

Public Document Pack

Simon Young, Solicitor
Head of Legal and Democratic Services



STRATEGY AND RESOURCES COMMITTEE

Tuesday 27 June 2017 at 7.30 pm

Council Chamber - Epsom Town Hall

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

Councillor Eber Kington (Chairman)
Councillor Clive Smitheram (Vice-Chairman)
Councillor Tony Axelrod
Councillor Kate Chinn
Councillor Neil Dallen

Councillor Hannah Dalton
Councillor Omer Kokou-Tchri
Councillor Humphrey Reynolds
Councillor Mike Teasdale
Councillor Clive Woodbridge

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Young', written over a faint, larger version of the same signature.

Head of Legal and Democratic Services

For further information, please contact Fiona Cotter, 01372 732124 or fcotter@epsom-ewell.gov.uk

AGENDA

1. QUESTION TIME

To take any questions from members of the Public

Please Note: Members of the Public are requested to inform the Democratic Services Officer before the meeting begins if they wish to ask a verbal question at the meeting

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. LOCAL COUNCIL TAX SUPPORT SCHEME (Pages 5 - 16)

This report provides options for the Local Council Tax Support Scheme for 2018/19 and asks Members to choose their preferred option in order that any consultation required can be undertaken over the summer.

4. PLAN E - EPSOM HIGHWAY AND PUBLIC REALM IMPROVEMENTS (To Follow)

5. CORPORATE PLAN: YEAR-END PERFORMANCE REPORT 2016 TO 2017 AND PROVISIONAL TARGETS FOR 2017 TO 2018 (Pages 17 - 50)

This report provides a year-end update against our Key Priority Performance Targets for 2016 to 2017, under our new Corporate Plan and provisional targets for 2017 to 2018.

6. FINAL ACCOUNTS 2016/17 (Pages 51 - 74)

This report summarises the Council's financial performance for 2016/17, seeks approval to the Annual Governance Statement for 2016/17 and notes the carry forward of capital provision for schemes where costs will be incurred in 2017/18.

7. TREASURY MANAGEMENT : YEAR END PERFORMANCE 2016/17 (Pages 75 - 90)

This report reviews the performance of the council's treasury management function in 2016/17

8. JOINT INFRASTRUCTURE GROUP: MEMBERSHIP (Pages 91 - 94)

This report requests the Strategy and Resources Committee to consider appointments to the Joint Infrastructure Group.

9. CAPITAL MEMBER GROUP: MEMBERSHIP (Pages 95 - 98)

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group.

10. MINUTES OF PREVIOUS MEETING (Pages 99 - 104)

The Committee is asked to confirm as a true record the Minutes of the meeting of the Strategy and Resources Committee held on 4 April 2017 and to authorise the Chairman to sign them.

11. EXCLUSION OF PRESS AND PUBLIC (Pages 105 - 106)

The Committee is asked to consider whether it wishes to pass a resolution to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

12. CEMETERY GROUNDS MAINTENANCE CONTRACT (Pages 107 - 118)

This report has not been published because the meeting is likely to be closed to the press and public in view of the nature of the business to be transacted/nature of the proceedings. The report deals with information relating to the business affairs of the Council and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

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LOCAL COUNCIL TAX SUPPORT SCHEME

<u>Report of the:</u>	Head of Revenues and Benefits
<u>Contact:</u>	Judith Doney
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	None
<u>Other available papers</u> (not attached):	Report to Strategy & Resources Committee June 2016

REPORT SUMMARY

This report provides options for the Local Council Tax Support Scheme for 2018/19 and asks Members to choose their preferred option in order that any consultation required can be undertaken over the summer.

RECOMMENDATION (S)

That the Committee

- (1) Advise which of the following options they wish to consider for the Local Council Tax Support scheme from 2018/19:

Option A

Continue with the current scheme with the underlying means testing being kept in line with the Housing Benefit regulations and rates applicable from April of the appropriate year; or

Option B

Consider increasing the 20% minimum payment on the current scheme to either 25% or 30% and undertake a public consultation for consideration by Members in November 2017.

- (2) Consider setting a scheme for a two year period to bring the scheme into line with the Medium Term Financial Strategy and Corporate Plan and the planned full roll out of Universal Credit.
- (3) Agree the continuation of the Discretionary Hardship Fund for exceptional cases and agree a provision of £25,000 per year.

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The Council's Safer and Stronger Communities service plan includes the following target: The Council's priority "Supporting the Local Community" can be achieved by managing the changes in welfare benefit in a way that reduces the impact on the most vulnerable.

2 Background

- 2.1 Under changes made by the Local Government Finance Act 2012 to the Local Government Finance Act 1992, the responsibility for determining the arrangements for Local Council Tax Support passed to local authorities; previously a national scheme was in place. The first Local Council Tax Support Scheme had to be adopted by 31 January 2013. There were certain limitations on what local authorities could include in their schemes. For example, pensioners are protected.
- 2.2 EEBC's Local Scheme for Council Tax Support was based on the previous Council Tax Benefit scheme and continued means testing for pensioners and for those of working age on low incomes. The scheme provides additional protection for those with extra expenses or needs through a series of premiums and income disregards.
- 2.3 At the expiry of a scheme the Council is required under the Local Government Finance Act 1992 to consider whether to revise or replace it with another scheme. Any revision or replacement must be adopted no later than 31 January in the financial year preceding that for which the revision or replacement is to take effect.
- 2.4 If any revision or replacement has the effect of reducing or removing support to any class of persons, then the revision or replacement must include such transitional provision as the Council thinks fit.
- 2.5 Before making a scheme the Council must (in the following order) -
- 2.5.1 Consult major precepting authorities (Surrey County Council and Surrey Police).
 - 2.5.2 Publish a draft scheme in such manner as we think fit, and
 - 2.5.3 Consult such other persons as we consider are likely to have an interest in the operation of the scheme.
- 2.6 Our current scheme is based on working age recipients of Council Tax Support making a 20% minimum payment towards their council tax. The majority of the underlying means tested applicable amounts used in the calculation of entitlement were frozen as per the Housing Benefit rates from April 2017.
- 2.7 EEBC also provides a Discretionary Hardship Fund of £25,000 to assist those experiencing financial hardship due to the scheme.

3 Current Scheme Evaluation

- 3.1 As at 18 April 2017 there were 1,652 working age claimants in receipt of Council Tax Support, distributed within the wards as per Table 1.

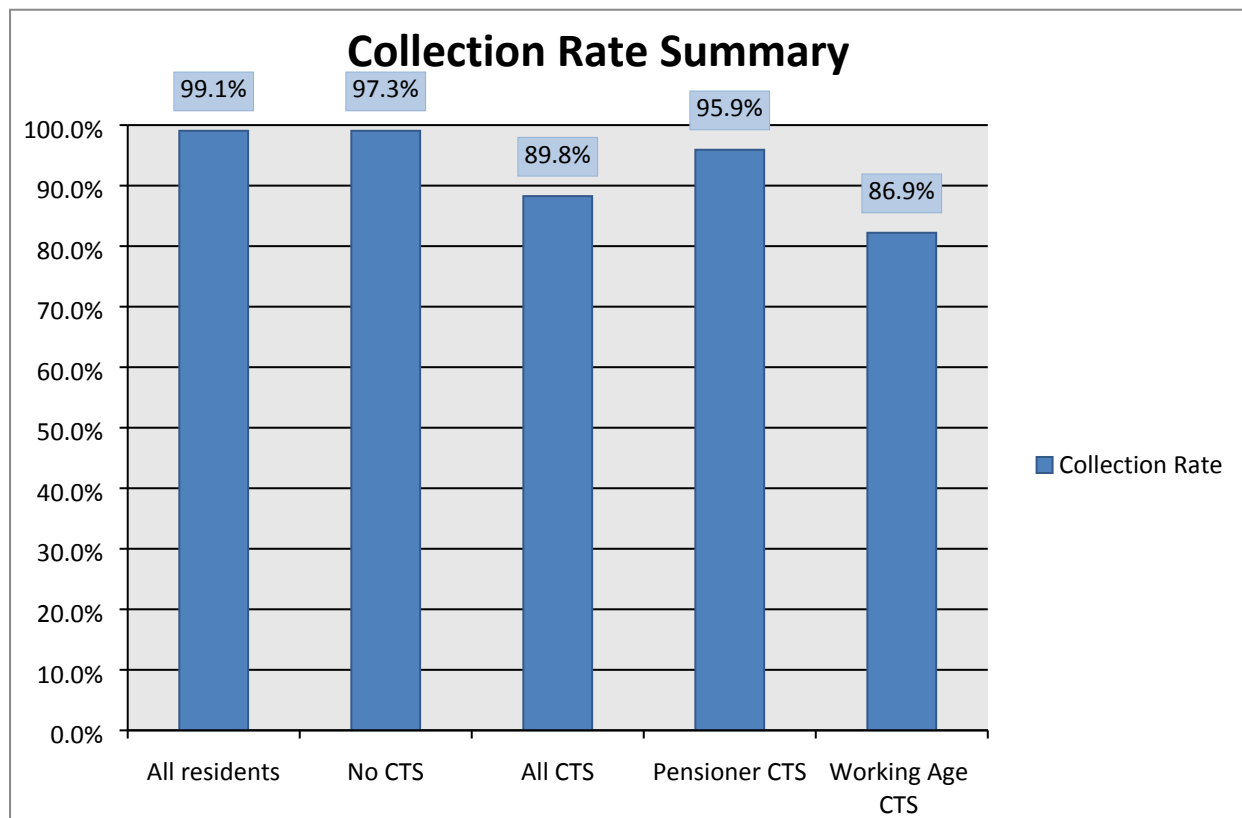
Table 1

Ward	No. of working age CTS claimants
Auriol	32
College	52
Court	341
Cuddington	89
Ewell	136
Ewell Court	61
Nonsuch	12
Ruxley	241
Stamford	171
Stoneleigh	29
Town	281
West Ewell	118
Woodcote	89
Total	1,652

- 3.2 Of the above 1,652 claims 846 are in receipt of Income Support, Jobseekers Allowance or Employment Support Allowance. There are 623 claims where the claimant, their partner, or both are working (including 182 engaged in self-employment). Of those working, 254 earn the minimum wage or below. The remaining claimants are on a variety of other benefits such as disability benefits or tax credits.
- 3.3 In 2016/17, 77.5% of working age claimants had paid their Council Tax in full by the end of the year, whilst 22.5% still had an amount outstanding. During the year the Council Tax Recovery Team sent 1,366 reminders to Council Tax Support claimants for defaulting on their payment instalments. For those on a low income the Recovery Team try to make a suitable arrangement, but ultimately if the debtor will not engage with EEBC or the CAB further recovery action is taken. 642 summonses were issued leading to 67 cases being referred to enforcement agents and 211 orders for an attachment to benefits. (Deductions can be taken from a person's social security benefit to service their council tax debt. The current statutory rate of recovery is £3.70 a week, whereas the 20% minimum payment for a band D property is £6.69 per week).

- 3.4 Overall, the council tax collection rate has remained at 99.1% between 2015/16 and 2016/17. Table 2 shows the levels of collection for different categories.

Table 2



- 3.5 Since the introduction of Council Tax Support there have been reductions in the number of recipient's year-on-year. The fall was 2.9% over the 2016 financial year. Nonetheless, expenditure slightly increased in 2016 (a rise of 2.5%) primarily due to rises in the council tax charge.
- 3.6 For 2016/17 we received 161 applications for EEBC's Discretionary Hardship Fund and granted a total of £24,938 on 148 of those. A number of these were given a limited period of full assistance and then a phased reduction in the assistance to help claimants (with the aid of the CAB) make adjustments with their budgeting so as to reduce reliance on the Discretionary Hardship Fund.
- 3.7 As at 17 May 2017, 38 applications have been received and a total of £4,936 payments made. Experience from previous years shows we should expect a surge in applications once the more formal recovery processes for Council Tax Support begin at the end of June.

4 Context

4.1 Nationally:

- 264 authorities have a Minimum Payment scheme

- 45 authorities have a Minimum Payment of 10% or less
- 60 authorities have a Minimum Payment between 10% and 20%
- 140 authorities have a Minimum Payment between 20% and 30%
- 19 authorities have a Minimum Payment of 30% or more
- The average Minimum Payment is 17%
- The New Policy Institute reports that council tax arrears have risen since the inception of Council Tax Support in 2013 and that “arrears have risen most...in those with Minimum Payments above 20%”.

4.2 Locally within Surrey:

- 7 authorities have a Minimum Payment Scheme
- These range from 10% to 30%
- The average is approximately 20%
- None of the 11 authorities made significant changes to their schemes for 2017/18.

5 Financial and Manpower Implications

- 5.1 When localised Council Tax Support was introduced in April 2013 the government reduced its funding and Epsom & Ewell Borough Council received £337,000 towards the local scheme. Subsequently, the cost of the scheme has been incorporated with the Revenue Support Grant so it is no longer possible to identify what support the Council receives from the Government to assist with the cost of this scheme. With the Council set to receive no RSG in future years, the cost of this scheme will now fall to be met by the Council and other Precepting Bodies.
- 5.2 The overall cost of the Local Council Tax Support Minimum Payment scheme for 2016/17 was £2,871,456. This total includes Council Tax Support payments for both working age and pensioner claimants.
- 5.3 The Council's share of the cost of providing this support for 2016/17 was £315,860 before any contribution from the recipients. The cost for support for pensioners was £150,350 and for working age was £165,510. This equates to an additional £5 a year which other taxpayers fund through their Council Tax.

- 5.4 The Revenue Support Grant has been reducing year on year and will disappear in 2018/19.
- 5.5 Column two in Table 3 illustrates the collection from Council Tax Support recipients and the income to EEBC in 2016/17. Columns three through six forecast what could have been the outcome should we have applied a 25% or 30% Minimum Payment.

Table 3

	2016/17 20% minimum payment scheme (actual)	25% minimum payment (expected worst case collection)	25% minimum payment (expected best case collection)	30% minimum payment (expected worst case collection)	30% minimum payment (expected best case collection)
Amount of Ctax to be collected from Support recipients based on 2016/17 rates	758,298*	947,873	947,873	1,137,447	1,137,447
Estimated recovery rate	87%	75%	80%	70%	75%
Forecast council tax income collectable	659,719	710,904	758,298	796,213	853,085
EEBC Share of council tax income (11%)	72,569	78,199	83,413	87,583	93,839

* In addition to the 20% Minimum Payment this figure includes other Council Tax Support reductions which increase the amount to be collected, such as non-dependent deductions. It is net of the Discretionary Hardship Fund awards made.

- 5.6 In considering the figures quoted in the final row of Table 3 we must offset this collection by the additional cost of the resources used to collect these sums. Therefore whilst any further increase in the Minimum Payment would continue to reduce expenditure, the actual gain from this would depend on the level of collection achieved. With the Minimum Payment increasing and no increase in the recovery resources to collect this, we would expect a reduction in collection rates. Currently the recovery team consists of 3 recovery staff costing £94,324 a year. This is an increase of 0.5 post from previous years which has helped improve collection from the working age recipients 82% to 87% in 2016/17. (Of note, Camden council

are returning to a fully funded Council Tax Support scheme – i.e. no restrictions such as a Minimum Payment – and one of the justifications for this is to avoid the administration costs of collecting small amounts of money from low income families.)

- 5.7 The effect of a lower collection rate from the Council Tax Support claimants does not have a significant effect on the overall collection rate since the Council Tax Support claimants only account for approximately 5.5% of the total tax base and less than 2% of the charge to be collected. However the number of claimants the recovery staff are now dealing with has risen and the majority have little means to make these payments. The increased work for the recovery team on this group is high and if the Minimum Payment is increased we may need to review the resources on the team in order to sustain the collection rate for Council Tax Support recipients. Given the difficulties in recovering the charge from those on such low incomes, increasing the Minimum Payment will also leave a greater percentage unpaid adding to the Council Tax arrears position. Currently the arrears on working age recipients at the end of March 2017 equated to 19.42% of the total Council Tax arrears brought forward for the 2016/17 financial year.
- 5.8 When considering how to meet the cost of the Council Tax Support, other than reducing Support to residents, members have few options. Raising the Council Tax is limited to £5 per annum on a Band D equivalent property, unless Members wish to go to a public referendum. Reserves are currently only £800,000 above the minimum level and Council Tax Support is an ongoing cost. The only other option is to reduce services further.
- 5.9 **Chief Finance Officer's comments:** *Epsom & Ewell Borough Council will only retain approximately 11% of any additional income received from reducing the level of Council Tax Support provided.*
- 5.10 *A reduction in Council Tax Support could see an increase in the demand on the hardship fund which is fully funded by Epsom and Ewell Borough Council. Currently £25,000 has been included within next year's projections.*

6 Options for 2018/19

- 6.1 Next year Councils can continue with the scheme as approved for 2017/18 or modify their schemes. Any significant changes would require further consultation.
- 6.2 Under the Prescribed Regulations those of pension age must continue to be protected from any changes and so these proposals relate only to working age residents. As at 18 April 2017 our caseload consists of 1,166 pensioners (41%) who are in receipt of Council Tax Support.

6.3 There are two main options for a 2018/19 Council Tax Support scheme:

6.3.1 Option A. Continue with current scheme.

6.3.2 Option B. Increase the percentage of the Minimum Payment.

Option A: Continuing with the current scheme.

6.4 With the Minimum Payment set at 20% the recovery team achieved a better than expected 87% recovery rate from those residents on Support, mainly due to some additional resource on the team. Continuing with this scheme has the disadvantage of not increasing the income from Council Tax but would add less to the arrears provision. Although those affected were not happy with having to pay part of their charge, 20% was accepted as relatively fair and keeps the reduction in Support from our previous version of the scheme to around £7 per week for claimants.

6.5 A 20% Minimum Payment keeps EEBC close to both the national average for Minimum Payment schemes and the average within Surrey

6.6 Maintaining the existing scheme avoids the significant amount of work and cost required in a consultation exercise.

6.7 The existing £25k provision for Discretionary Hardship Fund payments has proved successful at helping the most vulnerable and mitigating the impacts identified in the CEIA. Council would be asked to maintain the same level of provision if option A were chosen.

Option B: Increasing the percentage of the Minimum Payment.

6.8 This option could provide more income for Epsom & Ewell Borough Council if the council tax owed by working age claimants can be collected at a reasonably high level and a reasonably low cost of staff resources.

6.9 The percentage payment can be set as a standard amount with additional assistance to vulnerable households provided by the Discretionary Hardship Fund as now, or by setting different levels of percentages for vulnerable groups. If differing levels of percentages are introduced the overall percentage would need to take account of these reductions and information on this aspect would be included in a more detailed scheme proposal/consultation.

6.10 Should Members wish to pursue this option it is recommended that we go out to consultation on an increase of 5% or 10%.

6.11 This option would require full consultation and Committee will need to decide at its November meeting which percentage Minimum Payment level they will introduce for 2018/19.

- 6.12 The current Discretionary Hardship Fund enables officers to consider claims on an individual basis rather than as just belonging to specific groups. If Option B is chosen Support recipients would be asked to pay more towards their council tax. Thus it would be prudent to increase the Fund to mitigate the findings of the Community Equality Impact Assessment. The amount of increase required would be considered in conjunction with other options such as the use of differing minimum payments for vulnerable groups. This work will be undertaken as part of any proposals for the 2018/19 scheme.
- 6.13 For those current recipients who will be disadvantaged by any new scheme under Option B there would also be a requirement to consider whether transitional provisions are thought fit. More details would be provided in a follow up report to be presented at the November Committee meeting.

Recommendation 2 - Agreeing a scheme to run for 2018/19 and 2019/20

- 6.14 Members are asked to consider setting a scheme that will be in place for the next two financial years. Whilst concerns regarding possible legal challenges have been voiced concerning multi-year schemes, these are centred on schemes that change in each of the years. Schemes that remain the same in each year should be safe from any such challenge.
- 6.15 Advantages of a two year scheme include:
- 6.15.1 Residents, partner organisations and staff all more easily understand the scheme, how it operates and their / their customer's responsibilities under it.
 - 6.15.2 Central government's Welfare Reforms continue and their impact on resident's finances cannot be predicted with certitude, beyond the known fact that they will impact upon our residents' ability to afford to pay their council tax. Continuing a Council Tax Support scheme for two years is sympathetic to the reducing incomes of those dependent on social security.
 - 6.15.3 Council Tax Support is administered by EEBC's Benefits Section in conjunction with Housing Benefit claims. Housing Benefit claims are set to slowly reduce as Universal Credit supersedes. In 2018/19 authorities should have a clearer picture of the Universal Credit rollout. Without Housing Benefit claims, authorities will be in a better position to potentially make more radical decisions regarding their Council Tax Support scheme. Having a steady-state between prior years will provide a better platform from which to assess data and the likely effects of such large changes.

6.15.4 The exercise of looking at the Council Tax Support scheme can be resource intensive with work needed on considerations for scheme changes, evaluation of possible effects, re-visiting the CEIA, re-writing the scheme regulations, consultation preparation and analysis, etc. To carry this out yearly does impinge on other matters that require officers' dedication.

7 Other factors impacting on future schemes

- 7.1 It is important that any scheme agreed by the Council is capable of being administered effectively. This Council uses Academy software, one of a small number of systems available for this purpose. The costs of implementing changes to the scheme are relevant, in the context of the likely sums to be recovered from council tax payers and claimants. The Council's software company are taking the first steps towards introducing more radical options for Support schemes. However, these are at the initial stages and it might be prudent to allow sufficient time for testing or the evaluation of other sites that utilise it before embracing such functionality.
- 7.2 Welfare Reforms continue to affect working age Support recipients. The introduction of a harsher Benefit Cap reduces Housing Benefit for 71 households. 114 other households are subject to the bedroom tax. All working age Support recipients have less income in real terms given the freeze in many benefit rates since 2015.
- 7.3 Universal Credit has been introduced small-scale into our borough. For Council Tax Support purposes the 32 households are statistically insignificant. Nonetheless the fact that 42% of these had not paid their council tax in full by 31 March 2017 (compared to 22.5% for all Support recipients) is of concern – though further investigation is required. (It may be that the majority of these were previous homelessness cases and were thus already more financially insecure than the average Support recipient).

8 Legal Implications (including implications for matters relating to equality)

- 8.1 The Council has a duty under the Equality Act 2010, in the exercise of any of our functions, to have regard to the need to: eliminate discrimination, harassment, victimisation and other prohibited conduct; advance equality of opportunity; and foster good relations. This requires an assessment of the impact of any changes to the Local Council Tax Support Scheme on those with the relevant "protected characteristics".
- 8.2 The Community Equality Impact Assessment (CEIA) that was carried out for the introduction of the current Minimum Payment scheme, and the criteria for the Discretionary Hardship Fund, which takes into account the findings in the CEIA, would need to be reviewed if the Minimum Payment percentage is increased.

- 8.3 Option B which changes the Minimum Payment, would require the Council to undertake a full consultation process of at least 8 weeks. This would be similar to those carried out for the inception of the scheme and, more recently, the move to a Minimum Payment. It would involve consulting with current Council Tax Support recipients who would be directly affected by the changes, general taxpayers, the Citizen's panel, monthly eBorough Insight, the Equalities Forum, local advice groups, residents associations, political groups, precepting authorities and other interested organisations such as Housing Associations. To have as wide a consultation as possible awareness of the consultation would be promoted through direct mailings/e-mailings, press releases, eBorough Insight, etc. The survey would be web based, with paper copies of the survey available at the Town Hall and Venues.
- 8.4 In order for the results of any consultation to inform final recommendations on the Council Tax Support scheme for 2018/19 the consultation exercise must start at the beginning of July. An analysis can then be provided for the November Committee meeting.
- 8.5 Since the Council last undertook a public consultation on its Local Council Tax Support Scheme there has been a Supreme Court Judgment on the consultation carried out by the London Borough of Haringey. All Councils are now to have regard to the finding of this judgment when undertaking further consultation exercises. Councils are required to detail in their consultation what other options might be available to meet the shortfall in central government funding, such as raising the council tax, using reserves or reducing the funding of other services. Explanations why the Council is not proposing to adopt any of these are required.
- 8.6 ***Monitoring Officer's comments:*** *No additional comments – the key issues have been considered in the body of the report.*

9 Sustainability Policy and Community Safety Implications; Partnerships

- 9.1 There are no implications for the purposes of this report.

10 Risk Assessment

- 10.1 The main risks identified remain the adverse impacts on claimants and financial risks to the Council and therefore the council taxpayer. The figures identified in paragraph 5 relate solely to Epsom & Ewell Borough Council. Yet decisions made on the Local Scheme will also affect Surrey County Council and Surrey Police. Both must be consulted on any proposed changes.
- 10.2 It would be expected that increasing the percentage Council Tax Support recipients have to pay will affect collection rates. It is difficult to predict the possible loss in revenue given the lack of information from other sites relating specifically to Support recipients.

- 10.3 It would be expected that the higher the Minimum Payment percentage the lower the amount that could be collected. It would be necessary to ensure a substantial bad debt provision was made within the Council's collection fund to cover this.
- 10.4 If a Discretionary Hardship Fund assisting vulnerable households continues the Director of Finance & Resources would regularly monitor the expenditure against the provision.

11 Conclusion and Recommendations

- 11.1 Members can choose to either continue with the current scheme or to increase the Minimum Payment percentage.
- 11.2 When setting a scheme for 2018/19, members can decide whether that scheme also continues for 2019/20.
- 11.3 We have sufficient time to undertake a public consultation over the summer months on the possible levels of percentage increase and on methods to protect the most vulnerable residents from the effects of the scheme. Following cases highlighting shortcomings in other Council's consultation we will take legal advice prior to our own consultation to ensure accuracy and correctness.

WARD(S) AFFECTED: All Wards

CORPORATE PLAN: YEAR-END PERFORMANCE REPORT 2016 TO 2017 AND PROVISIONAL TARGETS FOR 2017 TO 2018

<u>Report of the:</u>	Head of Corporate Governance
<u>Contact:</u>	Adama Roberts
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Annexe 1: Year-end Performance Report 2016 to 2017 Annexe 2: Provisional Targets for 2017 to 2018
<u>Other available papers</u> (not attached):	Corporate Plan 2016 to 2020

REPORT SUMMARY

This report provides a year-end update against our Key Priority Performance Targets for 2016 to 2017, under our new Corporate Plan and provisional targets for 2017 to 2018.

RECOMMENDATION (S)

- (1) That the Committee considers the performance reported in Annexe 1 and identifies any areas of concern.**
- (2) Reviews and agrees targets for 2017 to 2018 as detailed in Annexe 2 of this report and outlined in paragraph 4.1.**

1 Background

- 1.1 The Council has a four-year Corporate Plan for the period 2016 to 2020.
- 1.2 The Corporate Plan sets out the Council's vision together with its four Key Priorities. The four Key Priorities are underpinned by 19 Key Priority Objectives and measured against 57 Key Priority Performance Targets.
- 1.3 The delivery of the Corporate Plan will be captured in the performance reports, which are based around Committee cycles and detail what will be done, what the Key Priority Performance Targets are and how these will be measured. The desired key outcomes have also been outlined in the Corporate Plan. An annual year-end report will be produced to highlight delivery against the Corporate Plan.

2 Corporate Plan: Delivery against Key Priority Performance Targets set

2.1 This report tracks the progress against the Key Priority Performance Targets previously agreed by the Committee. Consideration should be given to the Key Priority Performance Target that have not been achieved for 2016/17 as shown in 3.1.

Performance status	
Key to reporting status	Number
Achieved	15
Not achieved	6
Total	21

3 Actions identified for the Key Priority Performance Target that have not been achieved for 2016 to 2017

3.1 Key Priority Performance Targets that have not been achieved and remedial actions identified were applicable

Not achieved	Actions identified
<p>Managing our resources Process new Housing Benefit claims within an average time of 22 days</p>	<p>The extra resource granted to the team to cover the enquiry counter continues to be very helpful. This target improved hugely when compared to the beginning of the year, it is now 29 days from 42 days in April. A new target of 28 days has been set. This is more realistic while still challenging.</p>
<p>At least three business cases which will generate long term income streams to be submitted to the Capital Member Group for prioritisation as part of the 2017/18 capital bid process</p>	<p>The Commercial Property Acquisition Fund is now in place. The need to generate additional long term income streams is being addressed. New targets have been set around our Property Acquisition Fund for 2017/18, as shown in Annexe 2.</p>
<p>Revenues and benefits self-serve functionality available</p>	<p>This will be implemented by December 2017.</p>
<p>Review and implement a performance pay and staff appraisal scheme</p>	<p>Proposals for a revised pay structure will be presented to HR Panel and S&R by October 2017.</p>
<p>Supporting Businesses and our Local Economy Prepare a draft business plan for the proposed BID for consideration by Members in January 2017</p>	<p>A new target has been included for 2017/18 to 'Support the Business Partnership to develop a proposal for a Business Improvement District (BID) with the intention of holding a Ballot in October 2017'.</p>

Not achieved	Actions identified
Commence the delivery of the agreed public realm improvements as part of the phase 1 highway works within Epsom town centre	This target has been reviewed and a new one set for 2017/18 (i.e. 'Plan E, phase 1: Finalise and agree the design for the Market Place improvements in partnership with Surrey County Council by June 2017).

4 Provisional Targets for 2017/18

4.1 Our provisional targets have been reviewed, taking into account lessons learnt as part of year one of our Corporate Plan. The targets for 2017 to 2018 have been developed in consultation with the Leadership Team and Committee Chairmen. The provisional targets are focused around our key priorities for 2017 to 2018 and are not reliant upon third parties to deliver. Our performance management arrangements has been implemented and year one of our Corporate Plan has been successfully completed. Feedback received as part of year one has been fed into the target setting process for year two. We will continue to review our performance management processes to ensure performance information submitted facilitates decision making and is fit for purpose. Strategy and Resources Committee is asked to review and agree its targets for 2017 to 2018 as outlined in **Annexe 2**.

5 Financial and Manpower Implications

5.1 **Chief Finance Officer's comments:** *None for the purposes of this report.*

6 Legal Implications (including implications for matters relating to equality)

6.1 **Monitoring Officer's comments:** *There are no legal issues for the purposes of this report.*

7 Sustainability Policy and Community Safety Implications

7.1 There are no particular community safety implications for the purpose of this report.

8 Risk Assessment

8.1 Actions have been identified for those Key Priority Performance that have not been achieved for 2016 to 2017.

9 Conclusion and Recommendations

9.1 The Committee is requested to consider the year-end performance reported for 2016 to 2017 and identify any areas of concern for those Key Priority Performance Targets that have not been achieved.

9.2 The Committee is requested to review and agree the provisional targets for 2017 to 2018.

WARD(S) AFFECTED: (All Wards);

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Corporate Plan: Key Priority Performance Targets
Strategy & Resources Committee – Year-end Performance Report 2016/2017



Performance status	
Key to reporting target status	Number
Achieved	15
Not Achieved	6
Total	21

KEY OUTCOMES	KEY SUCCESS MEASURES
An Organisational Development Strategy which drives culture change, build capacity and delivers a skilled workforce for the future	Core values embedded into our performance management framework
A new improved website enabling services to be delivered digitally	Increase digital accessibility of our services
Asset Management Plan for major assets	Return generated from property and other investments
Balanced budget each year	Agreed savings delivered

Achieved/on track...

Managing our resources:

- ✓ At least 98.4% of Council Tax collected
- ✓ At least 99.0% of Business Rates to be collected
- ✓ Process Housing Benefit change of circumstances within an average time 11 days
- ✓ Collect £2.3 million of receivable rents
- ✓ To procure at least two residential units generating no less than 6% return on investment
- ✓ At least an additional £50,000 income to be generated from investment properties
- ✓ Development and implementation of a new procurement strategy, revised contract standing orders and implementation of e-tendering package
- ✓ Implementation of the agreed ICT proposals for partnership working with Elmbridge Borough Council and undertake progress review
- ✓ Review and implement alternative options for delivery of payroll service
- ✓ New and improved website to go live
- ✓ At least 30% of housing clients to complete applications digitally
- ✓ LGA “light touch” Decision Making Accountability (DMA) review to be undertaken

Supporting businesses and our local economy:

- ✓ To hold at least three business breakfasts
- ✓ At least three additional businesses represented at the business breakfasts meetings
- ✓ Develop business content for Epsom and Ewell and other stakeholder websites

Not achieved/off track...

Managing our resources:

- ✗ Process new Housing Benefit claims within an average time of 22 days
- ✗ At least three business cases which will generate long term income streams to be submitted to the Capital Member Group for prioritisation as part of the 2017/18 capital bid process
- ✗ Revenues and benefits self-serve functionality available
- ✗ Review and implement a performance pay and staff appraisal scheme

Supporting businesses and our local economy:

- ✗ Prepare a draft business plan for the proposed BID for consideration by Members in January 2017
- ✗ Commence the delivery of the agreed public realm improvements as part of the phase 1 highway works within Epsom town centre

Managing our resources – Key priority

Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:																																							
Identifying new sources of revenue and maximising our existing income	<ul style="list-style-type: none"> At least 98.4% of Council Tax collected 	Judith Doney Head of Revenues & Benefits	31 March 2017	April to Sept: The cumulative target for September is 61.20%, we've collected 61.70%. We are expecting to achieve this target by year end.	Achieved																																							
				Oct to Dec: The cumulative profile target for November is 80.80%, we've collected 80.80%.																																								
Jan to March: Year-end total we have achieved 99.10% Council Tax collection.																																												
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Identifying new sources of revenue and maximising our existing income	<ul style="list-style-type: none"> At least 99.0% of Business Rates to be collected 	Judith Doney Head of Revenues & Benefits	31 March 2017	<p>April to Sept: We are anticipating achieving this target by year end. We are slightly off track by 1.8%. This is due to the amount of NNDR Payers who make BACS on the 1st, this then has to be allocated and does not appear on the system in time for the reports which are run on the 1st of the month as well.</p>	Achieved																																							
				<p>Oct to Dec: The cumulative profile target for November is 77%, we've collected 77.23%.</p>																																								
<p>Jan to March: : Year-end total we have achieved 99.36% Business Rates collection.</p>																																												
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Identifying new sources of revenue and maximising our existing income	<ul style="list-style-type: none"> Process new Housing Benefit claims within an average time of 22 days 	Judith Doney Head of Revenues & Benefits	31 March 2017	<p>April to Sept: The gradual clearing of a backlog of work skews initial results but improvements through the year are expected. The September figures are missing due to an unresolved software issue. This will be solved by next month.</p>	Not Achieved																																							
				<p>Oct to Dec: Resources required for the New Benefit Cap. The November 2016 change to the Benefit Cap has trebled the number of customers affected by this Welfare Reform measure and we have seen an increase in contact from these customers. This target will not be achieved by year-end.</p>																																								
<p>Jan to March: Target not achieved. Year-end average time to process new Housing Benefit claims 29 days.</p>																																												
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Identifying new sources of revenue and maximising our existing income	<ul style="list-style-type: none"> Process Housing Benefit change of circumstances within an average time 11 days 	Judith Doney Head of Revenues & Benefits	31 March 2017	April to Sept: Year to date as illustrated on the graph below, target has been met bar June and July. It is anticipated that this target will be achieved by year end.	Achieved																																							
				Oct to Dec: Target slightly missed due to resources being diverted for the New Benefits Cap.																																								
Jan to March: Target achieved. Year-end average time to process Housing Benefit change of circumstances claims 8 days.																																												
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Managing our resources – Key priority					
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Identifying new sources of revenue and maximising our existing income	<ul style="list-style-type: none"> At least three business cases which will generate long term income streams to be submitted to the Capital Member Group for prioritisation as part of the 2017/18 capital bid process 	Mark Berry Head of Place Development	31 March 2017	<p>April to Sept: Capital bid for a Business Hub in the Town Hall submitted but deemed to require further work. No other business cases have been brought forward for prioritisation in the 2017/2018 capital bid process, though there are a number of projects seeking to reduce costs and protect existing income. There are also other projects to be brought forward outside of the normal capital bid process which will, if agreed, generate a long term income for the Council.</p>	Not Achieved
		Simon Young Head of Legal & Democratic Services		<p>Oct to Dec: The target as worded cannot now be met due to missing the capital bid timetable. However, the Commercial Property Acquisition Fund was approved by the committee in November and external advisors have been appointed to undertake further feasibility studies to generate additional income. Regarding the Business Hub, options are being explored whether to utilise the Town Hall building or acquire a new floor space. Both proposals will be considered on the basis of revenue generation as well as delivering against other Corporate Plan priorities.</p>	
		Rod Brown Head of Housing & Environmental Services		<p>Jan to March: No further action. The target as worded cannot now be met. However, as noted above, the substance (the need to generate additional long term income streams) is being addressed (eg. Commercial Property Acquisition Fund).</p>	

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
Identifying new sources of revenue and maximising our existing income	<ul style="list-style-type: none"> Collect £2.3 million of receivable rents 	Mark Shephard Head of Property Andrew Lunt Head of Venues & Facilities	31 March 2017	April to Sept: Year to date lettings income at each of the venues is on target with the exclusion of the Ebbisham Centre which currently has a projected outturn of £125k against £130k budget. Bourne Hall has a projected outturn of £185k against a £205k budget. The Longmead Centre has a projected out turn of £38k against a £44k budget. Bourne Hall was the subject of a recent service review and recommendations from this review will be discussed at the November S&R meeting. There are no significant rent arrears in the investment property portfolio and we are therefore on target to receive the vast majority of rents receivable this financial year.	Achieved
				Oct to Dec: Year to date we've collected £1.6m receivable rents and this includes venues as well. There are no significant rent arrears in the investment property portfolio and we are on target to achieving this target by year-end.	
				Jan to March: We've collected £2.3 million receivable rents and have therefore achieved this target for 2016/17.	

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
Maximising returns from properties and other investments	<ul style="list-style-type: none"> To procure at least two residential units generating no less than 6% return on investment 	Rod Brown Head of Housing & Environmental Services	31 March 2017	April to Sept: Two offers made on 2 x 2 bed flats in Nimbus Road and Marbles Way in Tadworth. Completion on both properties currently expected to be before end of March 2017. Returns will be realised once the properties are rented; at present 0% return received and the 6% anticipated will not be achieved within this financial year.	Achieved
				Oct to Dec: Contracts exchanged for Marbles Way in November with completion expected in January 2017. Exchange of contracts on Crane Court expected January 2017. It is anticipated that once rented a 6% return on investment could be achieved.	
				Jan to March: Marbles Way and Crane Court properties acquired	

Managing our resources – Key priority						
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:	
Maximising returns from properties and other investments	<ul style="list-style-type: none"> At least an additional £50,000 income to be generated from investment properties 	Mark Shephard Head of Property	31 March 2017	(see below)	Achieved	
	April to Sept: Rent reviews are being undertaken as they arise and other opportunities are being explored. After carrying a number of vacancies in the property team for much of this period, the new Head of Property started on 22 August 2016 and is already in the process of developing a number of projects which, if agreed, will generate additional income in excess of the target.					
	Oct to Dec: We anticipate achieving this target by year-end. Commercial Property Acquisition Fund established with approval of full Council on 21 November 2016, following report of the Head of Property. The property in East Street was acquired on 25 November 2016, generating additional net income of over £120K per year.					
	Jan to March: Parkside House acquired on 30 January 2017, generating a minimum additional net income of £210k per annum. Additional £60m Commercial Acquisition Fund PWLB borrowing facility approved by S&R Committee on 7 February 2017.					

Managing our resources – Key priority

Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:	
Delivering further efficiency savings and cost reductions	<ul style="list-style-type: none"> Development and implementation of a new procurement strategy, revised contract standing orders and implementation of e-tendering package 	Gillian McTaggart	31 March 2017	(see below)	Achieved	
	<p>April to Sept: As agreed by Strategy & Resources Committee in January, we are restructuring the procurement function through joint working to ensure compliance with legislation. An implementation plan is in place, although is behind schedule due to the project team being under resourced. The updated Contract Standing Orders were approved in July and the e-tendering system has been tested and is ready to be used once standardised terms, and conditions and guidance notes are agreed. Use of the system will be rolled out in stages to minimise disruption and will commence with ICT. Training was provided earlier in the year, but additional support and training will be made available. A new Procurement Strategy and Contract Register are currently being produced. The new post of Contract and Procurement Officer will provide operational support for procurement and this should be advertised shortly.</p>					
	<p>Oct to Dec: A consultant has been appointed to support the implementation and has agreed an action plan to ensure the new procurement arrangements are in place by the end of March. The new post of Contract & Procurement Officer will be advertised in January and the new e-tendering system will also be rolled out in January and refresher training arranged.</p>					
	<p>Jan to March: The Contract & Procurement Support Officer is in post and is providing support for the use of the new e-tendering system. He is also reviewing the current arrangements for the purchase order system. The consultant has produced a draft Procurement Strategy.</p>					

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
Delivering further efficiency savings and cost reductions	<ul style="list-style-type: none"> Implementation of the agreed ICT proposals for partnership working with Elmbridge Borough Council and undertake progress review 	Mark Lumley Head of ICT	31 March 2017	<p>April to Sept: Structure for the Shared Service has been approved by Strategy & Resources Committee with staff at both sites being set up on the various systems. The new Management structure has commenced with shared managers undertaking one to ones, appraisals etc. The Shared team is using skills across the team and we have benefited from AntiVirus, Citrix and iPad upgrades. Started to build the shared service desk across the two sites. Review expected to be undertaken by year end.</p>	Achieved
				<p>Oct to Dec: The teams are working to finalise the new working arrangements for the Shared Service Desk and system to improve service delivery. Strategy and Resources has agreed the Shared Service Datacentre and the team has procured the hardware, services, network and datacentre itself. Currently undertaking design workshops to plan and implement the project. S&R has also approved the ICT Digital Strategy for 2016-20.</p>	
				<p>Jan to March: The shared service is in place and a progress review of the current arrangements is being undertaken by specialist IT auditors. A report will be finalised in May and the Chief Executive will review the options with Elmbridge.</p>	

Managing our resources – Key priority						
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:	
Delivering further efficiency savings and cost reductions	<ul style="list-style-type: none"> Review and implement alternative options for delivery of payroll service 	Shona Mason Head of HR & OD	31 March 2017	(see below)	Achieved	
	<p>April to Sept: A full review of options has been undertaken with agreement now reached to outsource EEBC Payroll and Bureau Services to MidlandHR (MHR) by March 2017. Employees affected have been involved in the review and will be consulted formally on the changes in the coming months. A communications plan is also being developed to inform staff of the changes.</p> <p>Contracts are due to be signed by the end of Oct 2016 with a payroll due diligence exercise scheduled to take place in Nov/Dec 2016.</p> <p>We are working in partnership with six other authorities (Tandridge DC, Mole Valley DC, Waverley BC, Spelthorne BC, Reigate & Banstead BC and Elmbridge BC) to review licencing, hosting and payroll arrangements on iTrent system.</p>					
	<p>Oct to Dec: Contracts were signed on 31 October with all partners signing up to transfer hosting and payroll services to MHR. MHR has been working with Tandridge District Council (TDC) to move hosting arrangements from TDC to MHR. This has now been completed with testing being undertaken during December. Due diligence on each of the four payrolls has commenced with the current payroll team and MHR to identify all relevant processes and procedures that need to be replicated. Project Plan has been agreed with timelines for parallel runs due to be undertaken in Feb and Mar.</p>					
	<p>Jan to March: Payroll procedures documented, agreed and finalised by MHR, configuration work completed on payroll system with testing undertaken to ensure payroll schemes operating as expected, parallel runs undertaken in February and March with issues worked through and resolved. All work completed and signed off ready for April payroll to be paid by MHR.</p>					

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
Providing services digitally	<ul style="list-style-type: none"> New and improved website to go live 	Judith Doney Head of Revenues & Benefits and Mark Lumley Head of ICT	31 October 2016	April to Sept: A supplier has been procured and the system installed is based on a copy of the Surrey Heath Website. The Website Project Team and Reference Group have been busy updating and amending the content following the agreement of the Digital Service Guide. Technical elements, and links to systems and the Playhouse Website have been progressing well. Currently Staff, Councillors and Residents are testing the website and then we are looking at going live in November with phase one depending on testing.	Achieved
				Oct to Dec: Playhouse website went live w/c 14/11/16 and main Council website went live w/c 21/11/16. Phase 2 of the website and the venues microsites will commence from 01/01/17.	
				Jan to March: Target achieved. Both websites live.	

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
Providing services digitally	<ul style="list-style-type: none"> At least 30% of housing clients to complete applications digitally 	Rod Brown Head of Housing & Environmental Services	30 November 2016	<p>April to Sept: New on-line system procured, and has been developed and tested. The next step is for 2220 requests to be sent out to everyone on our current register on a phased basis, to request previous applicants to reapply on-line. It is anticipated that the 30% digital applications will be achieved by November.</p>	Achieved
				<p>Oct to Dec: The majority of people are applying online (not on paper), but some groups need more help in filling parts of the form. Reapplication process will be complete by March 2017. Overall, 250 online applications have been submitted. At present, parallel systems are being operated and it's anticipated that the Housing Needs Register will have 850 applicants once all applications are sent giving us a predicted 29% (n=250/850) to date.</p>	
				<p>Jan to March: Digital applications have continued to increase. Out of initial 2,220 on register only 60 higher needs applicants are awaiting for re-registration.</p>	

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
	<ul style="list-style-type: none"> Revenues and benefits self-serve functionality available 	Judith Doney Head of Revenues & Benefits	30 November 2016	<p>April to Sept: Self-serve software has been installed. The next stage of implementation is dependent on the new website going live depending on testing in November.</p> <p>Oct to Dec: Due to the delay in the website going live and securing the Capita resource to undertake the work on self-service this will now be implemented as part of phase 2 of the website in the new year. It is expected that this will be completed and launched by 30 December 2017.</p> <p>Jan to March: See above this will now form part of the Phase 2 work in 2017/18.</p>	Not Achieved

Managing our resources – Key priority						
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:	
Developing multi-skilled & motivated staff	<ul style="list-style-type: none"> Review and implement a performance pay and staff appraisal scheme 	Shona Mason Head of HR & OD	31 March 2017	(see below)	Not Achieved	
	<p>April to Sept: Local Government Association (LGA) commenced review in April 2016 providing an initial report and recommendations in May highlighting which aspect of EEBC Pay & Performance scheme that needed to be reviewed. These included the number of salary bandings and overlaps, complexity of the system and value of progression pay being insufficient. LGA has recommended the introduction of job evaluation, based on the national single status scheme. However, they recommended the benchmarking of key roles as a first stage. As a result the roles for benchmarking have been identified along with a job benchmarking working group. This group is due to undergo training on 3 Nov 2016. The review of our performance pay and staff appraisal scheme will be completed within this financial year however it will not be implemented within 2016/17.</p>					
	<p>Oct to Dec: Training of the job evaluation working group was postponed as the training was identified as being too generic and not bespoke enough for EEBC needs. Further advice was sought from LGA on job evaluation and more detailed analysis of the process provided to give greater assurances that undertaking such an exercise would be valuable. The LGA are supporting an initial job evaluation process while further investigation is undertaken into setting up generic role profiles and alternative pay modelling. The LGA are due to come back on 5 Jan to review the work completed so far on job evaluation and advise on next steps. Consideration will be given to training a wider group should it be necessary moving forward. Upon completion of the initial job evaluation process the LGA will develop a proposed pay structure for consideration.</p>					
	<p>Jan to March: The LGA have produced a recommended revised pay structure for EEBC based on the job evaluations that have been undertaken. Costings are now being established to understand the implications of moving to the proposed new pay structure with decisions to be taken through LT on affordability, number of pay points and how any link between performance and pay will be structured. The LGA are due to provide further advice and guidance on options for a revised appraisal scheme. It is envisaged that this will be reviewed by LT during late Spring / early Summer.</p>					

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
	<ul style="list-style-type: none"> LGA “light touch” Decision Making Accountability (DMA) review to be undertaken 	Frances Rutter CEO EEBC	30 November 2016	<p>April to Sept: Light touch review successfully completed at end of May 16. Outcomes to be reported Autumn/Winter 16.</p> <p>Oct to Dec: This will be reviewed and implemented from April 2017 once a new Chief Executive is appointed.</p> <p>Jan to March: The review has been undertaken. The new Chief Executive is in post and some of the actions have been implemented with a restructure of the Community & Wellbeing Team and a change in reporting lines.</p>	Achieved

**Supporting Businesses and our
Local Economy**

We will do this by:

Supporting a comprehensive retail,
commercial and social offer

Maintaining strong links with local business leaders
and representative organisations

Supporting developers to bring forward the
development of town centre sites

Delivering an affordable Economic Strategy

Promoting our Borough as an
excellent place to do business

KEY OUTCOMES

High quality/innovative
building design

Improved transport infrastructure

Visual appearance of the town/
shopping centres enhanced

KEY SUCCESS MEASURES

Businesses attending the
Business Leaders' meetings

Delivery of Plan E to improve traffic flow
into Epsom Town Centre

Delivery of the Economic Development
Strategy Action Plan

Space for start-up/incubator businesses
to grow and expand

Supporting Businesses and our Local Economy – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
Maintaining strong links with local business leaders and representative organisations	<ul style="list-style-type: none"> To hold at least three business breakfasts 	Mark Berry Head of Place Development / Frances Rutter CEO	31 March 2017	April to Sept: Successful business breakfast held on 28 September 2016 and another planned for 23 November 2016. A third business breakfast is being considered in February 2017.	Achieved
				Oct to Dec: Successful breakfasts held on 28 September and 23 November. One more has been scheduled for 22 February 2017.	
				Jan to March: Three business breakfasts were held.	
	<ul style="list-style-type: none"> At least three additional businesses represented at the business breakfasts meetings 	Frances Rutter CEO EEBC	31 March 2017	April to Sept: Fifty separate business leaders invited to the relaunch of our business breakfasts since the last one held on 15 November 2016. More than half of these attended. We are looking at approaching new businesses to encourage them to attend using our current business network.	Achieved
				Oct to Dec: Overall, 64 business leaders were invited to the November breakfast and more than 30 attended. Four new attendees were at the September breakfast and further businesses were represented for the first time at the November breakfast. This target has been achieved and hopefully more new businesses will attend the 22 February event.	
				Jan to March: Seven additional businesses were represented - What's on in Epsom, The Stitch Mouse, Best of Epsom, FG Marshall, Nuffield Health, TrustFord, and Margaret Martin Associates.	

Supporting Businesses and our Local Economy – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
Supporting a comprehensive retail, commercial and social offer	<ul style="list-style-type: none"> Prepare a draft business plan for the proposed BID for consideration by Members in January 2017 	Mark Berry Head of Place Development	31 Jan 2017	<p>April to Sept: Survey of town centre businesses undertaken during September 2016. This will feed into the business plan which is still on target. The Plan is due to be considered in the November S&R Committee meeting.</p>	Not Achieved
				<p>Oct to Dec: An up-date report was presented to the November S&R meeting and well received. The Town Centres Manager has since resigned and a specialist BID consultant has therefore been appointed to take the BID forward with the local business community. As a result of this, the BID timetable will need to be reviewed and any revisions to the published timetable will be communicated early in the New Year once the BID consultant has been able to discuss it with the steering group known as Epsom Town Business Partnership. There is a risk of some slippage and, therefore the business plan will not be reported to members in January.</p>	
				<p>Jan to March: The BID timetable was reviewed and the draft business plan is not now expected until summer 2017.</p>	

Supporting Businesses and our Local Economy – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
Delivering an affordable Economic Development Strategy	<ul style="list-style-type: none"> Commence the delivery of the agreed public realm improvements as part of the phase 1 highway works within Epsom town centre 	Mark Berry Head of Place Development	31 March 2017	(see below)	
	<p>April to Sept: Detailed work is now in hand for a start on site in early January 2017. There will be some preliminary work in Ashley Avenue before Christmas, to facilitate the construction of a new bus stand and construction will start in January with the creation of the new bus stand and remodelling work on the Spread Eagle junction. A joint communications plan between Surrey County Council and EEBC is emerging. A website has been launched and a first newsletter has been distributed (available on the website). This website contains all the latest information on the planned implementation of this scheme. Many details still have to be agreed and the Borough Council's Place Development team are working closely with County Council Officers on these. In particular, meetings have been held with various representatives from the taxi trade to inform them of the final placement of the taxi rank and emphasise the benefits of Plan E to the vitality of the town centre.</p>				Not Achieved
	<p>Oct to Dec: Work will start on the bus stand in Ashley Avenue in January 2017. Delivery of the rest of the road scheme and public realm improvements will ensue through 2017.</p>				
	<p>Jan to March: The timescales for delivery of Plan E have been revised by SCC. This target is not achievable.</p>				

Supporting Businesses and our Local Economy – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2016/17	Responsible officer	Achieved by:	Latest progress:	Status:
Promoting our Borough as an excellent place to do business:	<ul style="list-style-type: none"> Develop business content for Epsom and Ewell and other stakeholder websites 	Mark Berry Head of Place Development	31 March 2017	April to Sept: Our new website includes new business content and links to other relevant stakeholder websites.	Achieved
				Oct to Dec: The business content on the website is now complete and includes links to other stakeholder websites. (Target achieved).	
				Jan to March: Target achieved (see above).	



Corporate Plan 2016 to 2020
Strategy and Resources Committee's Provisional Key Priority
Performance Targets for 2017 to 2018

Key Priority	We will do this by...	Targets for 2017/18	Targets to be achieved by
Managing our resources	Developing multi-skilled and motivated staff	<ul style="list-style-type: none"> • Present proposals for a revised pay structure to HR Panel and S&R Committee • Present proposals for a revised appraisal scheme to the Leadership Team and HR Panel • Hold three Managers Huddle's to support the development of all EEBC managers • To consult with staff on a range on initiatives including management competencies, revised HR policies including the Attendance Management and Capability, and the appraisal process 	<p>31 October 2017</p> <p>31 December 2017</p> <p>31 March 2018</p> <p>31 March 2018</p>
	Providing services digitally	<ul style="list-style-type: none"> • Complete phase 2 of the website • Develop the Customer Experience Strategy and report to S&R • 100% of all housing clients to complete applications digitally 	<p>31 December 2017</p> <p>31 March 2018</p> <p>31 March 2018</p>

Key Priority	We will do this by...	Targets for 2017/18	Targets to be achieved by
Managing our resources	Identifying new sources of revenue and maximising our existing income	<ul style="list-style-type: none"> • At least 98.4% of Council Tax collected • At least 99.0% of Business Rates to be collected • Process new Housing Benefit claims within an average time of 28 days • Process Housing Benefit change of circumstances within an average time 11 days • Increase the catering income from Bourne Hall café and Playhouse bar by an additional £50,000 net • Secure a combined lettings income from Bourne Hall, Community & Wellbeing Centre, Playhouse and Ewell Court of £462,000 • Generate £8,000 income from pest control referral service • Epsom Cemetery extension: <ul style="list-style-type: none"> ○ Conduct ecological and ground water risk assessment ○ Submit the planning application • To produce a proposal in regards to income generation plan to accompany the Medium Term Financial Strategy 	<p>31 March 2018</p> <p>31 March 2018</p> <p>31 March 2018</p> <p>31 March 2018</p> <p>31 March 2018</p> <p>31 March 2018</p> <p>31 March 2018</p> <p>31 July 2017</p> <p>31 December 2017</p> <p>20 February 2018</p>

Key Priority	We will do this by...	Targets for 2017/18	Targets to be achieved by
Managing our resources	Delivering further efficiency savings and cost reductions	<ul style="list-style-type: none"> • E-Tendering system implemented • Submit a capital bid and identify a replacement system for the CRM which meets our business needs, is affordable and sustainable 	<p>31 October 2017</p> <p>30 September 2017</p>
	Maximising returns from properties and other investments	<ul style="list-style-type: none"> • To support economic regeneration utilise the Commercial Property Acquisition Fund to purchase a minimum two additional commercial investment properties generating no less than 5% return on investment • To produce a proposal in regards to an Asset management strategy; Ten year maintenance plan • Review options for establishing a local authority trading company through a Member/Officer Working Group and report to S&R 	<p>31 March 2018</p> <p>31 March 2018</p> <p>31 December 2017</p>

Key Priority	We will do this by...	Targets for 2017/18	Targets to be achieved by
Supporting businesses and our local economy	Supporting a comprehensive retail, commercial and social offer	<ul style="list-style-type: none"> Support the Business Partnership to develop a proposal for a Business Improvement District (BID) with the intention of holding a Ballot To agree and implement a scheme for the allocation of the neighbourhood portion of Community Infrastructure Levy (CIL) (15%) 	<p>31 October 2017</p> <p>31 August 2017</p>
	Maintaining strong links with local business leaders and representative organisations	<ul style="list-style-type: none"> To hold at least three business breakfasts 	31 March 2018
	Delivering an affordable Economic Development Strategy	<ul style="list-style-type: none"> Plan E (Phase 1): Finalise and agree the design for the Market Place improvements in partnership with Surrey County Council (SCC) To investigate the creation of a joint committee with Surrey County Council 	<p>31 October 2017</p> <p>31 March 2018</p>
	Promoting our Borough as an excellent place to do business	<ul style="list-style-type: none"> Develop the business case for a business hub and report to S&R Conduct a review of the groups that we contribute to in relation to promoting Epsom and Ewell as a place to do business and evaluate the benefits and effectiveness from participating in these arrangements To carry out a corporate review of all marketing and promotions to agree an overall strategy 	<p>28 November 2017</p> <p>31 December 2017</p> <p>31 March 2018</p>

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FINAL ACCOUNTS 2016/17

<u>Report of the:</u>	Acting Director of Finance & Resources
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Draft Annual Governance Statement
<u>Other available papers</u> (not attached):	Final Accounts Working Papers 2016/17 Financial Statements 2016/17 Papers issued to all councillors 2017: <ul style="list-style-type: none">• General Fund Summary Position 2016/17• Major Budget Variances 2016/17• Capital Expenditure Position 2016/17

REPORT SUMMARY

This report summarises the Council's financial performance for 2016/17, seeks approval to the Annual Governance Statement for 2016/17 and notes the carry forward of capital provision for schemes where costs will be incurred in 2017/18.

RECOMMENDATION (S)

That the Committee:-

- (1) Receives the report on financial performance for 2016/17;**
- (2) Agrees the Annual Governance Statement as attached as an Annexe to this report;**
- (3) Notes the carry forward £5,314,000 provision for capital schemes to be added to the 2017/18 capital programme;**

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The revenue budget and capital programme comprise the resources available for the delivery of Council services.

2 Introduction

- 2.1 Local Authorities are required to prepare a statement of accounts at the end of each financial year. In so doing authorities must comply with the Accounts and Audit Regulations and 'proper accounting practice' as defined in the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2.2 The Accounts and Audit (England) Regulations 2011 regulations require that the Financial Statements 2016/17 are signed/certified by the responsible financial officer (the Director of Finance and Resources) by 30 June each year. The statements must then be reported to, and approved by, committee and published by 30 September, together with the external audit report which should be available by that date.
- 2.3 It should be noted that from 2017/18 onwards there has been a change in the accounting regulations and the Financial Statements will have to be prepared earlier and be approved by 31 May 2018 and be audited and published by 31 July 18. Officers are currently planning for this change next year.

3 General Fund Summary Position

- 3.1 In summary the final position for 2016/17 is: -
General Fund Summary 2016/17

	Original Budget £'000	Current Approved * £'000	Actual £'000	Variance £'000
Strategy and Resources Committee**	2,348	2,104	1,811	-293
Capital charges*	-2,879	-3,381	-3,381	0
Environment Committee	1,990	2,456	2,542	86
Community & Wellbeing	6,268	6,547	6,592	45
Total Net Expenditure	7,727	7,727	7,564	-163
Funded by:				
Collection fund precept	5,829	5,829	5,829	-
Revenue Support Grant	510	510	510	-
Share of Local Business Rates	1,435	1,435	1,435	-
Transfer from Collection Fund	-47	-47	-47	-
Total Funding (Budget Requirement)	7,727	7,727	7,727	-
Surplus for the year	0	0	163	

** capital charges is an accounting charge for use of council assets but not impact on the overall position of the general fund.*

*** The general fund budgeted to use £500,000 of New Homes Bonus Grant to fund services and this funding is reflected in the above table*

3.2 Information on the main variations within each policy committee was circulated to Chairmen and Statutory Officers in May. Minor changes have since been made to these circulated figures. The central overhead allocations have now been finalised providing some changes between committee budgets but not significantly affecting the bottom line.

3.3 Net expenditure for the year is £163,000 less than the original budget. This will result in a contribution of £163,000 to be made to the General Fund Working Balance.

3.4 The working balance was £3,334,000 at 31 March 2017, calculated as follows:-

	£'000
Working Balance b/f at 31 March 2016	3,171
Surplus on General Fund for 2016/17	163
Working Balance as at 31 March 2017	3,334

3.5 The final net expenditure for 2016/17 compares to the forecast position reported in Quarter 3, which anticipated a contribution to the working balance of £96,000.

3.6 The most significant adverse variances in 2016/17 are:

- Development control and building control income – (£192,000) – The number of large site planning applications has reduced due to the economic climate. A similar position for building control also with a loss of market share to the private sector.
- Land Charge income – (£34,000) This has reduced, again being affected by the economic climate and the housing market being less buoyant.
- Central support costs – (£35,000) – there was pressure on recruitment cost budgets due to the number of officer posts being recruited to in 2016/17.
- Venues – (£32,000) – there was shortfalls in lettings income due to the economic climate and additional running costs at some of the Venues buildings in 2016/17.

3.7 The most significant favourable variances in 2016/17 are from:

- Commercial property income - £169,000 - The Council acquired two new commercial properties in 2016/17 and this provided new income rental streams that were previously un-budgeted for.
- Treasury Management income - £104,000 – Despite low interest rates the Council achieved good returns on its balances and daily cash flow management through it's prudent investment strategy.
- Off Street Parking - £134,000 – Despite an income shortfall at the Ashley Centre, there was surpluses at Hook Road and the Town Hall and Hope Lodge car parks. The mild winter was a helpful factor here. Penalty charge income was higher than anticipated and there was also an underspend on central costs due to officer vacancies.
- Homelessness costs - £156,000 – Significant reductions in costs were achieved in 2016/17 by increasing the supply of temporary accommodation and reducing bed and breakfast costs. A number of other initiatives including supply of affordable housing units also assisted.

3.8 Most of the outturn variances were captured at quarter three and have already been reflected in the preparation of the 2017/18 budget. The on-going impact of other variances is being considered to identify the impact for 2017/18 and where relevant be incorporated into budget planning for 2018/19.

4 Reserves

4.1 Transfers have been made to and from revenue and capital reserves and provisions in line with Council policy for the reserves and as approved for specific schemes during the year.

4.2 The following transfers have been made in preparing the draft accounts: -

4.2.1 **Insurance Reserve** - £20,000 was drawn from this reserve, £10,000 to finance individual claims and £10,000 to finance Municipal Mutual Insurance liability. At the end of 2016/17 the balance on this reserve was £458,000.

4.2.2 **Repairs and Renewals Reserve** – £144,000 was transferred out of this reserve to finance approved expenditure. Budgeted contributions were made into this reserve of £28,000. At the end of 2016/17 the balance of this reserve, stands at £338,000.

4.2.3 **Training Reserve** – The remaining balance of £12,000 on this reserve has been transferred from this fund to finance the Council's apprenticeship scheme for 2016/17.

- 4.2.4 **Property Maintenance Reserve** – £100,000 transferred into this reserve to fund future works at the Longmead Social Centre and other minor property maintenance expenditure. Contributions of £60,000 have been made to this reserve to fund future backlog maintenance work. The balance on this reserve at the end of 2016/17 was £402,000.
- 4.2.5 **Corporate Projects Reserve** – approved funding of £2.1 million was transferred from this reserve to finance the residential property acquisition fund and assist in the purchase of 24 South Street.
- 4.2.6 A contribution of £1,601,000 has been made into this reserve from New Homes Bonus Grant, this level of grant funding is expected to reduce significantly over the next couple of years and as a consequence so will the future level of any contributions to this reserve.
- 4.2.7 Further contributions were made to this reserve from revenue totalling £106,000, this was mainly due to rent from the recently acquired commercial properties. The overall balance on this reserve at the end of 2016/17 is £1,420,000.
- 4.2.8 **Personalisation, Prevention & Partnership Reserve** - £180,000 for fifth year of grant funding has been transferred to this reserve; the monies received via Surrey County Council will finance projects that can demonstrate support for health and social care. £119,000 worth of projects has been financed from this reserve in 2016/17. The balance on this reserve at the end of 2016/17 is £321,000.
- 4.2.9 **Hardship Fund** – Transfers from revenue of unspent HIA and Handyperson funds/fees totalling £34,000 have been made into this reserve for 2016/17. The balance on this reserve at the end of 2016/17 is £43,000.
- 4.2.10 **Civic Investment Fund** – The remaining balance of £15,000 on this reserve has been transferred from this fund to finance civic investment and expenditure on economic vitality.
- 4.2.11 **Business Rates Equalisation Reserve** – £121,000 has been drawn from this reserve to finance the Council's share of the deficit on business rates. A contribution of £209,000 has been made to this reserve to cover future deficit payments from the fund due to an increase in the level of outstanding appeals. The balance on this reserve as at 31/3/17 will be £771,000.

4.2.12 **Investment Property Reserve** – This is a newly created reserved and was set up as agreed when acquiring the 2 commercial properties in 2016/17. The Council approved to set aside a proportion of the annual rental income from any newly acquired commercial properties into this reserve, with the aim of mitigating risks to loss of investment property income through voids and/or additional future costs associated with the acquired properties that the Council will be liable for. A transfer of £76k has been made into this reserve in 2016/17.

4.2.13 **CIL** – £3.8 million of receipts have been transferred into this reserve for future part funding of revenue or capital projects, however, this is how much that has been billed and not the income that has been received. It is the Council's policy to only allocate actual cash received rather than amount invoiced for funding of projects.

4.3 A review of current balances held on revenue and capital reserves will be reported to the Financial Policy Panel on 12 September 2017.

5 Residential Property Acquisition Fund

5.1 In 2016 the Council approved the creation of the Residential Property Acquisition Fund for the purchase of suitable properties for use as temporary accommodation, to generate an income stream, reduce emergency temporary accommodation costs incurred and provide a long term asset value growth.

5.2 The fund was set up with financing of £3 million, which was made up of £2 million from New Homes Bonus, £275,000 from capital receipts and the remaining £725,000 from S106.

5.3 As at the end of 2016/17 the Council had acquired 3 properties from the fund costing a combined total of £811,000 leaving £2,189,000 in the fund.

	Agreed Funding	Funding of Properties Acquired	Funds Remaining
	£'000	£'000	£'000
S106	725	(725)	0
Capital Receipts	275	(86)	189*
New Homes Bonus	2,000	0	2,000
Total	3,000	(811)	2,189

**Included within the Capital Reserves balance*

6 Provisions

- 6.1 Part of the additional income from the recovery of housing benefit overpayments has been used to increase the bad debt provision for housing benefit overpayments. This was to mitigate the possible effects of the phased transfer of administration of benefits to central government under 'universal credit'. The outstanding debt as at the end of 2016/17 stands at £2.67m. After making an additional budgeted net contribution to this provision this year, provision for bad debts stands at £2.03m, representing approximately 76% of the outstanding debt. The provision will be increased annually to reduce the risk of a shortfall when the transfer of the service is completed.
- 6.2 This provision will continue to be strengthened to manage the risk that the Council cannot recover debts once claimants are transferred to the new Universal Credit. This provision is retained to offset any outstanding liabilities that may not be transferred to Central Government under Universal Credit.
- 6.3 Pensions have been treated within the statements in accordance with recommended financial reporting standards for local authorities, additional information on pension costs and liabilities are included within the Core Financial Statements. The disclosure notes within the financial statements have been prepared in accordance with Financial Reporting Standard IAS 19. The net liability as at 31 March 2017 for accounting purposes is £33.4m compared to £28.1m at 31 March 2016. This does not comprise a full re-valuation of the fund.
- 6.4 The last valuation of the pension fund was carried out as at 31 March 2016 and this is based upon a three year rolling re-valuation of the Surrey Pension Fund managed by officers at Surrey County Council.

7 Capital Expenditure 2016/17

- 7.1 A summary of the actual expenditure for each capital scheme was issued to all Councillors in May. In summary, expenditure in 2016/17 was as follows:-

Committee	Original Budget £000	Latest Budget * £'000	Actual £'000	Balance £'000
Strategy & Resources Committee	0	21,273	20,160	(1,113)
Environment Committee	91	718	203	(515)
Community and Wellbeing Committee	940	5,065	1,379	(3,686)
Total	1,031	27,056	21,742	(5,314)

** includes schemes rolled forward from 2015/16, the 2016/17 original programme plus new schemes approved during 2016/17*

- 7.2 The balance of £5.3 million in the above table includes capital schemes not yet delivered including £2.7m of funding not yet allocated to Commercial and Residential Property Acquisition Programmes. This is mainly due to the funding for being approved during 2016/17. Whilst swift progress has been made on the Commercial and Residential Property Acquisition Programmes in 2016/17 it will take some time to progress to complete these Programmes.
- 7.3 The capital programme includes variances on a number of schemes where the scheme has not yet been completed, and project managers have requested that the funding for these be carried forward to 2016/17.
- 7.4 Consequently funding totalling £5.314m has been carried forward for schemes not completed in 2016/17, in line with Council approval for these schemes. The level of commitment on these schemes carried forward into 2016/17 will be reviewed by the Capital Member Group as part of the 2017/18 Capital Programme setting process.
- 7.5 The financing of capital expenditure in 2016/17 is summarised below:

	£m
PWLB Borrowing	19.133
Capital reserves	0.813
Capital Grants	0.457
Other Capital Contributions (includes S106 and revenue reserves)	1.339
Total Capital Funding	21.742

8 Capital Receipts 2016/17

- 8.1 Capital receipts for 2016/17 are summarised below:-

	£m
General Fund Property Receipts	0
Housing Receipts	0.737
Total Capital Receipts	0.737

- 8.2 The balance of capital reserves, grants and contributions unapplied as at 31 March 2017 subject to confirmation at audit, is as follows:-

Reserves	2015/16 £'000	2016/17 £'000
General Fund Capital Reserves	4,388	4,313
Hospital Cluster Capital Reserves	580	576
Total Capital Reserves	4,968	4,889

8.3 The level of reserves will be re-assessed by the Capital Member Group during this year's capital programme review.

9 Approval of Statement of Accounts

9.1 The Accounts and Audit (England) Regulations 2011 require a local authority to ensure that a statement of accounts is prepared and published in accordance with the provisions of the regulations and proper accounting practice.

9.2 The draft Financial Statements have been prepared in accordance with the new Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

9.1 The Council must prepare, in accordance with proper practices, a statement of accounts for each year which includes the following:-

- An explanatory foreword;
- A statement of accounting policies adopted, drawing attention to any changes of policy which have a significant effect on the results shown by the statement of accounts;
- A statement of responsibilities for preparing the statements of accounts;
- An annual governance statement;
- A comprehensive income and expenditure statement;
- A movement in reserves statement;
- A balance sheet;
- A cash flow statement;
- The Collection Fund;
- Other statements of the income and expenditure for funds which the Council is required by any statutory provision to keep a separate account;

- 9.2 The Annual Governance Statement was submitted to the Audit, Crime & Disorder and Scrutiny Committee on 20 June 2017. The draft governance statement is attached as **Annexe 1** to this report.
- 9.3 The accounts will be signed by the Acting Director of Finance and Resources by 30 June 2017 and then be audited by the District Auditor and then submitted to this committee for approval on 26 September 2017.
- 9.4 A copy of the unaudited statements is available in the Members Room and will be made available on the web site from 30 June 2017.
- 9.5 **It would be helpful if any points of clarification on the accounts could be raised with the Financial Services Team prior to the meeting.**

10 Legal Implications (including implications for matters relating to equality)

- 10.1 ***Monitoring Officer's comments:*** *The legal implications pertaining to the Council's duties in respect of the preparation of accounts have been taken into account in the body of the report.*

11 Risk Assessment and Conclusions

- 11.1 A risk assessment was included in the 2016/17 budget report. Monitoring arrangements during the year have allowed some corrective action to be taken on a number of budget variances, either during the year or as part of the Council's longer term service and financial planning.
- 11.2 Overall the final account position is broadly in line with what was anticipated when this risk assessment was initially completed. Further examination will however need to be carried out on any specific service where the financial position was worse than anticipated.
- 11.3 Key points on the accounts for 2016/17 are as follows:-
- 11.3.1 The Council incurred reduced costs on homelessness and increased its off-street parking income.
 - 11.3.2 The Council managed to stay within budget across most of its services and deliver an overall underspend which has resulted in a net contribution to working balances.
 - 11.3.3 The Council achieved income streams above budgeted levels for the new property investments and for in-year treasury management performance.
 - 11.3.4 The level of delivery on capital projects will be reviewed by Capital Member Group.
- 11.4 Overall in 2016/17 the Council has maintained a prudent level of balances on revenue and capital reserves:-

	31 March 2016 £'000	31 March 2017 £'000
General Fund Working Balance	3,171	3,334
General Fund Provisions	7,291	7,260
CIL	2,526	3,835
Residential Property Acquisition Fund (Revenue)	0	2,000
Revenue Total	12,988	16,433
Capital Reserves	4,083	4,964

- 11.5 The Council faces a challenge to deliver future savings that will achieve a balanced budget with further substantial reductions in government grant funding.
- 11.6 The capital programme included a number of schemes where provision needs to be carried forward into 2017/18. Funding remains in place to allow completion of these schemes however the Capital Member Group should examine the reason for slippage on individual schemes as part of the capital programme review. There was no significant capital overspend in 2016/17.
- 11.7 The Financial Statements will be reported to this Committee for approval in September following the completion of the external audit.
- 11.8 The draft financial statements have been made available in the Members Room and will be placed on the Council's website.

WARD(S) AFFECTED: (All Wards);

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DRAFT ANNUAL GOVERNANCE STATEMENT – 2016/2017

INTRODUCTION

This is the Council's Annual Governance Statement for 2016/17. It provides an opinion on the Council's governance arrangements, a review of the effectiveness of the governance statement, an update on the actions agreed in last year's statement and issues identified in 2016/17.

The Council adopted a code of corporate governance which reflects the principles and is consistent with the CIPFA/SOLACE Framework, "Delivering *Good Governance in Local Government*" 2016. This framework requires that local authorities are responsible for ensuring that;

- Their business is conducted in accordance with all relevant laws and regulations.
- Public money is safeguarded and properly accounted for.
- Resources are used economically, efficiently and effectively to achieve priorities which benefit the local authority.

All Councils are required to review their governance arrangements at least once a year.

REVIEW OUR EFFECTIVENESS

We have reviewed our overall effectiveness and the key points to note are:

- We have made progress in implementing the action plan from 2015/16 and identified significant issues for 2016/17.
- The Leadership Team is fully structured and assists with good governance in delivering key services and making corporate decisions and monitors performance.
- Key management roles are defined and are within the Leadership Team, The Chief Executive is Head of Paid Service, the Head of Legal & Democratic Services is the Monitoring Officer and the Chief Finance Officer is the Director of Finance & Resources. These form the Statutory

Officers Group with the Head of Corporate Governance who deal with compliance issues throughout the year.

- 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.
- The Corporate Governance Group reviews the Council's governance framework and key improvement action plans.
- The Leadership Team keeps the Council's risks under review through the Leadership Risk Register.
- We have made progress in implementing the action plan from 2015/16 and identified significant issues for 2016/17.

HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

The Council approved its Code of Corporate Governance in April 2017 which is based on the seven new principles within the Chartered Institute of Public Finance (CIPFA)/ Society for Local Authority Chief Executives (SOLACE) Framework 2016. How the Council complies with the seven principles is listed below.

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

The Monitoring Officer has specific responsibility for ensuring legality and investigating issues raised. The Council has a Corporate Plan for 2016 to 2020. Internal Audit carry out a risk based work plan and External Audit carry out inspections of the accounts The Council's Constitution lays out compliance with legislation and specialist legal advice and includes:

Financial Procedure Rules and Contract Standing Orders

Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy

Rules relating to Members external interests

Rules relating to Gifts and Hospitality

Codes of Conduct for Members and Employees

Scheme of Delegation to officers

Information Security Policy

Information Governance Policy

Money Laundering Policy

Whistleblowing Policy.

PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.

Meetings are open and all agenda papers, reports and decisions can be found on the Council's website and partnership risks are identified in committee reports. Details of all consultations and surveys are also available. The Council's budget and financial statements are available through the web site. The web site also highlights all completed and approaching public consultation & staff surveys

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

The Council's Corporate Plan for 2016 to 2020 has a key priority of supporting businesses and our local economy. The Council has an Economic Development Strategy supported by an action plan. Supporting the Medium Term Financial Strategy (MTFS) and Efficiency Plan. The Council approved a Property Investment Strategy in 2016 and the creation of a Commercial Property Acquisition Fund.

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

The Corporate Plan is supported by a number of strategies and key performance targets for 2016/17 which are reported in the annual report. Service decisions are approved by the Leadership Team and where appropriate the relevant Committee and there is a process for making delegated decisions. The Audit, Crime & Disorder and Scrutiny Committee can take action or intervention when required. The Council seeks advice when necessary from external bodies to learn and develop. The Council fosters effective relationships with other organisations; private, public and voluntary.

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

The Council has agreed a new Organisational Development Strategy focusing on all aspects of officers and members. A number of new initiatives have been held in 2016/17 to improve capability in managers and the Leadership Team. There has also been improved communication with staff. There have been improvements in the provision and management of projects with the implementation of a project management toolkit.

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

The Council has a Risk Management Strategy and all risks are maintained at a corporate and service level. The Council has a strong history of good financial management which is closely monitored for revenue and capital. In 2016/17 the Council has gone into borrowing in order to fund the purchase of commercial property in line

with its new Property Investment Strategy which provides a process for due diligence of purchases.

The Council's IT systems are regularly audited and the Council has an IT Security & Acceptable Use Policy and IT Information Assurance Policy. Staff has received training on information governance and a number of workshops were held on maintaining information asset registers to improve how data is managed.

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

The Council has redesigned its web site to improve accessibility and transparency. The recommendations from all audit reports are reported to the Audit, Crime & Disorder and Scrutiny Committee and are available on the website. Key performance targets are set and all committees receive regular performance management reports in order that performance targets can be measured.

CHECKING THE EFFECTIVENESS OF OUR GOVERNANCE

The Audit, Crime & Disorder and Scrutiny Committee

Carries out the role of an Audit Committee as identified in CIPFA's "Audit Committees – Practical Guidance for local authorities". The Committee produces an Annual Report to Council which covers the work of internal audit. This Committee meets throughout the year and monitor specific areas of governance including performance management, risk management and internal audit. As a Scrutiny Committee they also conduct a number of specific reviews.

Corporate Governance Group

This is an officers group that review key corporate governance issues. It reviews the Annual Governance Statement and the effectiveness of arrangements.

Statutory Officers Group

The Statutory Officers Group meets regularly which consists of key members of staff including the Head of Paid Service (Chief Executive), S151 Officer (Director of Finance & Resources) and the Monitoring Officer (Head of Legal & Democratic Services)

External Audit

The Council's External Auditors, Grant Thornton review the disclosures within the Annual Governance Statement and check they are in line with the CIPFA / SOLACE guidelines and consistent with their knowledge of the Council.

Projects

Updates on key projects are regularly monitored by the Leadership Team, with regular highlight reports. Key projects are supported by project boards with actions plans to monitor performance and ensure the aims can be delivered.

Self-Assessment and Production of the AGS

A number of processes and assessments are part of the process including;

- 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 Corporate Governance Group reviewed the process and the draft AGS.
- The Chief Executive and the Chair of Strategy and Resources sign the AGS
- Frauds reported and complaints to the Ombudsman are reviewed.
- The Head of Internal Audit's Opinion for 2016/17 is taken into account, with comments made by external audit and other external reviews
- Performance and performance indicators were reviewed.

CONCLUSION

The Council is satisfied that the appropriate governance arrangements are in place however it remains committed to maintaining and where required improving those areas. The key issues to be addressed in 2017/18 are listed below and these will be reviewed and monitored with a detailed action plan.

The implementation of the actions identified in 2015/16 have been monitored and are reported in further detail to the Audit, Crime & Disorder and Scrutiny Committee as part of the arrangements for approving the AGS.

Issues identified for 2015/16	Action taken to date
Public Sector funding reductions and on-going financial pressures	Delivering the MTFS remains challenging although there will be an under spend for 16/17. Further savings or additional income streams are required to continue to balance the budget as identified in the Efficiency Plan.

Issues identified for 2015/16	Action taken to date
Lack of staffing and resources	<p>The Organisational Development Strategy is being implemented. This includes a review of pay and reward support by the LGA and a new scheme will be recommended.</p> <p>The new service delivery plan has been developed for 2017/18 to support the corporate plan, and focus resources, identifying the critical priorities for the organization.</p>
The Council has been through a period of change and a number of corporate governance issues have been addressed although there is further work to refine processes and procedures and monitor the impact of these changes.	The governance arrangements have been strengthened. There is a Head of Corporate Governance and a more corporate approach is being taken to policy, performance and service planning.
The Council was not fully compliant with the Procurement Regulations Act and the Transparency Agenda	An action plan is in place to ensure compliance and the procurement arrangements are being developed and will be fully implemented in 2017/18.
A new performance framework needs to be developed to support the new Corporate Plan.	The new performance management framework is in place with clear targets and monitoring arrangements
There are a number of weaknesses in the control framework impacting on PCI (Payment Card Industry) compliance.	PCI Compliance was recently audited and given partial assurance. The call recording system has been altered to ensure compliance.
The cost of Homelessness continues to rise adding to financial pressures	A range of initiatives have been implementing resulting in a reduction in the number in temporary accommodation and this will continue to be closely monitored.
All decisions are not properly reported to Committee and reports are of inadequate standard.	The delegated authority form is being reviewed to improve controls. Training on the use of plain English has been provided.

Issues identified for 2015/16	Action taken to date
Lack of assurance that the Council have robust arrangements, appropriate approval, and adequate controls in place for the collection of CIL and S106 monies	Monies collected from S106 are decreasing with more emphasis on CIL. A new procedure is being developed for allocation of the CIL community fund. The governance arrangements within planning are due to be independently reviewed in 2017.
Fraud training and awareness needs to be provided to all staff	Training has not been held due to limited resources but new resources are being made available on E-Hub
Health & Safety Risks are not effectively managed	A quarterly report is taken to the Leadership Team on H&S highlighting any concerns and meetings have been arranged with all Heads of Service.

SIGNIFICANT GOVERNANCE ISSUES 2016/17

The following significant internal controls for 2016/17 are identified below and will be monitored.

Issues identified for 2016/17	Planned Action
Ensure the workforce has adequate resilience and also has the appropriate skills to deal with future requirements and changes to the way Council's operate.	Workforce planning is being undertaken to formulate the Council's needs and further work will be undertaken to identify skills gaps. The Organisational Development Strategy is being implemented, working with the LGA to develop a pay & performance scheme.
There have been a number of governance issues identified during 2016/17 within planning. The Council is currently at risk of designation by the Secretary of State to improve planning performance.	The LGA and the Planning Advisory Services will support the Council in reviewing arrangements and agreeing an action plan
Elements of the Constitution are out of date and need to updated.	The Council's Constitution will be fully reviewed in 2017/18.

Issues identified for 2016/17	Planned Action
<p>The Council has moved from debt free to external borrowing of up to £80m for property.</p> <p>This increases the Council's financial risk and there needs to be a robust approach in place when purchasing property.</p>	<p>A Working Group is in place to review the establishment of a Trading Company and review all future property purchases. The Property Investment Strategy will be regularly reviewed.</p> <p>Procedures are in place and will be further developed to ensure adequate provisions for investment property have been established to set-aside amounts for future voids/maintenance</p>
<p>The robustness of IT governance, data recovery and disaster recovery arrangements need to be reviewed to ensure that all IT projects are properly managed and data can be recovered.</p>	<p>A specialist IT Review is currently being completed and an action plan will be developed as part of an overall review of the current arrangements to ensure IT meets the Council's business needs.</p>

Signed:

.....

Chair of Strategy and Resources & Chief Executive on behalf of Epsom and Ewell
Borough Council

SUMMARY OF OUR GOVERNANCE FRAMEWORK

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that compromise the governance framework are described below. Further details can be viewed through the Council's website. The Council achieves good standards by applying the CIPFA/SOLACE principles of governance set out in the "Delivering good governance in Local Government Framework summarized below:

A summary of how we achieve compliance with these principles is set out in the following pages.

1 Legal and Constitutional Governance

a) The Constitution sets out how the council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Key roles and responsibilities are detailed which align to a scheme of delegation which is in place to ensure accountability is clear. It clarifies the responsibility of each committee and full council.

Each agenda for a Committee or Council meeting requires members to declare any relevant interests. All agendas and minutes are made available to the public through our website.

b) Council Structure & Leadership

The Council operates a Committee system with 4 main policy committees; Strategy & Resources, Community & Well Being, Licensing and Planning Policy and the Environment Committee. A number of key decisions are referred to full Council, for all Councillors to decide. Meetings are generally open to the public.

2. Budget and Resource Setting

The Council is required to set a balance budget on an annual basis. The budget sets out how much money will be spent on services, invested in projects and the level of Council tax for individual residents. The level of Council Tax also includes tax required by Surrey County Council and Surrey Police Authority although it has no control over the amount set by these bodies.

3. Democratic Governance & Scrutiny

The Council has a set of committees, panels and boards to carry out functions. These are approved at full Council in May.

The Audit Crime & Disorder and Scrutiny Committee provide the role of an audit committee.

The Council's Regulatory and Advisory Committees include; Licensing Hearing Panel, Planning Committee, the Appointments Panel, Financial Policy Panel, Health Liaison Panel and the Human Resources Panel.

In additions the joint committees and outside bodies include; Epsom and Walton Downs Conservators, Epsom & Walton Downs Consultative Committee and the Nonsuch Park Joint Management Committee.

4. Organisational Governance

Management Structure

The management structure is available on the Council's Website. The Chief Executive is the Head of Paid Service and the Head of Legal & Democratic Services is the Monitoring Officer. The S151 Officer is the Interim Director of Finance & Resources. These posts meet regularly and also as part of the Leadership Team.

Head of Paid Service – is the Chief Executive is responsible for all staff and leading an effective leadership team.

Monitoring Officer - is the Head of Legal & Democratic Services is the designated Monitoring Officer who has responsibility for ensuring compliance with established policies, procedures, laws, regulations and reporting any actual or potential breaches of the law or maladministration to full council, having first consulted with the Head of Paid Service and s151 Officer.

S151 Officer – for 2016/17 the Director of Finance & Resources was in post but recently was promoted to Chief Executive and the Head of Finance is now the acting Director of Finance & Resources

Conformance with the governance requirements of the CIPFA statement on the role of the Chief Finance Officer

The Chief Financial Officer of the Council is the Director of Finance & Resources. This role forms part of the Council's Leadership Team and reports direct to the Chief Executive. These arrangements, both in design and in day to day practice enable the financial aspects of material business decisions to be given due weight.

The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The effectiveness of the control environment can be evidenced through the Council's recent history of financial outturns and the timeliness and quality of the financial statements and other financial returns.

The Chief Financial Officer is the Council's S151 Officer and in accordance with the statutory requirement has the relevant accountancy qualification and significant local government experience. In the opinion of the Chief Financial Officer, the Council's finance function is considered adequately resourced and contains a mix of staff with the appropriate levels of professional qualifications and experience although is reliant on agency staff to fill some vacancies that are being recruited to.

Internal Audit

Internal Audit is delivered through a Consortium with other Surrey organisations and provided by an external provider RSM. They operate to the Public Sector Internal Audit Standards which is assessed every 5 years they report direct to the Audit, Crime & Disorder and Scrutiny Committee. The Council's appointed external auditor is Grant Thornton and they consider internal audit's arrangements as part of their work and they report to the Strategy & Resources Committee and Audit, Crime & Disorder and Scrutiny Committee.

Counter Fraud & Corruption Arrangements

The Council's Whistleblowing Policy is part of the Constitution which is available on the Council's website. The Council also has an Anti-Fraud and Corruption Strategy.

4 Planning & Policy Framework

Corporate Plan

The Council has a Corporate Plan 2016 -2020 which represents the Council's vision and priorities. Which are: **Keeping the Borough Clean and Green; Supporting the Community; Managing our Resources and Supporting Business and or Local Economy**

The Medium Term Financial Strategy and Efficiency Plan supports the delivery of Corporate Plan and is supported by a number of strategies.

5 Performance Management Framework

The performance management framework was reviewed in 2016/17 to reflect the new Corporate Plan. The corporate targets are set annually and reported three times a year to Committee.

The Councils performance management arrangements are monitored by the relevant committee, using a RAG system (red/amber green). Targets are set annually based on the Council's Corporate Plan. The relevant Heads of Service and Chairs of Committee are consulted on proposed target for the New Year. The Audit, Crime & Disorder Committee receive all targets. Accountability is down to the relevant Head of Service. The targets run through to the Service Delivery Plan and individual targets. Of the 57 targets for 2016/17, 76% were achieved and 24% were not achieved.

6 Risk Management

The Council has a Risk Management Strategy. The risks management arrangements are reported annually to Committee. The key corporate risks have been kept under review during the year by the Leadership Team and will continue to form an ongoing focus for the successful delivery of the Council's Plans. The top ten risks are regularly updated and reviewed. The service risks are managed by the Heads of Service who are responsible for taking action to mitigate these risks.

7 Stakeholder Engagement

Corporate Feedback/Complaints

The Council has a three stage procedure for recording complaints. This is clearly laid out in our procedure backed by the customer charter. The number of complaints to the Ombudsman forms part of this procedure and an annual report is received. For 2016 a total of 19 complaints were referred and 4 were upheld.

Stakeholder Communication

The Council has updated its website and the second phase will be implemented in 2017 to improve digital shift. The Council has a number of vessels to communicate to including the Borough Insight that goes to all households

TREASURY MANAGEMENT : YEAR END PERFORMANCE 2016/17

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Annexe 1 – Treasury Management Review 2016/17 Annexe 2 – Prudential Indicators 2016/17
<u>Other available papers</u> (not attached):	Fund Manager Performance Reports 2016/17 and Final Accounts Working Papers 2016/17.

REPORT SUMMARY

This report reviews the performance of the council's treasury management function in 2016/17

RECOMMENDATION (S)

That the Committee:-

- (1) receives the report on the Council's treasury management investment performance 2016/17;**
- (2) approves the actual 2016/17 prudential indicators.**

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 Income earned from investments is used to help finance Council's services. The Treasury Management Statement sets out the strategy and procedures that are adopted by the Council to manage the investment of reserves and provisions and cash flow.

2 Introduction

- 2.1 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 Policy Statement and Procedures approved by this Committee.

- 2.2 The reporting requirements of the annual performance review meet the requirements of the CIPFA Prudential Code.

3 Background

- 3.1 The Council, as part of its financial strategy, maintains revenue reserves and provisions. It also retains cash balances from other sources such as S106 funds and creditors which are available for investment. Therefore, the level of funds available for investment will be in excess of the amounts held in reserves and balances (as set in the table in paragraph 11.4 of the Final Accounts report).
- 3.2 For several years the main part of the Council's cash balances have been invested with external fund managers who use their expertise to invest on the money market to achieve maximum returns within defined risk parameters. The Council currently uses one external fund manager, Aberdeen Asset Management and at the end of March 2017 the Council had £12.5 million invested with this fund manager.
- 3.3 Internally managed balances (managed by the Finance Team) can be invested in long term gilts or deposits with a balance retained to meet short term cash flows invested in temporary loans or Money Market Funds. At the end of March 2017 the Council had £16.4 million held in short term deposits of less than one year duration remaining.
- 3.4 As a result at the end of 2016/17 the Council had a total of £28.9 million invested.
- 3.5 The Council as at the end of 2016/17 had external debt of £19.1 million. The funding acquired from PWLB was used to finance the acquisition of two commercial properties.
- 3.6 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.
- 3.7 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 that are offering high investment returns but are at high risk of defaulting.

4 Performance Review

- 4.1 A report on Treasury Management performance for 2016/17 is attached to this report at Annexe 1.
- 4.2 No temporary borrowings were required in 2016/17 except use of the Council's bank overdraft facility.

- 4.3 The average return achieved for 2016/17 of 1.02% compares favourably with the benchmark seven day London Interbank Bid (LIBID) rate of 0.20%. This amounted to total income for the year of £347,000, generated on reserves, working balances and cash flow.
- 4.4 The final outturn position shows an increase in income by £52,000 on what was reported in the half year report which went to Financial Policy Panel in October 2016, at this stage where it was anticipated that income from investments would be £295,000 at the end of the year.
- 4.5 The performance for 2016/17 on the Council's investments was as follows:

	Average Investment	Interest Received	Average Rate of Return
Internally Managed Funds	£'m	£'000	%
Money Market Funds	3.7	17	0.47
Interest Bearing Account	0.4	1	0.26
Fixed Rate Deposits	14.2	164	1.16

Externally Managed Funds			
Aberdeen Asset Management	15.7	165	1.05
Total	34.0	347	1.02

- 4.6 Returns on investments for 2016/17 were £127,000 more than the budgeted income for the year and the average annualised return on investments was 1.02%.
- 4.7 Epsom and Ewell Borough Council has achieved this performance by following the strategy of investing its long to medium term funds in 1 year fixed term deposits and with its external fund manager, Aberdeen Asset Management and keeping its short term funds mainly in money market funds or in an interest bearing instant access account.

5 Internally Managed Funds

Money Market Funds

- 5.1 Money market funds are pooled investments that allow instant access to withdraw monies. The benefit of MMFs is that the risk on the investment is very low as the money invested in the fund is spread across a range of counterparties, which limits the exposure of a significant sum be invested with a defaulting counterparty.

- 5.2 The return made on money market funds of 0.47% compared favourably to the benchmark of 0.20%. Investment in money market funds has been limited to short term investments from surplus funds which can be called back with no notice required.

Interest Bearing Account

- 5.3 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.
- 5.4 The risk on these investments is 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.
- 5.5 The return made on interest bearing accounts of 0.26% compared to the benchmark of 0.20%.

Fixed Interest Investments

- 5.6 The Council currently has five fixed term deposits of £2,500,000 all in 1 year fixed rate deposits and maturing during 2017/18.
- 5.7 The current strategy and guidance obtained from our independent advisors is to limit fixed term investments to a period of one year.
- 5.8 The return made on these investments is 1.16% compared to the benchmark of 0.20%.

6 Externally Managed Funds

- 6.1 Our external fund manager delivered returns of 1.05% for 2016/17 which compares to 0.76% for 2015/16. Returns have remained at historically low levels since October 2009 as opportunities for delivering significant returns have become very limited.
- 6.2 The Council continues to invest a significant element of its medium to long term funds with Aberdeen Asset Management. The main benefit to the Council of using external fund managers is it minimises the Council's risk, as the funds invested with Aberdeen Asset Management are spread across a wide portfolio of financial institutions. This results in the overall exposure to a potential defaulting bank being limited to a small percentage of the overall holding.

7 Financial and Manpower Implications

- 7.1 In line with previously agreed policy, income is credited to revenue reserves, trust funds and other accounts based on the total return for the year. In summary, income was credited to the following accounts:

	£'000	Purpose
General Fund Revenue Account	268	Used to maintain low Council Tax and finance services
Hospital Cluster Interest Reserve	2	Contingency for funding Hospital Cluster works
Repairs and Renewals Fund	5	Used to fund the replacement of equipment
Insurance Reserve	5	Used to fund self-insured losses (sums below excess)
Hospital Cluster Commuted Sums	39	Used to fund maintenance costs
Property Maintenance Reserve	2	Used to fund backlog property repairs
Corporate Project Reserve	18	Provision for any high priority projects
Community Safety Partnership Fund	1	Used to finance community safety projects
Other Reserves / Accounts	7	Nonsuch Park Joint Management Committee and Epsom, Walton Downs Conservators, trust funds and bonds held.
Total Interest Applied	347	
Funded by :		
Interest from investments	347	
Total Funding	347	

8 Interest Equalisation Reserve

- 8.1 The interest equalisation reserve was set up to enable variations in investment returns to be accommodated within the general fund budget without having an adverse effect on the levels of funds available for the delivery of services in year.
- 8.2 With base rates and investment returns remaining at historically low levels for a prolonged period and with no immediate sign of these increasing, the funds in this reserve are under increasing pressure.
- 8.3 The overall balance on this reserve as at the end of the financial year remains at £631,000. However, the budget for 2017/18 agreed a drawdown of £52,000 from this reserve to fund services.

9 Prudential Indicators

- 9.1 In accordance with the requirements of the Prudential Code, the end of year indicators for 2016/17 are supplied in Annexe 2.

10 Legal Implications (including implications for matters relating to equality)

10.1 ***Monitoring Officer's comments:** The legal issues around Treasury Management have been picked up in the body of 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 established governance arrangements.*

11 Risk Assessment and Conclusion

11.1 Investment performance exceeded the benchmark level in 2016/17. The appointed external fund manager, Aberdeen Asset Management, performed well against the benchmark.

11.2 The Strategy and Resources Committee approved the Treasury Management Strategy for 2016/17, which includes a risk management approach to investment of funds and returns.

11.3 Interest rates continue to remain at historically low levels and are not expected to rise until at least the end of next year. The Council is still following a policy of restricting the length of investments, which reduces the risk of loss of capital invested and investments being tied in at lower rates when interest rates start to increase. However, this reduces the level of return that can be achieved on investments.

11.4 The Council's externally managed investments of approximately £12 million are held within a pooled fund, valued at around £1 billion, in contrast to previous holdings in specific institutions. This spreads the risk across a much wider number of holdings and reduces the level of fluctuation of the fund throughout the year.

11.5 It is currently envisaged that the fund manager will be able to achieve investment returns at around 0.9% for 2017/18; this compares to an anticipated return built into the budget of 1.25%.

11.6 Any Councillors who have any questions on the treasury management performance for 2016/17 are requested to contact the Head of Financial Services prior to the meeting.

WARD(S) AFFECTED: (All Wards);

TREASURY MANAGEMENT – PERFORMANCE REVIEW 2016/17

1. Internally Managed Funds

The internally managed fund for 2016/17 was:

	Balance at 31 March 17 £'000	Balance at 31 March 16 £'000	Difference £'000
Short Term Investments (less than 1 year)	12,500	15,000	(2,500)
Short Term Investments (more than 1 year)	0	0	0
Total	12,500	15,000	(2,500)

The Council made five short term investment during the year, as follows:

Banks / Building Societies	Matured in 2016/17	Value £'m	% Return Achieved Net of Fees
National Counties Building Society	No	2.5	1.10
West Brom Building Society	No	2.5	0.80
Progressive Building Society	No	2.5	0.85
Lloyds Bank	No	2.5	1.00
Nottingham Building Society	No	2.5	0.77

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

	Value of investments made in 16/17 £'000	Average balance held in fund £'000	% Return Achieved from Investments	Fund Performance	
				% annual gross return	% annual return net of fees
Goldman Sachs	14,650	2,291	0.47	0.48	0.33
Deutsche Bank	44,700	1,427	0.46	0.46	0.31
RBS Special Interest Bearing Account (SIBA)	35,850	383	0.26	0.26	0.11
Total	95,200	4,101	0.45		

TREASURY MANAGEMENT – PERFORMANCE REVIEW 2016/17

The total interest received on internal temporary investments in 2016/17 was as follows:

	Average Value of Funds Invested £'000	Interest Earned £'000	% Return Gross of Fees
Internal Funds	18,279	182	1.00 %

The average rate of return achieved on money market funds and temporary internally managed funds (1.00%) exceeds the average seven day deposit rate of 0.20% by 0.80%. This compares to performance of 0.54% above the average seven day rate in 2015/16.

2. Externally Managed Funds

A summary of external fund balances 2016/17 is as follows:-

Aberdeen Asset Management	Value £'000
Fund Value at 1 April 2016	11,414
Gross interest and profit for the year	165
Net deposits to the fund in year	900
Fund value at 31 March 2017	12,479

Fund managers performance is assessed on the rate of return excluding prior year adjustments for unrealised profits and losses against the benchmark of the 7 day LIBID rate. Performance against benchmark for 2016/17 was:

Aberdeen Asset Management	Value £'000
Average Value of Funds held during 2016/17	16,696
Gross interest and profit for the year	165
Percentage return for 2016/17 gross of fees	1.05 %
Benchmark Return (7 day LIBID)	0.20 %
Variance 2016/17 to 7 day LIBID rate	+0.85 %
<i>Variance 2015/16 to 7 day LIBID rate</i>	<i>+0.40 %</i>

Estimated and Actual Treasury Position and Prudential Indicators

1. Introduction

The Local Government Act 2003 introduced a new system of capital controls for Local Authorities, which replaced Part IV of the Local Government and Housing Act Regulations 1989, and came into effect from April 2004. 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 previous system of credit approvals, Basic Credit Approvals (BCA) and Supplementary Credit Approvals (SCA), has been abolished and there is no restriction on capital investment, subject to government reserving powers to restrict borrowing for national economic reasons. With the abolition of the BCA/SCA framework, capital investment is supported through supported capital expenditure (revenue) which is incorporated in the capital finance Formula Spending Share calculations in a similar way to that of credit approvals.

In addition the Act requires all local authorities to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential. 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 budget report complies with the requirements of the Code for 2016/17.

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 be meaningless. In addition the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and the year on year changes.

This Annexe provides a commentary on each Prudential Indicators relevant to the Council and sets out the actual prudential indicators for approval as part of the Council's requirement to comply with the prudential code.

Estimated and Actual Treasury Position and Prudential Indicators

2. Affordability Prudential Indicators

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	2015/16 Actual %	2016/17 Budget %	2016/17 Actual %
General Fund	(2)	(1)	(2)

The ratios above for Epsom and Ewell reflect cost of borrowing after allowing for investment income. This is a worst case indicator only and reflects the “gross” cost of borrowing against the overall “net” Council budget. In reality the borrowing costs from the acquisitions are paid for from revenue income streams generated by them and are thus self-financing.

Estimates of the Incremental Impact of Capital Investment Decisions on the Council Tax

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact looks at the loss of interest which could be generated on the funds being used to finance the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2015/16 Actual	2016/17 Original Budget	2016/17 Actual
Capital Programme	£2,999k	£1,031k	£21,742k
Interest earned on short term investments	0.81%	1.25%	1.02%
Tax Base	31,512	32,013	32,013
Incremental Impact on Band D Council Tax	£0.77	£0.39	£6.93

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 a capital purpose, and the change year on year will be influenced by the capital

Estimated and Actual Treasury Position and Prudential Indicators

expenditure in each year and how its 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 supported element of capital expenditure is that expenditure financed from existing reserves or capital receipts plus borrowing that is the supported capital expenditure under the previous capital controls regime. The unsupported element is the part of the capital expenditure freedom allowed under the Prudential Code financed from borrowing.

The CFR forms one of the required prudential indicators. Included also is the related capital expenditure figures for each year, split between supported and unsupported spending, and the expected external debt for each year. Both these are also mandatory prudential indicators.

A key risk of the plan is that the level of government grant and other sources of funding have been estimated and are therefore subject to change.

In 2016/17 the Council agreed to borrow nearly £20 million over 50 years to finance the acquisition of two commercial properties within the Borough as a result this has increased the CFR which had previously been zero up to nearly £20 million in 2016/17.

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

	2015/16 Actual £'000	2016/17 Original £'000	2016/17 Actual £'000
<u>Capital Expenditure:</u>			
Total Capital Expenditure	2,999	1,031	21,742
<u>Capital Financing:</u>			
Capital reserves	756	695	812
Capital grants	273	286	457
Other capital contributions	1,495	0	1,225
Revenue	475	50	42
Total Capital Financing	2,999	1,031	2,536
Capital Financing Requirement (CFR)	Nil	Nil	19,134
Movements in CFR	Nil	Nil	19,134

Estimated and Actual Treasury Position and Prudential Indicators

External Debt:			
Borrowing	Nil	Nil	19,134
Other long term liabilities	Nil	Nil	Nil
Total External Debt at 31 March	Nil	Nil	19,134

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 2016/17 and next two financial years.

The following table sets out the actual and estimated levels of borrowing and investment for 2016/17.

	2015/16 Actual £'000	2016/17 Original £'000	2016/17 Actual £'000
Gross Borrowing at 31 March	0	0	19,134
Investments at 31 March	27,860	18,764	28,879
Net Borrowing at 31 March	(27,860)	(18,764)	(9,745)
Capital Financing Requirement	0	0	19,134

The Director of Finance and Resources reports that the Council complied with the requirement to keep net borrowing below the relevant CFR in 2016/17, and no difficulties are envisaged for the current or future years. This view takes into account current commitments and plans in the budget report.

A further two Prudential Indicators control the overall level of borrowing. These are:

The Authorised Limit

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

The Operational Boundary

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

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

Estimated and Actual Treasury Position and Prudential Indicators

	2015/16 Actual £'000	2016/17 Original £'000	2016/17 Actual £'000
<u>Authorised Limit for External Debt</u>			
Borrowing	0	5,000	0
Other long term liabilities	-	-	-
Total Authorised Limit for External Debt	0	5,000	0
<u>Operational Boundary for External Debt</u>			
Borrowing	-	-	19,134
Other long term liabilities	-	-	-
Total Operational Boundary for External Debt	-	-	19,134

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 2011 Edition at its meeting on 13 April 2012 and Strategy and Resources Committee approved a revised treasury management policy statement and procedures April 2017.

The treasury management policy requires an annual strategy to be reported to Strategy and Resources Committee 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. In line with Department of Communities and Local Government (DCLG) guidance it is expected that an Investment Strategy will also be required for approval at the beginning of each year.

Estimated and Actual Treasury Position and Prudential Indicators

To reflect the setting up of prudential borrowing funding £20 million of commercial property acquisitions and the further approval for an additional £60 million of property acquisitions an updated Treasury Management Strategy was agreed by Strategy Resources Committee in April 2017.

The introduction of the Prudential Code replaced the s45 limits imposed by the Local Government and Housing Act 1989, with four new prudential indicators:

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.

Maturity Structures of Borrowing

This indicator sets out these gross limits on borrowing which are set to limit the Council's exposure to large fixed rate sums falling due for refinancing.

Total Principal Funds Invested for Periods Longer Than 364 Days

This indicator limits the amount of long term investments which can be sold in each year, to reduce the need for early sale of an investment.

In line with the indicators for external debt set out above the Council will not have any net debt at any time over the next three years. The limits on fixed and variable borrowing on net debt are therefore set at nil. The limits on gross borrowing and investments at fixed and variable rates will be set as part of the Annual Financial Strategy reported to Strategy and Resources in March.

Any borrowing over the next three years will be undertaken on a temporary basis and repaid within twelve months. The upper limit maturity structure for repayment is therefore set at 100% within twelve months.

The limits on fund invested longer than 364 days is based on the forecast level of investments over the next three years.

	Figures are for the financial year unless otherwise titled in italics	2015/16 Actual	2016/17 Original Indicator	2016/17 Actual
1	Capital Expenditure	2,999	1,031	21,742
2	Capital Financing Requirement (CFR) at 31 <i>March</i>	0	0	(19,134)

Estimated and Actual Treasury Position and Prudential Indicators

	Figures are for the financial year unless otherwise titled in italics	2015/16 Actual	2016/17 Original Indicator	2016/17 Actual
3	Treasury Position at 31 March			
	Borrowing	0	0	19,134
	Other long term liabilities	0	0	0
	Total Debt	0	0	19,134
	Investments	(27,860)	(18,764)	(28,879)
	Net Borrowing	(27,860)	(18,764)	(9,745)
4	Maximum Debt (Actual) compared to Authorised Limit (Original Indicator)	0	5,000	0
5	Average Debt compared to Operational Boundary (Original Indicator)	0	0	0
6	Ratio of financing costs to net revenue stream	(2%)	(1%)	(2%)
7	Incremental impact of capital investment decisions on the Band D council tax	£0.77	£0.39	£6.93
8	Upper limits on fixed interest rates (<i>against maximum position</i>) as above	0	0	0
9	Upper limits on variable interest rates (<i>against maximum position</i>) as above	0	0	0

10	Maturity structure fixed rate borrowing (%)	2015/16 Actual	2016/17 Original Indicator	2016/17 Actual
	<u>Under 12 months</u>	0	100	0
	<u>12 months to 2 years</u>	0	0	0
	<u>2 years to 5 years</u>	0	0	0
	<u>5 years to 10 years</u>	0	0	0
	<u>10 years and above</u>	0	0	100
11	Maximum principal funds invested over 364 days (<i>against maximum position</i>)	0%	50%	0%

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JOINT INFRASTRUCTURE GROUP: MEMBERSHIP

<u>Report of the:</u>	Head of Legal and Democratic Services
<u>Contact:</u>	Fiona Cotter
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	None
<u>Other available papers (not attached):</u>	Strategy & Resources Committee 29/09/2015 Item 11: Community Infrastructure Levy Proposed Governance Arrangements Strategy & Resources Committee 22/11/2016 Item 08: Community Infrastructure Levy (CIL) Governance Arrangements - Report from Joint Infrastructure Group

REPORT SUMMARY

This report requests the Strategy and Resources Committee to consider appointments to the Joint Infrastructure Group.

RECOMMENDATION (S)

That:

- (1) the Borough membership of the Joint Infrastructure Group consist of the Chairman of S&R, one other Policy Committee Chairman or Vice Chairman plus one other councillor;**
- (2) the Committee appoint Borough members to the Joint Infrastructure accordingly;**

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The Local Plan is intended to provide the spatial planning mechanism for the vision set out in the Sustainable Community Strategy, and it will assist in the achievement of all the Council's Key Priorities. The Community Infrastructure Levy (CIL) is the mechanism that will ensure that future developments contribute towards the community infrastructure that is needed to support growth.

2 Background

- 2.1 The Council introduced the Community Infrastructure Levy (CIL) on 1 July 2014. The Council is responsible for the collection, distribution and spending of CIL monies.
- 2.2 At its meeting on 29 September 2015, the Strategy and Resources Committee received and considered a report which sought endorsement of the governance arrangements to be introduced to ensure that CIL monies were appropriately managed in accordance with the relevant Regulations. The report also sought approval of the Regulation 123 List which identified the types of infrastructure the Council would spend CIL monies on.
- 2.3 In regard to the governance arrangements, it was clarified that it was intended to establish a joint member/officer working group which could make recommendations via the appropriate channels to the Borough Council on the allocation of CIL. As an aside, the Committee was informed at that time that the Council had yet to finalise the precise mechanism for its approach to “engaging with neighbourhoods” in regard to the allocation of the Neighbourhood Proportion of CIL (which amounted to 15%).
- 2.4 Accordingly, it was agreed that a joint member/officer working group should be established comprising of 3 Borough Councillors and 2 County Councillors and the Committee approved the Regulation 123 List.
- 2.5 The Joint Infrastructure Group’s Terms of Reference were agreed at its inaugural meeting on 13 September 2016 and ratified by the Strategy and Resources Committee at its meeting on 22 November 2016. The Terms of Reference confirmed the elected representation on the joint working group to comprise of three Borough Councillors and two County Councillors.

3 Proposals

- 3.1 The Committee is asked to appoint Borough Council members to the Joint Infrastructure Group.
- 3.2 Given the importance of CIL funding to the Council’s overall financial position, its Corporate Plan and Asset Strategy it is suggested that the Borough Membership consist of the Chairman of S&R, one other Policy Committee Chairman or Vice Chairman plus one other councillor.

4 Financial and Manpower Implications

- 4.1 There are no significant financial or manpower implications in regard to the establishment of the joint member/officer working group.

- 4.2 **Chief Finance Officer's comments:** *It has been suggested that there may be additional associated administrative costs with the JIG. The 5% administration allocation may be sufficient. Resource expenditure will be closely monitored and managed accordingly.*

5 Legal Implications (including implications for matters relating to equality)

- 5.1 The Regulations require the Council to be transparent in how CIL funds are allocated. Establishing governance arrangements will ensure such requirements are addressed. The ratification of the Terms of Reference contributed towards that process.

- 5.2 **Monitoring Officer's comments:** *As a joint member/officer working group the JIG is not required to comply with the principles of proportionality.*

6 Sustainability Policy and Community Safety Implications

- 6.1 No direct implications for the purposes of this report.

7 Partnerships

- 7.1 The allocation of CIL monies will require partnership working with infrastructure providers. The JIG will facilitate such partnership working. This is demonstrated by the inclusion of Surrey Local Committee Members and Surrey Officers on the Group. The proposed amendments to the JIG's Terms of Reference will allow additional representation from other infrastructure partners/ providers.

8 Risk Assessment

- 8.1 Without governance arrangements for the allocation of CIL monies we will not be meeting the requirements of the CIL regulations.

9 Conclusion and Recommendations

- 9.1 Money collected through CIL will help to deliver essential community infrastructure that maintain and enhance the Borough as a sustainable place to live, work and visit.
- 9.2 In order to help to decide how our CIL monies should be allocated and spent the Strategy & Resources Committee agreed to the establishment of a Joint Infrastructure Group (JIG) and the Committee is being asked to appoint members to this Group. The JIG will report any recommendations through the appropriate committee channels.

WARD(S) AFFECTED: (All Wards);

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CAPITAL MEMBER GROUP: MEMBERSHIP

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	None
<u>Other available papers</u> (not attached):	Capital Strategy 2017/18 Budget Book 2017/18

REPORT SUMMARY

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group.

RECOMMENDATION (S)

That the Committee appoints Members to the Capital Member Group.

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

1.1 The Strategy and Resources Committee have agreed as a key service priority the preparation of a new Medium Term Financial Strategy for 2016/20. The current MTFs includes targets for capital investment and capital reserves. These will be reassessed as part of this year's capital programme review.

2 Background

2.1 The capital budget timetable requires that the Financial Policy Panel receives a report on the proposed capital programme and funding options for 2018/19 at the December meeting. Service project appraisals are then presented to the policy committees in January and schemes receiving committee support will be included in the Budget and Council Tax report for Council approval in February 2018.

2.2 The Capital Member Group (CMG) co-ordinate the preparation of the new capital programme and review funding, including capital reserves, new capital receipts, grants, CIL and Section 106 (planning gain) receipts.

- 2.3 In view of public sector funding restrictions the Capital Member Group has continued to limit schemes recommended for inclusion into the capital programme to those that were a prioritised service or for health and safety or essential to keep services running. Any other schemes included within the capital programme need to be self-financing, either through external grants/contributions or through revenue savings (on a business case evaluation).

3 Capital Member Group

- 3.1 The Capital Member Group is a working group which is now to be appointed by the Strategy & Resources Committee to oversee the work of the officer capital management group and review the capital strategy validate criteria applied to capital project appraisals.
- 3.2 There are no set rules for membership of the Capital Member Group however as a guide the previous year Members decided that :
- 3.2.1 There be five members on CMG
- 3.2.2 Meetings be chaired by the Chairmen of Strategy and Resources Committee
- 3.2.3 CMG members should be drawn from members of the Financial Policy Panel
- 3.2.4 CMG include some, but not all, of the committee chairmen
- 3.2.5 CMG include opposition party representation.
- 3.3 Last year's membership of the Group comprised Councillors Eber Kington (Chairman), Neil Dallen, Barry Nash, Omer Kokou-Tchri and John Beckett.

4 Capital Programme Review Timetable

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

Capital Member Group Action	Date
Discuss approach for 2017/18 bids and review schemes carried forward from the 2015/16 capital programme.	TBC
Discuss approach and identify which of the potential bids should be worked into full bids for review in November.	(Wed) 6 Sept 2017
Review appraisals, funding and draft FPP report.	(Wed) 8 Nov 2017

- 4.2 In previous years, some of the work for the group may be during daytime working hours, dependent upon the work programme. However, meetings will generally be held at 5 pm.

5 Proposals

- 5.1 The Panel is asked to nominate Members to the Capital Member Group.

6 Financial and Manpower Implications

- 6.1 There are no implications for the purpose of this report.

7 Legal Implications (including implications for matters relating to equality)

- 7.1 *Monitoring Officer's comments: There are no legal implications arising from this report.*

8 Sustainability Policy and Community Safety Implications

- 8.1 There are no implications for the purpose of this report.

9 Partnerships

- 9.1 There are no implications for the purpose of this report.

10 Risk Assessment

- 10.1 All major projects are subject to risk assessment.

11 Conclusion and Recommendations

- 11.1 Appointments are made to the Capital Member Group to assist in the formulation of the new capital programme for 2018/19 to meet the capital budget reporting timetable.

WARD(S) AFFECTED: (All Wards);

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**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE
held on 4 April 2017**

PRESENT -

Councillor Eber Kington (Chairman); Councillor Clive Woodbridge (Vice-Chairman); Councillors Tony Axelrod (as nominated substitute for Councillor Neil Dallen), Richard Baker, Kate Chinn, Alex Clarke (as nominated substitute for Councillor Omer Kokou-Tchri), Keith Partridge, Mike Teasdale and Tella Wormington

Absent: Councillor Rekha Bansil, Councillor Neil Dallen and Councillor Omer Kokou-Tchri

Officers present: Kathryn Beldon (Chief Executive), Simon Young (Head of Legal and Democratic Services), Gillian McTaggart (Head of Corporate Governance), Lee Duffy (Acting Director of Finance and Resources), Brian Thompson (Interim Head of Financial Services), Grant Miles (Interim Accountant) and Fiona Cotter (Democratic Services Manager)

144 QUESTION TIME

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

145 DECLARATIONS OF INTEREST

No declarations of interest were made by councillors regarding items on the Agenda.

146 EXTERNAL AUDIT PLAN

(Mr. Ade O Oyerinde, Manager, Grant Thornton, in attendance)

The Committee received and considered a report which set out the approach to be taken by the Council's external auditors, Grant Thornton, to the audit of the accounts for 2016/17.

The Committee noted that the Audit Plan had been prepared for the benefit of the Committee as the body charged with governance. It provided an overview of the planned scope and timing of the audit as required by international audit standards and was designed to help members understand the consequences of the auditors' work, to discuss issues and identify any areas in which more information might be required.

Mr. Oyerinde highlighted the significant risks stated on page 6 of the audit plan. He reassured the Committee that the two risks identified were standard and prevalent across all audits conducted by the external auditor. He further highlighted that Grant Thornton had not identified any significant risks arising from the initial risk assessment in relation to the Value for Money (VfM) conclusion. He also confirmed that Grant Thornton was working together with the finance team to achieve the successful early closure of the accounts required by the 2015 Audit Regulations next year: As a dry run auditors would be on site from the second week in July with a view to producing a draft report by August.

Accordingly, the Committee endorsed the External Audit Plan Year ended 31 March 2017.

147 CODE OF CORPORATE GOVERNANCE

The Committee received and considered a report which provided an update on the changes made to the Code of Corporate Governance as a result of the changes to the “Delivering Good Governance in Local Government” Framework 2016.

It was confirmed that Officers would be looking at the public accessibility of the Code, particularly in relation to associated documents quoted therein.

Having noted the changes to principles highlighted in the report and that these were reflected in the Council’s Key Service Priorities, the Committee approved the updated Code of Corporate Governance and noted the required amendments to the Annual Governance Statement.

148 TREASURY MANAGEMENT STRATEGY STATEMENT 2017/18 TO 2019/20

A report was presented to the Committee which set out the updated Treasury Management Strategy Statement 2017/18 to 2019/20.

The following points were noted:

- The Financial Policy Panel would continue to receive presentations from the Council’s Fund Managers but further training could be arranged as required;
- The Council always worked to the best advice available at any given time in relation to interest rates and inflation. Investments were generally short term to take account of the volatility in the market;
- The Council was very unlikely to invest in shares but this option was included in the Strategy to provide maximum flexibility in terms of available options. Officers would seek further approval if considering going down this route;
- The Council was approaching the point at which it would need to consider how it would finance its capital programme in future;
- The Municipal Bond Agency would be a new source of borrowing which the Council intended to make use of as and when appropriate as it was

anticipated that its borrowing rates would be very competitive. Existing loans could not be transferred to this body.

Accordingly, the Committee approved:

- (1) The Capital Prudential Indicators and Limits for 2017/18 to 2019/20 contained within the Treasury Management Strategy Statement (Sections 2 and 5);
- (2) the Treasury Management Statement 2017/18 to 2019/20 and the Treasury Prudential Indicators contained within it (Section 3);
- (3) the Borrowing Strategy contained within the Treasury Management Statement (Section 3);
- (4) the Investment Strategy 2017/18 contained within the Treasury Management Strategy Statement (Section 4), including changes to counterparty limits;
- (5) the Minimum Revenue Provision (MRP) Policy Statement contained within the Treasury Management Strategy Statement (Section 5);
- (6) the treasury management practices as set out in Section 7 of the Treasury Management Statement; and
- (7) Recommended to Council the adoption of the updated Treasury Management Statement 2017/18 to 2019/20.

149 PLANNED MAINTENANCE 2017/18

A report was presented to the Committee which set out progress on the 2016/17 Planned Maintenance Programme and which sought approval of the 2017/18 programme.

The report highlighted that, as at 1 April 2016, the Property Maintenance Reserve stood at £239,000. A sum of £169,000 had been released from the reserve in year to fund the completion of the 2015/16 programme, resulting in a residual balance of £70,000. A forecast underspend of £133,000 had been identified to be transferred to the reserve at the end of 2016/17 and it was anticipated that the balance on the reserve would be £203,000 as at 31 March 2017.

There was provision of £210,000 for Planned Maintenance within the approved 2017/18 Revenue Estimates. The proposed allocation of funding to individual schemes for 2017/18 collectively exceeded the approved budget by £24,000. If the Committee was minded to approve additional funding of £24,000 from the Property Maintenance Reserve, in addition to any 2016/17 slippage carried forward, this could be met from the balance on this reserve. The schemes included for 2017/18 were all classified as 1A essential works in the updated 10 year property plan. These schemes were as follows:

- Alexandra Recreation Ground: damp proofing works
- Auriol Pavilion: new boiler and associated works
- Cox Lane Centre; external decoration and window replacement
- Ashley Centre car park: health and safety works to staircases & replacement of height restriction sign
- Town Hall: upgrade of controllers to the BMS management system
- Bourne Hall: provision of air conditioning in first floor office
- Cemetery Chapel: external decoration of soffits and fascia
- Harriers Centre: internal and external redecoration
- Bourne Hall Lodge: additional works required to roof insulation by Building Control
- Various emergency repairs to walls and fences throughout Borough
- Various emergency repairs to hard surface pathways, roads and car parks owned by the Borough Council
- Various regulatory works: remedial electrical works/5 yearly inspections; remedial works following fire risk assessments, minor energy efficiency works, water efficiency works and asbestos re-inspections.

It was further noted that in year changes to the 2016/17 programme had been necessitated. This resulted from higher than anticipated costs following tender via the new procurement system of external decoration works at the Harriers Centre, (an additional £12,000), and additional essential health and safety concrete repairs at the Ashley Centre car park (an additional £11,000).

Accordingly, the Committee:

- (1) Noted the position and progress upon the 2016/17 planned maintenance programme;
- (2) Noted the changes made to the 2016/17 planned maintenance programme approved under officer delegated authority;
- (3) Approved the transfer of slippage in the 2016/17 planned maintenance programme at year end to the Property Maintenance Reserve in order to fund completion of the Programme;
- (4) Approved the proposed 2017/18 planned maintenance programme;
- (5) Approved the release of £24,000 from the Property Maintenance Reserve to fund the shortfall in the 2017/18 planned maintenance programme.

150 REGULATION OF INVESTIGATORY POWERS ACT 2000 - POLICY

The Committee received a report which summarised the current position in relation to the Regulation of Investigatory Powers Act 2000 and considered how the Act had been used in recent years by the Council. The report sought approval to the Council's policy in relation to the use of investigatory powers and reconfirmation of authority for the Head of Legal and Democratic Services to make such changes to the policy as he thought fit.

The changes to the policy included some minor corrections and administrative changes as well as the addition of a specific section in relation to social media and "Non RIPA" surveillance. It was conceivable that the Council might consider it appropriate to undertake surveillance in circumstances where a RIPA authorisation would not be appropriate, such in the case of fly-tipping (which was raised at the meeting), and the changes to the policy sought to ensure that the same test was applied to decide whether such activity was necessary and proportionate.

Most investigations conducted by the Council were overt and did not require RIPA approval. No authorisations to conduct covert surveillance had been sought for at least 6 years. Most cases which involved regulated investigatory techniques involved benefit fraud and had been conducted in partnership with the Department of Work and Pensions and/or the Police and all necessary authorisations had therefore been processed by those other organisations.

It was noted that the Council was due to be inspected on 13 July 2017. Previous inspections had been undertaken by a judge but it appeared that, with the limited use of RIPA, a different level of scrutiny was being undertaken.

Accordingly, the Committee:

- (1) Noted the Council's use of RIPA;
- (2) Approved the draft RIPA Policy set out in Annexe 2 to the report;
- (3) Authorised the Head of Legal and Democratic Services to make such changes to the policy as he thought fit from time to time.

151 LOCAL STRATEGIC PARTNERSHIP

The Committee received a report which sought approval to formally disband the Local Strategic Partnership.

The report highlighted that there was no longer a statutory duty or Government imperative for a LSP to be maintained. However, it was important that, in winding up the LSP, the Council sought to ensure that all partners were agreed, particularly in respect to the allocation of the remaining funds held by the Council for this purpose. There was a balance of £20,718.29 in the Council's accounts for the LSP partnership.

It was considered the right time to wind up the LSP as the legislative and national policy environment had changed and it was no longer functioning in the way it was originally intended. That was not to say that a number of beneficial work streams had been abandoned – they were being dealt with in a different way. By way of example, the Chief Executive indicated that Officers were currently looking at joining up some of the work around health.

Accordingly, the Committee authorised the Chief Executive in consultation with the Chairman of the Strategy and Resources Committee:

- (1) to take such steps as she considered necessary to formally disband the Epsom and Ewell Local Strategic Partnership and
- (2) to continue to engage with partners, in discussion with them, in such ways as she considered appropriate;
- (3) to deal with the redistribution, spending or transfer into the Council's general fund of the balance of the outstanding funds held in the Council's accounts for the LSP partnership.

152 MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Strategy and Resources Committee held on 7 February 2017 were agreed as a true record and signed by the Chairman.

The meeting began at 7.30 pm and ended at 8.15 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)

EXCLUSION OF PRESS AND PUBLIC

Under Section 100(A)(4) of the Local Government Act 1972, the Committee may pass a resolution to exclude the public from the Meeting for Part Two of the Agenda on the grounds that the business involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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