graphs and commentaries.

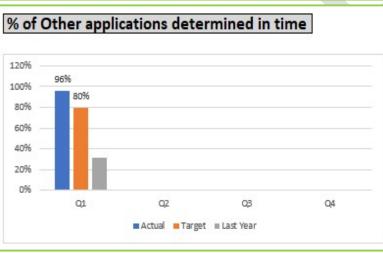


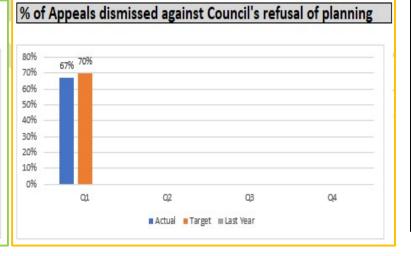


PLACE DEVELOPMENT









Commentary

% of Major, Minor and Other applications Performance of Major, Minor and Other applications decided in time has improved significantly since

Appeals dismissed

Performance generally consistent with the national average of approximately 70% of appeals being dismissed.

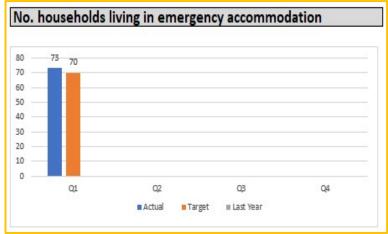
the beginning of the year.

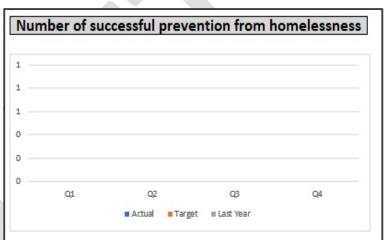
Agenda Item Appendix 1 23

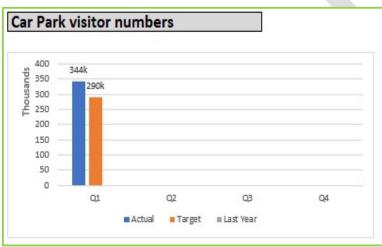


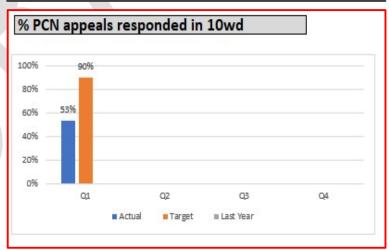


HOUSING & COMMUNITY









Commentary

No of households living in emergency accommodation

An additional 14 homeless households are in Defoe Court and 156 are in temporary accommodation with Housing Association/Council managed or owned temporary accommodation.

Prevention from homelessness Awaiting data.

Car park visitors

Limited data for Hook Road April 2022 due to power outage. Visitor numbers up on last year but still partial Covid restrictions in Apr/May 2021.

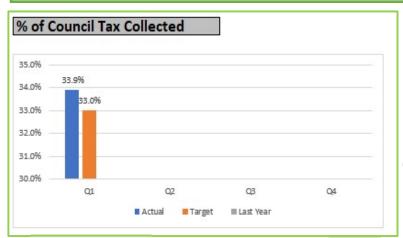
PCN appeals response time

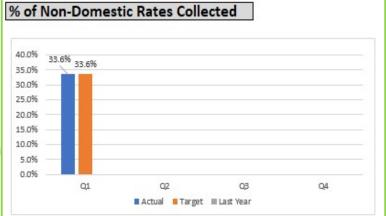
Behind internal target due to end of year renewal process and staff leave, still in line with >> government policy requirements of 56 days.

Page 12 | 23



DIGITAL SERVICE & TRANSFORMATION

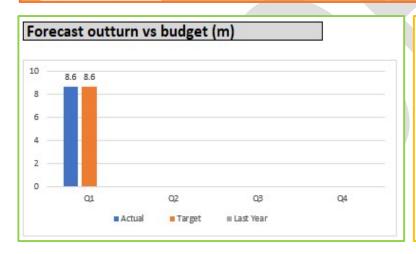




Commentary
Both KPIs achieved target,
collection figures as of
01/07/2022.



FINANCE



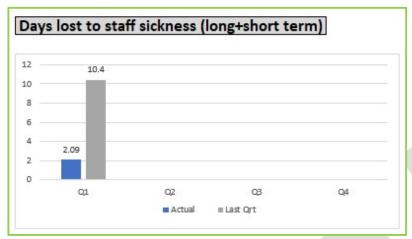


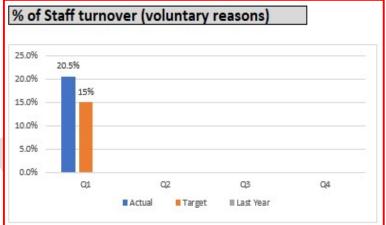
Forecast outturn vs budget Currently forecast on budget, although an updated Q1 figure will become available in late August/early September. Treasury management investment income Unadjusted for interest due and on maturity of investment





PEOPLE AND OD





Commentary

Days lost to staff sickness

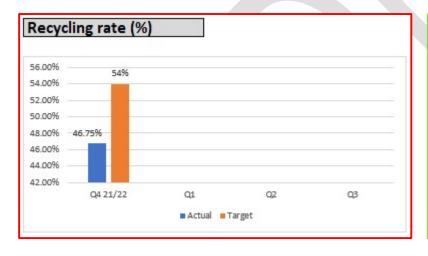
Top 3 reasons: Stress, Covid-19, muscle pain / sprain.

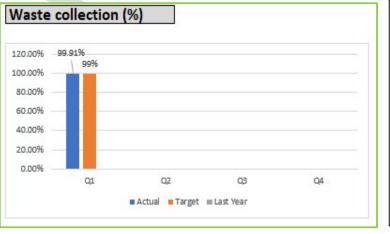
Turnover

We continue to see a higher than normal turnover rate, in common with the national trend. Reasons include: lifestyle changes, personal reasons, higher salaries and career development. Positively, we are filling vacancies at a good rate.



OPERATIONAL SERVICES





Commentary

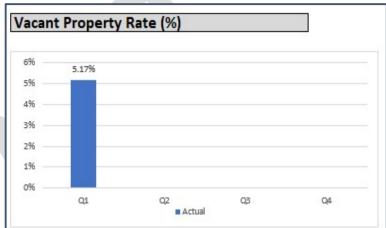
Recycling rate

Q1 not yet available.
Q4 21/22 was 2.58% down on Q4 20/21 largely due to high contamination.
Q4 typically lower than average due to low garden waste tonnages in winter waste collection
This is approx. our normal performance.



PROPERTY & REGENERATION





Commentary Priority 1 maintenance completion rate Target achieved. Vacant property rate Namely due to one property which is being considered for refurbishment. Report to

S&R Committee in

September.

4. Corporate Risk Register

Our corporate risk register contains our most strategic risks, those that may have a significantly detrimental effect on our ability to achieve our key objectives and delivery of core services. We assess our risks as follows:

- Step 1: Score the inherent risk using the matrix below = the expected impact of the risk multiplied by the likelihood of the risk occurring (with no mitigations or controls).
- **Step 2:** Consider how we mitigate the risk and any controls in place.
- Step 3: Score the residual risk = impact x likelihood (taking into account the controls and mitigations we have in place).
- Step 4: Review final risk score against the risk tolerance boundary (yellow line). If High (red), seek to further mitigate the risk to reduce it to Medium (amber) or Low (green); or acknowledge why it cannot be lowered at this time.

| P | 4 Very likely | 4 | 8 | 12 | 16 |
|----------|----------------------------|---------------|-----------------------|--------------------|--------|
| Page 238 | 3 Likely | 3 | 6 | 9 | 12 |
| Like | 2 Possible | 2 | 4 | 6 | 8 |
| | 1 Remote | 1 | 2 | 3 | 4 |
| | Multiplier | 1 | 2 | 3 | 4 |
| | | Insignificant | Medium Im p | High act | Severe |

| Red | High risks |
|--------|-------------------------|
| Amber | Medium risks |
| Green | Low risks |
| Yellow | Risk tolerance boundary |

| ID. | Category | Risk Identified Risk that Risk of | Potential Risk Consequences | Risk Owner | Likelihood | Impact | Inherent Risk | Mitigations & Controls | Likelihood (2) | Impact (2) | Residual Risk | Direction of Travel | Future Actions to Further Mitigate & Control Risk |
|---------|-----------|---|--|-----------------------------------|------------|--------|---------------|--|----------------|------------|---------------|------------------------|---|
| CRR-89 | Strategic | Non-delivery of annual plan objectives, Housing and Community Service, due to our response to refugee crisis' (Syrian, Afghan, Ukrainian) | * Unable to deliver strategic objectives in the annual plan / Four Year Plan. | Head of Housing & Community | 4 | 4 | 16 | * Recruitment: we have filled a vacant post, having recruited a new and experienced community development worker. In addition, grant funding has been used to recruit a new refugee coordinator (temporary post). * Framework in place for monitoring the annual plan. * Working with partners to share the workload, although they are reaching capacity too. | 4 | 3 | 12 | N/A | * Currently tolerating residual risk at present, as the team is working at full capacity and our response requires immediate attention. However once the new officers join the risk will be reassessed. |
| CRR-107 | Financial | Reduced central government funding for homelessness activities. | * Unbudgeted expenditure. | Head of Housing & Community | 3 | 4 | 12 | * Responded to government consultation and proposed new funding model. * Business process review of housing. * Fraud investigations. * New strategic housing manager recruited (due in post in September). | 3 | 4 | 12 | N/A | * Council working group developing mitigation measures. Yet as the final funding outcome is unknown at present, the risk remains high. |

| CRR-6 | Financial | Property portfolio fails to generate expected financial revenue due to loss of commercial tenant | * Significant loss of income. * Costs associated with replacing a tenant. * Budgetary pressures. | Head of Property & Regeneration | 3 | 4 | 12 | * Tenant sustainability checks undertaken before lease awarded. * Commercial properties chosen on criteria that mitigates risk of lack of high-quality commercial tenants. * Reporting to members - including options appraisals. | 2 | 4 | 8 | N/A | |
|-------------------|-----------|--|---|---------------------------------------|---|---|----|---|---|---|----|-----|--------------------------------------|
| 8-880 Page 240 | Financial | Significant rise in oil, gas and electricity prices | * Additional budget requirement for utilities reduces other budgets available for service delivery. | Chief Finance Officer | 4 | 4 | 16 | * Quarterly budget monitoring. * Competitive procurement of utilities - take advantage of fixed terms deals if demonstrate value for money. * Inflationary pressures being reflected in future budget plans. | 4 | 2 | 00 | N/A | * Consider energy reduction options. |
| CRR-97 | Financial | Increasing EPC requirements | * Potential increased costs due to investment required to meet changing EPC requirements. | Head of Property & Regeneration | 4 | 4 | 16 | *Asset reviews being undertaken at present. | 4 | 2 | 8 | N/A | |

| | | | 1 | T | | | | | | | | 1 | |
|-----------------------|------------|-------------------|----------------------|-----------------|---|---|----|---------------------------|---|---|---|-----|--|
| | | Failing to | * Unable to | Planning Policy | 4 | 4 | 16 | * Climate Change Action | 2 | 2 | 4 | N/A | |
| | | deliver the | achieve Council's | Manager | | | | Plan. | | | | | |
| 0 | ا بہ ا | climate change | climate change | | | | | * Environment and | | | | | |
| CRR-29 | Project | strategy | ambitions. | | | | | sustainability Officer in | | | | | |
| l R | Pro | | * Fail to reduce the | | | | | post. | | | | | |
| | | | Council's carbon | | | | | *Capital bids submitted | | | | | |
| | | | emissions. | | | | | to reduce the council's | | | | | |
| | | | | | | | | carbon emissions. | | | | | |
| | | Failing to | * Unable to | Head of Place | 4 | 4 | 16 | * Local plan project risk | 2 | 4 | 8 | N/A | |
| | | deliver a local | provide robust | Development | | | | register in place. | | | | | |
| | | plan (e.g. due to | planning policy for | | | | | * Regular reporting to | | | | | |
| | | budget, staffing, | development in | | | | | key stakeholders. | | | | | |
| | | legislative | the Borough. | | | | | * Project plan funding | | | | | |
| | | changes) | * Impact on other | | | | | arrangements. | | | | | |
| | | | council activities | | | | | * Resourcing | | | | | |
| 9 | <u>+</u> ; | | that link to the | | ` | | | arrangements. | | | | | |
| ege Page CRR-46 | Project | | local plan, e.g. | | | | | | | | | | |
| S. S. | Pro | | housing. | | | | | | | | | | |
| 241 | | | * Unable to | | | ` | | | | | | | |
| 41 | | | demonstrate value | | | | | | | | | | |
| | | | for money on | | | | | | | | | | |
| | | | investment in | | | | | | | | | | |
| | | | developing the | | | | | | | | | | |
| | | | plan. | | | | | | | | | | |
| | | | * Government | | | | | | | | | | |
| | | | intervention. | | | | | | l | | | | |

| CRR-48 | Operational | Issues with ICT infrastructure resilience, security and capacity | * Business continuity. * Data breach. * Service delays and other associated impacts. * Reputational damage. * Staff satisfaction. | Head of IT | 4 | 4 | 16 | * Back-ups tested. * Annual penetration tests. * Annual business continuity exercise. * Servers in good condition and supported. | 2 | 2 | 4 | N/A | * Move infrastructure to the cloud [underway]. |
|--------------------|-------------|--|--|-----------------|---|---|----|--|---|---|---|-----|--|
| 242 Dade CRR-51 | Finance | Fail to balance the budget annually (inc. mitigating the ongoing financial impacts of Covid-19) & MTFS | * Fail to perform statutory duty * Reduced assurance over the Council's financial sustainability. * Threat to service delivery. | Head of Finance | 4 | 4 | 16 | * Budget setting framework agreed by S&R Committee. * Budget reports scheduled on committee forward plan at regular intervals, which includes budget forecasting. * Reserves proactively managed. * Savings targets are set to deliver balanced budget. | 2 | 4 | 8 | N/A | * New MTFS for 24-28 to be produced. |
| CRR-56 | Operational | Cyber attack | * Ransomware attack and lost data. * Data breach. * ICT systems unusable. * Reputational damage. | Head of IT | 3 | 4 | 12 | * Business continuity plans in place. * ICT security procedures and processes in place. * Able to restore from back-ups, inc. cloud. * Security operation centre monitoring systems 24/7. | 2 | 3 | 6 | N/A | * ICT Strategy: detection and response system implemented, cyber training for employees, laptops with approved software for employees [over next two years]. |

| | | Unsupported | * CRM system | Head of IT | 4 | 4 | 16 | * Business continuity via | 4 | 2 | 8 | N/A | * Move CRM to new |
|-----------|------------|--------------------|----------------------|--------------|---|---|----|---------------------------|---|---|---|-----|-----------------------|
| | nal | legacy | becomes | | | | | MS 365 for | | | | | platform [project |
| | | applications | inoperative. | | | | | emails/communications. | | | | | underway]. |
| | | | * Increased | | | | | * Support contract in | | | | | |
| -63 | ţ | | resources required | | | | | place with CRM experts | | | | | |
| CRR-63 | Operatio | | to manage. | | | | | who can address issues | | | | | |
| | О | | * Weaker security | | | | | that arise. | | | | | |
| | | | due to lack of up to | | | | | | | | | | |
| | | | date patches. | | | | | | | | | | |
| | | | * Increased costs. | | | | | | | | | | |
| | | Failing to recruit | * Increased | Head of HR & | 4 | 3 | 12 | * All vacant positions | 2 | 2 | 4 | N/A | * Although we are |
| | | to vacant | workload for | OD | | | | advertised in multiple | | | | | experiencing higher |
| | | positions | existing staff. | | | | | platforms. | | | | | than average |
| 10 | nal | promptly with | * Delays to | | | | | * ICT based recruitment | | | | | turnover in common |
| CRR-86 | perational | quality | delivering | | | | | system in place. | | | | | with the national |
| 1 % | era | candidates, and | corporate and | | | | | * Succession planning. | | | | | trend, we continue to |
| ָטֻ עַ | Ор | retain existing | service objectives. | | | | | * CPD. | | | | | fill vacancies at a |
| Page | | talent | | | | | | * Exit interviews. | | | | | good rate. |
| 2 | | | | | | | | *My performance | | | | | |
| 243 | | | | | | | | conversations. | | | | | |

5. Committee Risk Registers

Our committee registers are currently in development. Officers are meeting with all policy committee Chairs at present, to produce their risk registers. The format will be the same as in Section 4.



6. Annual Governance Statement Actions

Every year we publish our Annual Governance Statement, which outlines our assurance on our systems of internal control. As part of this review, we identify several key actions which we feel will improve our corporate governance. In this section we have provided an progress update on those actions.

| Issues identified | Action taken | RAG Status |
|--|--|---------------|
| Uncertainty regarding local government funding which will impact on the current Medium Term Financial Strategy financial stability | A rebasing exercise of the budget for 2022/23 was undertaken in Spring 2022 to ensure budgets are re-aligned to post-Covid service demand levels. | GREEN |
| Existing strategies in relation to changes in risk relating to investment properties may need reviewed | A number of strategic asset reviews are being undertaken to assess if operational assets remain fit for purpose and continue to provide value for money. | GREEN |
| The arrangements for Information Governance and data protection need to be reviewed to ensure they are fully compliant with legislation and ICO guidance | Complete the recruitment of a new Data Protection officer who will bring together and progress our information governance improvements. | GREEN |
| Strengthening and updating the Constitution | The Member Working Group has agreed a programme of work to update the Constitution supported by the Monitoring Officer and this will be reported to the Standards Committee. | GREEN |

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REVENUE BUDGET MONITORING - QUARTER 2

Head of Service: Head of Finance, Brendan Bradley

Wards affected: (All Wards);

Urgent Decision? No
If yes, reason urgent decision N/A

required:

Appendices (attached): None

Summary

This report presents the forecast revenue outturn position for the current financial year 2022/23, as at Quarter 2 (30 September).

Recommendation (s)

The Committee is asked to:

- (1) Receive the revenue budget monitoring report, which sets-out a projected favourable budget variance of £243,000 for 2022/23;
- (2) Agree that a report should be prepared for Licensing & Planning Policy Committee to address reduced forecast planning income and identify mitigation options:
- (3) Agree that the updated Quarter 3 position will be reported back to Audit and Scrutiny Committee in February.

1 Reason for Recommendation

1.1 To present the 2022/23 forecast revenue outturn position to members, as at Quarter 2.

2 Background/Executive Summary

2.1 In February 2022, Full Council agreed a net expenditure budget of £8.626m for 2022/23. The budget included a central contingency of £600,000 to manage the long-term impact of Covid-19 on services and required the use of £1.476m from earmarked reserves to balance.

- 2.2 During budget setting, Omicron-related government restrictions had continued to impact services such as car parks, venues and homelessness numbers.
- 2.3 As such, the February budget report informed members that, postgovernment restrictions, officers would review and rebase the Council's service budgets, to reflect new activity levels and apportion the contingency between services.
- 2.4 This budget rebasing exercise was undertaken as planned, with rebased 2022/23 budgets approved at <u>Strategy & Resources Committee</u> in July.
- 2.5 Forecasts in this report are measured against the approved, re-based budgets.
 - At Quarter 2, the Council is forecast to be £243,000 under budget at year-end. This projected favourable variance is mainly due to the higher interest rate environment that enables officers to generate additional income on treasury investments, partially offset by reduced income from car parks and place development (planning).
- 2.6 Clearly, uncertainty remains heightened around future projections mainly due to political instability in central government combined with the economic environment/cost-of-living crisis and its potential impact on residents.
- 2.7 The budget position will continue to be monitored closely, with forecasts updated and reported to members accordingly through the year.

3 Forecast Position

3.1 A summary of the forecast outturn position by service area for 2022/23 is shown in the following table:

| Forecast Outturn by Service | Original Budget | Re-Based (Current Approved) Budget* | Forecast Outturn | Forecast Variance |
|--|--------------------|--|---------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Strategy & Resources Committee | | | | |
| Democratic & Civic | 688 | 692 | 699 | 6 |
| Corporate Functions | 571 | 597 | 597 | 0 |
| Corp Financial Management | 2,130 | 989 | 626 | (364) |
| Tax Collection & Benefits | 737 | 734 | 732 | (2) |
| Land Charges | 2 | 2 | 2 | 0 |
| Land & Property | (2,955) | (3,044) | (3,144) | (100) |
| Economic Dev. & Prosperity | 92 | 92 | 93 | 0 |
| Employee and Support Services | 1,054 | 539 | 253 | (286) |
| Subtotal Strategy & Resources | 2,319 | 600 | (144) | (745) |
| Environment & Safe Communities Committee | | | | |
| Car Parking | (2,215) | (1,415) | (1,156) | 260 |
| Environmental Services | 3,341 | 3,433 | 3,478 | 46 |
| Community Safety | 93 | 95 | 98 | 3 |
| Contract Management | 124 | 270 | 313 | 43 |
| Environmental Health | 319 | 364 | 413 | 49 |
| Countryside, Parks & Open Spaces | 2,061 | 2,148 | 2,148 | 0 |
| Subtotal Environment & Safe Communities | 3,723 | 4,894 | 5,294 | 400 |
| Community and Wellbeing Committee | | | | |
| Housing | 1,815 | 2,080 | 2,080 | 0 |
| Community Services (Route Call, Meals from | | | | |
| Home, Community Alarm) | 442 | 469 | 504 | 34 |
| Support for Voluntary Orgs. | 239 | 239 | 239 | 0 |
| Community Centre | 441 | 455 | 451 | (4) |
| Health & Wellbeing | 223 | 210 | 194 | (16) |
| Sports, Leisure & Cultural | 1,092 | 1,124 | 1,119 | (5) |
| Precepting & Levying Bodies (NJMC & EWDC) | 366 | 366 | 366 | 0 |
| Subtotal Community & Wellbeing | 4,617 | 4,944 | 4,953 | 9 |
| Licensing & Planning Policy Committee | | | | |
| Place Development | 751 | 960 | 1,153 | 193 |
| Licensing | (115) | (103) | (203) | (100) |
| Subtotal Licensing & Planning Policy | 636 | 857 | 950 | 93 |
| Capital Charges | (2,669) | (2,669) | (2,669) | 0 |
| Total General Fund | 8,626 | 8,626 | 8,384 | (243) |

^{*} includes budget changes following the re-basing exercise agreed at S&R in July and other agreed changes in accordance with the Council's virement policies.

- 3.2 The £243,000 projected favourable variance across services for 2022/23 would result in a contribution to the General Fund reserve at year-end, increasing the balance from £2.85 million to £3.10 million.
- 3.3 The following section of the report details the individual budget variances that make up the projected variance of £243,000 within services.

4 Budget Variances

4.1 The main variances to budget are shown by Committee in the following tables:

| Strategy & Resources Committee | Adverse / (Favourable) Variance £'000 | Detail |
|-----------------------------------|--|--|
| | | In late 2021/22, in an attempt to temper elevated inflation, the Bank of England commenced raising its base interest rate earlier than anticipated (even by its own official forecasts). |
| | (364) | Base rate increases tend to increase interest returns offered by banks and financial institutions on the council's cash/treasury deposits. |
| Corporate Financial Management | | Following base rate rises to 2.25% as at September 2022, officers expect to generate an additional £275,000 (in excess of the current budget) in treasury management income for 2022/23. |
| | | Latest interest rates and treasury income forecasts will be factored into the council's updated budget plans for 2023/24 and beyond. |
| | | In addition, helped by the government's cap on utility costs to 31 March 2023, property contingency budgets are currently expected to be £89,000 underspent for the year. |

| Land & Property | (100) | One-off back-rent income is anticipated from rent reviews at the council's industrial estate sites. However, the favourable variance will be partially offset as no rent is being collected from one vacant property in Cox Lane, where officers are progressing negotiations for a new occupier and will report to Strategy & Resources when appropriate. A proportion of the one-off income is expected to be set-aside in the property income equalisation reserve, to help mitigate lost income and maintain services while two larger commercial properties remain empty or under-occupied. A commercial property update is expected to be reported to Strategy & Resources later in 2022. |
|-------------------------------------|-------|---|
| Democratic & Civic | 6 | The minor adverse variance is mainly due to costs of the West Ewell by-election held in July 2022. |
| Employee & Support Services | (286) | The council is currently carrying a number of vacancies, resulting in a forecast underspend of £286k over the year. |
| Other miscellaneous variances | (1) | |
| Total Strategy & Resources Variance | (745) | |

| Environment & Safe Communities Committee | Adverse / (Favourable) Variance £'000 | Detail |
|--|--|--|
| Car Parking | 260 | In July, the council's car park budgets were re-based to reflect post-covid activity based on a projected neutral scenario. However, Ashley Centre and Hook Road car parks have subsequently seen a slower than anticipated recovery in visitor numbers, with the more pessimistic scenario set-out in the rebasing exercise currently materialising. In addition, Atkins House car park will not meet its income target as the leasing arrangement will cease from 22 October 2022. The above factors mean car parking income is currently forecast to be £260,000 underbudget for the year, although it is important to note this is a relatively early forecast ahead of the key festive trading period. Income is closely monitored and if/when a new anchor tenant opens at the Ashley Centre, car park visitor numbers should see a positive impact. |
| Environmental Health | 49 | Environmental Health is forecasting an adverse variance of £17,000, which includes an under-recovery of income for the stray dogs contract, which comes to an end in November 2022, and legal costs in relation to the Chalk Pit nuisance. There is also a forecast under-recovery of income at the cemetery of £32,000. |
| (Contract Management) Building Control | 24 | Building control is forecasting a net adverse variance of £24,000 due to additional legal costs of the delayed-contract with the new supplier. |

| (Contract Management) Tree Contract | 19 | The tree contract is forecasting an adverse variance of £19,000 due to an insurance claim for which the Council is liable. The service has been tasked with implementing procedures to minimise future claims. |
|---|-----|---|
| Environmental Services (Domestic Waste) | 46 | The Domestic Waste service is forecasting an adverse variance of £46,000 due to the cost of hiring an additional refuse vehicle whilst an existing vehicle is impounded by the police. The police will not provide a timescale for the release of this vehicle, therefore hire costs have been forecast to the end of the financial year. |
| Other miscellaneous variances | 2 | |
| Total Environment & Safe Communities Variance | 400 | |

| Community & Wellbeing Committee | Adverse / (Favourable) Variance £'000 | Detail |
|--------------------------------------|--|--|
| Homelessness | 0 | The homeless net nightly paid accommodation budget was based on an average of 70 households requiring accommodation during 2022/23. Currently the number is 73 but the housing team are implementing initiatives to reduce this and the service is currently forecast to remain within budget by year-end. |
| Community Services | 34 | Transport-from-home fare income is currently under budget as client numbers remain below pre-pandemic levels. Meals-at-home income has also fallen since hitting a peak during the pandemic. |
| Other miscellaneous variances | (25) | Reduced expenditure on PRS licences and other miscellaneous items. |
| Total Community & Wellbeing Variance | 9 | |

| Licensing & Planning Policy Committee | Adverse / (Favourable) Variance £'000 | Detail |
|--|--|--|
| Place Development | 193 | The adverse variance is due to a forecast under-recovery of income, and £20k additional costs on disputed planning decisions offset by a favourable variance of £20k on the Programme Management Team, due to a part-year vacancy. £63k of this relates to planning applications, and £130k to advisory services. Development management is currently undergoing a business process re-engineering exercise to improve processes to provide a more efficient service and free up resource for advisory services. |
| Licensing | (100) | The favourable variance is due to the acquisition of several new taxi operators that have chosen to licence their drivers and vehicles with EEBC. |
| Other miscellaneous variances | 0 | |
| Total Licensing & Planning Policy Variance | 93 | |

5 Employee Costs

- 5.1 At the end of Quarter 2, the Council is £383k under its year-to-date employee budget of £6.71m.
- 5.2 Following last year's restructure and transition to a new operating model, recruitment remains underway to fill vacant posts.
- 5.3 Employee costs are monitored monthly to ensure any adverse variances are flagged promptly to Heads of Service, thereby enabling prompt mitigating action to be taken.

5.4 A one-off staff pay proposal is due to be considered by S&R Committee in November. With a decision pending, the proposal is not reflected in current forecasts, but if approved, an additional payment may increase the forecast by up to c.£230,000.

6 Utility Costs

- 6.1 The Council's 2022/23 budget for gas and electricity totals £285,000 across all properties. Prior to 2022, the council entered into fixed rate utility contracts, significantly benefitting the council thus far in 2022. However, two fixed-rate electricity tariffs expire in September and December 2022. While officers have taken appropriate advice and market testing to assess whether it will be more beneficial to persist with new fixed-rate tariffs or move to variable tariffs, under either option, electricity costs are expected to significantly increase.
- 6.2 For 2022/23, with the government cap in place to 31 March 2023, the council's existing contingency budget for inflationary pressures is expected to be sufficient to cover increased energy costs.
- 6.3 For 2023/24, the budget planning framework reported to July's S&R Committee assumed that energy costs would double next year in the neutral scenario, or potentially triple in a pessimistic scenario.
- 6.4 With the energy market remaining volatile, these assumptions for 2023/24 will remain under review and will be updated accordingly throughout the budget setting process, in line with latest market forecasts.
- 6.5 In the meantime, officers will consider what energy saving measures can be implemented across the council's operations to mitigate elevated utility costs.

7 Epsom & Ewell Property Investment Company (EEPIC)

7.1 The Council's budget includes £0.6m expected dividend income from Epsom and Ewell Property Investment Company, generated from its two commercial properties. Income from EEPIC is currently forecast to be on budget, with all rent due to date collected from tenants.

8 Update on 2022/23 Savings Delivery

8.1 The 2022/23 budget required £342,000 of new savings to be delivered during the year. The delivery status of these savings is summarised in the following table:

| Summary of Budgeted Savings - 2022/23 | Committee | Achieved | In progress | Not Achievable |
|---------------------------------------|-----------|----------|-------------|-------------------|
| | | £000 | £000 | £000 |
| Bourne Hall | C&W | - | 30 | - |
| Review of Ewell Court House | C&W | 10 | | - |
| Tattenham Corner Conveniences* | EWDC/C&W | 12 | | - |
| Income from Commercial Property | S&R | 112 | | - |
| Review of Waste Collection | E&SC | - | 100 | - |
| Review of Grounds Maintenance | E&SC | - | 67 | - |
| Other Service Efficiencies | All | - | 11 | - |
| Total Savings - £342k | | 134 | 208 | 0 |

- 8.2 The majority of savings have either been already achieved or are on track to be delivered in the year.
- 8.3 At Bourne Hall, income generation initiatives are being progressed including a review of the café operation to generate additional income to meet the targeted saving.
- 8.4 For waste collection, it is currently expected that the £100,000 additional income from Surrey County Council will be achievable, however this depends on commercial market prices for recycling materials remaining stable over the remainder of the year. Should market prices deteriorate, there is a risk the full income would not be achieved (and vice versa). A further update will be provided in the Quarter 3 monitoring report.

9 Revenue Reserves

- 9.1 Reserves play a crucial role in sound financial management. They typically exist to enable councils to invest in service transformation for the future, respond to unexpected events or to manage one-off risks. Reserves should not be utilised as a source of long-term funding for day-to-day revenue expenditure on an ongoing basis; this is considered unsustainable as the reserves would eventually deplete.
- 9.2 At Q2, the general fund balance is forecast to increase to £3.10m (from £2.85m) by the end of this year.
- 9.3 Other revenue reserves are projected to stand at £13.21m at 31 March 2023, however, £9.6m of this balance is to manage specific risks and contingencies, including the loss of commercial property income and business rates income in future years. These reserves have enabled the council to temporarily endure the loss of two key tenants in recent years, without having to make urgent, short-term cuts to services to reflect the loss of income. A full table of revenue reserves and commitments was reported to Strategy & Resources Committee in July 2022, and an updated review of reserves will be reported to Financial Policy Panel in January 2023.

9.4 The following table shows a breakdown of the council's revenue reserves, with only the General Fund working balance and corporate projects reserve available for general use:

| General Fund Revenue Reserves | Forecast Uncommitted Balance at 31 March 2023 £'000 | |
|---|---|--|
| General Fund working balance | 3,096 | |
| Contingencies unavailable for general use | 9,609 | |
| Ringfenced funds/grants for specific use | 1,763 | |
| Corporate projects reserve | 1,840 | |
| Total Revenue Reserves | 16,308 | |

9.5 Council has committed to hold a minimum balance of £1 million in the corporate projects reserve and £2.5 million in the general fund working balance to manage unforeseen risks. This leaves just £1.44 million of available reserves, which the council allocates on a business case basis, to ensure limited resources are utilised in line with corporate priorities.

10 Actions and Next Steps

- 10.1 To address the material adverse variances within the 2022/23 forecast, management is progressing the following key initiatives:
 - 10.1.1The Head of Service will prepare a report to Licensing & Planning Policy Committee to address reduced forecast planning income and identify mitigation options;
 - 10.1.2Strategy & Resources Committee agreed in July 2022 a budget setting framework for 2023/24 which is being progressed by officers accordingly;
 - 10.1.3Finance officers will continue to monitor the funding landscape to ensure the council is kept aware of any new government (or other external) funding opportunities.
 - 10.1.4The provision of car parking in the Borough will be assessed through ongoing Masterplan work undertaken by the Place Development team.

10.2 The Council's budget position is continuously monitored by the finance team and budget managers. It is expected that the next budget monitoring report to members will be the updated quarter three forecasts to Audit & Scrutiny Committee in February 2023.

11 Risk Assessment

Legal or other duties

- 11.1 Impact Assessment
 - 11.1.1 Ultimately, all services will be impacted in some way by the Council's overall budget position over the long term.
 - 11.1.2Risks/budget variances are highlighted in the body of the report, along with mitigations where applicable including in the next steps section.
 - 11.1.3Key risks are included in the council's corporate risk registers, which help inform the annual financial risk assessment presented to Full Council within February's budget report each year.
- 11.2 Crime & Disorder
 - 11.2.1 None arising directly from the contents of this report.
- 11.3 Safeguarding
 - 11.3.1 None arising directly from the contents of this report.
- 11.4 Dependencies
 - 11.4.1 None arising directly from the contents of this report.
- 11.5 Other
 - 11.5.1 None arising directly from the contents of this report.

12 Financial Implications

- 12.1 Financial implications are set-out in the body of the report.
- 12.2 **Section 151 Officer's comments**: For 2022/23, the Council is currently forecast to be £243,000 under budget for the year.
- 12.3 However, principally owing to the lasting impact of covid-19 (such as reduced car parking income from commuters and at the shopping centre), heightened inflation, unknown future government funding settlements and a potential recession, the council anticipates budget pressures to increase in future years, as reported to Strategy & Resources Committee in July. A budget framework for 2023/24 budget setting was agreed by S&R, which officers are progressing accordingly.

12.4 Quarter 3 forecasts for 2022/23 will be brought back to Audit & Scrutiny Committee in February 2023.

13 Legal Implications

13.1 There are no direct legal implications arising from this report.

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

14 Policies, Plans & Partnerships

- 14.1 **Council's Key Priorities**: The following Key Priorities are engaged: Effective Council.
- 14.2 **Service Plans**: The matter is included within the current Service Delivery Plan.
- 14.3 **Climate & Environmental Impact of recommendations**: None arising directly from the contents of this report.
- 14.4 **Sustainability Policy & Community Safety Implications**: None arising directly from the contents of this report.
- 14.5 **Partnerships**: None arising directly from the contents of this report.

15 Background papers

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

Previous reports:

- Budget Report to Full Council February 2022
- 2023/24 Strategic Financial Planning to S&R July 2022

Other papers:

 Quarter 1 Revenue Budget Monitoring - published via Member News in September 2022, due to the cancellation of September's Audit & Scrutiny Committee during the national mourning period. This page is intentionally left blank

CAPITAL BUDGET MONITORING - QUARTER 2

Head of Service: Brendan Bradley, Head of Finance

Wards affected: (All Wards);

Urgent Decision?(yes/no) No
If yes, reason urgent decision N/A

required:

Appendices (attached): Appendix 1: Update of Capital Project

Progress

Summary

This report presents the capital monitoring position at Quarter 2 for the current financial year 2022/23.

Recommendation (s)

The Committee is asked 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.

1 Reason for Recommendation

1.1 To present the capital budget monitoring position to members for Quarter 2 and to provide an update on the progress of individual capital projects.

2 Background

- 2.1 This report summarises the capital monitoring information at the end of the second quarter of 2022/23. It details actual capital expenditure and receipts against capital budgets and financing. The report also provides the forecast outturn position and variances at year-end.
- 2.2 The core capital programme does not include investments made through the property acquisition funds; this activity is summarised within section 5.

3 Core Capital Programme

3.1 The expenditure budget per Committee for the core capital programme is shown below:

| Committee | 2022/23 Original Budget £'000 | Carry forwards from 2021/22 £'000 | Additions during 2022/23 £'000 | 2022/23 Current Approved Schemes £'000 |
|-------------------------------------|--|---|---|--|
| Strategy & Resources | 0 | 471 | 250 | 721 |
| Environment & Safe Communities | 37 | 1,006 | 130 | 1,173 |
| Community & Wellbeing | 675 | 1,087 | 240 | 2,002 |
| Total Core Capital Programme | 712 | 2,564 | 620 | 3,896 |

- 3.2 The 2022/23 budget was agreed by Full Council in February 2022. The budgets carried forward from 2021/22 were approved at S&R Committee on 26 July 2022, as was an additional £185k for Disabled Facilities Grant projects to align with the grant provided by central government.
- 3.3 The additions also include £250k for the ICT Programme of Works for 2022/23 which was agreed by S&R Committee on 29 March 2022; £55k for the Wellbeing Centre Replacement of Boilers and Controls, as agreed by S&R Committee on 29 September 2022; and £130k for the Hogsmill Stream and Horse Pond Repairs project, agreed by the Chair of S&R Committee in August 2022, to fund emergency works to protect against potential damaged caused by leakage undermining the public highway.
- 3.4 Actual expenditure on the core capital programme to the end of September 2022 and a full year forecast is summarised below:

| Committee | 2022/23 Current Approved £'000 | YTD Expenditure £'000 | Forecast Outturn £'000 | Forecast Variance £'000 |
|-----------------------------------|---|-----------------------------|------------------------------|-------------------------------|
| Strategy & Resources | 721 | 82 | 466 | (255) |
| Environment & Safe Communities | 1,173 | 303 | 501 | (672) |
| Community & Wellbeing | 2,002 | 260 | 1,788 | (214) |
| Total Core Capital Programme | 3,896 | 645 | 2,755 | (1,141) |

- 3.5 On the core capital programme, projected expenditure for the full year is £2.76m, £1.14m less than the £3.9m budget. Of the £1.14m forecast variance, £421k relates to schemes which are expected to be completed under budget:
 - 3.5.1 Plan E Marketplace Works (£335k favourable) for which it is believed all works have been invoiced or accrued;
 - 3.5.2 Football Pitch Drainage System (£74k favourable) where a more cost-efficient resolution is expected to suffice.
 - 3.5.3 Wellbeing Centre Walk-in Freezer (£5k favourable) completed under budget.
 - 3.5.4 Great Dam improvements (£7k favourable) completed under budget.
- 3.6 The remaining £720k variance relates to projects which span more than one financial year, and this expenditure is expected to be incurred in 2023/24.
- 3.7 In general terms, global events and rising inflation is causing firms to significantly increase their quotes for works, which is having an impact on the ability to source contractors within budget. It is expected this will continue to impact council projects for the foreseeable future.
- 3.8 An update on the progress of individual schemes is set out in Appendix 1

4 Financing of capital Expenditure 2022/23

4.1 The financing of the 2022/23 core capital programme is summarised below:

| Financing of Core Capital Programme | 2022/23 Current Approved Budget £'000 |
|-------------------------------------|---------------------------------------|
| Capital Receipts Reserves | 973 |
| Capital Grants-DFG | 1,574 |
| Budgeted Revenue Contributions | 378 |
| Revenue Reserves | 56 |
| Section 106 | 106 |
| Community Infrastructure Levy | 804 |
| External Grant | 5 |
| Total | 3,896 |

5 Property Acquisition Funds

Commercial Property

5.1 The Council retains one in-Borough commercial property acquisition fund, which has a remaining balance of £49.6m available for investment. Please note, this is not a reserve that the Council holds; it is a limit (approved by Full Council) up to which borrowing could be undertaken.

Residential Property

- 5.2 In 2016/17, the Council established a £3m fund to purchase residential property, principally to assist the council to manage homelessness and reduce associated costs. To date, no new purchases have been identified during 2022/23.
- 5.3 The remaining balances on the Property Acquisition Funds are shown in the following table.

| Property Acquisition Funds | Commercial Property (in- Borough) | Residential Property | Total | |
|-----------------------------|---|-------------------------|----------|--|
| | £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) | |
| Purchases during 2021/22 | 0 | (238) | (238) | |
| Current commitments | 0 | (52) | (52) | |
| Fund balances at 30/06/2022 | 49,569 | 965 | 50,534 | |

5.4 The £52k commitment on the Residential Property Acquisition Fund is earmarked for a scheme to provide temporary accommodation at 24 South Street, as agreed by S&R Committee in March 2021.

6 S106 Developer Contributions

6.1 The balance of S106 funds held by the authority are set out in the following table:

| | £'000 | £'000 |
|--|-------|-------|
| Section 106 funds held as at 1 April 2022 | | 2,311 |
| Section 106 net receipts to 30 September 2022 | | 0 |
| Balance of S106 Funds held as 30 September 2022 | | 2,311 |
| Less: | | |
| Funds held due to SCC and other organisations | (130) | |
| Funds committed and approved for specific schemes | (400) | |
| Funds allocated to Horton Chapel Arts and Heritage Society (part of original £1.45m grant award) | (187) | |
| | | (717) |
| Unallocated S106 funds as at 30 September 2022 | | 1,594 |

6.2 S106 agreements specify for what purpose the funds may be spent. The breakdown of current unallocated balances against the different categories is detailed in the following table:

| Breakdown of unallocated S106 balances | £′000 |
|--|-------|
| Affordable Housing | 1,574 |
| Open Space - Park & Gardens | 6 |
| Environmental Improvements | 14 |
| Total | 1,594 |

- 6.3 The majority of S106 balances are within Affordable Housing; this funding is used to facilitate provision within the borough where the development is not financially viable without additional funding. Planning officers work with providers to identify schemes where the affordable housing would not be deliverable without the additional support.
- 6.4 The £400k funds allocated for specific schemes include £145k of Affordable Housing S106 funds earmarked for a Rough Sleeper accommodation project agreed at S&R Committee in September 2021 and £100k for the Football Pitch Drainage project. Any unused S106 funds for the Football Pitch Drainage project will become unearmarked and available for other projects. The balance of £155k is earmarked to fund a number of smaller ad hoc projects including playground works.

7 Community Infrastructure Levy

- 7.1 The council generated £132k of Community Infrastructure Levy (CIL) for the period 1 April 2022 to 30 September 2022.
- 7.2 5% is used for administering the scheme and 15% is ring fenced for a local spending fund comprising two schemes, a CIL Neighbourhood Scheme and a Borough Investment Fund. CIL balances are set out in the following table:

| | Main Fund (80%) | Community Fund (15%) | Admin Fee (5%) | Total |
|---|--------------------|-------------------------|-------------------|-------|
| | £'000 | £'000 | £'000 | £'000 |
| CIL funds held at 1 April 2022 | 6,227 | 1,094 | 224 | 7,545 |
| CIL invoices raised to 30 Sep 2022 | 106 | 20 | 6 | 132 |
| Invoices outstanding at 30 Sep 2022 | (228) | (43) | (14) | (285) |
| Receipt held as charge against property | (1) | 0 | 0 | (1) |
| CIL Payments made to 30 Sep 2022 | 0 | 81 | 0 | 81 |
| CIL Funds held at 30 Sep 2022 | 6,104 | 1,152 | 216 | 7,472 |
| Less commitments: | | | | |
| Plan E contribution | (335) | 0 | 0 | (335) |
| Stoneleigh Station | (500) | 0 | 0 | (500) |
| Replacement of EEBC Lamp Columns | (409) | 0 | 0 | (409) |
| Improvements to Great Dam | (60) | 0 | 0 | (60) |
| Borough Investment Fund | 0 | (61) | 0 | (61) |
| Civic Infrastructure Fund 2019/20 | 0 | (32) | 0 | (32) |
| Civic Infrastructure Fund 2020/21 | 0 | (52) | 0 | (52) |
| Civic Infrastructure Fund 2021/22 | 0 | (83) | 0 | (83) |
| Monitoring CIL scheme in 2022/23 | 0 | 0 | (87) | (87) |
| Unallocated CIL funds at 30 Sep 2022 | 4,800 | 923 | 129 | 5,853 |

7.3 Large sums are collected in instalments so not all the cash has been received at this date. Of the £285k of invoices raised but not yet collected, only £15k relates to financial years prior to 2020/21 and is being pursued by the Legal department.

8 CIL Neighbourhood Scheme (15%)

8.1 Updates on CIL 15% Neighbourhood Scheme projects will be reported separately through the new Member News channel.

9 Capital Receipts

9.1 The expected balance of capital receipt reserves is shown below:

| Capital Reserves | Capital Receipts Reserve £'000 |
|---|---|
| Balance brought forward at 1 April 2022 | 3,821 |
| Estimated use to fund the 2022/23 capital programme | (826) |
| Capital receipts received to 30 September 2022 | 340 |
| Estimated Balance at 31 March 2023 | 3,335 |

9.2 During 2022/23, the council has received a net receipt of £340k for properties at South Street transferred to Transform Housing Association as planned.

10 Risk Assessment

Legal or other duties

- 10.1 Equality Impact Assessment
 - 10.1.1The impact of each scheme is assessed during the capital bidding process.
- 10.2 Crime & Disorder
 - 10.2.1 None arising directly from the contents of this report.
- 10.3 Safeguarding
 - 10.3.1 None arising directly from the contents of this report.
- 10.4 Dependencies
 - 10.4.1 None arising directly from the contents of this report.
- 10.5 Other
 - 10.5.1As detailed in section 3, global events and rising inflation have caused firms to significantly increase their quotes for works, having an impact on the Council's ability to source contractors within budget. This is likely to impact on both current and future capital projects.

11 Financial Implications

- 11.1 Financial implications are set out in the body of the report.
- 11.2 **Section 151 Officer's comments**: If members have a detailed question(s) on particular capital projects, it is requested that these be submitted in advance where possible, to enable officers to investigate with the relevant scheme manager.
- 11.3 Updated capital projections at Quarter 3 will be brought to Audit and Scrutiny Committee in February 2023.

12 Legal Implications

- 12.1 There are no direct legal implications arising from this report
- 12.2 **Legal Officer's comments:** None arising from the contents of this report.

13 Policies, Plans & Partnerships

- 13.1 **Council's Key Priorities**: The following Key Priorities are engaged: Effective Council.
- 13.2 **Service Plans**: The matter is included within the current Service Delivery Plan.
- 13.3 **Climate & Environmental Impact of recommendations**: The impact of each scheme is assessed during the capital bidding process.
- 13.4 **Sustainability Policy & Community Safety Implications**: None arising directly form the contents of this report.
- 13.5 **Partnerships**: None arising directly form the contents of this report.

14 Background papers

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

Previous reports:

Budget Report to Full Council – 15 February 2022.

Other papers:

 Quarter 1 Capital Budget Monitoring - published via Member News in September 2022, due to the cancellation of September's Audit & Scrutiny Committee during the national mourning period.

| Project | Current Approved Budget £ | Actuals to Q2 2022/23 £ | Year End Forecast 2022/23 £ | Estimated Variance £ | Comments from Manager | Original Target Completion |
|---|------------------------------------|----------------------------------|--------------------------------------|----------------------------|--|---|
| Disabled Facilities Grants and Small Repairs Grants | 1,573,844 | 191,599 | 1,573,784 | 0 | The DFG programme continues to support residents requiring adaptations to enable them to continue living in their own homes. | Ongoing |
| Ashley Centre Car Park Expansion Joints Phase 2 | 37,000 | 0 | 0 | (37,000) | Due to price volatility this project is being delayed until the next financial year. | March 2023 Revised date: March 2024 |
| Wellbeing Centre - Replacement of Boilers and Controls | 105,000 | 0 | 105,000 | 0 | Only one supplier submitted a tender for the works at a cost in excess of the original budget. A report went to Strategy & Resources Committee in September 2022 to request additional budget for the project. The funding was agreed and the order has been placed. The start date is planned for mid-November, an alternative hired boiler will be in place to allow the works to continue through the winter without loss of heating and hot water. | March 2023 |
| Wellbeing Centre - Walk-in freezer | 25,000 | 0 | 20,000 | (5,000) | The order has been placed and the equipment manufactured. Works commenced on 19 September and have been completed before the end of October. The centre staff are pleased with the new walk-in freezer. | September 2022 |
| ICT Programme of Works | 310,000 | 59,535 | 310,000 | 0 | The security monitoring project has been completed and the SOC is fully operational. Civica Financials has been moved into the cloud. The remaining work on the roadmap is underway; including SharePoint, Website and WAN Resilience and Refresh. | March 2023 |

| Project | Current Approved Budget £ | Actuals to Q2 2022/23 £ | Year End Forecast 2022/23 £ | Estimated Variance £ | Comments from Manager | Original Target Completion |
|--|------------------------------------|-------------------------|--------------------------------------|----------------------------|--|--|
| Playhouse Refurbishment | 128,000 | 0 | 0 | (128,000) | The works were not scheduled initially whilst the situation with the pandemic was being monitored. Due to the passage of time, the works need to be retendered. As the prices in the industry are not being held for very long due to constant materials and labour increases the tender will be sent out again in the beginning of 2023 for the works to be planned in for August 2023. | March 2021– Revised date: Sept 2023 |
| Plan E | 335,083 | 0 | 0 | (335,083) | All works finished and the final invoice has been accrued. No further payments are anticipated, but the budget has been retained until the final invoice is settled. | May 2020 – revised date: Mar 2022 |
| Hogs mill streams and horse pond repairs | 391,214 | 300,121 | 391,214 | 0 | Works are well underway but due to additional urgent requirements identified once the pond was emptied of water, a delegated decision was taken to increase the budget by £130k to enable the contractor who was onsite to undertake the essential works. The second phase of additional works to repair the perimeter walls around the horse pond have started and completion is anticipated by end of January 2023 weather permitting. | September 2021 – Revised date: December 2022 |
| Replacement of CRM and Data Warehouse | 379,928 | 982 | 125,000 | (254,928) | Phase 1 implementation is on-going, the Procurement for phase 2 has been completed and the build has commenced. | Phase 1 - March 2020 Revised: March 2023 |

| Project | Current Approved Budget | Actuals to Q2 2022/23 | Year End Forecast 2022/23 | Estimated Variance £ | Comments from Manager | Original Target Completion |
|--|-------------------------------|-----------------------|---------------------------------|----------------------------|--|--|
| Improvements to Great Dam | 59,609 | 52,442 | 52,609 | (7,000) | The works are now complete. | December 2022 |
| Replacement of EEBC Lamp Columns | 409,400 | 2,850 | 109,400 | (300,000) | A performance specification was completed and tenders sent out, and received back on 21 July 2022. Only one tender out of six requested was received and the price was above the available budget. Eligibility of CIL funding for this project is being reviewed. At present no alternative sources of funding have been identified. The project remains on hold until the funding is resolved. Awaiting further guidance from Central Government on the application of CIL funds. | March 2022 – Revised date: March 2024 |
| Football Pitch Drainage System | 90,000 | 15,545 | 15,545 | (74,455) | During investigative works, a broken pipe was discovered which had been the cause of the majority of flooding. This pipe has now been fixed, and additional soakaways have been added which is expected to solve the issue without needing the full works originally anticipated. Although revised completion date is September 2022, the site will need to be surveyed during the winter months to check the works undertaken are sufficient. | September 2021 – Revised date September 2022 |
| Harrier Centre hammer cage repairs | 21,028 | 0 | 21,028 | 0 | The works are now complete, the final task is for the external safety load testing to be completed. | Summer 2022 |
| Council Chamber AV equipment | 31,009 | 21,451 | 31,009 | 0 | The majority of the equipment has been installed, but the final pieces, including the control panel, which had been delayed due to supply chain issues, are still awaited. Once the full system is installed some training will be provided. | Revised date: Autumn 2022 |

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CODE OF CORPORATE GOVERNANCE

Head of Service: Andrew Bircher, Head of Policy and Corporate

Resources

Wards affected: (All Wards);

Urgent Decision?(yes/no) No.

If yes, reason urgent decision N/A.

required:

Appendices (attached): Appendix 1 – Code of Corporate Governance

Summary

This report provides an update to the format and content of Council's Code of Corporate Governance ('the Code'). The previous Code was adopted in 2017. The Code acts a foundational document in the production of the Annual Governance Statement ('AGS'), which assesses the effectiveness of the Council's governance arrangements. The AGS is brought to this committee in June each year.

Recommendation (s)

The Committee is asked to:

(1) The Committee is asked to approve the updated Code of Corporate Governance.

1 Reason for Recommendation

1.1 To review the Council's existing governance arrangements and provide a basis on which to produce and approve the 2022-2023 AGS in June 2023. The AGS is required to be published as part of the Council's financial accounts.

2 Background

- 2.1 In 2016, the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) produced the Delivering Good Governance in Local Government framework. This framework defines the principles that should underpin the Council's governance structure.
- 2.2 In 2017 the Council refreshed its Code to reflect changes made to the CIPFA framework. Therefore in 2022 it is prudent for the Council to review and update the Code.
- 2.3 The updates to the Code are mostly administrative, such as updating management team names, including new policies, processes, and other governance arrangements. The Code's format has also been amended and sections added to provide additional context to readers regarding the roles and responsibilities for governance at the Council.

3 Risk Assessment

Legal or other duties

- 3.1 Equality Impact Assessment
 - 3.1.1 No direct implications arising from this report, although equality is a theme within the CIPFA framework.
- 3.2 Crime & Disorder
 - 3.2.1 No direct implications arising from this report
- 3.3 Safeguarding
 - 3.3.1 No direct implications arising from this report
- 3.4 Dependencies
 - 3.4.1 The production of the AGS relies in part on the Code of Corporate Governance.
- 3.5 Other
 - 3.5.1 None.

4 Financial Implications

4.1 No direct implications arising from this report.

¹ CIPFA (2016) Delivering Good Governance in Local Government: Framework (2016 Edition), CIPFA/Solace. Online available: https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition [last accessed 21/10/2022].

4.2 **Section 151 Officer's comments**: None arising from the contents of this report.

5 Legal Implications

- 5.1 No direct implications arising from this report.
- 5.2 **Legal Officer's comments**: None arising from the contents of this report.

6 Policies, Plans & Partnerships

- 6.1 **Council's Key Priorities**: The following Key Priorities are engaged: the council's governance arrangements, as documented in this report, underpin all the council's priorities.
- 6.2 **Service Plans**: The matter is included within the current Service Delivery Plan.
- 6.3 **Climate & Environmental Impact of recommendations**: No direct implications arising from this report.
- 6.4 **Sustainability Policy & Community Safety Implications**: No direct implications arising from this report.
- 6.5 **Partnerships**: The Council's internal and external auditors may reference the Code in their work.

7 Background papers

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

Previous reports:

Code of Corporate Governance. Strategy and Resources
 Committee, Tuesday 4th April 2017, 7.30pm. Online available (see
 Item 147): https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=132&Mld=259&Ver=4 [last accessed 21/10/2022].

Other papers:

 Annual Governance Statement 2021-2022. Audit and Scrutiny Committee, Tuesday 14th June 2022, 7.30pm. Online available (see Item 5): https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=157&Mld=1250&Ver=4 [last accessed 21/10/2022]/ This page is intentionally left blank



Code of Corporate Governance

Version number: 2.0

Date: November 2022

Version control

| No. | Date | Author | Change description | Approved by |
|---------------------------------|------------|-------------------|-------------------------------------|-------------|
| 1 | 04/04/2017 | Head of Corporate | 2017 Version. | Strategy & |
| | | Governance | | Resources |
| | | | | Committee |
| 2 | 21/10/2022 | Business | Review and update, including | |
| | | Assurance Manager | changes to the structure and format | |
| | | | of the document. | |
| Next review date: November 2023 | | | | |

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| Applying the principles of good governance | 6 |
| Responsibilities | 17 |
| Governance structure | 18 |
| Governance Assurance Channels | 19 |

Introduction

Corporate governance is a term used to describe the way that organisations direct and control what they do. For local authorities, it includes the systems, policies and processes as well as the cultures and values that underpin a council's arrangements for effective:

- Leadership
- Management
- Performance
- Delivery of positive customer outcomes
- Community engagement
- Stewardship of public money

Epsom and Ewell Borough Council (the council) is responsible for ensuring a sound system of governance: ensuring its business is conducted in accordance with the law and proper standards; that public money is safeguarded, properly accounted for and used; and that it exercises its functions efficiently and effectively. Councillors and officers are responsible for putting in place proper arrangements for the council's governance and the stewardship of its resources, and for regularly reviewing those arrangements.

The council is committed to demonstrating that it has the necessary corporate governance arrangements in place. It has developed and adopted a local Code of Corporate Governance which brings together in one document, all the governance and accountability arrangements the council currently has in place.

Principles of good corporate governance

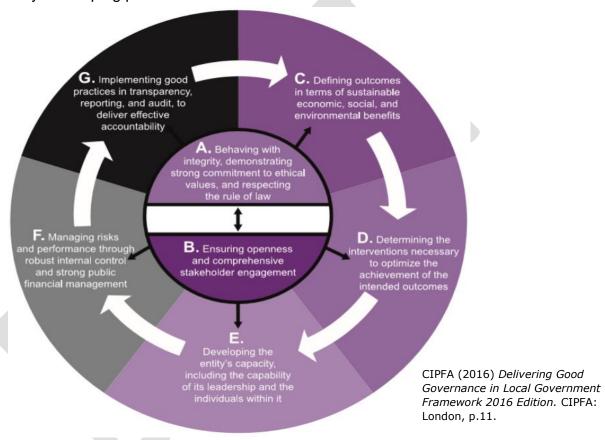
This document is based upon the CIPFA/SOLACE Framework: Delivering good governance in local government.¹ The aim of the principles is to help local authorities achieve their intended outcomes, while acting in the public interest at all times. The principles are as follows:

- **A.** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- **B.** Ensuring openness and comprehensive stakeholder engagement.
- **C.** Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- **D.** Determining the interventions necessary to optimise the achievement of the intended outcomes.

¹ CIPFA (2016) Delivering Good Governance in Local Government Framework, 2016 Edition. CIPFA: London.

- **E.** Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- **F.** Managing risks and performance through robust internal control and strong public financial management.
- **G.** Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The diagram below illustrates how the seven principles of good governance relate to each other: principles A and B permeate through the implementation of principles C to G. Hence, good governance is dynamic and requires a commitment to continually improve by developing positive outcomes for services users and other stakeholders.



Putting the principles into practice at the Council

The overarching aim of the CIPFA/SOLACE Framework is to support local authorities in taking responsibility for developing an informed approach to governance and achieve the highest standards in a measured and proportionate way. In reviewing and accounting for their own unique approaches in line with the CIPFA/SOLACE framework, local authorities look to ensure that:

• Decision making is inclusive and sound.

 Agreed priorities and policies direct resources, and there is clear accountability for their use.

The council's constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure transparency and accountability. Some of these processes are required by law, while others have been adopted at the council's discretion. Much of the council's approach to addressing the principles of good governance is contained within it. More specific details of the way that the council applies the principles in practice are set out below.

Monitoring and reporting

Regulation 6 of the Accounts and Audit Regulations 2015 and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 require an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published statement of Accounts. This is known as an Annual Governance Statement.

The council will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date and working effectively. Where monitoring reviews of the corporate governance arrangements have revealed gaps, actions will be planned to enhance the governance arrangements accordingly.

The council will submit an Annual Governance Statement to its Audit and Scrutiny Committee each year for consideration. The Statement will assess how the council have complied with this local code of corporate governance, and detail how governance improvements will be achieved.

Following approval at committee, the Annual Governance Statement is published with the Council's Statement of Accounts, on the council's website. Progress updates on the implementation of actions arising from the annual governance statements are provided to Audit and Scrutiny Committee throughout the year.

Certification

We hereby certify our commitment to this Local Code of Corporate Governance and will ensure that the council continues to review, evaluate and develop its governance arrangements and ensure continuous improvement of its systems.

| INSERT SIGNATURE | INSERT SIGNATURE |
|---|------------------|
| Chair of Strategy and Resources Committee | Chief Executive |
| Date: | Date: |

Applying the principles of good governance

The table below shows examples of documents and practices that the council has in place to ensure effective governance. The information is presented in line with the CIPFA framework.²

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

What this means in practice:

The council is accountable not only for how much it spends, but also how it uses the resources under its stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes it has achieved. In addition, it has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, the council can demonstrate the appropriateness of all its actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and respect the rule of the law.

| _ | 1 | |
|-------|-------------------------|---|
| age 2 | Supporting principles | Examples of the council's commitment to achieving good governance in practice |
| 282 | Behaving with Integrity | • The council's Constitution contains a code of conduct for councillors and officers, roles and functions of statutory officer and key posts, to ensure the high standards of conduct are maintained. The constitution and councillor code of conduct are currently being reviewed by a council working group to ensure it is up to date and as effective and user-friendly as possible. |
| | | • In addition, the Constitution includes codes for councillor / officer relations, the Monitoring Officer, conduct and practice in licensing procedures and hearings, and practice in respect of planning matters. All are being reviewed as per the point above. |
| | | Contract Standing Orders, Procurement Strategy and Financial Regulations in place and up to date. |
| | | New 'People Framework' for officers being implemented. Part 3/3 is being implemented in late 2022-23 / early 2023-24. |
| | | Registers of councillors' interests are published on the council's website. |
| | | Councillors' declarations of disclosable pecuniary interests and other disclosable interests are recorded in the minutes of committee meetings. The council's has Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan and associated policies which seek to prevent fraud and corruption, in place. An annual fraud report is submitted to Audit & Scrutiny Committee (from 2022-2023) |
| | | • The council's has Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan and associated policies which seek to prevent fraud and corruption, in place. An annual fraud report is submitted to Audit & Scrutiny Committee (from 2022-2023 onwards) and fraud e-learning is also mandatory for all new starters. |

² The table below contains content modified from: CIPFA (2016) *Delivering Good Governance in Local Government Framework*, 2016 Edition. CIPFA: London.

| | A Whistleblowing Policy is in place to enable staff to raise issues of concern and report wrongdoing. |
|--------------------------------|---|
| | Standard decision-making reporting format is in place to ensure that all those responsible for taking decisions have the necessary information on which to do so. Key decisions are supported by various different assessments e.g. finance, legal, equalities, climate change etc. depending on the decision. |
| | The procedure to make complaints to the council or local government and social care ombudsman is provided on the council's website. |
| | A customer charter is published on the council's website, detailing the standards of service customers can expect from the council. |
| | Induction programmes in place for new staff and councillors. |
| Demonstrating strong | In addition to the relevant points above: |
| commitment to ethical values | Councillors' code of conduct includes specific reference to nine principles of public life, which are based on the Committee on Standards in Public Life's seven principles. |
| | Terms of reference in place for all committees and working groups. |
| | Internal and External audit reports are discussed in committee meetings and published publicly. |
| | Diversity, Equity and Inclusion Framework 2021-2024 adopted and annual report on equality, diversity and inclusion submitted to Audit & Scrutiny Committee (from 2022-2023 onwards). |
| | Publication of an Annual Governance Statement. |
| | Public petition scheme included in the Constitution. |
| | The council participates in its local community safety partnership. |
| Respecting the rule of the law | In addition to the relevant points above: |
| Tale of the law | Statutory Monitoring Officer and Section 151 Officer both work with councillors and officers to ensure that the law is adhered to, and a balanced budget is achieved. |
| | Internal and External auditors provide independent and objective reviews of the council's systems of internal control, governance and finances. |
| | Internal and External auditors provide independent and objective reviews of the council's systems of internal control, governance and finances. The council's political structure and roles are available on the council's website and includes membership details and functions of all major committees. Transparency page on the council's website publishes key documents and council information, including how freedom of information requests can be submitted. |
| | Transparency page on the council's website publishes key documents and council information, including how freedom of information requests can be submitted. |

- All committee decisions made by the council are published on the council's website, and meeting agendas are published publicly ahead of each committee meeting.
- Data Protection Policy requires applicable data breaches to be reported to the Information Commissioner's Office.
- Health and safety processes, policies and procedures have senior management oversight.

Principle B - Ensuring openness and comprehensive stakeholder engagement

What this means in practice:

The council is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens, and service users, as well as institutional stakeholders.

| Supporting principles | Examples of the council's commitment to achieving good governance in practice | |
|----------------------------------|--|-------------|
| Openness | Adoption of a clear and consistent reporting format in relation to committee reports. | |
| P 2006 | Agendas, reports (and minutes) are published on the council's website in advance. Meetings are open to the public except in relation to exempt items. | |
| 784 | Transparency page on the council's website provides a range of information that is freely available to the public under its publication scheme, including staff pay and procurement card spends. | |
| | Regular budget monitoring reports are submitted to Audit & Scrutiny Committee. | |
| | The council's Four Year Plan illustrates where the council is directing its resources. | |
| | Regular meetings are held with committee Chairs to discuss developments in their service area and of issues of concern, which is supplemented by regular all member briefings on areas of interest to elected councillors. | ١ |
| | Corporate performance reports taken to Audit and Scrutiny Committee. | |
| | Process in place to respond to freedom of information requests, which is also published on the council's website. | \searrow |
| | Scheme of Delegation in place. | Ś |
| | | enc Penc |
| Engaging comprehensively | In addition to the relevant points above: | ₹ ~ |
| with institutional stakeholders. | • A number of priority partnerships have been identified and are supported to ensure that outcomes are achieved efficiently and effectively, such as the Community Safety Partnership and the local Business Improvement District. | |

| | The council's 2022-2023 Annual Plan includes engagement activities. |
|-----------------------------|---|
| | The council's Procurement Strategy makes provision for engagement with a breadth of suppliers and ensures that they are chosen according to the council's requirements and deliver value to residents. |
| | Ensure regular performance / contract management / partnership meetings are scheduled with key partners. |
| | The council plays a significant part in the management of multi-agency arrangements for planning, responding to, and recovery from emergency and major incidents. The coordination of such actions takes place through the Local Resilience Partnership which is a statutory body established under the Civil Contingencies Act 2004. Membership is drawn from a range of statutory partners including all local authorities across Surrey. |
| We will engage stakeholders | In addition to the relevant points above: |
| effectively, including | Engaging with customers before planning and commissioning services is encouraged by the council. For example, new engagement approaches were used for consultation on the Epsom masterplan. |
| citizens and service users. | Social media platforms utilised to engage and communicate with stakeholders. |
| | Contact Centre in place to triage resident and other customer enquiries (phone, reception and online) and complaints. |
| Page 285 | Communications Plan in production. |
| 7 8 5 | Staff surveys issued on key topics. |

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits

What this means in practice:

The long-term nature and impact of many of the Council's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the Council's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

| Supporting principles | Examples of the council's commitment to achieving good governance in practice | pod |
|-----------------------|--|-------|
| Defining outcomes | The council's overall vision is reflected in the Four Year Plan, which sets out priority outcome themes, and is supported by individual annual plans, a Medium-Term Financial Strategy, and underpinned by a service delivery plan. | XIDIX |
| | Several corporate strategies and frameworks in place that cover specific policy areas, such as climate change and equalities. The council is also consolidating its strategies' separate action plans within its annual plans to aid effectiveness. | |

| | Progress on the annual plan is reported regularly to Audit & Scrutiny Committee. |
|--|--|
| | Corporate performance report, and actions produced to address observations raised in Internal and External Audit reports. |
| | Project management arrangements are in place |
| Sustainable economic, social and environmental benefits | In addition to the relevant points above: |
| | Climate change strategy and equality framework are in place. |
| | Environment and Sustainability Officer in post. |
| | Climate change and equalities implications are included in the standard committee report template. |
| | Social value included in the council's Procurement Strategy. |
| | Grant funding secured for community enhancements awarded and allocated. |
| | Health, wellbeing and equalities objectives included in the 2022-2023 Annual Plan. |
| Principle D - De | termining the interventions necessary to optimise the achievement of the intended outcomes |
| What this means i | in practice: |
| The Council achie right mix of these needs to ensure the | eves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. It hat it's defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while tive and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised. |

| Supporting principles | Examples of the council's commitment to achieving good governance in practice | |
|--------------------------|--|------------|
| Determining and planning | Corporate planning process in place, include Vision Future 40 and Four Year Plan. | |
| interventions | Robust budget planning and monitoring in place, including Medium Term Financial Strategy. | |
| | Governance of decision making in place, such as: policy committees, Strategic Management Team, Corporate Management Team, divisional team meetings, project boards. | Age |
| | Committee reports include objective and rigorous analysis of options in reports, indicating how intended outcomes would be achieved and associated risks. | penda item |
| | Corporate strategies in place such as for procurement, homelessness, climate change, equalities and counter fraud. | 76 |
| | Decisions for committee are presenting in a standard format, which ensures that proper professional advice on matters that have legal or financial implications is available, recorded and used appropriately. | n 13 |

What this means in practice:

The Council needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. It must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual Officers. Leadership is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

| Supporting |
|------------|
| principles |

Examples of the council's commitment to achieving good governance in practice

| Developing the entity's capacity | Key councillor and officer roles and responsibilities are set out in the Constitution. |
|----------------------------------|---|
| | Councillor / officer relations protocol is in place to ensure effective communication. |
| | Management meetings are in place, and can be used by service managers to escalate issues. |
| | Corporate planning aligned with financial planning. |
| | Support arrangements are in place to allow deployment of interim capacity where required. |
| | Employee Assistance Programme, mental health first aiders, and occupational health services support for staff health and wellbeing. |
| I | Roles of councillors and officers are set out in the Council's constitution and in officer job descriptions. |
| | Annual pay policy statement. |
| | Members' Allowance Scheme is in place. |
| | Scheme of Delegation is available in the Constitution. |
| | Corporate performance report taken to Audit and Scrutiny Committee. |
| | Regular service performance and county benchmarking in place. |
| | Internal Audit in place as a third line of defence regarding officer skills and training. |
| | The Corporate Project Board oversees corporate projects. |
| | Improving resource use through appropriate application of techniques such as business process reviews. |
| | Corporate management structure available to all staff and published in the Constitution. |
| | Recognising the benefits of partnerships and collaborative working where added value can be achieved, such as with Building Control. |
| | ICT Strategy in production. |
| | Succession planning is considered for key roles. |
| | The My Performance Conversation framework is used to discuss performance with officers and take action where performance is not meeting expectations. Pay benchmarking and job evaluation is undertaken. |
| | Pay benchmarking and job evaluation is undertaken. |

We will develop the capability of the entity's leadership

In addition to the relevant points above:

• Councillor induction programme and additional training provided, such as for planning and finance.

| and other | Training available to staff and included within the My Performance Conversations framework. |
|---|--|
| individuals. | Statutory officer posts in place, and recruitment of permanent Chief Executive underway. |
| | Project Management Group (community of practice) in place. |
| Principle F - M | anaging risks and performance through robust internal control and strong public financial management |
| What this means in practice: | |
| The Council needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important integral parts of a performance management system and are crucial to the achievement of outcomes. Pick should be considered and | |

The Council needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the achievement of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

| rage | Supporting principles | Examples of the council's commitment to achieving good governance in practice | |
|------|-----------------------|--|------------|
| 687 | | Audit and Scrutiny Committee has overall responsibility for the council's governance and risk management arrangements, ar relevant reports are reviewed by the committee through the year, such as those listed below. | ıd |
| | | Corporate performance reports taken to Audit and Scrutiny Committee regularly. | |
| | | Risk Management Strategy in place and training workshops undertaken. | |
| | | Multi-level risks registers are used, i.e. for corporate, committee and service-level risk management. | |
| | | Internal Audit reports and an annual audit plan are reviewed and approved by Audit and Scrutiny Committee. | |
| | | External Audit reports are taken to Audit and Scrutiny Committee. | |
| | | Procurement Strategy and Contract Standing Orders are in place. | ≱ |
| | | Senior management team meetings in place. | ope Ope |
| | | Policy committee meetings held, which enable risk discussions within each committee's remit. | enc enc |
| | | Risk assessments are included in committee reports. | × |

• Corporate Health and Safety Officer in post.

• A corporate health and safety group is operational and meets quarterly.

| | Data Protection Officer in post. | |
|---------------------------------------|---|------------|
| | Mandatory e-learning on a variety of topics is in place for new starters. | |
| | Councillor induction programme and training workshops in place. | |
| | Monitoring Officer in post. | |
| | Divisional Assurance Statements are signed by Heads of Service each year. | |
| | An corporate fraud report is taken to Audit and Scrutiny Committee annually. | |
| We will manage performance. | In addition to the relevant points above: | |
| performance. | Service Delivery Plan agreed each year and overseen by senior management. | |
| | The Corporate Project Board and Project Management Group provide forums to discuss project performance. | |
| | Business Assurance team oversee corporate performance management. | |
| | The Annual Governance Statement considers performance related to the council's governance. | |
| We will have robust internal control. | In addition to the relevant points above: | |
| ontrol. | The Chief Internal Auditor produced an Annual Report and Opinion on the council's governance and systems of internal control. | |
| | Anti-Fraud and Corruption Strategy is in place and an annual corporate fraud report is taken to Audit and Scrutiny Committee. | • |
| We will manage data. | In addition to the relevant points above: | |
| data. | Data Protection Policy is in place. | |
| | ICT Acceptable Use Policy in place. | |
| | Process for reporting and recording data breaches is available to council staff and councillors. | |
| | Records of the council's data processing activities are being reviewed and updated. | |
| | Data protection clauses are included in contracts. | ➤ |
| | Mandatory data protection e-learning in place for new starters. | þ |
| | Password policy in place. | en |
| | ICT penetration testing takes place. | Q X |
| | Information sharing agreements are used where required. | Appendix 1 |
| We will implement | In addition to the relevant points above: | |

| Ī | strong public | Financial regulations are available in the Constitution and regular budget reporting and monitoring takes place. | | |
|------|---|--|--|--|
| | financial management. | Medium Term Financial Strategy adopted. | | |
| | | Section 151 Officer in post. | | |
| | | Financial audits are regularly scheduled within every annual audit plan. | | |
| | | Star chambers take place to review potential savings opportunities. | | |
| | Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability | | | |
| | What this means in practice: | | | |
| | only with reporting | bout ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries a transparent manner. Both external and internal audit contribute to effective accountability. | | |
| | Supporting principles | Examples of the council's commitment to achieving good governance in practice | | |
| 'age | Implementing good practice in | Agendas, reports and minutes are published on the council's website. | | |
| 291 | transparency and reporting | Committee reports adopt a standard template and utilise bespoke software to enable effective feedback from key stakeholders and to be published on time. | | |
| | | Committee meetings are webcast live. | | |
| | | Transparency page on the council's website includes procurement card and supplier spend details, staff pay details, how freedom of information requests can be made and so forth. A project is currently underway to make this page more accessible by drawing all requirements from the Local Government Transparency Code and Localism Act into one place. | | |

• Annual Pay Policy Statement published on the council's website.

• The Constitution is available on the council's website.

ICT monitor and publish website accessibility to staff.

Audit and Scrutiny Committee in place and reports are published publicly.

E-Hub enables departments to publish information relevant to other teams internally.

Corporate Performance Report published publicly and reviewed by Audit & Scrutiny Committee.

• External and internal audit reports are published publicly and reviewed by Audit & Scrutiny Committee.

| _ | | |
|---|----------------|---|
| | | There is an Internal Audit Charter which sets out the purpose, authority and responsibility for the internal audit function and clearly defines councillors' and officers' roles, responsibilities and relationship. |
| | | Budget reports and Medium Term Financial Strategy published publicly and reviewed by multiple committees. |
| | | Member News used to disseminate key information / briefings to elected councillors. |
| | | Whistleblowing Policy in place. |
| | | Corporate and committee risk registers published within the Corporate Performance Report. The latter registers are in development at the time of writing. |
| Assurance and effective In addition to the relevant points above: | | In addition to the relevant points above: |
| | accountability | External Audit provides an annual opinion on the Council's financial statements and value for money arrangements. |
| Page 292 | | To mitigate any potential risks observed by Internal Audit, improvement actions are formulated by senior officers - which include a priority rating and date for completion - and are signed off by the Chief Internal Auditor. These are tracked through to completion via regular Internal Audit progress reports, which are brought to Audit and Scrutiny Committee. |
| | | Progress with the Internal Audit annual plan culminates in the Chief Internal Auditor's Annual Report and Opinion, which provides assurance on the council's overall governance arrangements and systems of internal control. |
| | | The Annual Governance Statement (AGS) is prepared in accordance with CIPFA guidance. The AGS sets out the council's governance framework and the results of the annual review of the effectiveness of the council's arrangements. The AGS includes areas for improvement, which are tracked within the Corporate Performance Report. |
| | | Procurement strategy, contract standing orders and partnership contracts, memorandums and agreements are used for each formal partnership. |
| | | |

Responsibilities

Good corporate governance is everyone's responsibility. There are however several specific responsibilities in relation to the implementation, monitoring and review of the council's governance practices and the production of the Annual Governance Statement, as outlined below:

The council and its committees

The council's political structure is based on the committee system. The Constitution shows how the council makes decisions and how they are delegated to policy, regulatory and sub-committees, and to officers. The full council agrees the budget and major plans. Elected councillors and the chairs of committees should champion and be role models for good governance, in the spirit of the this Code.

Head of Paid Service (Chief Executive)

The Chief Executive (as Head of Paid Service) is responsible for coordinating the different functions of the Council, staff appointment, organisation, and management. They also have responsibility for championing and role modelling good governance, in the spirit of this Code.

Monitoring Officer

Ensures that decisions taken comply with all necessary statutory requirements and are lawful. Ensures decisions are taken in accordance with the Council's budget and policy framework. Provides advice and scope of powers and authority to take decisions as well as support councillors with their code of conduct.

Section 151 Officer

Leading the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

Internal Audit function

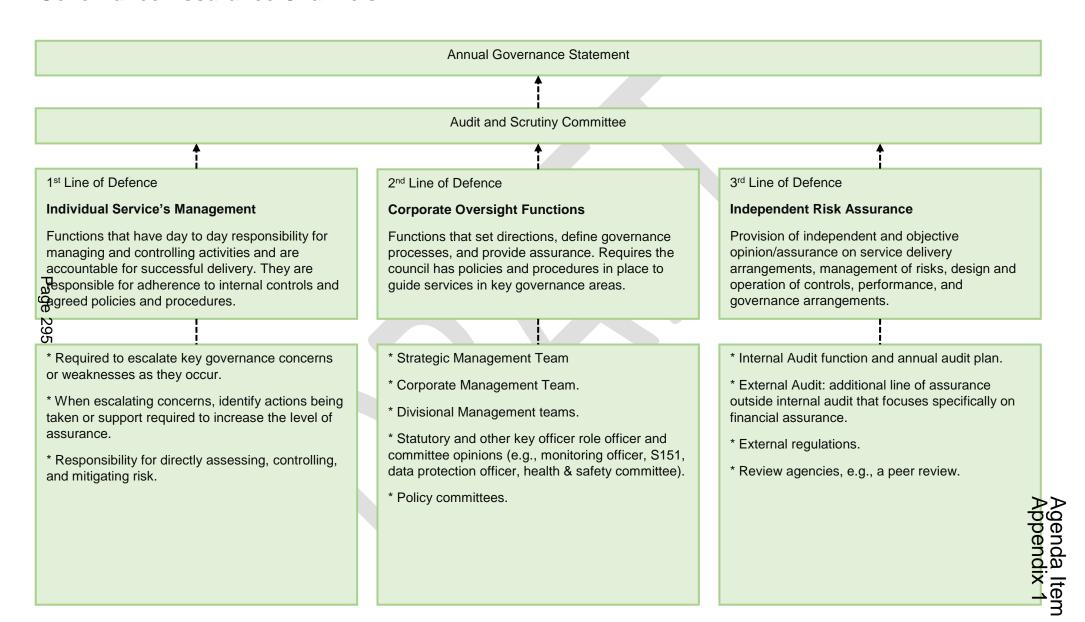
(Southern Internal Audit Partnership)

Provides independent and objective assurance and an annual opinion on the overall adequacy and effectiveness of the council's governance, risk management and control framework. Delivers an annual programme of risk-based audit activity, and reports to the Audit and Scrutiny Committee on audit activities during the year.

Governance structure

| F | |
|-------------------------------|---|
| The Council | Consists of elected councillors. Approves the constitution. Appoints committees and sub-committees. Sets council tax. Set budget framework |
| Policy Committees | Main decision-making function of the council. Comprises four committees who have responsibilities for particular areas. Subject to political oversight of the council. Membership is politically balanced. |
| Audit & Scrutiny Committee | Provides assurance to the council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. Approves the Local Code of Governance, Annual Governance Statement and the Statement of Accounts. Review and scrutinise decisions and performance of the Council and audit arrangements. |
| Other regulatory committees | Licensing: deals with all aspects of local licensing for which the council is responsible. Planning: makes decisions on certain planning applications and deals with other development control issues such as enforcement. Standards and Constitution Committee: promoting and maintaining high standards of conduct by councillors and coopted councillors, and maintaining oversight of the Constitution. |
| Corporate Management Team | Implements the policy and budgetary framework set by the council, and provides advice to policy committees and the council on the development of future policy and budgetary issues. Oversees the delivery of the council's corporate plans, statutory and discretionary services, and implementation of policy. Responsible for developing, maintaining and implementing the council's governance, risk, performance and control framework. Contribute to the effective corporate management and governance of the council. |

Governance Assurance Channels



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COMMITTEE WORK PROGRAMME 2022-2023

Head of Service: Andrew Bircher, Head of Policy and Corporate

Resources

Wards affected: (All Wards)

Urgent Decision?(yes/no) No
If yes, reason urgent decision N/A

required:

Appendices (attached): None

Summary

This report presents the Committee with the work programme for 2022-2023.

Recommendation (s)

The Committee is asked to:

(1) Note and agree the on-going work programme for 2022-2023 as presented in Section 2.

1 Reason for Recommendation

1.1 Article 6 (paragraph 6.7) of the Constitution states that the Committee "will exercise overall responsibility for the work programme of those officers whose function is wholly to support its work". Therefore the recommendation enables the Committee to maintain oversight of its work programme 2022-2023 and make any additions or adjustments it may wish.

2 Work Programme 2022-2023

2.1 The committee work programme for 2022-2023 is presented in Section 2.3 below.

¹ See Constitution of Epsom and Ewell Borough Council, p. 13. Online available: https://democracy.epsom-ewell.gov.uk/documents/g1309/Public%20reports%20pack%2028th-Jan-2022%20Constitution%20of%20Epsom%20and%20Ewell%20Borough%20Council.pdf?T=10&Info=1 [Last accessed 15/03/22].

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- 2.2 The plan includes reports that relate to the committee's areas of responsibility as stipulated in its terms of reference.² New items added / amended to the programme since the last report appear in **bold**.
- 2.3 Work Programme 2022-2023:

| Meeting | | Agenda |
|-----------|-------------------|--|
| Past | April 2022 | Internal Audit Progress Report 2021-2022 (Apr 2022) Internal Audit Plan 2022-2023 & Internal Audit Charter Annual Report on the Community Safety Partnership Four Year Plan: Performance Report 2021-2022 (deferred from Feb 2022) External Audit Update Committee Annual Report 2022-2023 (to be presented to Full Council) Work Programme 2022-2023 |
| | June 2022 | Annual Internal Audit Report & Opinion 2021-2022 Internal Audit Progress Report - June 2022 Annual Governance Statement 2021-2022 Four Year Plan: Year End Report 2021-2022 Use of Delegated Powers Annual Report Work Programme 2022-2023 |
| Cancelled | September 2022 | Revenue Budget Monitoring – Quarter 1 (2022-2023) Capital Budget Monitoring – Quarter 1 (2022-2023) 2021-2022 Treasury Management Outturn Report Counter Fraud and Whistleblowing Annual Report (inc. gifts and hospitality) Equality & Diversity (inc. modern slavery) Annual Report Performance & Risk Report – September 2022 Work Programme 2022-2023 |
| Present | November 2022 | Carried forward from the September meeting: Revenue Budget Monitoring – Quarter 1 (2022-2023)³ Capital Budget Monitoring – Quarter 1 (2022-2023)⁴ 2021-2022 Treasury Management Outturn Report Counter-Fraud and Whistleblowing Annual Report (inc. gifts and hospitality) Equality & Diversity (inc. modern slavery) Annual Report Performance & Risk Report - September 2022 Originally scheduled for the November meeting: Internal Audit Progress Report - November 2022 |

ewell.gov.uk/documents/s22823/Committee%20Terms%20of%20Reference%20Appendix%201.pdf [Last accessed 15/03/22].

² See *Committee Terms of Reference*, Full Council, 15 February 2022, pp. 22-24. Online available: https://democracy.epsom-

³ This paper was shared via Members' News in September 2022.

⁴ This paper was shared via Members' News in September 2022.

| | | 2021-2022 Statement of Accounts and Audit Findings Report (subject to external audit progress). Revenue Budget Monitoring – Quarter 2 (2022-2023) Capital Budget Monitoring – Quarter 2 (2022-2023) 2022-2023 Treasury Management Interim Report, including associated training. Code of Corporate Governance Work Programme 2022-2023 Update on Compliance with the Surveillance Camera Code of Practice⁵ Regulation of Investigatory Powers Act (2000) Annual Report⁶ Annual Plan pre-scrutiny⁷ |
|--------|------------------|--|
| | February 2023 | Revenue Budget Monitoring – Quarter 3 (2022-2023) Capital Budget Monitoring – Quarter 3 (2022-2023) Performance and Risk Report – February 2022 Work Programme 2022-2023 External Audit Update (if required) |
| Future | April 2023 | Internal Audit Progress Report - April 2023 Internal Audit Plan 2023-2024 & Internal Audit Charter External Audit Update (if required) Committee Annual Report 2022-2023 (to be presented to Full Council) Work Programme 2023-2024 IT Strategy (placeholder)⁸ |

3 Corporate Policies Monitoring

- 3.1 The purpose of this section is to inform the committee of amendments to corporate operational and statutory policies. Officers maintain and update the Council's suite of these types of policy, and will note here a summary of any amendments since the last committee meeting.
- 3.2 Amendments to policies:
 - 3.2.1 Data Protection Policy: The policy has received administrative updates and to reflect ICO requirements, such as a new roles and responsibilities section. The data breach reporting form, including lessons learned, has also been included in the policy.

⁵ Moved to Crime and Disorder Sub-Committee.

⁶ Moved to Crime and Disorder Sub-Committee.

⁷ Schedule change, re: carry forward of 2022-23 plan.

⁸ Moved due to schedule change.

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3.2.2 Corporate Health and Safety Policy: Update to: Appendix 2; team names changes; update to roles and responsibilities: councillors; removed signature space for Chief Executive and Chair of Strategy and Resources Committee (Section 2).

4 Local Government and Social Care Ombudsman

- 4.1 When the Council receives its annual letter from the Local Government and Social Care ombudsman, we will note here whether any recommendations have been put to the Council by the ombudsman.
- 4.2 Further details on the complaints the Ombudsman have received and assessed, as well as copies of the annual letters they send to the Council, can be accessed on their public website at this address:

 https://www.lgo.org.uk/your-councils-performance [last accessed 23/03/2022].

5 Risk Assessment

Legal or other duties

- 5.1 Impact Assessment
 - 5.1.1 No implications for the purposes of this report.
- 5.2 Crime & Disorder
 - 5.2.1 The annual report on the Community Safety Partnership will be taken to the Crime and Disorder sub-committee in the next municipal year.
- 5.3 Safeguarding
 - 5.3.1 No implications for the purposes of this report.
- 5.4 Dependencies
 - 5.4.1 Completion of the Council's financial accounts for 2022-2023 are dependent upon consideration of the Annual Internal Audit Report and Opinion.
- 5.5 Other
 - 5.5.1 No implications for the purposes of this report.

6 Financial Implications

- 6.1 None for the purposes of this report.
- 6.2 **Section 151 Officer's comments**: The proposed work programme would meet statutory deadlines for the external audit of the Statement of Accounts.

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7 Legal Implications

- 7.1 None for the purposes of this report.
- 7.2 **Legal Officer's comments**: The Committee needs to be effective in its role. By preparing a planned Work Programme, the Committee can ensure that it has adequate time to properly consider those key areas where it can add greatest value. In turn, this will enable the Council to demonstrate that it has effective scrutiny arrangements in place.

8 Policies, Plans & Partnerships

- 8.1 **Council's Key Priorities**: All key priorities are engaged.
- 8.2 **Service Plans**: The matter is not included within the current Service Delivery Plan.
- 8.3 **Climate & Environmental Impact of recommendations**: None for the purposes of this report.
- 8.4 **Sustainability Policy & Community Safety Implications**: As per Section 4.2.
- 8.5 **Partnerships**: None for the purposes of this report.

9 Background papers

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

Previous reports:

Committee Work Programme 2022-2023, Audit and Scrutiny Committee, Tuesday 14 June 2022. Online available: https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?Cld=157&Mld=1250&Ver=4 [Last accessed 11/08/22].

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