

Public Document Pack

Simon Young, Solicitor
Head of Legal and Democratic Services



STRATEGY AND RESOURCES COMMITTEE

Tuesday 26 September 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 the typed name.

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. 2016/17 FINAL ACCOUNTS - AUDIT FINDINGS (Pages 5 - 144)

This report covers Grant Thornton's audit findings and presents the Financial Statements for 2016/17 following the external audit of the accounts.

4. DISCRETIONARY RATE RELIEF FOR NATIONAL NON-DOMESTIC RATES (Pages 145 - 154)

This report outlines a proposed scheme of how to distribute the government funding which was allocated to Epsom & Ewell Borough Council by the government in the March 2017 Spring budget. The fund is intended to support local businesses following the 2017 revaluation, to be known as the 'local discretionary relief scheme'.

5. PILOT FOR 100% BUSINESS RATES RETENTION IN 2018/19 (Pages 155 - 158)

This report provides an update on the 100% retention of business rates prospectus recently issued by DCLG inviting local authorities to submit bids to become pilots for 2018/19 and the work currently being undertaken by Surrey Treasurers in preparing a submission.

6. BID BUSINESS PLAN AND BALLOT (Pages 159 - 188)

Preparation for an Epsom Business Improvement District (BID) is well advanced and it is envisaged that the formal ballot, required to create the mandate for its creation, will take place in the autumn. The BID Steering Group has produced a Business Plan that defines the proposed scope and purpose of the BID. This document will inform the choice that businesses will have to make when determining whether or not they support the BID.

As a business within the BID boundary, the Borough Council will need to determine whether or not to support the BID as it will be eligible to vote in the ballot. This report recommends that the Council votes "Yes" in the ballot.

The Borough Council also has another specific role as the Billing Authority and as-such it can veto BID proposals. This report recommends that the Council does not exercise this veto.

7. BUDGET TARGETS 2018/19 (Pages 189 - 210)

This report updates the financial forecast and recommends financial targets for preparing the draft budget for 2018/19 and financial planning for 2019/20 & 2020/21 as recommended by the Financial Policy Panel.

8. CORPORATE PLAN: PERFORMANCE REPORT ONE 2017/18 (Pages 211 - 232)

This report provides an update against our Key Priority Performance Targets for 2017 to 2018, under our new Corporate Plan.

9. PROCUREMENT STRATEGY (Pages 233 - 268)

This report seeks approval for the Procurement Strategy 2017-2021

10. MINUTES OF PREVIOUS MEETING (Pages 269 - 276)

The Committee is asked to confirm as a true record the Minutes of the meeting of the Strategy and Resources Committee held on 27 June 2017 and to authorise the Chairman to sign them.

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2016/17 ACCOUNTS – AUDIT FINDINGS

<u>Report of the:</u>	Acting Director of Finance and Resources
<u>Contact:</u>	Lee Duffy / Brendan Bradley
Urgent Decision?(yes/no)	Yes
If yes, reason urgent decision required:	Requirement to certify accounts by 30 September 2017
<u>Annexes/Appendices</u> (attached):	Annexe 1: Audit Findings Annexe 2: Financial Statements 2016/17 Annexe 3: Letter of Representation
<u>Other available papers</u> (not attached):	Draft Financial Outturn reported to Strategy and Resources Committee 27 June 2017

REPORT SUMMARY

This report covers Grant Thornton's audit findings and presents the Financial Statements for 2016/17 following the external audit of the accounts.

RECOMMENDATION (S)

That the Committee:-

- (1) Receives the Audit Findings for 2016/17;**
- (2) Receives the Financial Statements for the year ended 31 March 2017;**
- (3) Agrees the management action in response to audit recommendations**
- (4) Agrees that the Chairman of Strategy and Resources Committee and the Director of Finance and Resources sign the Letter of Representation on behalf of the Council.**
- (5) Delegates any further amendments to the Financial Statement for the year ended 31 March 2017 to the Acting Director of Finance and Resources in consultation with the Chairman of Strategy and Resources Committee.**
- (6) Accepts the proposed re-appointment of Grant Thornton as the Council's external auditor for five years from 2018/19 to 2022/23.**

Notes

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

- 1.1 There is no specific key priority covering the Financial Statements or the annual audit.

2 Background

- 2.1 The Council's financial performance for 2016/17 was reported to this committee on 27 June 2017. A copy of the draft unaudited Financial Statements was made available to Members and was placed on the Council's website.
- 2.2 Grant Thornton, the Council's external auditor, has now issued their Audit Findings following the completion of the audit of the Financial Statements. The report is attached at **Annexe 1**.
- 2.3 The Audit Findings report will be presented to the Committee by a senior officer from Grant Thornton, who will also answer any questions members may have on the audit.
- 2.4 The audited Financial Statements are included in **Annexe 2** to this report. **Members are requested to raise any detailed queries with the Acting Director of Finance and Resources prior to the meeting.**
- 2.5 The Council is signed up to the national auditor appointment scheme, run by Public Sector Audit Appointments Ltd (PSAA). PSAA has proposed the re-appointment of Grant Thornton as external auditor for five years from 2018/19. PSAA indicate that the average Council will see a reduction in audit fees in the region of 18% for 2018/19. The Council can either accept or object to the proposed appointment. Members are advised to accept, as continuity of auditor will assist the Council in efficiently closing the accounts.

3 Outcome of Audit

- 3.1 The following specific points are made in the report:-
- 3.1.1 The Auditors anticipate an unqualified opinion on the Council's Financial Statements.
- 3.1.2 Any material adjustments required have been agreed and implemented and they did not affect the Council's reported outturn position or cash reserves.
- 3.1.3 The auditor plans to issue an unqualified conclusion on Value for Money

4 Action Plan

- 4.1 Appendix A of the Audit Findings report includes recommendations where management action has been agreed with the auditors

5 Proposals

5.1 The Committee is asked to:-

- Receive the Audit Findings for 2016/17;
- Receive the Financial Statements for the year ended 31 March 2017;
- Agree the management action in response to audit recommendations
- Agree that the Chairman of Strategy and Resources Committee and the Director of Finance and Resources sign the Letter of Representation on behalf of the Council
- Delegate any further amendments to the Financial Statements for the year ended 31 March 2017 to the Director of Finance and Resources in consultation with the Chairman of Strategy and Resources Committee.
- Accept the re-appointment of Grant Thornton as the Council's external auditor for five years from 2018/19 to 2022/23.

6 Financial and Manpower Implications

6.1 On 27 June 2017, the Committee received a summary of the General Fund position for 2016/17 and the financial reserves as 31 March 2017. The Committee also received details of expenditure on the capital programme. There have been no changes made to the reported financial position.

6.2 An update on the Council's financial standing is contained in the Budget Targets report on this agenda.

6.3 **Chief Finance Officer's comments:** *The audit fee of £44,708 is within the budget previously reported. The Financial Statements are extensive and detailed so please raise any queries regarding Annexe 2 prior to the Committee meeting.*

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

7.1 **Monitoring Officer's comments:** *The requirements for external audit are set out in the executive summary of the Audit Findings report.*

8 Risk Assessment

8.1 The external audit contributes towards effective corporate governance of the Council.

9 Conclusion and Recommendations

9.1 The external auditors propose an unqualified opinion on the Council's Financial Statements.

9.2 The Financial Statements will be published following signature and certification.

WARD(S) AFFECTED: ALL

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The Audit Findings

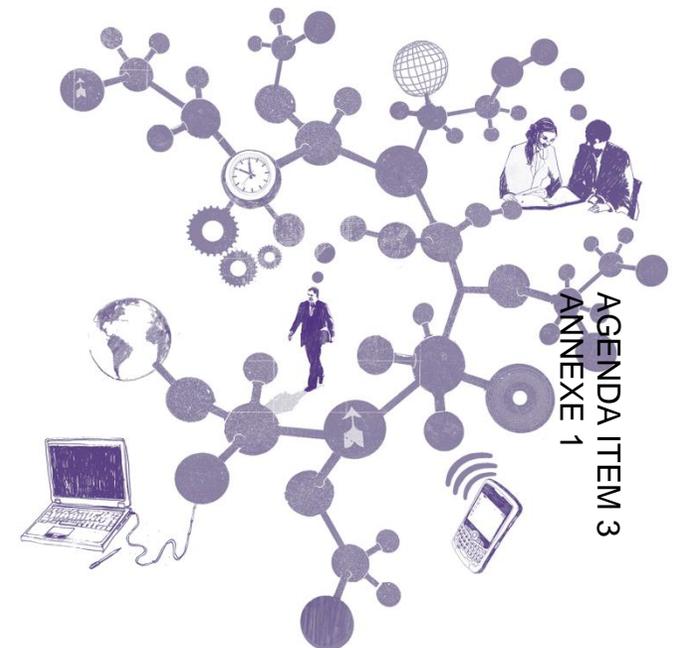
Epsom and Ewell Borough Council

Year ended 31 March 2017

26 September 2017

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26 September 2017

Dear Committee Members

Audit Findings for Epsom and Ewell Borough Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Epsom and Ewell Borough Council, the Strategy and Resources Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Elizabeth Jackson

Engagement Lead.

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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Purpose of this report

This report highlights the key issues affecting the results of Epsom and Ewell Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and the Strategy and Resources Committee in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 4 April 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- awaiting third party investment confirmations from Goldman Sachs and Deutsche Asset Management
- obtaining and reviewing the management letter of representation;
- reviewing final version of the financial statements and Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers on 1 June 2017 in accordance with the agreed timetable.

Key audit and financial reporting summary

Financial statements opinion

The draft financial statements for the year ended 31 March 2017 recorded 'Other Comprehensive Income and Expenditure' of £2,156k and our work has not resulted in a change to the reported position.

The key messages arising from our audit of the Council's financial statements are:

- the draft statements presented for audit on 3 June 2017 was free of material errors. However, improvements will need to be made to your quality review process to eliminate the number of minor disclosure errors within the draft accounts;
- Working papers were provided in a timely manner and supported the disclosures in the accounts. However, working papers for debtors, creditors and prepayments in the NNDR system need to be improved to provide a detailed breakdown of the balance at an individual level; and
- officers were supportive to our audit requests and provided additional information throughout the audit.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Narrative Report and Annual Governance Statement (AGS) is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements.

We recommended a number of disclosure amendments to your AGS which management agreed with. We are satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

Our work has not identified any significant control weaknesses which we wish to highlight for your attention.

However, we bring to your attention two control issues around related party disclosure and year end creditor balance arising from our work. Further details are set out on page 16 of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to Strategy and Resources Committee which is due in January 2018.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Acting Director of Finance and Resources.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
July 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our Audit Plan, we determined overall materiality to be £878k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and the decrease in gross revenue expenditure within the draft statements led us to revise our overall materiality to £802k (being 2% of gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £40k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our Audit Plan, we identified the following item where we decided that a separate materiality level was appropriate. This remain the same as reported in our Audit Plan.

ISA 20 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have not identified any separate materiality levels.

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AGENDA ITEM 3
ANNEXE 1

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our Plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Epsom and Ewell Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Epsom and Ewell Borough Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented the control environment and walkthrough of the system in respect of journal entries; • reviewed the journal entry process and tested selection of unusual journal entries for months back to supporting documentation; • reviewed accounting estimates, judgements and decisions made by management; • reviewed unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We did not identify, nor were made aware of, any unusual significant transactions.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses Page 19	Non-pay expenditure represents a significant percentage of the Council’s gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention: <ul style="list-style-type: none"> creditors and accruals understated or not recorded in the correct period. 	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding; reviewed year end account reconciliations; sample testing of operating expenditure during the year; testing of the year end payables; testing for unrecorded liabilities and manual accruals. 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Payroll expenditure represents a significant percentage of the Council’s gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: <ul style="list-style-type: none"> employee remuneration accruals understated 	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding; reviewed your year end reconciliations of the payroll to the ledger; completed sample testing of payroll transactions during the year; completed directional analytical review using trend analysis. 	Our audit work has not identified any significant issues in relation to the risk identified.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity’s controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Valuation of property, plant and equipment</p> <p style="text-align: center;">Page 20</p>	<p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate; • reviewed the competence, expertise and objectivity of management experts; • reviewed the instructions issued to valuation experts and the scope of their work; • discussed with valuer the basis on which the valuation is carried out and challenge of the key assumptions; • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; • testing of revaluations made during the year to ensure they are input correctly into the Council's asset register; • evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these are not materially different to current value. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represents a significant estimate in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented the controls put in place by management to ensure that the pension fund liability is not materially misstated; • reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out; • undertook procedures to confirm the reasonableness of the actuarial assumptions made; • reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>We used an auditor's expert to provide assurance on the Council's actuary's work. Our expert concluded that the assumptions used by the actuary to be reasonable.</p>

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Changes to the presentation of local authority financial statements</p> <p style="text-align: center;">Page 21</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements; • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure; • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS); • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES; • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger; • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Our audit work has not identified any significant issues in relation to the disclosure changes.</p>

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The Council accounts for activity in the year that it takes place, not simply when cash payments are made or received. Revenue policies set out in Note 1.4 include:</p> <ul style="list-style-type: none"> revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchase, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. 	<p>Your revenue recognition policies are appropriate and in line with the CIPFA Code of Practice on Local Authority Accounting.</p> <p>The Council has significant revenue streams from a number of different sources, principally fees and charges, income from council tax revenues and grant income. We did not identify any issues with how revenue has been recognised from these sources.</p> <p>Accounting policies in respect of revenue recognition are adequately disclosed.</p>	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> pension fund valuations and settlements revaluations Impairments Provisions useful life of capital equipment. 	<p>The critical areas of judgement applied in compiling the Council's financial statements have been explained in the statement of accounts.</p> <p>The Council is advised by external experts in relation to property and pension fund valuations. We have reviewed the work of experts and are satisfied that the experts used by the Council are independent, appropriately skilled and have carried out their work in accordance with professional practices. Where estimates and judgements have been applied by officers we are satisfied they are free from material bias.</p>	 Green
Going concern	<p>The acting Director of Finance and Resources, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We reviewed management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that the going concern basis is appropriate for the 2016/17 financial statements.</p>	 Green
Other accounting policies	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

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ANNEX 1
GREEN

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations for PWLB loans and requested from management permission to send confirmation requests to your banks and investment institutions. This permission was granted and the requests sent and provided. At the time of writing (August), we are awaiting confirmations from Goldman Sachs and Deutsche. Our review to date found no issues.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas: <ul style="list-style-type: none"> if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> Note that work is not required as the Council does not exceed the threshold.

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AGENDA ITEM 3
ANNEXE 1

Internal controls

	Assessment	Issue and risk	Recommendations
1.	 Deficiency	<ul style="list-style-type: none"> Related party disclosure – We note the arrangement for disclosures of related party did not include the senior management team. 	<ul style="list-style-type: none"> Include senior management team in the annual related party declarations sent to all members. <p>Management response</p> <ul style="list-style-type: none"> Management will ensure the annual declarations include senior management team
2.	 Deficiency	<ul style="list-style-type: none"> Creditors – Our testing of your year end creditor balance found 5 cost centres did not contain valid creditors as they related to grant income where the conditions had been met in prior years. These total 91k which is not material but is above triviality level. 	<ul style="list-style-type: none"> Review all year end creditor balances relating to grant income and write down the balance appropriately. <p>Management response</p> <ul style="list-style-type: none"> Management will review all year end creditor balances relating to grant income and write down the balance appropriately.

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Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

AGENDA ITEM 3
ANNEXE 1

Internal controls – review of issue raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	X	<ul style="list-style-type: none"> The Academy system was unable to provide a listing of all NDR prepayments as at 31 March 2016. The system can calculate the total value of NDR prepayments but not individual breakdown. 	<ul style="list-style-type: none"> The Council continues to explore with the system provider if a detailed listing report can be run. <p>Auditor comment</p> <ul style="list-style-type: none"> We undertook alternative audit procedures to gain the assurance required. However, this approach took us longer than expected and is not efficient for the earlier opinion deadline of July in 2018.

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Assessment
 ✓ Action completed
 X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

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

Detail		Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1	An incorrect accrual had been made for a multiplier cap payment that the Council did not have to pay. There is no impact on the Surplus on Provision of Service.	Strategy and Resources Income Cr – 119 Taxation and non-specific grant income Dr – 119	nil	nil
2	An Intangible IT related addition was incorrectly classified as Vehicle, Plant and Equipment addition. Review of similar type of additions has not identified further classification errors.	nil	PPE VPE Add Cr – 92 Intangibles Add Dr – 92	nil
3	An amount of £534k was grossed up in the debtors and creditors balances in the Balance Sheet.	nil	Debtors Cr – 534 Creditors Dr - 534	nil
Overall impact		nil	nil	nil

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AGENDA ITEM 3
ANNEXE 1

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Strategy and Resources Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1 Creditors – Our testing of the year end creditor balance identified 5 cost centres that did not contain valid creditors as they related to grant income where the conditions had been met in prior years. These total 91k which is not material but is above triviality level.			Management will review creditor balances in 2017/18 for similar type cost centres and write off the balance.
Page 27 Dr Balance Sheet - Creditors		91	
Cr Comprehensive Income and Expenditure – Revenue Income	91		
Overall impact	91	91	

Misclassifications and disclosure changes

The table below provides detail of the disclosure change identified during the audit which has been made in the final set of financial statements.

Adjustment type	Error Value £'000	Account balance	Impact on the financial statements
1 Disclosure	994	Property, Plant and Equipment (note 15)	Both the gross book carrying value and accumulated impairment and depreciation as at 1 st April 2016 are inconsistent with the asset register. The net impact on the total net carrying value as at 31 st March 2017 is nil.
2 Disclosure	12,500	Cash Flow Statement and Cash & Cash equivalents (note 20)	Cash & Cash equivalents per CFS and Note 20 are inconsistent with the Balance Sheet. The former incorrectly includes short term investments.
3 Disclosure	986	Provisions (note 22)	Provisions note to be added to the notes to the accounts along with a narrative explaining significant balances.
4 Disclosure	8,258	Collection fund Income & Expenditure Account	The Business Rates for Central Government and EEBC precept amounts have been overstated and understated by an equal sum being the tariff amount for both current and prior year. No impact on Total Expenditure
5 Disclosure	n/a	Annual Governance Statement (AGS)	The AGS does not explicitly disclose an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control)
6 Disclosure	n/a	AGS	The CIPFA/SOLACE framework approved in April 2017 describes the arrangements going forward rather than that in place during 2016/17.
7 Disclosure	n/a	AGS	The AGS sets out Internal Audit arrangements however it does not refer to the opinion issued. The Head of Internal Audit opinion is fundamental to the Council's internal control arrangements and should be included in the AGS
8 Disclosure	n/a	Notes to the accounts	A number of minor disclosure amendments were agreed with management for amendment. None were deemed material for reporting separately to you.

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AGENDA ITEM 3
ANNEXE 1

Section 3: Value for Money

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- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Other statutory powers and duties
- 05. Fees, non-audit services and independence
- 06. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

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

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017. We have not identified any significant risks from our initial risk assessment using the guidance contained in AGN03. We communicated the results of our planning risk assessment to you in our Audit Plan dated 4 April 2017.

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

Significant qualitative aspects

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

Our work has not identify any significant risks since we issued our Audit Plan. In arriving at our conclusion, our main considerations included the following:

- The Council delivered a strong financial performance during 2016/17 achieving a small underspend of £163k against net revenue budget of £7,727k. You have arrangements in place that monitors your performance and the reports of key variances to Council quarterly. These variances are properly disclosed to stakeholders in Section 2 of the Narrative Report.
- You have arrangements in place that continuously updates your medium term financial strategy (MTFS). The MTFS is updated annually and the most recent Plan covers the 4 year period from 2017/18 and 2020/21. The MTFS sets out our key budget assumptions which include council tax charge annual increase of 5% for a band D property and other charges by 3% annually. Along with other districts, you are facing reductions in central government funding, with your core funding from Revenue Support Grant and retained business rates decreasing from £1,810k in 2016/17 to £783k by 2019/20. Similar reductions in funding are expected from the New Homes Bonus allocations with the Council losing up to £890k in 2018/19 when compared to prior year.
- At the time of writing (August 2017), savings and development of new income streams have been identified of £1,726k over the 4 year period 2017/18 to 2020/21 as part of your budget process. You have identified the need for a further savings of around £790k between 2018 and 2020 to achieve a balanced budget by 2020/21. Work is continuing to identify the required medium to longer term savings and it includes the consideration of alternative income generation plans. During 2016/17, the Council purchased two additional investment properties with a total value of £19,213k taking your year end fair value to £41,437k per Note 16 to the accounts.

- Over the same period, your net rental income from investment properties increased from £1,138k to £1,402k. The purchase of investment properties was largely funded by borrowing and we note that full Council approved that borrowing limit can be increased up to £80 million to fund further property acquisitions. To ensure robust governance arrangements are in place, there needs to be regular reporting of the investment decision returns and risks.

- Your risk management arrangements are adequate. The Audit, Crime & Disorder and Scrutiny Committee (ACDSC) receives regular reports on your leadership risks and approved the new Risk Management Strategy 2017 – 2021 at its November 2016 meeting. We note Leadership risk 2 'gaps in staffing resources affecting resilience levels and the ability to deliver services' was rated high.

Since the last review by ACDSC, the Council has undergone some leadership changes which included the departure of the Chief Executive, the appointment of the Director of Finance and Resources as the new Chief Executive from March 2017, the Head of Financial Services as the acting Director of Finance and Resources. Additionally, key positions within finance are staffed by interim appointments such as Head of Finance and Project Accountant.

With local authorities being required to bring forward in 2018, the accounts preparation and audit of the financial statement to 31 May and 31 July respectively, the Council will need to increase resilience within the finance team if it is to deliver an accurate set of accounts for audit in line with the tighter timescales.

Overall conclusion

Based on the risk assessment work we performed, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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

	Issue	Commentary
1.	Public interest report	<ul style="list-style-type: none"> We have not identified any matters that would require a public interest report to be issued
2.	Written recommendations	<ul style="list-style-type: none"> We have not made any written recommendations that the Council is required to respond to publicly
3.	Application to the court for a declaration that an item of account is contrary to law	<ul style="list-style-type: none"> We have not used this duty
4.	Issue of an advisory notice	<ul style="list-style-type: none"> We have not used this duty
5.	Application for judicial review	<ul style="list-style-type: none"> We have not used this duty

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Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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We confirm below our final fees charged for the audit and there are no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Council audit	44,708	44,708
Grant certification	9,773	*TBC
Total audit fees (excluding VAT)	54,581	44,708

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. We have not undertaken any other grant work in the year.

* Audit of Housing benefit subsidy will be completed by the November 2017 deadline.

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

No non-audit or audited related services have been undertaken for the Council.

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		
Unadjusted misstatements and material disclosure omissions		
Significant matters arising in connection with related parties		
Significant matters in relation to going concern	✓	

AGENDA ITEM 3
ANNEXE 1

Appendices

A. Action Plan

B. Audit Opinion

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A. Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	Include senior management team in the annual related party declarations	Medium	The Council's leadership team will be asked to provide a related party declaration annually from 2017/18.	March 2018, Chief Accountant
2	Review all year end creditor balances and write off balance that are no longer a liability.	Medium	At year-end, all creditor balances will be reviewed. Where a liability no longer exists, the balance will be taken to revenue.	March 2018, Chief Accountant
3	Explore with the NDR system provider if a detailed listing of prepayments can be run from the report function.	Medium	Officers have previously explored the potential of improved NDR reporting with the providers, Academy. Following these conversations it became clear that Academy were unable to provide the required report. Other Local Authorities have also been unable to find a solution with the provider, limiting our ability to investigate solutions further.	Director of Finance and Resources / Chief Accountant
4	Increase resilience within the finance team to support the early accounts close for 2018.	Medium	All posts in finance team are now filled on a permanent basis, providing resilience and stability going forward. In taking recruitment decisions, the Director of Finance and Resources has considered the range of skills required by the team to meet future challenges including 2018's early closedown.	September 2017, Director of Finance and Resources / Chief Accountant

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Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPSOM AND EWELL BOROUGH COUNCIL - DRAFT

We have audited the financial statements of Epsom and Ewell Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Expenditure and Funding Analysis and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Director of Finance and Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

AGENDA ITEM 3
ANNEXE 1

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Signature

Elizabeth Jackson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
30 Finsbury Square, London. EC2P 2YU

[Date]



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Statement of Accounts

2016/17

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Certificate of the Director of Finance and Resources

I certify that the statement of accounts for the financial year 2016/17 set out on pages 4 to 89 attached, presents a true and fair view of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Lee Duffy (CPFA)
Acting Director of Finance and Resources - S151 Officer

Date: 26 September 2017

Narrative Report

1. Introduction

This narrative report provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. This set of accounts includes any necessary updates or presentation of the notes from the Code to match the format and layout recommended by CIPFA.

The Council's accounts for the year 2016/17 are set out on pages 10 to 77 and have been prepared in accordance with the Code of Practice on Local Authority Accounting. The Code has been endorsed by the Local Authority Association and the Accounting Standards Board. The statements provide a concise picture of the Council's financial position for the year ended 31 March 2017.

The Council's General Fund balance stands at £3,334,000 as at 31 March 2017, after contributions to strategic earmarked reserves of £3,375,000 for 2016/17. The Council's financial health has been maintained over 2016/17 and this capacity will be needed to provide a firm financial foundation for the Council to deliver services in what is a very challenging financial climate in the public sector for the medium term, with economic risks and continuing uncertainty around Local Government funding including potential Business Rate reforms.

This financial year was the second since the Council reviewed its Senior Management structure at the end of 2014/15 and creation of a new Leadership Team to drive the Council forward in terms of its strategic direction and operational management. This year has also seen a further change in the senior structure with the appointment of a new Chief Executive who took office following the resignation of the previous post holder who took up a similar position in another local organisation.

The new structure has now had time to settle and this has allowed the Leadership Team time to absorb and tackle the continuing challenging financial environment and the pressures that have been forecast in the Council's four year Medium Term Financial and Efficiency Plan. A programme of revenue savings is now on track and operational efficiencies that have been identified are coming into fruition, ensuring the Council is as cost effective and fit for purpose as possible in light of the challenges that will present themselves in financial year 2017/18 onwards, including Business Rates reform.

This financial year has been the last year of the Council's Corporate Plan which ran from 2012–2016. This period has seen a number of Performance Indicators introduced to monitor annual progress and ensure performance is well on track. This has had good results and regular updates and feedback have been agreed through the new Leadership Team. This year has also seen the introduction of monthly and quarterly monitoring of expenditure and income that has created a higher level of accountability and accuracy across the organisation. The Council's 34 budget managers have all managed their service budgets with a higher degree of scrutiny in 2016/17, and this in turn has led to a favourable year-end outturn position, maximised levels of income generation and efficiency savings.

For 2016/17 the Council achieved an overall underspend of £163,000 for its General Fund revenue account budget and this allowed a contribution to be made to General Fund working balances which now stand at £3,334,000 as at the 31 March 2017.

This favourable underspend has been delivered against a backcloth of financial challenges in 2016/17 including: a reduction in central government Revenue Support Grant (RSG) of £500,000; service delivery savings required of £940,000; Fees and charges increases of £400,000 and significant pressures on the Council's homelessness budget, together with minimal inflationary increase for pay and price inflation.

A key decision was agreed in the year 2016/17 that will ensure future stability in the form of additional income generation. The Council created a new Commercial Property Acquisition Fund with a fund level of up to £80,000,000. The purpose of which is to purchase investment properties that will generate new income streams to help the Council improve its financial position and need for a more self-sufficient standing in difficult times with reduced levels of central government funding support. So far, two properties have been purchased and these have been funded by low rate loans from the Public Works Loan Board. Both of these properties generate additional income after allowing for the cost of borrowing and this income has been of benefit in 2016/17 as well benefitting future financial years for the Council's overall budget position.

In other areas a number of new initiatives have helped the Council reduce its expenditure on homelessness by increasing the supply of in-Borough temporary accommodation. This has included the refurbishment of nine flats at Blenheim Road for temporary accommodation use. The Council also benefited in 2016/17 from high performance from its Treasury Management income which generated income above budget of £100,000 during a time of low and depressed market interest rates.

The Council has refreshed its Medium Term Financial Strategy and Efficiency Plan which continues to maintain the financial health of the Council whilst delivering the priorities within the Corporate Plan. Taking into account announced cuts in Central Government funding, the current Financial Strategy assumes a saving requirement of £626,000 for 2018/19 and a further £927,000 for 2019/20. The Council has balanced its budget for 2017/18 which was approved by Council on 14 February 2017.

Current Economic Climate and the future

Brexit will create uncertainty this year and beyond. The financial impacts of this are not currently quantified and could be positive or negative. The impact on the Council's finances whether positive or negative could include; interest rates for both capital borrowing and investments; general inflation rates; labour costs and mobility; property values and rents.

Central Government funding continues to fall and from 2017/18, the Council will have zero Revenue Support Grant to support its General Fund budget requirement. New Homes Bonus has also been further reduced and this will impact upon budgets in future financial years. Demographic growth and an increasing ageing population will continue to present challenges for this Council and County in years to come.

The economic crisis that has affected the global economy since the autumn of 2008 continues to produce volatility in income received by the Council from fees and charges. In setting the 2016/17 budget the Council factored in the continuing economic upturn along with the risk of continuing uncertainty around income streams such as car park income, Council venues, building control and planning fees. Any known favourable or adverse trends have been addressed in the budget setting process for 2017/18. The income received from fees and charges is very much dependent on the disposable income of individuals and therefore remains an area of concern which is closely monitored on a monthly basis.

Investment income arising from the interest the Council earns on investing any surplus fund makes a significant contribution to limiting increases in Council Tax. Budgeted interest on balances has fallen from £1,037,000 in 2008/09 to £347,000 in 2016/17 as a result of the decrease in deposit rates and a consequence of the reduction in the Council's list of approved counterparties with which the Council places its investments in order to reduce the risk of the Council losing its investment.

The Statement of Accounts which follow this narrative section comprise four main statements:

- Movements in Reserve Statement (MIRS)
- Comprehensive Income and Expenditure Statement (CIES) and new Expenditure Funding Analysis (EFA)
- Balance Sheet (BS)
- Cash Flow Statement (CFS)

The new EFA is an addition to the accounts for 2016/17 and has been introduced to show for each of the Council's services a comparison of the net resources applied to the Comprehensive Income and Expenditure Statement compared to the net charge against Council Tax. The new EFA promotes accountability and stewardship by providing the direct link between the Statement of Accounts and the budget outturn position on the General Fund.

For each of the statements, notes and supporting information are provided.

In addition to the above, accounts have been included for: Collection Fund Income and Expenditure Account - which records the council tax and business rate (NNDR) transactions in the financial year.

2. Budget Performance 2016/17 - Council Tax Accounts

Total requirements were £1,670.54 per Band D property. This comprised £1,268.28 for Surrey County Council, £2220.19 for Surrey Police and £182.07 for Epsom and Ewell Borough Council. The demand by the Council was determined after taking account of budgeted income from NNDR of £1,216,000 and Revenue Support Grant of £417,000 plus Transitional Grant of £93,000. The resultant demand on the Collection Fund Tax Income amounted to £5,829,000.

The Council achieved a council tax collection rate of 99.1% (98.4% in 2015/16). Outstanding council tax arrears remain subject to recovery action until such times as these sums are fully paid or written off.

Since April 2013, the basis for the distribution of Business Rates (NNDR) income is shared as follows – 50% paid to central government, 10% is paid to major precepting authorities (but not police authorities) with 40% being retained by billing authorities. In turn, the Central Government have determined a tariff payment for billing authorities with a safety net to allow for minimum income from NNDR and a 50% levy (to be paid to Central Government) where net income exceeds a base line. Within these arrangements, local authorities must bear a proportion of adjustments to previous years' income where ratepayers have successfully reduced their rate bills (most commonly by challenging their rateable values). Most councils, including Epsom and Ewell Borough Council have set up a 'provision for appeals' to minimise the impact of these adjustments on their budget in future years.

The Council's estimated budget requirement (net spend on services) reduced by 1.90% for 2016/17 compared to 2015/16, with the Council's estimated council tax requirement increased by £248,000. Net expenditure 2016/17 by Committee and by subjective analysis is below:

2015/16	Committee	2016/17		
Actual £'000		Budget £'000	Actual £'000	Variance* £'000
1,115	Strategy and Resources Committee	2,104	1,811	(293)
2,508	Environment Committee	2,456	2,542	86
3,249	Social Committee*			
	Community & Wellbeing Committee	6,547	6,592	45
3,913	Leisure Committee*			
(2,879)	Asset Rent / Capital Charges Account	(3,381)	(3,381)	0
7,906	TOTAL	7,727	7,564	(163)
(7,744)	External Funding	(7,727)	(7,727)	0
(162)	Contribution to/(from) General Fund Reserves	0	(163)	(163)
0	TOTAL	0	0	0

*Note Community and Wellbeing Committee absorbed the Leisure and Social following a Committee structure change in 2016/17

Net expenditure 2016/17 by subjective description is detailed below.

2015/16	Subjective Description	2016/17		
Actual £'000		Original Budget £'000	Actual £'000	Variance* £'000
11,292	Employees	11,296	11,253	(43)
3,053	Premises related expenses	3,140	3,151	11
7,398	Supplies and services	7,758	7,764	6
544	Third Party payments	623	647	24
21,553	Transfer payments	21,890	21,893	3
1,480	Transport related expenses	1,360	1,369	9
(37,414)	Income	(38,340)	(38,513)	(173)
7,906	TOTAL	7,727	7,564	(163)

* Individual Committee variations include changes to internal recharges.

3. Contributions To / From Strategic Revenue Reserves

Included in Committee actuals is a net contribution of £3,375,000 to Strategic Revenue Reserves in 2016/17 (compared to a net contribution from reserves of £2,854,000 in 2015/16).

A full breakdown of the Movement in Revenue Reserves is shown in Note 10 to the Statement of Accounts. Total strategic reserves stand at £13,188,000 for 2016/17 (was £9,813,000 for 2015/16) and Total revenue reserves, which includes the General Fund balance stands at £16,245,000 for 2016/17 (was £12,903,000 for 2015/16).

The Council has a policy of maintaining a prudent General Fund balance of £2,500,000 to provide for unforeseen requirements.

4. Capital Expenditure

The Council has a controlled capital expenditure programme. The net revenue costs of funding this programme and of the individual capital projects forms an integral part of the revenue budget strategy. The Council externally borrowed for the first time in 2016/17 to fund two property purchases and this was in the form of Public Works Loan Board loans to the value of £19.134m. The lease liability is shown as a finance lease for IFRS accounting purposes. The Council spent £21,742,000 on capital schemes in 2016/17. A summary of expenditure by committee is shown below as are the sources of funding.

2015/16 Actual £'000	Capital Programme Expenditure	2016/17		
		Current Budget £'000	Actual £'000	Variance £'000
415	Strategy and Resources	21,273	20,160	(1,113)
195	Environment Committee	718	203	(515)
448	Social Committee			
	Community and Wellbeing Committee	5,065	1,379	(3,686)
1,886	Leisure Committee			
2,944	Total Capital Programme Expenditure	27,056	21,742	(5,314)

2015/16 £'000	Capital Programme Funding	2016/17 £'000
756	Capital Receipts	813
0	PWLB Borrowing	19,133
419	Capital Grants	457
1,769	External Contributions	1,141
2,944	Total Capital Programme Funding	21,544
55	Revenue Contribution	197
2,999	Total	21,742

The Council generated £737,000 of net capital receipts during the year. The balance of the Council's usable capital reserves at 31 March 2017 is £4,893,000 (compared to £4,968,000 at 31 March 2016).

5. Pension Liability

The balance of the Council's pension liability as at 31 March 2017 is £33.293m (compared to £28.059m at the 31 March 2016). This is an increase of £5.234m in the year. See note 31 for further explanation. The Council offers retirement pensions to its staff under a statutory scheme and makes contributions to pension schemes on their behalf. Although the pension benefits are not payable until employees retire, the Council must account for them in the year in which the future entitlements are earned. This commitment is compared with the assets (investments) of the pension schemes and the net amount is included in the accounts as the Council's "Pensions Liability". Although this sum has a significant impact on the net worth of the Council as shown in its Balance Sheet, there are statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the schemes over the remaining working lives of the staff.

6. Further Information

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

Expenditure and Funding Analysis for the year ended 31 March 2017

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

2015/16					2016/17			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal reporting and statutory position	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal reporting and statutory position	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	Committee	£'000	£'000	£'000	£'000
2,715	(287)	(1,831)	597	Environment	1,274	(382)	(12)	880
6,955	(3,689)	579	3,845	Community and Wellbeing	6,618	(834)	163	5,947
1,115	418	(433)	1,100	Strategy and Resources	3,172	(762)	371	2,781
10,785	(3,558)	(1,685)	5,542	Net Cost of Services	11,064	(1,978)	522	9,608
(10,623)	935	(1,169)	(10,857)	Other Income and Expenditure	(11,227)	1,903	(3,897)	(13,221)
162	(2,623)	(2,854)	(5,315)	(Surplus) or Deficit	(163)	(75)	(3,375)	(3,613)
(3,333)				Opening General Fund balance	(3,171)			
162				Less/Plus Surplus or Deficit on General Fund	(163)			
(3,171)				Closing General Fund at 31 March*	(3,334)			

* For a split of this balance between the General Fund - see the Movement in Reserves Statement.

2015/16 Gross Expenditure and Gross Income has been restated to aid comparison following the introduction of new reporting requirements in 2016/17, further information is shown in Accounting Policies Section 2, Page16

Comprehensive Income and Expenditure Statement for year ended 31 March 2017 (restated).

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

2015/16				2016/17		
Net Expenditure	Gross Income	Gross Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Committee	£'000	£'000	£'000
597	(9,030)	9,627	Environment	8,454	(7,574)	880
3,845	(4,062)	7,907	Community and Wellbeing	9,785	(3,838)	5,947
1,100	(25,257)	26,357	Strategy and Resources	21,858	(19,077)	2,781
5,542	(38,349)	43,891	Cost of Services	40,097	(30,489)	9,608
17	0	17	Other Operating Expenditure (Note 11)	0	(685)	(685)
(1,859)	(2,865)	1,006	Financing and investment Income and Expenditure (Note 12)	1,073	(3,017)	(1,944)
(9,015)	(9,015)	0	Taxation and non-specific grant income and expenditure (Note 13)	0	(10,592)	(10,592)
(5,315)	(50,229)	44,914	(Surplus) or Deficit on Provision of Services	41,170	(44,783)	(3,613)
(6,219)			(Surplus)/Deficit on revaluation of property, plant, equipment assets			(2,294)
(4,233)			Remeasurement of net defined benefit liability/(asset)			4,450
(10,452)			Other Comprehensive Income and Expenditure			2,156
(15,767)			Total Comprehensive Income and Expenditure			(1,457)

2015/16 Gross Expenditure and Gross Income has been restated to aid comparison following the introduction of new reporting requirements in 2016/17, further information is shown in Accounting Policies Section 2, Page16

Movement in Reserves statement (MiRs) for the year ended 31 March 2017.

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	Revenue Reserves		Capital Reserves							
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserves	Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Unusable Reserves	Total Authority Reserves
2016-17	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	(12,984)	(4,968)	0	(17,952)	(33,862)	(61,492)	81	28,059	(67,214)	(85,166)
Movement in Reserves During 2016/17										
Total Comprehensive Income and Expenditure	(3,613)	0	0	(3,613)	(2,294)	0	0	4,450	2,156	(1,457)
Adjustments between accounting basis and funding under regulations (Note 9)	75	75	0	150	0	(1,131)	197	784	(150)	0
Increase or Decrease in 2016/17	(3,538)	75	0	(3,463)	(2,294)	(1,131)	197	5,234	2,006	(1,457)
Balance at 31 March 2017 carried forward	(16,522)	(4,893)	0	(21,415)	(36,156)	(62,623)	278	33,293	(65,208)	(86,623)
General Fund analysed over:										
Amounts earmarked (Note 10)	(13,188)									
Amounts uncommitted	(3,334)									
Total General Fund Balance at 2016/17	(16,522)									
2015-16										
Balance at 31 March 2015	(10,292)	(4,082)	0	(14,374)	(27,643)	(58,779)	313	31,084	(55,025)	(69,399)
Movement in Reserves During 2015/16										
Total Comprehensive Income and Expenditure	(5,315)	0	0	(5,315)	(6,219)	(976)	(232)	(3,025)	(10,452)	(15,767)
Adjustments between accounting basis and funding under regulations (Note 9)	2,623	(886)	0	1,737	0	(1,737)	0	0	(1,737)	0
Increase or Decrease in 2015/16	(2,692)	(886)	0	(3,578)	(6,219)	(2,713)	(232)	(3,025)	(12,189)	(15,767)
Balance at 31 March 2016 carried forward	(12,984)	(4,968)	0	(17,952)	(33,862)	(61,492)	81	28,059	(67,214)	(85,166)
General Fund analysed over:										
Amounts earmarked (Note 10)	(9,813)									
Amounts uncommitted	(3,171)									
Total General Fund Balance at 2015/16	(12,984)									

Balance Sheet as at 31 March 2017

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments Between Accounting Basis and Funding Basis Under Regulations'.

2015/16 £'000		Note	2016/17 £'000
	Long-term Assets		
73,394	Total Property, Plant and Equipment	15	75,436
20,900	Investment Properties	16	41,437
722	Heritage Assets		722
383	Intangible Assets	17	261
2	Long Term Debtors	19	7
95,401	Total Long-term Assets		117,863
	Current Assets		
13	Inventories		15
5,058	Short-term Debtors	19	3,940
15,000	Short-term Investments	18	12,500
12,860	Cash and Cash Equivalents	20	17,251
32,931	Total Current Assets		33,706
	Current Liabilities		
11,305	Short-term Creditors	21	9,051
116	Lease Liability - Within One year	31	89
11,421	Total Current liabilities		9,140
	Long-term Liabilities		
0	Long Term Borrowing	18	19,134
28,059	Liability Related to Defined Benefit Pension Schemes	32	33,294
2,829	Capital Grants Receipts in Advance	14	2,381
763	Long-term Provisions	22	986
94	Deferred Liabilities	31	11
31,745	Total Long-term Liabilities		55,806
85,166	NET ASSETS		86,623
	Total Reserves		
(17,952)	Usable Reserves		(21,414)
(67,214)	Unusable Reserves		(65,209)
(85,166)	TOTAL RESERVES		(86,623)

2015/16 £'000	Balances and Reserves	Note	2016/17 £'000
	Usable Reserves		
(3,171)	General Fund	22	(3,334)
(9,813)	Earmarked Reserves	10	(13,187)
(4,968)	Capital Receipts Reserve	22	(4,893)
0	Capital Grants Unapplied		0
(17,952)	Total Usable Reserves		(21,414)
	Unusable reserves		
(33,862)	Revaluation Reserve	22	(36,156)
(61,492)	Capital Adjustment Account	22	(62,623)
(120)	Collection Fund Adjustment Account	22	(136)
201	NNDR Adjustment Account	22	413
28,059	Pensions Reserve	31	33,293
(67,214)	Total Unusable Reserves		(65,209)
(85,166)	TOTAL RESERVES		(86,623)

Cash Flow Statement as at 31 March 2017

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

2015/16 £'000		Note	2016/17 £'000
(5,315)	Net (Surplus) or Deficit on the Provision of Services	CIES	(3,613)
(4,396)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements	24	(1,285)
1,683	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	24	2,336
(8,028)	Net cash flows from Operating Activities		(2,562)
15,510	Net cash outflow / (inflow) from Investing Activities	25	17,970
1,038	Net cash outflow / (inflow) from Financing Activities	26	(19,799)
8,520	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period		(4,391)
21,380	Cash and Cash Equivalents at the Beginning of the Period		12,860
(8,520)	Net Increase in Cash and Cash Equivalents		4,391
12,860	Cash and Cash Equivalents at the End of the Reporting Period	20	17,251

Notes to the Core Statement of Accounts

Note 1: Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require, to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the SeRCOP (Service Reporting Code of Practice - Service Expenditure Analysis) 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future.

2. Changes in accounting policies for 2016/17

The 2016/17 Code of Practice on Local Authority Accounting introduces the requirement for the Council to report service segments based on the way in which it operates and manages services. This change ends the requirement for the Service Analysis in the Comprehensive Income and Expenditure Statement to be based on the definition of total cost and the service expenditure analysis in the Service Reporting Code of Practice (SeRCOP). The objective of these changes is to allow the reporting requirements on the face of the Comprehensive Income and Expenditure Statement to align with how a local authority reports its performance internally to management.

A new Expenditure Fund Analysis (EFA) has been introduced that shows for each of the Council's services a comparison of the net resources applied in the Comprehensive Income and Expenditure Statement compared to the net change against Council Tax. The EFA promotes accountability and stewardship by providing this direct link between the Statement of Accounts and the budget outturn position on the General Fund.

The Council commenced external borrowing in 2016/17 to fund capital expenditure for the purchase of two commercial investment properties. The borrowing was facilitated by way of two loans from the Public Works Loan Board (PWLB) totalling £19.134m. These loans are recognised as financial liabilities and are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. There is now a new accounting policy section 8 below which outlines the accounting policies adopted for Financial Instruments.

3. Debtors and Creditors

Revenue and capital transactions are accounted for on an accruals basis to the extent that creditor items for goods and services provided but not paid for at 31 March 2017 are included at actual cost or the best available estimate. Debtors for income, capital receipts, subsidies and reimbursements, due but not received at 31 March 2017, are included at the best available estimate.

The total amount of debtors in the Balance Sheet is distinguished between:

- Long Term Debtors - which are those amounts not due within the next financial year; and
- Current Assets - which are those due immediately or within the next financial year.

4. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue (incl NNDR, Council Tax and Grants) and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Employee leave/overtime carried forward from previous year is not accrued unless material.

5. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to either an amount calculated on a prudent basis determined by the council in accordance with statutory guidance (England and

Wales). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Employee Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on high quality corporate bonds as measured by the yield on the Market iBoxx Sterling Corporate Index, AA over 15 years).

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

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

1. Current service cost: The increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2. Past Service Cost: The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
3. Net interest on the net defined benefit liability: The expected increase in the present value of liabilities during the year as they move one year closer to being paid is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
4. Remeasurement on the return of plan assets: The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
5. Gains or Losses on Settlements: The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees is debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
6. Remeasurement of net defined benefit / liability: Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are debited to the Pensions Reserve.
7. Contributions Paid to the Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

Changes in IAS19, effective from April 2013, are reflected in these accounts.

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

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

7. Events after the Balance Sheet Date

Amounts are adjusted in the Statement of Accounts if an event arises after the Balance Sheet date which provides additional evidence of conditions that existed at that date and materially affects the amounts to be included. If an event arises after the Balance Sheet date which concerns conditions which did not exist at that date, it is disclosed in the notes to the Balance Sheet if it is of such materiality that disclosure is required for the fair presentation of the Statement of Accounts. The Statement of Accounts will be authorised by the Director of Finance and Resources on 26 September 2017 which is the date up to which events after the Balance Sheet date have been considered for this purpose.

8. Financial Instruments

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Note: there has been no repurchase or early settlement of borrowing in 2016/17.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from

the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Note that this will not be required in 2016/17 as there are no gains or losses or premiums or discounts available in the first year of PWLB borrowing.

Financial Assets: Financial assets are classified into two types:

1. Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
2. Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Note: the Council has no gains or losses from de-recognition as at 31 March 2017.

Financial instruments are detailed in Note 18 to the accounts.

9. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell

or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

10. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participant's perspective. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

11. Leases

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

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

The Authority as Lessee

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

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

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

The Authority as Lessor

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

12. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and past service costs with impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

13. Property, Plant and Equipment

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

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

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

Measurement: Assets are initially measured at cost, comprising:

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Land and operational properties are valued at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where this cannot be assessed because there is no open market for the asset because of the specialist nature of an asset, the depreciated replacement cost (DRC) is used as an estimate of fair value. The exception to this, are new buildings included at the cost of construction and re-valued at the end of the year in which they become fully operational
- Infrastructure and community assets are not revalued but included in the balance sheet at historic cost

- Vehicle, plant and equipment, where not integral to the fabric of the building, are shown separately at depreciated historic cost.
- Assets under construction are valued on the basis of those costs incurred up to 31 March and are held as non-operational assets until the asset becomes available for use. At that point it is transferred to the appropriate asset class on the Balance Sheet depending on its use or nature.
- Non-operational assets (investment properties) are valued on open market value.

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

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

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

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

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

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

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

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

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

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight-line allocation over the useful life of the asset

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

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

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

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

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment.

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

14. Non-Current Assets

Charges to Revenue for Non-Current Assets

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

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

15. Heritage Assets

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

Recognition: The Council will recognise all Heritage Assets on the Balance Sheet where the cost of obtaining a valuation is commensurate to the benefit of the users of the accounts. If the cost of obtaining a valuation is assessed as being disproportionate to the benefit of the user the existence of the asset will be disclosed in the notes to the accounts along with relevant information. The de-minimis levels applied to all Non-Current Assets will be applied to this asset class. Heritage Assets that do not meet the de-minimis criteria are disclosed in the Council's accounts.

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

Measurement: Heritage Assets will be valued in line with the existing policies for Property, Plant and Equipment. Where Heritage Assets do not fall into this category they will be valued in line with the Council's insurance valuation. All Heritage Assets will be revalued as a minimum every 3 years. The carrying amounts of Heritage Assets will also be reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised in accordance with the Authority's policies on impairment. Heritage Assets with an indefinite life will not be subject to annual depreciation.

16. Provisions and Contingent Liabilities

Provisions: Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For

instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Contingent Liabilities: See note 32.

17. Reserves

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

18. VAT

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

19. Collection Fund

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

- In its capacity as a billing authority an authority acts as an agent. The Council collects and distributes council tax income on behalf of the major preceptors and itself. Also, since April 2013, the Council collects and distributes NNDR on behalf of the major preceptors, itself and central government.
- While the council tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection

Fund and transferred to the General Fund of the Council. The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the Council's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection Fund for the previous year; and this amount may be more or less than the accrued income for the year in accordance with code, although in practice the difference would usually be small.

The Code requires that council tax income is included in the Comprehensive Income and Expenditure Statement to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the Council. Council tax and NNDR income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year.

For the billing authority the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of council tax is in substance an agency arrangement, the cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from council taxpayers.

If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year the billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from council tax debtors/creditors the billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year. See note 34 for the Collection Fund Statement for financial year 2016/17.

20. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors / receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and

contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

22. Fair Value Measurement

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

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

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

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

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2017/18 Code. There are no new standards in the 2017/18 Code which are likely to have a material impact upon the accounts.

Note 3: Critical Judgements in Applying Accounting Policies

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

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

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. For the purposes of the 2016/17 financial statements the Council has a de-minimis level of £20,000 when recognising assets and liabilities to be disclosed within the financial statements. Exception to this rule is employee untaken leave has not been accrued due to the amount being immaterial to the accounts and the year on year difference never being an increase greater than the £20,000 de-minimis.

When classifying assets the Council has interpreted the Code of Practice relating to transfers out of and in to Investment Properties. As a result the Clocktower has remained an Investment Property instead of transfer into a Heritage asset.

Property, Plant and Equipment assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but, as a minimum, at least once every five years. In addition the Council has also instructed its valuers to undertake a review of all assets held in the other land and buildings category to ensure that the carrying value of assets last valued in previous years is not materially different from their current value. The review concluded that for the current value of assets valued at Depreciated Replacement Cost (DRC) there had been a significant change in values due to increases in building costs. As a result of this a desktop review of valuations was conducted for all operational assets valued on a DRC basis and the three staff properties valued at market value with residential use. At 31 March 2017 the carrying amount was uplifted. The impact was to increase the carrying value of operational buildings by £880,000.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances

cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment £75.4 million	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets and valuation assumptions, including estimates of remaining useful life. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £90k for every year that useful lives had to be reduced.
Pension Liability £33.3 million	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	If a 0.5% decrease in the real discount rate assumption would result in an increase of 8% in the employer liability and an increase of approximate monetary amount of £8.5m.
NNDR Appeals £2.1 million	Appeals notified by the Valuation Office Agency still include a large number of appeals lodged when the government changed the appeal rules. The VOA does not provide sufficient information, all possible appeals are included for NNDR collection fund purposes. A new list comes into effect on 1 April 2017 and further estimates have been made to include an appeals provision pertaining to the new list.	Currently all appeals have been included in calculating this provision however, if some of these are unsuccessful the current provision would need to be adjusted. In this case any surplus would feed through the collection fund calculation in future years.
General Bad Debt Provision £0.6 million	The current economic climate makes it uncertain that all the monies will be collected and an adequate allowance needs to be made for this in the measurement of these debtors. Council impair the debt wherever using a methodology and regularly write off the irrecoverable debts after all reasonable steps have been taken.	Council debt does not fluctuate heavily, however, officers have increased time to chase debtors to reduce the debts. We assess the bad debts annually and will if necessary increase the impairments and write off to CIES. For example, a 1% increase in the provision would result in an increase of £6,077.

Note 5: Material Items of Income and Expenditure

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

Note 6: Events after the Balance Sheet Date

No events that have a material effect on the financial statement for the year ended 2016/17.

Note 7: Note to the Expenditure and Funding Analysis 2016/17

2015/16 Gross Expenditure and Gross Income has been restated to aid comparison following the introduction of new reporting requirements in 2016/17, further information is shown in Accounting Policies Section 2, Page16

Note to the Expenditure & Funding Analysis 2016/17							
Directorate	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal reporting & statutory position	Net Expenditure in the Comprehensive Income and Expenditure Statement amounts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Environment	1,274	(382)	0	0	(382)	(12)	880
Community and Wellbeing	6,618	(834)	0	0	(834)	163	5,947
Strategy and Resources	3,172	(762)	0	0	(762)	371	2,781
Net Cost of Services	11,064	(1,978)	0	0	(1,978)	522	9,608
Other Income and Expenditure not charged to Services	(11,227)	922	784	197	1,903	(3,897)	(13,221)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(163)	(1,056)	784	197	(75)	(3,375)	(3,613)
Opening General Fund at 1 April 2016	£'000 (3,171)						
(Surplus)/Deficit	(163)						
Closing General Fund balance at 31 March 2017	(3,334)						

Note to the Expenditure & Funding Analysis 2015/16							
Directorate	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal reporting & statutory position	Net Expenditure in the Comprehensive Income and Expenditure Statement amounts
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment	2,715	(287)	0	0	(287)	(1,831)	597
Community and Wellbeing	6,955	(3,689)	0	0	(3,689)	579	3,845
Strategy and Resources	1,115	418	0	0	418	(433)	1,100
Net Cost of Services	10,785	(3,558)	0	0	(3,558)	(1,685)	5,542
Other Income and Expenditure not charged to Services	(10,623)	(41)	1,208	(232)	935	(1,169)	(10,857)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	162	(3,599)	1,208	(232)	(2,623)	(2,854)	(5,315)
Opening General Fund balances at 1 April 2015	£'000 (3,333)						
(Surplus)/Deficit	162						
Closing General Fund balance at 31 March 2016	(3,171)						

Note 1. Adjustments for Capital Purposes

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

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

Note 2. Adjustments for Pension Benefits

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

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

Note 3. Other Differences

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

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 8: Expenditure and Income analysed by Nature.

The authority's expenditure and income is analysed below as follows:

2015/16 £'000	Expenditure/Income	2016/17 £'000
	Expenditure /Income	
	Expenditure	
12,500	Employee benefits expenses	12,041
34,691	Other services expenses	25,644
(434)	Support Services recharges	(498)
(3,178)	Depreciation, amortisation, impairment	2,387
1,006	Interest payments	1,073
312	Precepts and Levies	525
17	Losses on the disposal of assets	0
44,914	Total expenditure	41,170
	Income	
(14,150)	Fees, charges and other service income	(12,428)
(196)	Interest and investment income	(884)
(6,029)	Income from Council tax, non-domestic rates, district rates, district rate income	(6,674)
(27,995)	Government grants and contributions	(22,788)
(1,859)	Movement in Investment Properties	(1,324)
0	Losses on the disposal of assets	(685)
(50,229)	Total Income	(44,783)
(5,315)	(Surplus) or Deficit on the Provision of Services	(3,613)

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Note 9. Adjustments between accounting basis and funding basis under regulations

2015/16	Usable reserves	
	General Fund Balance £'000	Capital Receipts Reserve £'000
Adjustments to Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
▪ Pension costs (transferred to (or from) the Pensions Reserve)	1,208	0
▪ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(232)	0
▪ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,197)	0
Total Adjustments to Revenue Resources	(1,221)	0
Adjustments between Revenue and Capital Reserves		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(632)	1,663
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipt Reserve)	(0)	(21)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(291)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(479)	0
Total adjustments between Revenue and Capital Resources	(1,402)	1,642
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure	0	(756)
Application of capital grants to finance capital expenditure	0	0
Total Adjustments to Capital Resources	0	(756)
Total Adjustments	(2,623)	886

2016/17	Usable reserves	
	General Fund Balance £'000	Capital Receipts Reserve £'000
Adjustments to Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
▪ Pension costs (transferred to (or from) the Pensions Reserve)	784	0
▪ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	197	0
▪ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	442	0
Total Adjustments to Revenue Resources	1,423	0
Adjustments between Revenue and Capital Reserves		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(737)	737
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipt Reserve)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(110)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(196)	0
Total adjustments between Revenue and Capital Resources	(1,043)	737
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure	0	(812)
Application of capital grants to finance capital expenditure	(455)	0
Total Adjustments to Capital Resources	(455)	(812)
Total Adjustments	(75)	(75)

Note 10: Movements in Revenue Reserves

	Balance at 1 April 2015 £'000	Transfers		Balance at 31 March 2016 £'000	Transfers		Balance at 31 March 2017 £'000
		In	Out		In	Out	
		£'000	£'000		£'000	£'000	
Current Balances							
General Fund	3,333		(162)	3,171		163	3,334
Collection Fund Adjustment Account	91		29	120		16	136
NNDR Adjustment Account	(404)		203	(201)		(212)	(413)
Total Current Balances	3,020	0	70	3,090	0	(33)	3,057
Strategic Reserves							
Insurance	489	26	(42)	473	5	(20)	458
Repairs and Renewals	693	49	(294)	448	7	(117)	338
Interest Equalisation	631	0	0	631	0	0	631
VAT Reserve	227	0	(11)	216	0	0	216
Housing & Planning Delivery Grant Reserve	210	0	(34)	176	0	0	176
Property Maintenance	221	18	0	239	162	0	401
Commuted Sums	1,965	0	0	1,965	0	0	1,965
Hospital Cluster Interest	226	2	0	228	2	0	230
Corporate Project Reserve	393	1,473	(50)	1,816	18	(313)	1,521
Community Safety	86	2	0	88	1	(7)	82
Historic Buildings	3	0	0	3	0	0	3
Local Partnership Fund	3	0	0	3	25	0	28
Young People Partnership Fund	38	0	(13)	25	0	(25)	0
Yell Funds	3	0	(3)	0	0	0	0
Training Reserve	24	0	(12)	12	0	(12)	0
Prevention, Personalisation & Partnership Fund	358	180	(278)	260	61	0	321
Civic Investment Fund	45	0	(30)	15	0	(15)	0
Business rates equalisation reserve	729	255	(300)	684	180	0	864
Community Infrastructure Levy	612	1,914	0	2,526	1,309	0	3,835
Residential property acquisition fund	0	0	0	0	2,000	0	2,000
Investment property reserve	0	0	0	0	76	0	76
HIA Hardship fund	3	2	0	5	38	0	43
DFG Hardship fund	0	0	0	0			0
Total Strategic Reserves	6,959	3,921	(1,067)	9,813	3,884	(509)	13,188
Total Revenue Reserves	9,979	3,921	(997)	12,903	3,884	(542)	16,245

Note 11: Other Operating expenditure in CIES note

2015/16 £'000		2016/17 £'000
17	(Gains) /Losses on the Disposal of Non-Current Assets	(685)
(6)	Total	(685)

Note 12: Financing and Investment Income and Expenditure in CIES note

2015/16 £'000		2016/17 £'000
35	Interest Payable and Similar Charges - Finance Lease	117
971	Net Interest on the Net Defined Benefit Liability	955
(1,859)	Movement in Investment Properties	(1,324)
(810)	Other Income	(1,344)
(196)	Interest Receivable and Similar Income	(348)
(1,859)	Total	(1,944)

Note 13: Taxation and Non Specific Grant Income in CIES note

The Council receives annual revenue grants and contributions that are non-ring fenced; no conditions on use are imposed:

2015/16 £'000		2016/17 £'000
(5,664)	Council Tax Income	(5,912)
(695)	Non Domestic Rates	(1,231)
(1,006)	Revenue Support Grant (including Council Tax Freeze Grant)	(417)
(492)	New Homes Bonus Grant *	(2,120)
(226)	Business Rate Collection Grants	(85)
(213)	NNDR- Small Business Rate Relief Grant	(219)
(196)	Business Rates Section 31 Grant	(143)
(408)	Capital Grants and Contributions	(464)
(115)	Other Grants and Contributions	0
0	New Burden Grants	(1)
(9,015)	Total	(10,592)

*The total New Homes Bonus received in year was £2.120m, however, only £362,000 was credited to services in 16/17 with the remaining being transferred to the Corporate Project Reserve. Further ring fenced grants are detailed overleaf in Note 14.

Note 14: Other Government Grants Credited to Services

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

2015/16 £'000		2016/17 £'000
(64)	Council Tax Support	(55)
(213)	Benefit Admin Grant	(173)
(20,458)	Rent Allowances- Housing Benefit and Rebate	(20,402)
(117)	Election	(279)
(55)	Route Call	(56)
(36)	Home Improvement Agency	(35)
0	Public-Private Partnership Funding	(180)
(167)	Other Smaller Grants	(197)
(21,110)	Total	(21,377)

Capital Grants and Contributions Receipts in advance

These are grants held that were received in advance or where the Council did not satisfy the condition attached to the grant but will be meet the conditions in the future.

2015/16 £'000		2016/17 £'000
(2,829)	Other grants and Section 106 Contributions	(2,381)
(2,829)	Total	(2,381)

Note 15: Property, Plant and Equipment

Property, Plant and Equipment Valuation

The Borough Council's property portfolio was first valued as at 1 April 1994 with all properties subject to a rolling five year revaluation, with approximately one fifth of properties being revalued each year. In line with the code of practice the Council has moved to a valuation programme that concentrates on categories of assets. In 2016/17, the Town Hall, Epsom Playhouse, Leisure facilities and car parks were valued as at 1st April 2016. These valuations were completed by Huggins, Edwards and Sharp, Chartered Surveyors and Wilks, Head and Eve. The properties that were revalued in 2016/17 account for £31.385 million of the gross book value of assets at 31 March 2017.

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

Properties are also revalued to take into account any potential impairment in their value and also consequent upon construction and the completion of any material improvements. There was economic impairment on three assets in 2016/17.

Depreciation

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

- Other Land and Buildings – 15 to 68 years
- Vehicles, plant and equipment – 1 to 39 years

Movements on Non current assets – Property, Plant & Equipment 2016/17

TANGIBLE NON CURRENT ASSETS	Other Land and Buildings £'000	Vehicle Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Totals £'000
Gross Book Carrying Value as at 1st April 2016	69,805	7,989	41	3,877	994	82,706
Additions	112	435	117	12	1,364	2,040
Revaluation Movement Recognised in the Revaluation Reserve	1,962	0	0	0	0	1,962
Derecognition - Disposals	0	(219)	0	0	0	(219)
Impairment written out	(994)	0	0	0	0	(994)
Reclassified - Other Movements	402	0	0	0	(402)	0
Gross Book Carrying Value at 31 March 2017	71,287	8,205	158	3,889	1,956	85,495
Accumulated Impairment & Depreciation as at 1 April 2016	(4,827)	(3,141)	0	(942)	(402)	(9,312)
Depreciation Charge for the Year	(2,520)	(714)	0	0	0	(3,234)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	994	0	0	0	0	994
Derecognition - disposals	0	167	0	0	0	167
	(1,526)	(547)	0	0	0	(2,073)
Depreciation Written out to the Revaluation Reserve	1,326	0	0	0	0	1,326
Other Movements in Depreciation and Impairment	(402)	0	0	0	402	0
Accumulated Impairment & Depreciation as at 31 March 2017	(5,429)	(3,688)	0	(942)	0	(10,059)
TOTAL NET CARRYING BOOK VALUE at 31 March 2017	65,858	4,517	158	2,947	1,956	75,436
TOTAL NET CARRYING BOOK VALUE at 1 April 2016	64,978	4,848	41	2,935	592	73,394

Movement on Non-current assets - Property, Plant and Equipment 2015/16

TANGIBLE NON CURRENT ASSETS	Other Land and Buildings £'000	Vehicle Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Totals £'000
Gross Book Carrying Value as at 1 April 2015	61,502	7,521	41	3,330	2,349	74,743
Additions	1,642	176	0	332	243	2,393
Revaluation Movement Recognised in the Revaluation Reserve	4,364	495	0	0	0	4,859
Derecognition - Disposals	0	(348)	0	0	0	(348)
Assets Reclassified	2,297	145	0	215	(1,598)	1,059
Gross Book Carrying Value at 31 March 2016	69,805	7,989	41	3,877	994	82,706
Accumulated Impairment & Depreciation as at 1 April 2015	(6,186)	(3,163)	0	(757)	0	(10,106)
Depreciation Charge for the Year	(1,991)	(881)	0	0	(7)	(2,879)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	1,982	0	0	0	0	1,982
Derecognition - disposals	0	903	0	0	0	903
	(9)	22	0	0	(7)	6
Depreciation Written out to the Revaluation Reserve	780	0	0	0	7	787
Other Movements in Depreciation and Impairment	588	0	0	(185)	(402)	1
Accumulated Impairment & Depreciation as at 31 March 2016	(4,827)	(3,141)	0	(942)	(402)	(9,312)
TOTAL NET CARRYING BOOK VALUE at 31 March 2016	64,978	4,848	41	2,935	592	73,394
TOTAL NET CARRYING BOOK VALUE at 1 April 2015	55,316	4,358	41	2,573	2,349	64,637

Note 15: Property, Plant and Equipment

Capital Expenditure

Capital expenditure of £21.742m was incurred in 2016/17 as follows:

2015/16 £'000		2016/17 £'000
2,390	Non Current Assets - PPE	2,041
22	Investment Assets	19,213
164	Intangibles	24
423	Revenue Expenditure Funded from Capital Under Statute Written Off	464
2,999	Total Capital Expenditure	21,742

Funding of capital expenditure in 2016/17 is detailed below:

2015/16 £'000		2016/17 £'000
756	Capital Reserves	812
273	Government Grants	457
475	Revenue	197
80	Grants from Other Local Authorities	0
1,007	Contributions from Other bodies	0
408	Section 106 Receipts	1,142
0	Long Term Borrowing	19,134
2,999	Total Capital Funding	21,742

A net contribution of £197,000 was set aside from revenue to finance capital expenditure in 2016/17 compared to a £475,000 contribution in 2015/16.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2017 amounts to £53,204 as listed below.

2015/16 £'000		2016/17 £'000
47	Electronic Service Delivery	0
8	Container Replacement	0
83	Town Hall - Replacement of Boilers	0
0	Affordable Housing	29
0	Demolition of 1-3 Blenheim Road	24
14	Ewell Court House Rebuild (Fire)	0
8	Other	0
160	Total Capital Commitments	53

Disposals

There were disposals relating to Vehicles, Plant & Equipment of £52,138 in 2016/17. (£0 in 2015/16)

Assets under Construction

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

There are five assets under construction held in the balance sheet for 2016/17 totalling £1,955,653. (£592,000 in 2015/16)

Componentisation

When valuing the assets for the five-year rolling programme, the Valuer considered component accounting. There were no significant components revalued in 2016/17.

Revaluations

The Council ensures that all property, plant and equipment required to be measured at fair value is re-valued, under a rolling five year programme, by the Councils' property valuer Huggins, Edwards and Sharp. All valuations are carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

Valued at fair value as at:	31 March 2012	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017	Total Cost or Valuation
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Operational Assets							
Land and Buildings	0	150	900	360	33,063	31,385	65,858
Non-Operational Assets							
Surplus Assets	0	0	0	0	0	0	0

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

Note 16: Investment Properties

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

2015/16		2016/17
£'000		£'000
1,355	Rental Income from Investment Property	1,631
(217)	Direct Operating Expenses Arising from Investment Property	(229)
1,138	Net gain/(loss)	1,402

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

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see section 22, page 32 of Accounting Policies for an explanation of the fair value levels).

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

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

Highest and Best Use

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2017 by the Huggins, Edwards & Sharp in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

2015/16 £'000		2016/17 £'000
21,066	Balance at the Start of the Year	20,900
22	Subsequent Expenditure	19,213
(1,010)	Disposals	0
1,880	Net gains/(losses) from Fair Value Adjustments	1,324
	Transfers	
(1,058)	to/from Property, plant and equipment	0
0	Other Changes	0
20,900	Balance at the Year End	41,437

Note 17: Intangible Assets

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

All software is given a finite useful life of 4 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £146,000 charged to revenue in 2016/17 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2015/16		2016/17
Assets not Internally Generated £'000		Assets not Internally Generated £'000
	Balance at the start of the year	
447	Gross Carrying Amounts	585
(115)	Accumulated Amortisation	(202)
332	Net Carrying Amount at the Start of the Year	383
	Additions	
165	Purchases	24
(114)	Amortisation for the Period	(146)
383	Net Carrying Value at the End of the Year	261
	Comprising	
585	Gross Carrying Amounts	609
(202)	Accumulated Amortisation	(348)
383		261

Note 18: Financial Instruments

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

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

2015/16			2016/17	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
		Investments		
0	27,860	Loans and Receivables	0	28,879
0	27,860	Total Investments	0	28,879
		Debtors		
0	5	Loans and Receivables	7	4
0	3,514	Financial assets carried at contract amounts	0	2,918
0	3,519	Total included in Debtors	7	2,922
		Borrowings		
0	0	Financial Liabilities at amortised cost	19,134	0
0	0	Total included in Borrowings	19,134	0
		Other Long Term Liabilities		
94	116	Finance Lease Liabilities	10	84
94	116	Total included in Borrowings	10	84
		Creditors		
0	3,884	Financial Liabilities at contract amounts	0	1,965
0	3,884	Total included in Creditors	0	1,965

Material Soft Loans made by the Council

The Authority has not made any material soft loans and there are no material soft loans outstanding at the 31 March 2017.

Employee Loans

The Authority may make car loans for car purchases to employees in the Council who are in a post which requires them to drive regularly on the Council's business. The Council also provides loans for season tickets, cycles and computers. There are currently no car loans, the balance outstanding comprises various small loans with a balance of £11,451 outstanding at the 31 March 2017.

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

Income, Expense, Gains and Losses

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

Financial Assets- Loans and Receivables £'000		Financial Liabilities - Measured at amortised cost £'000	Financial Assets - Loans and Receivables £'000	Total £'000
0	Interest expense	110	0	110
0	Fee expense	7	0	7
0	Total expense in Surplus or Deficit on the Provision of Services	117	0	117
(196)	Interest Income	0	(348)	(348)
(196)	Total income in Surplus or Deficit on the Provision of Services	0	(348)	(348)
(196)	Net (Gain)/Loss for the Year	117	(348)	(231)

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Risk to the Council is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors. The Annual Investment Strategy also imposes a £2.5m maximum sum to be invested with financial institutions located within each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

Financial Asset Category	Type of Financial Asset	Maximum Investment
	Cash Equivalents	
Deposits with Money Market Funds	Goldman Sachs Deutsche Bank	£ 2.500m £ 1.400m
Global Liquidity Fund	Aberdeen Liquidity Fund	£12.479m
	Cash Equivalent Total	£16.379m
	Short Term Investments	
Fixed Term Deposit with Building Societies and bank	National Counties West Bromwich Progressive Lloyds Bank Nottingham	£2.500m £2.500m £2.500m £2.500m £2.500m
	Short Term Investments Total	£12.500m

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £12.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their

commitments. All of the Authority's deposits are subject to a level of risk, however there is no evidence at the 31 March 2017 that any material risk would occur.

The following analysis summarises the Council's potential maximum exposure to credit risk:

	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-17	Estimated maximum exposure to default and un-collectability at 31 March 2017	Estimated maximum exposure at 31-Mar-17
	£'000	%	%	£'000	£'000
	A	B	C	(A x C)	
Deposits with Aberdeen	12,479	0	0	0	0
Goldman Sachs	2,500	0	0	0	0
Deutsche Bank	1,400	0	0	0	0
Customers	2,918	0.95%	20.83%	608	580

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

The Council does not generally allow credit for customers, but of the £2.9m balance £837,000 is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-16 £'000		31-Mar-17 £'000
23	Less than three months	360
479	Three to Five months	385
152	More than Five Months	92
654	Total	837

Liquidity Risk

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

Market Risk

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

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise

- Investments at fixed rates – the fair value of the assets will fall.

However, interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	(198)
Impact on Surplus or Deficit on the Provision of Services	(198)
Decrease in fair value of fixed rate investment assets	(142)

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

There have been no changes to the method and approach for compiling the risk information for 2016/17 compared to 2015/16.

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

Investments are included in the balance sheet at the lower of cost or market valuation and distinguished between those due for maturity within the next financial year (current asset investments) and those not due within the next year (long term investments).

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

Investments are included in the balance sheet at the lower of cost or market valuation and distinguished between those due for maturity within the next financial year (current asset investments) and those not due within the next year (long term investments).

31 March 2016 Cost and Market Valuation £'000	Short Term Investments (less than 1 year)	31 March 2017 Cost and Market Valuation £'000
0	Balance brought forward	15,000
15,000	Investment during the year	0
0	Withdrawal during the year	(2,500)
15,000	Balance carried forward	12,500

Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

All financial assets and financial liabilities held by the Authority are classified as loans and receivables and long term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values are calculated as follows.

31-Mar-16			31-Mar-17	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Assets		
27,865	27,865	Loans and Receivables	28,890	28,890
3,514	3,514	Financial Assets at contract amounts	2,918	2,918
31,379	31,379	Total Financial Assets	31,808	31,808

Most of the current financial assets disclosed are loans and receivables and are short term in nature, and therefore the fair value is not materially different for the book value. There is no impairment implication. Short term debtors carried are at cost less any impairment, as this is a fair approximation of their value.

31-Mar-16			31-Mar-17	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at amortised cost		
0	0	PWLB Loans	19,134	19,134
210	210	Finance Lease Liabilities	94	94
3,884	3,884	Financial Liabilities at contract amounts	1,965	1,965
4,094	4,094	Total Financial Liabilities	21,193	21,193

The book value of financial liabilities for the long term PWLB loans is the same as the fair value as the fixed rate loans were taken out late in 2016/17 on a maturity basis and cannot be transferred or sold within the first year. PWLB do not publish fair values for loans in this criteria. Any variation in interest rate payable prevailing at Balance Sheet date will have a minimal effect on the fixed rate paid for loans. No early repayment or impairment loss can also be recognised. Financial Lease Liabilities and Short Term Creditors are carried at contracted amounts.

Note 19: Debtors

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

2015/16 £'000		2016/17 £'000
1,247	Central government bodies	886
415	Other Local Authorities	0
51	Council Tax Payers	606
74	Non Domestic Rate	109
3,271	Other Entities and individuals	2,339
5,058	Total Debtors	3,940

Long term debtors (greater than 365 days):

2015/16 £'000		2016/17 £'000
2	Staff loans	7
2	Total	7

Note 20: Cash and Cash Equivalents

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

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

2015/16 £'000		2016/17 £'000
346	Cash at Bank	872
12,514	Cash Equivalents	16,379
12,860	Cash and Cash Equivalents	17,251

Note 21: Creditors

A summary of Creditors is detailed below.

2015/16 £'000		2016/17 £'000
4,151	Central Government Bodies	1,020
1,479	Other Local Authorities	1,420
291	Council Tax	833
68	Non Domestic Rate	43
5,316	Other Entities and individuals	5,735
11,305	Total	9,051

Note 22: Provisions

A summary of Long Term Provisions is detailed below.

2015/16 £'000		2016/17 £'000
512	Balance brought forward	763
768	Additions *	355
-517	Amounts used in year	-132
763	Balance carried forward	986

*£123,000 included in Creditors in 2015/16

Note 23: Reserves

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

Reserve	Balance 2015/16 £'000	Net Movement in year £'000	Balance 2016/17 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(3,171)	(163)	(3,334)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement (Note 10)
Strategic Reserves	(9,813)	(3,374)	(13,187)	Earmarked resources to provide funding for specific areas	Movement in Reserve Statement (Note 10)
Capital Receipts Reserve	(4,968)	75	(4,893)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total usable Reserve	(17,952)	(3,462)	(21,414)		
Revaluation Reserve	(33,862)	(2,294)	(36,156)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(61,492)	(1,131)	(62,623)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Collection Fund Adjustment Account	(120)	(16)	(136)	Balance held on collection fund and NNDR AC	Detailed in this note below
NNDR Adj Account	201	212	413	Balance held on collection fund and NNDR AC	Detailed in this note below
Pensions Reserve	28,059	5,234	33,293	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 31
Total Unusable Reserve	(67,214)	2,005	(65,209)		
Total Reserves	(85,166)	(1,457)	(86,623)		

Capital Grants Unapplied

The capital grants unapplied reserve represents the amount of capital grants receivable, there are neither conditions imposed nor restrictions for the use of these grants. These grants have not been applied to finance capital expenditure. The Council at the end of 2016/17 had a balance of nil (in 2015/16 the balance was nil).

Revaluation Reserve

The Revaluation Reserve records the net gain (if any) from revaluations made after 1 April 2007. Unrealised (gains)/losses occur when non-current assets are revalued. If an asset is revalued at an

increased amount over the current net book value in the Balance Sheet, then there is an unrealised gain. If the asset is revalued below its net book value, then there is an unrealised loss. However, when the review of an asset value reveals a reduction, it is necessary to determine whether impairment has occurred, either because of general price decreases or because of the clear consumption of the economic benefits of the assets.

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

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

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

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

2015/16 £'000		2016/17 £'000
27,643	Balance at 1 April 2016	33,862
6,704	Upward revaluation of assets	2,294
(485)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
6,219	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	2,294
0	Amount written off to the Capital Adjustment Account	0
33,862	Balance at 31 March 2017	36,156

Movements in Amounts Capital Adjustment Account to Finance Capital Investment

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

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

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

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

2015/16 £'000		2016/17 £'000
(58,779)	Balance brought forward at 1 April 2016	(61,492)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u>	
897	- charges for depreciation and impairment of non-current assets	2,241
114	- amortisation of intangible assets	146
17	- amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	52
1,028	Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement in 2015/16	2,439
(57,751)	Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year	(59,053)
	<u>Capital Financing Applied in the Year</u>	
(756)	- use of the Capital Receipts Reserve used to finance new expenditure	(812)
(1,344)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,126)
(291)	- statutory provision for the financing of capital investment charged against the general fund	(110)
(479)	- capital expenditure charged against the General Fund	(197)
(2,870)	Total Capital Financing Applied in 2016/17	(2,245)
(870)	- movements in the market value of Investment Properties debited or credited to the Comprehensive Income and expenditure Account	(1,324)
(61,492)	Balance Carried Forward at 31 March 2017	(62,623)

Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute is capital expenditure incurred on improvements to assets not owned by the authority, improvement grants or other areas where no tangible Non-Current Asset was created, which are written off to the revenue account over the estimated period of economic benefit to the authority, normally one year. The amounts written down are charged to the appropriate front line service within the net cost of services and financed from either a transfer from the Capital Adjustment Account or matched against any government grant funding such that the net effect on the general fund reserve is neutral.

2015/16 £'000		2016/17 £'000
423	Revenue Expenditure funded from Capital under Statute Written Off	464
(423)	Less External Funding	(464)
0	Funded from Capital Reserves	0
114	Add Intangible Charges Written Off	146
114	Transfer from Capital Adjustment Account	146

Usable Capital Receipts Reserve

2015/16 £'000		2016/17 £'000
4,082	Balance brought forward at 1 April	4,968
1,641	Amounts receivable in year	737
(755)	Amounts applied to finance new capital investment	(812)
886	Total Increase (decrease) in realised capital resources	(75)
4,968	Balance carried forward at 31 March	4,893

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

Pensions Reserve

Pension costs are detailed in Note 31.

Council Tax Collection Fund Adjustment Account and NNDR Adjustment Account

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

2015/16 £'000		2016/17 £'000
(313)	Balance at the start of the year	(81)
30	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	15
202	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	(212)
(81)	Balance at the end of the year	(278)

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

2015/16 £'000	Details	2016/17 £'000
(897)	Charges for depreciation and impairment of non-current assets	(2,241)
1,880	Movements in the market value of Investment Properties	1,324
(114)	Amortisation of intangible assets	(146)
0	Revenue expenditure funded from capital under statute	(464)
(17)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	(52)
(1,208)	Pension liability and related adjustment	(784)
232	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(197)
(183)	Increase/(Decrease) in Debtors	(1,118)
(3,310)	(Increase)/Decrease in creditors	2,254
0	Increase in Provisions	(223)
9	Increase/(Decrease) in Inventories	2
(788)	Other non-cash items	360
(4,396)	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	(1,285)

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

2015/16 £'000	Details	2016/17 £'000
744	Capital Grants credited to surplus or deficit on the provision of services	1,599
287	Lease rentals	0
652	Proceeds from the sale of property plant and equipment, investment property and intangible assets	737
1,683		2,336

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

2015/16 £'000	Details	2016/17 £'000
2,559	Investment in Capital Assets	21,742
15,000	Short Term Investments	(2,500)
(409)	Capital Grants Received (Gov't)	(535)
(1,640)	Receipts from sale of assets	(737)
15,510		17,970

Note 26: Cashflow from Financing Activities

These are cash payments relating to finance the capital expenditure.

2015/16 £'000	Details	2016/17 £'000
287	Lease rentals	111
751	Other financing activities (NNDR shares and Council Tax Preceptors)	(776)
0	Long-term Borrowing	(19,134)
1,038		(19,799)

Note 27: Members' Allowances

The total amount of Members' allowances paid in 2016/17 was £164,950 (£167,278 was paid in 2015/16).

Note 28: Executive Remuneration Bands and Exit Packages

For this purpose, remuneration means all amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

No. of Staff 2015/16	Remuneration Range	No. of Staff 2016/17
3	£50,000 - £54,999	6
3	£55,000 - £59,999	1
2	£60,000 - £64,999	2
3	£65,000 - £69,999	2
2	£70,000 - £74,999	2
0	£75,000 - £75,999	1
1	£95,000 - £99,999	1
1	£115,000 - £119,999	1
15	Total	16

Exit Packages

The total cost of the exit packages came to £91,360 including the estimated pension strain (for those of retirement age) of £18,458. There were no exit packages paid in 2015/16.

No. of Staff 2015/16	Exit Packages	No. of Staff 2016/17
0	£0 - £19,999	14 *
0	£20,000 - £39,999	1 **
0	Total	15

* one early retirement on the grounds of efficiency, the rest were compulsory

** Voluntary

Detailed remuneration information for senior employees is set out below. The tables below show information for 2016/17 and 2015/16.

2016/17	Chief Executive £'000	Director of Finance and Resources £'000	Head of Legal Services £'000
Salary *	114	89	59
Bonuses	0	0	1
Expenses Allowances	4	3	9
Compensation for loss of office	0	0	0
Other Benefits	7	7	3
Total remuneration excluding Pension contributions	125	99	72
Pension Contributions	17	14	11
Total remuneration including pension contributions 2016/17	142	113	83

2015/16	Chief Executive £'000	Director of Finance and Resources £'000	Head of Legal Services £'000
Salary*	112	86	58
Bonuses	0	0	1
Expenses Allowances	4	3	9
Compensation for loss of office	0	0	0
Other Benefits	7	7	3
Total remuneration excluding Pension contributions	123	96	71
Pension Contributions	16	13	10
Total remuneration including pension contributions 2015/16	139	109	81

* CEO pay includes Returning Officer fee

Note 29: Audit Costs

In 2016/17 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2015/16 £'000		2016/17 £'000
45	Fees payable to the external auditors with regard to external audit	45
9	Fees payable to the external audit for the certification of grant claims and returns	9
54	Balance to Income and Expenditure Account	54

Note 30: Capital Financing Requirement

2015/16 £'000		2016/17 £'000
(161)	Opening Capital Financing Requirement	(161)
	Capital investment:	
2,151	Property, Plant and Equipment	677
22	Investment Properties	19,213
243	Assets under Construction	1,364
165	Intangible Assets	24
423	Revenue Expenditure Funded from Capital under Statute	464
	Sources of finance:	
(756)	Capital receipts	(812)
(1,769)	Government grants and other contributions	(1,599)
	Sums set aside from revenue:	
(475)	Direct revenue contributions	(197)
(4)	Finance lease identified under IFRS	0
(161)	Closing Capital Financing Requirement	18,973
0	Increase/(decrease) in Capital Financing Requirement	19,134

Note 31: Finance and Operating Leases

Finance Leases in (Council as Lessee):

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

2015/16 £'000		2016/17 £'000
426	Vehicles, Plant, and Equipment	189

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

2015/16 £'000		2016/17 £'000
116	Finance lease liabilities (net present value of minimum lease payments): Current	84
94	Finance lease liabilities (net present value of minimum lease payments): non- Current	10
24	Finance costs payable in future years – Interest	6
234	Minimum lease payments	100

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2015/16 £'000	2015/16 £'000		2016/17 £'000	2016/17 £'000
134	116	Not later than one year	89	84
100	94	Later than one year and not later than five years	11	10

Lease payments are apportioned between:

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

Operating Leases in (Council as Lessee)

Operating Lease Liabilities 2015/16 £'000		Operating Lease Liabilities 2016/17 £'000
37	Not later than one year	0

Operating Leases out (Council as Lessor)

In 2016/17 the Council received £1,631,000 (note 16) in rental income from its investment properties (compared to £1,355,000 in 2015/16), all of which was generated from operating leases.

With regard to the Council's activity as a lessor, the gross value of land and buildings assets held for use in operating leases was £39,854,000 in 2016/17 (£19,390,000 in 2015/16).

The future lease payments receivable in future years are:

Lease Income at 31 March 2016 £'000		Lease Income at 31 March 2017 £'000
1,653	Not later than one year	1,686
2,662	Later than one year and not later than five years	4,503
42,955	Later than five years	78,864
47,270	Total	85,053

£29.2 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

The minimum lease receipts do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 no contingent rents were receivable by the Authority (2015/16 £nil).

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

Note 32: Pension Costs

Participation in Pension Schemes

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

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Retirement Benefits

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

2015/16		2016/17
£'000		£'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
2,137	Current service cost	1,833
	<u>Financing and Investment Income and Expenditure</u>	
971	Net Interest Expense	955
3,108	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,788
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<u>Remeasurements</u>	
0	Changes in demographic assumptions	(1,245)
(4,277)	Changes in financial assumptions	15,232
(1,142)	Other experience	(2,051)
1,186	Return on assets excluding amounts included in net interest	(7,486)
(4,233)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	4,450
	Movement in Reserves Statement	
(3,108)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,788)
1,900	Employers' contributions payable to scheme	2,004

Cumulative re-measurement of the net benefit liability recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2017 is a gain of £4,450,000.

Assets and Liabilities in Relation to Post-employment Benefits

The liabilities shown below are the underlying commitments that the authority has in the long-run to pay retirement benefits. The total increase in liability of £5.234 million has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £33.3 million. The pension liability is 38% of the balance sheet net value in 2016/17 compared to 33% in 2015/16.

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

recognised gains and losses included in the Income and Expenditure Account, actuarial loss of £4,450,000 (actuarial gain of £4,233,000 in 2015/16) is included in the Comprehensive Income and Expenditure Account.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2017 are as follows:

2015/16 £'000		2016/17 £'000
(89,702)	1 April 2016	(86,619)
(2,137)	Current service cost	(1,833)
(2,774)	Interest cost	(2,923)
(502)	Contribution from scheme participants	(497)
	Remeasurement gain/(loss):	
0	- actuarial gains/losses arising from changes in demographic assumptions	1,245
4,277	- actuarial gains/losses arising from changes in financial assumptions	(15,232)
1,142	- Other experience	2,051
110	Unfunded benefits paid	105
2,967	Benefits paid	3,419
(86,619)	Estimates Liabilities in scheme 31 March 2017	(100,284)
58,618	1 April 2016	58,560
1,803	Interest income	1,968
	Remeasurement gain/(loss):	
(1,186)	- return on plan assets, excluding the amount in net interest expense	7,486
1,790	Contributions from employer	1,899
502	Contributions from employees into the scheme	497
(2,967)	Benefits paid	(3,419)
58,560	Estimates assets in scheme 31 March 2017	66,991
(28,059)	Net asset / (liability) 31 March 2017	(33,293)

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

Actual Return on Scheme Assets as per Actuaries

2015/16 £'000		2016/17 £'000
617	Actual return as per actuaries	9,454

The return on the fund in market value terms for the period to 31st March 2017 is estimated based on actual funds return as provided by the administering authority and Index returns where necessary.

Scheme History

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Present value of liabilities:						
Local Government Pension Scheme	(64,866)	(73,450)	(81,002)	(89,702)	(86,619)	(100,284)
Fair Value of Assets:						
Local Government Pension Scheme	44,226	50,009	52,914	58,618	58,560	66,991
Total	(20,640)	(23,441)	(28,088)	(31,084)	(28,059)	(33,293)

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

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (before payments fall due), as assessed by scheme actuary
- Finance is only required to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2017 is £2,498,000.

Basis for Estimating Assets and Liabilities

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

2015/16		2016/17
	Longevity at 65 for current pensioners:	
22.5	Men	22.5
24.6	Women	24.6
	Longevity at 65 for future pensioners:	
24.5	Men	24.1
26.9	Women	26.4
2.1%	Rate of increase in pensions	2.4%
3.6%	Rate of increase in salaries	2.7%
3.4%	Rate for discounting scheme liabilities	2.5%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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

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

- 0.5% decrease in Real Discount Rate would result in an approximate increase in the defined benefit liability of £8.496m (8%)
- 0.5% increase in the Salary Increase Rate would result in an approximate increase in the defined benefit liability of £1.072m (1%)
- 0.5% increase in the Pension Increase Rate would result in an approximate increase in the defined benefit liability of £7.312m (7%)

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

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

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

Percentage of Funds Assets 2015/16		Percentage of Funds Assets 2016/17
75%	Equity Investments	68%
15%	Bonds	14%
7%	Property	6%
3%	Cash	12%
100%		100%

Movement in net pension liability:

2015/16 £'000		2016/17 £'000
(31,084)	Opening Balance	(28,059)
(2,137)	Current Service Costs	(1,833)
(971)	Net Interest Expense	(955)
1,900	Employer Contributions	2,004
4,233	Remeasurements	(4,450)
(28,059)	Closing Balance	(33,293)

Note 33: Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

The Council has been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd the amount subject to levy is £334,660 may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities as at 31 March 2017. The Insurance Reserve includes an amount to cover any future claims.

Note 34: Related Parties

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

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

Members of the Council have direct control over the Council's financials and operating policies. The net cost to Epsom and Ewell Borough Council was £134,000. The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

Organisation	2015/16 £'000	2016/17 £'000	Councillor(s) 2016/17
Age concern	16	16	Cllr Humphrey Reynolds
Citizen Advice Bureau	118	118	Cllr L Frost
Total	134	134	

Note 35: Collection Fund Income and Expenditure Account

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

2015/16				2016/17		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
0	(51,953)	(51,953)	INCOME:			
(23,703)	0	(23,703)	Council Tax Receivable	0	(54,350)	(54,350)
77	0	77	Business Rates Receivable	(23,581)	0	(23,581)
			Transitional Protection Payments receivable	6	0	6
(23,626)	(51,953)	(75,579)	Total Income	(23,575)	(54,350)	(77,925)
			EXPENDITURE:			
			Apportionment of Prior Year Surplus/(Deficit)			
(375)	0	(375)	Central Government	(151)	0	(151)
(300)	83	(217)	Epsom & Ewell Borough Council	(121)	74	(47)
(75)	572	497	Surrey County Council	(31)	511	480
0	101	101	Surrey Police Authority	0	90	90
			Precepts, Demands and Shares			
11,551	0	11,551	Central Government	12,013	0	12,013
9,240	5,581	14,821	Epsom & Ewell Borough Council	9,610	5,829	15,439
2,310	38,434	40,744	Surrey County Council	2,402	40,602	43,004
0	6,803	6,803	Surrey Police Authority	0	7,049	7,049
			Charges to Collection Fund			
57	108	165	Increase / (Decrease) in Bad Debt Provision	77	51	128
626	0	626	Increase / (Decrease) in Provision for Appeals	219	0	219
87	0	87	Cost of Collection	85	0	85
23,121	51,682	74,798	Total Expenditure	24,103	54,206	78,309
(505)	(270)	(775)	(Surplus) / Deficit arising during the year	528	(144)	384
1,010	(825)	185	(Surplus) / Deficit b/fwd 1 April 2016	504	(1,095)	(591)
504	(1,095)	(591)	(Surplus) / Deficit c/fwd 31 March 2017	1,032	(1,239)	(207)
			Apportionment to Preceptors/EEBC			
252	0	252	Central Government	516	0	516
202	(120)	81	Epsom & Ewell Borough Council	413	(136)	277
50	(828)	(778)	Surrey County Council	103	(937)	(834)
0	(147)	(147)	Surrey Police Authority	0	(166)	(166)
504	(1,095)	(591)		1,032	(1,239)	(207)

Notes to the Collection Fund Income and Expenditure

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

	Band	Total Properties For Band	Proportion To Band D	Relevant Amount for
	A	83.28	6/9 th	55.52
	B	685.55	7/9 th	533.21
	C	3,836.23	8/9 th	3,409.98
	D	7,594.09	9/9 th	7,594.09
	E	6,870.25	11/9 th	8,396.97
	F	4,249.41	13/9 th	6,137.89
	G	3,727.56	15/9 th	6,212.60
	H	121.73	18/9 th	243.45
Aggregate of Relevant Amounts				32,583.71
Estimated Collection Rate				98.25%
Council Tax Base				32,013.50

Non-Domestic Rates Statistics

2015/16 £'000		2016/17 £'000
59,290	Total Non-Domestic Rateable Value at year end	58,545
49.3	National Non-Domestic Rate Multiplier (Standard)	49.7

Precepting Bodies

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

2015/16 £'000		2016/17 £'000
38,434	Surrey County Council	40,602
6,803	Surrey Police	7,049
5,581	Epsom and Ewell Borough Council	5,829
50,818	Total Precepts on Collection Fund	53,480

Distribution of Council Tax Surplus

2015/16 £000		2016/17 £000
572	Surrey County Council	511
101	Surrey Police Authority	90
83	Epsom & Ewell Borough Council	74
756		675

Council Tax Provision for Bad Debts

2015/16 £000		2016/17 £000
532	Opening Balance	522
(10)	Increase/(Decrease) in Bad Debt Provision	(81)
522	Balance at Year End	441

Statement of Responsibilities

General

1. The accounts have been prepared in accordance with the provisions of the Code of Practice on Local Authority Accounting in The United Kingdom by the Local Authority Accounting Panel of the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2012.
2. The Statement of Accounts is published separately from the Annual Report, the latter providing further information about the Council and its services.

Responsibilities

3. The Council's financial responsibilities are assigned as follows:

The Borough Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Acting Director of Finance and Resources.
- Manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
- Approve and publish the Statement of Accounts by 30 September 2017.

The Acting Director of Finance and Resources in his capacity as the Section 151 Officer, is responsible for the preparation and certification of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present a true and fair view of the financial position of the Council at the accounting date stated and its income and expenditure for the year stated.

4. In preparing this statement of accounts, the Acting Director of Finance and Resources has:
 - Selected suitable accounting policies and then applied them consistently;
 - Made reasonable and prudent judgements and estimates;
 - Complied with the Code of Practice.
5. The Acting Director of Finance and Resources has also:
 - Kept proper and up to date accounting records;
 - Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Annual Governance Statement

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.

SCOPE OF RESPONSIBILITY

For Epsom & Ewell Borough Council our governance framework comprises our policies, plans, systems, processes, culture and values (our system of internal control) that are our intended

outcomes that are defined and delivered. To deliver good governance our outcomes must be achieved whilst also acting in the public interest.

We must conduct a review, at least annually, of the effectiveness of our systems of internal control and report in our AGS. The statement must be prepared in accordance with proper practices and be reported to Committee. This document comprises our AGS for 2017.

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. The code summarises the Council's internal arrangements, each section looks at how the Council accounts for the principles during 2016/17. It is noted that in changing part way through the year to align our framework with the proper practices, the principles altered but the compliance shown against the new principles relates to arrangements in place both before and after. How the Council complied with the seven principles in 2016/17 is set out 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 foster 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.

PRINCIPLE 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 receive the Head of Internal Audit's Year end opinion. 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. The effectiveness of the system of internal audit is reviewed annually. The Head of Internal audit's year end opinion for 2016/17 concluded that the Council has an adequate and effective framework for risk management, governance and internal control. However their work identified some further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective
- 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 underspend for 16/17. Further savings or additional income streams are required to continue to balance the budget as identified in the Efficiency Plan.
Lack of staffing and resources	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 . 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.
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.
Lack of assurance that the Council have robust	Monies collected from S106 are decreasing

arrangements, appropriate approval, and adequate controls in place for the collection of CIL and S106 monies	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 be updated .	The Council's Constitution will be fully reviewed in 2017/18.
The Council has moved from debt free to external borrowing of up to £80m for property. This increases the Council's financial risk and there needs to be a robust approach in place when purchasing property and developing new service models.	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. 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
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.	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.

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 comprise 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 Down 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.

5. 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.

6. 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 Council's 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.

7. 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.

8. 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.

Glossary of Financial Terms

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

FINANCIAL TERMS

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

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

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

Support Services

Professional, technical and administrative activities, such as Finance, Information Technology and Human Resources, which support the provision of front line services.

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Grant Thornton UK LLP
30 Finsbury Square,
London.
EC2P 2YU

26 September 2017

Dear Sirs

Epsom and Ewell Borough Council
Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged

- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. See table in Appendix 1.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvi We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvii We have communicated to you all deficiencies in internal control of which management is aware.
- xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

- a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Strategy and Resource Committee at its meeting on 26 September 2017.

Yours faithfully

Name.....

Position: Director of Finance & Resources

Date.....

Name.....

Position: Chairman of Strategy & Resources Committee

Date.....

Signed on behalf of the Council

<p>Creditors – Our testing of the year end creditor balance identified 5 cost centres that did not contain valid creditors as they related to grant income where the conditions had been met in prior years. These total 91k which is not material but is above triviality level.</p> <p>Dr Balance Sheet - Creditors</p> <p>Cr Comprehensive Income and Expenditure – Revenue Income</p>			<p>Management will review creditor balances in 2017/18 for similar type cost centres and write off the balance.</p>
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LOCAL DISCRETIONARY RELIEF SCHEME FOR NATIONAL NON-DOMESTIC RATES (BUSINESS RATES)

<u>Report of the:</u>	Head of Revenues & Benefits
<u>Contact:</u>	Siobhan Gavigan
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices (attached):</u>	Annexe 1- EEBC worked examples of relief award
<u>Other available papers (not attached):</u>	None Stated

REPORT SUMMARY

This report outlines a proposed scheme of how to distribute the government funding which was allocated to Epsom & Ewell Borough Council by the government in the March 2017 Spring budget. The fund is intended to support local businesses following the 2017 revaluation, to be known as the 'local discretionary relief scheme'.

RECOMMENDATION (S)

- (1) That the scheme set out in sections 3 to 7 inclusive of this report be adopted as part of Epsom & Ewell Borough Council's Discretionary Rate Relief Policy, with effect from 1 April 2017.**
- (2) That the scheme referred to in recommendation 1 shall have effect until the 31 March 2021, when the government funding of the scheme ceases, at which point no further relief will be given under the scheme.**

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

- 1.1 The implementation of this policy will enhance the Council's key priority of supporting local businesses and our local economy by providing rate relief for qualifying properties.
- 1.2 The relief will also assist with the Council's sustainability plans within the Borough, through schemes such as the Business Improvement District.

2 Background

- 2.1 Within Epsom & Ewell there are approximately 1700 non-domestic properties. It is generally recognised that Business Rates is already one of the largest financial burdens for small local businesses.
- 2.2 In April 2017, in line with the governing legislation all non-domestic properties had their Business Rates valuations reviewed. As there had not been a re-valuation since 2009, many businesses across the country faced large increases in their Business Rates bills from the 01 April 2017.
- 2.3 In the Spring Budget 2017, in light of the recent re-valuation, the Chancellor announced that the government would establish a £300 million discretionary Business Rate Relief fund so that local authorities could devise local schemes to assist businesses that are facing rising bills as a result of a national revaluation of all business properties.
- 2.4 The Government published a consultation covering proposed methodology for distributing the available funding between local authorities and subsequently stated that the allocations would be as set out in the consultation.
- 2.5 The funding for the scheme is spread over four years. In Epsom & Ewell the total funding available under our allocation has been confirmed as:

2017/18	£265,000
2018/19	£124,000
2019/20	£51,000
2020/21	£7000

- 2.6 It is for each local authority to design a discretionary relief scheme and determine eligibility. The formation of the scheme was discussed at both the Surrey Revenues Manager Group and the Surrey Treasurers Association.
- 2.7 At Surrey Revenues Managers Group the guidance provided by the Department of Communities and Local Government (DCLG) was discussed at great length. It was decided, in line with the guidance, that the Council should not award any relief to any properties with a rateable value over £200k or those properties where the increase in charge due to re-valuation was below 12.5%. In addition it was also decided that the relief should not be awarded to 'national' companies, empty properties, and accounts already in receipt other Mandatory Reliefs or those where the account holder first became liable in respect of the property on or after 1 April 2017.
- 2.8 For the purposes of this relief 'national' companies are considered to be those companies who have more than 2 premises in the UK, outside of the south east. The rationale being they may benefit from lower rates charges in other parts of the country.

- 2.9 It was also decided that there should not be an application process, rather a determination would be done as to who qualifies for the relief and an appeal process for those who feel they should have been awarded, within the confines of the policy. This reduces the administrative burden on affected businesses, as well as the Council.
- 2.10 There is a need to ensure that, when determining a scheme, operationally it can be managed within existing systems and the resources available.

3 Proposals

- 3.1 This section describes in principle how it is proposed the Local Discretionary Relief Scheme will operate in Epsom & Ewell and the following paragraphs set out how it is proposed that eligibility for the relief will be determined.
- 3.2 The council will calculate the change in annual charge by comparing the 2016/17 charge with the 2017/18 charge. We will do this by using the 2017 transitional base liability, which is a property's 2016/17 full annual charge, based on the rateable value (or certified rateable value) on 31 March 2017, excluding any small business rate relief supplement. We will then compare this figure with the property's 2017/18 full annual charge, based on the property's new rateable value from the 01 April 2017 and excluding any small business rate relief supplement. This in effect compares how much a ratepayer was paying for business rates in 2016/17 and how much their basic charge is in 2017/18, before the application of any other reliefs they may qualify for.
- 3.3 This is the same comparison used to determine the Government's transitional relief scheme and ensures any change is purely as a result of the 2017 revaluation.
- 3.4 In determining the amount of funding to each council, the government used formulae that only considered cases where the property's 2017/2018 bill (before reliefs) had increased by more than 12.5% and excluded properties with rateable values of £200,000 and over.
- 3.5 Epsom & Ewell Borough Council's scheme applies both these elements and hence will only consider awards where the 2017/18 bill has increased (as above) by more than 12.5% and the 1 April 2017 rateable value is less than £200,000.
- 3.6 In considering relief to remaining ratepayers, Epsom & Ewell will also exclude relief to:
 - National companies and companies with multiple premises (where total properties greater than 5, or if under 5, where total rateable value of all properties exceeds £199,999). The relief is designed to be applied locally and, nationally, revaluation is neutral, meaning national companies and chains may have seen rate reductions in other parts of

the country offsetting increases elsewhere. Ratepayers with multiple properties maybe more resilient and if have business premises in other boroughs would mean any award could benefit more than the Epsom & Ewell locality.

- Empty Properties. The Council wants to encourage properties being brought back into use.
- Charities. Charities receive 80% mandatory relief under a separate statutory scheme.
- New ratepayers becoming liable on or after 1 April 2017. New ratepayers would not have seen an increase in their rate bills at the property.
- Ratepayers receiving Small Business Rate Relief and/or Supporting Small Business Rate Relief. Ratepayers losing small business rate relief have limits on increases separately under the supporting small business rate relief scheme.
- Precepting Authorities & Government Departments. Section 47 relief cannot be awarded to a precepting authority (e.g. Epsom & Ewell Borough Council/Surrey County Council/Surrey Police). Epsom & Ewell Borough will also exclude awards where the precepting authority is currently liable for the payment of Business Rates.

3.7 The remaining eligible ratepayer accounts will be awarded discretionary relief as a percentage of the increase from the 2016/17 full annual charge (excluding any small business rate relief supplement) based on the rateable value (or certified rateable value) at 31 March 2017 using the 2017 transitional base liability, to the 2017/18 chargeable bill (i.e. after all other reliefs and entitlements) based on an 'extract date' (to be on, or after 1 April 2017) taken for this purpose.

4 How much relief will be available

4.1 The percentage of relief will be the same for all qualifying ratepayers and will be based on the total funding available for each year. (Total funding available/Total increase in chargeable amount of qualifying ratepayers x100).

4.2 A minimum 10% of the funding each year will be held back when making initial awards to account for in year bill changes that may increase the total relief awarded. This percentage may be reviewed and annually based on experience and available funding. Any additional funds identified after review will be re-allocated and may lead to further awards being made to qualifying properties.

- 4.3 The award will be made based on the increase calculated as at the date of the 2017/18 extract. Relief will be calculated on a daily basis and will cease from any date that the eligibility criteria are not met and/or the account is closed. Other changes to the chargeable amount will not generally affect the award but the amount of relief cannot exceed the chargeable bill amount. Later increases or decreases solely due to revaluation may lead to the award being reviewed.
- 4.4 Initial calculations suggest that 253 properties would qualify for the relief. In each year the majority of the qualifying properties will receive under £500. This equates to 151 properties in Year 1, 186 properties in Year 2, 232 properties in year 3 and all properties in year 4
- 4.5 The award will apply for that year only. The relief will be assessed and calculated on a daily basis (retrospective or otherwise as appropriate) and may be lower or higher than the original award.
- 4.6 If the property is split or merged consideration will be given to how much of the new split or merged hereditament(s) are occupied by the previous eligible ratepayer. In most cases relief will be awarded pro-rata in relation to the original award, but not exceeding that award.
- 4.7 Where relief has been found to have been awarded incorrectly or in error the relief will be removed and amended bills issued. If a change in circumstances that would affect the relief is not informed to the Council within 28 days the Council reserves the right to cancel all relief granted and refuse any further application.

5 Other Discretionary Reliefs reimbursed by s.31 grants

- 5.1 If a property is eligible for relief under other schemes for which section 31 grant is payable – relief should be first awarded under those schemes. A section 31 grant, is a grant provided by the government to cover the expense of granting statutory Business Rates Reliefs.

6 Application Process

- 6.1 The scheme entitlement is established based on information already held within Epsom & Ewell Borough Council's Business Rates system. Therefore, awards will be applied automatically where entitlement is found. Ratepayers may request we review their account where no automatic award has been made.

7 Appeals Process

- 7.1 There is no statutory right of appeal against a decision regarding discretionary rate relief. Decisions can be challenged under by way of judicial review in the normal way, but are unlikely to be set aside unless the decision was so unreasonable that no reasonable person could have reached it ('Wednesbury Rules').

- 7.2 However, the Council recognises that ratepayers should be entitled to have a discretionary decision reviewed if dissatisfied with the outcome. Only the ratepayer or authorised agent may appeal against the decision not to award relief or the level of relief awarded. Appeals must be made within four weeks of the notification of decision.
- 7.3 The appeal process for this relief will follow our current appeal procedure for discretionary rate relief:-
- Appeals must be in writing specifying reasons why a decision should be amended and supported by relevant new or additional evidence.
 - An appeal will be deemed to be discontinued if further evidence requested from the ratepayer has not been received within four weeks of the request.
 - Appeals against decisions made under delegated authority by Revenues Manager will be considered by Head of Revenues and Benefits and the Council's s151 Officer.

8 Financial and Manpower Implications

- 8.1 Epsom & Ewell Borough Council will be granted the full funding allowance in line with the rates retention scheme and be asked to pay back any underspend. The Government have not yet decided whether flexibility should be provided to allow funding to be moved between years.
- 8.2 Although the functionality to update the Academy Revenues System is already available, each case will have to be manually input and calculated which will mean there will be a delay in awarding the relief. It is anticipated that all those qualifying accounts will be updated by the end of October 2017.

Chief Finance Officer's comments: *It is proposed that the additional funding provided by Government be redistributed to local businesses as set out in this report. If the cost of reliefs granted from the scheme exceeds the level of grant funding provided then the cost of the excess will be borne by the Council.*

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

- 9.1 No new legislation is required to deliver the scheme. Instead, the Council will use its discretionary relief powers, under section 47 of the Local Government Finance Act 1988 to grant relief. Central Government will reimburse Epsom & Ewell using grants under section 31 of the Local Government Act 2003, up to the level of our allocation each year.
- 9.2 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However, our Local Discretionary relief scheme will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013).

- 9.3 The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a rolling three-year period (consisting of the current financial year and the two previous financial years). As the Council's scheme excludes national/chains and properties with a rateable value over £200,000 it is unlikely (any) ratepayers will exceed the limit. However, the Council will request ratepayers inform the Council if any award exceeds the limit.
- 9.4 **Monitoring Officer's comments:** *As the name suggests, the nature of the scheme to be adopted is at the discretion of the Council. The scheme as proposed accords with the law. Any proposed changes would require careful consideration.*

10 Sustainability Policy and Community Safety Implications; Partnerships

- 10.1 Locally Epsom & Ewell Borough Council and our partners have already put a much resource in to improving our commercial areas. Assisting with Business Rates liabilities where possible, supports this objective and helps to maintain diverse and healthy commercial sectors, which in turn bring people and additional revenue into the borough.

11 Risk Assessment

- 11.1 The government set out clear guidance requiring local authorities to develop and adopt local schemes to distribute the additional funding for business rates, announced in the spring budget. Failure to adopt the local scheme would be in direct conflict with this requirement.
- 11.2 If the scheme was not adopted by Epsom & Ewell Borough Council, it would be the only authority in Surrey not to have adopted a scheme. This would leave us vulnerable to challenges from business owners.
- 11.3 The Department of Communities and Local Government have indicated that they will consider issuing fines to those local authorities who fail to develop a scheme, as soon as practicable.

12 Conclusion and Recommendations

- 12.1 The implementation of the scheme up to the 31 March 2021, will fulfil Epsom & Ewell Borough Council legal obligations and support businesses within our local commercial areas,

WARD(S) AFFECTED: (All Wards);

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Year 4 - Indicative figures of the amount of relief awarded to two properties

Offices & Premises			Shop & Premises		
2016/17 Rateable Value	£45,750.00		2016/17 Rateable Value	£28,750.00	
2017/18 Rateable Value	£59,000.00		2017/18 Rateable Value	£41,750.00	
2016/17 Payable charge	£22,143.00	(base liability)	2016/17 Payable charge	£13,915.00	(base liability)
2017/18 Payable charge (after transition/reliefs)	£26,176.09		2017/18 Payable charge (after transition/reliefs)	£15,967.46	
Increase in charge from 16/07 to 17/18	£4,033.09	18.21 %	Increase in charge from 16/07 to 17/18	£2,052.46	14.75 %
Local Relief Award (2.08% of increase)	£83.85		Local Relief Award (2.08% of increase)	£42.67	
2017/18 bill before Local Relief	£26,176.09		2017/18 bill before Local Relief	£15,967.46	
2018/18 bill after local Relief	£26,092.24		2018/18 bill after local Relief	£15,924.79	

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PILOT FOR 100% BUSINESS RATES RETENTION IN 2018/19

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	Yes
If yes, reason urgent decision required:	To allow Council to be included within pilot scheme
<u>Annexes/Appendices</u> (attached):	None
<u>Other available papers</u> (not attached):	None Stated

REPORT SUMMARY

This report provides an update on the 100% retention of business rates prospectus recently issued by DCLG inviting local authorities to submit bids to become pilots for 2018/19 and the work currently being undertaken by Surrey Treasurers in preparing a submission.

RECOMMENDATION (S)

That the Chairman of Strategy and Resources Committee be given authority to agree or reject the terms of the Surrey bid to become a pilot for 100% retention of business rates

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

- 1.1 Income from retained business rates supports the achievement of the Council's Medium Term Financial Strategy.

2 Background

- 2.1 On 1 September 2017, the Government issued its prospectus inviting local authorities to make applications to become pilots for 100% Business Rates Retention in 2018/19.
- 2.2 This pilot programme will only last for one year - 2018/19. The aim of the pilot is to explore the options for Local Government finance reforms, including promoting sustainability and promoting growth. It is not clear at present what is intended for 2019/20 and beyond except that the pilots will help inform this.

- 2.3 The prospectus seeks applications for areas to form business rates pools, either for a county area, or beyond. If the application is for a whole county area, then all local authorities must be supportive.
- 2.4 Applications are to be received by the Department for Communities and Local Government by 27 October 2017, and there is an expectation that the decision will be known within the Provisional Local Government Financial Settlement, probably in December 2017.
- 2.5 The prospectus sets out several conditions and assessment criteria to be used by DCLG. The core conditions are set out below.
- 2.6 The Surrey Treasurers have met, on 8 September, and have developed an indicative plan for an application as a Surrey-wide pool to take to the Surrey leaders for their meeting on 27 September.

3 Proposals

- 3.1 The table below sets out the core conditions of any application to be a Business Rates Pilot, along with the actions proposed by the Surrey Treasurers.

Condition	Proposed action(s) / comment
All authorities must agree to be in the proposed pool for 2018/19	<p>Surrey Leaders to jointly agree an application for a Surrey-wide Pilot at meeting on 27 September 2017</p> <p>All Surrey local authorities to determine their processes for approval. County is recommending that the Cabinet delegate the final approval to the Leader at its September meeting, and that this is endorsed at their meeting on 31 October</p>
Arrangements must propose a split for sharing additional pooled BR income	<p>S151's lead on modelling using external resource to support.</p> <p>Options will need political consideration at Leaders' meeting on 27th September</p>
Proposals should show DCLG how pilots will use additional growth to promote the financial stability and sustainability of the pilot area (and expects investment of some retained growth to encourage further growth in the area)	Determine proportion of growth to re-invest and the broad areas for investment as is only for one year.
While the 2017/18 pilots have a 'no detriment' clause, if the 2018/19 pilots do not benefit from such a clause, applications	The risk of this is low for Surrey based upon business rates growth from 2013 to date.

Condition	Proposed action(s) / comment
should detail how authorities will work together to manage risk within their proposed arrangements	Needs further assessment following modelling
Applications should make clear whether they would be willing to be a 100% BRR pilot if the 2018/19 pilots did not benefit from a 'no detriment' clause	Political decision based on above
Pool applications must nominate the lead authority. DCLG will treat pilot pools as one entity for BRR with one tariff or top up and safety net threshold.	Need to agree a nominated lead. The Surrey Treasurers propose Surrey County Council as they have been acting as the lead authority for the Business Rate Pools for three years
Clear outline of the proposed pooling arrangements and governance. Authorities cannot apply to be part of more than one pilot pool. Authorities in existing BR pools need to state their non-pilot pool proposals if the pilot application is unsuccessful	Surrey Treasurers to develop pooling and governance arrangements. The modelling to include the most appropriate members of a pool if the Pilot bid is unsuccessful

4 Development of application

- 4.1 To ensure all required aspects of the Government's prospectus are covered in the bid document and that the bid is supported by modelling and an evaluation of options, external expertise and capacity is required. In addition, the Surrey councils will require on-going support to develop the pool if the application is successful. Surrey Treasurers have developed a specification of the work required and this is attached as Annex A.
- 4.2 For several years the Surrey Business Rates Pools have been supported by a firm, LG Futures. This firm have developed detailed knowledge of Surrey's business rates and the councils. Given the short time frame to develop the application, the Surrey Treasurers suggest that LG Futures provide a quote against this specification and a procurement waiver is approved.
- 4.3 The following key milestones have been identified to ensure the application is developed and approved by the 27th October.
 - 4.3.1 Surrey CEO's meeting (15/9): consider strategic issues and provide a steer on the use of business rates growth gains
 - 4.3.2 Surrey Treasurers (22/9): to review modelling work on financial implications
 - 4.3.3 Surrey Leaders' meeting (27/9): consider strategic issues and outline proposal, and agree further work on the application

4.3.4 October – individual authorities approval processes

4.3.5 Surrey-wide application for Business Rates pilot is delivered to DCLG before 27th October.

5 Support for Surrey Bid

5.1 At the time of writing this report no details were available for the proposed model. Due to time constraints in submitting the bid to the DCLG it is proposed that the Chairman of Strategy and Resources Committee is given authority to agree or reject the terms of the Surrey bid on behalf of Epsom and Ewell Borough Council.

6 Financial and Manpower Implications

6.1 The current Financial Plan for 2018/19 anticipates the Council retaining £1.6 million from a total of £25 million expected to be collected in business rates within the Borough.

6.2 **Chief Finance Officer's comments:** *The Pilot is only for 1 year and any benefit received from a successful bid cannot be assumed for 2019/20.*

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

7.1 **Monitoring Officer's comments:** *to follow*

8 Risk Assessment

8.1 The Council's current Financial Plan assumes £1.6m share of locally collected business rates for 2018/19, any proposal supported by this Council should not see this level of funding reduced.

9 Conclusion and Recommendations

9.1 The detail on how the Surrey bid proposal will operate will be reviewed at the Surrey Treasurers meeting on 22/9/17 and considered at the Surrey Leaders meeting on 27/9/17.

9.2 It is proposed that the Chairman of Strategy and Resources Committee is delegated authority to agree or reject terms of the proposal on behalf of Epsom and Ewell Borough Council.

WARD(S) AFFECTED: (All Wards);

BID BUSINESS PLAN AND BALLOT

<u>Report of the:</u>	Head of Place Development
<u>Contact:</u>	Mark Berry
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Annexe 1: BID Business Plan Annexe 2: Proposed BID boundary
<u>Other available papers</u> (not attached):	The Business Improvement Districts (England) Regulations 2004

REPORT SUMMARY

Preparation for an Epsom Business Improvement District (BID) is well advanced and it is envisaged that the formal ballot, required to create the mandate for its creation, will take place in the autumn. The BID Steering Group have produced a Business Plan that defines the proposed scope and purpose of the BID. This document will inform the choice that businesses will have to make when determining whether or not they support the BID.

As a business within the BID boundary, the Borough Council will need to determine whether or not to support the BID as it will be eligible to vote in the ballot. This report recommends that the Council votes “Yes” in the ballot.

The Borough Council also has another specific role as the Billing Authority and as-such it can veto BID proposals. This report recommends that the Council does not exercise this veto.

RECOMMENDATION (S)

- (1) That the BID Business Plan is noted as defining the scope and purpose of the proposed BID
- (2) That the Borough Council agree to support the proposed BID and authorise the Chief Executive to vote “Yes” in the forthcoming ballot on behalf of the Council
- (3) That, commensurate with (2) above, the Borough Council determines, in its capacity as Billing Authority, not to use its right of veto under Section 53(2) of the relevant Act.

Notes

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

1.1 One of EEBC's five key priorities as set out in the Corporate Plan 2016-2020 is, 'Supporting businesses and our Local Economy'. It states that the Council will do so through five activities:

- 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
- Developing an affordable Economic Development Strategy
- Promoting our Borough as an excellent place to do business

1.2 Progress on these activities depends significantly on the national and regional economies and the willingness of businesses to invest in the Borough. However, the Borough Council has an important role to play in creating the right environment for businesses to thrive.

1.3 Should a Business Improvement District (BID) be created it is anticipated that Epsom Town Centre will become more attractive to retailers, commercial, businesses services and leisure providers, because of the benefits that will be brought with this additional source of inward investment. This would make a contribution to the achievement of 1.1.1 above. For the same reason it is anticipated that potential development would become a more attractive proposition (1.1.4 above) and the town centre would be promoted as an excellent place to shop, visit, relax and do business (1.1.5). Support for the creation of a BID is also described in The Borough Council's Economic Development Strategy.

1.4 In short, the Council's work in supporting the creation of a BID is contributing to the achievement of a number of its activities under the key priority of supporting businesses and our local economy.

2 Background

2.1 BIDs are business-led, business-funded bodies that deliver on a business plan agreed through a formal ballot of all businesses in a defined area.

2.2 The funding for such activities comes from a levy on business rates – of usually between 1% and 2% (with the national average being 1.4%).

- 2.3 The levy amount and the activities preferred are set out in a Business Plan (that acts as a manifesto at a formal ballot of all businesses within a boundary). This BID boundary is also set out in the business plan.
- 2.4 Importantly, any funding raised must be for new services or activities – it cannot be used to replace funding currently provided through public service operators (county or borough council or the police).
- 2.5 A BID exists for an initial term of 5 years after which its mandate must be renewed if it is to continue.
- 2.6 The process for the creation of a BID is tightly defined within legislation.
- 2.7 The Borough Council has expressed its support for the creation of a BID for Epsom Town Centre in its adopted Economic Development Strategy, its Corporate Plan and through the Local Plan (Plan E Epsom Town Centre Area Action Plan 2011).
- 2.8 With the assistance of a Town Centres Manager and subsequently a BID specialist employed by the Council, a BID Steering Group was formed (previously referred-to as the Epsom Town Business Partnership). Progress on the BID was last reported to the Strategy and Resources Committee in November 2016. The Committee resolved to continue to support the creation of a BID in Epsom.

3 Proposals

- 3.1 The BID Steering Group has prepared a Business Plan for the proposed BID (Annexe 1) and defined its proposed boundary (Annexe 2). It has been decided by the Steering Group that the boundary will be extended beyond the town centre to include part of Epsom Racecourse. This is to reinforce the mutual economic benefit of each to the other.
- 3.2 The proposed levy rate is 1.5% of rateable value (1.25% for Ashley Centre tenants) and the anticipated annual revenue would therefore be more than £300,000. There would be a cap on contributions from any single business of £8,000 per annum and all businesses with a rateable value of less than £8,000 would be exempted from the additional levy.
- 3.3 The proposed Business Plan at **Annexe 1** sets out the scope of the proposed BID activities. These would, of necessity be additional to anything that is currently being done by the Borough Council and there should be no conflict with the Council's policies. The intention is that there should be a mutually supportive relationship between the BID and the Council.
- 3.4 The specific areas that the BID would cover are:
 - Marketing and promotion
 - Epsom events

- Environmental Improvements
 - Parking and Accessibility
 - Safer Epsom; and
 - Business support
- 3.5 These areas of focus have emerged from two surveys of local businesses carried out in 2016 and 2017 respectively that have each shown a very substantial majority in favour of setting-up a BID.
- 3.6 The Borough Council needs to formally decide whether it will support the BID in the ballot. In actuality it has already agreed to support a BID in principle. The decision at this stage is whether to agree to the BID on the basis of the proposed Business Plan.
- 3.7 There is nothing in the Plan that would conflict with the Borough Council's objectives and there is no direct conflict with any of its policies. All of the proposed themes and actions would complement what the Borough Council is trying to achieve.
- 3.8 There is a provision in the BID regulations for the "Billing Authority" – the Borough Council to veto Bid proposals if they are likely to either: materially conflict with any of the Council's formally adopted policies or lead to a significantly disproportionate charge on any person involved. The second of these is to prevent the BID boundary being manipulated to unfairly impact on a single business or simply to avoid any other inequitable financial impact from the levy.
- 3.9 The BID boundary has been carefully considered and does not give rise to any inequitable impact. Although the racecourse is an outlier it's inclusion within the BID area has been with their full support. They are also protected by the levy cap.
- 3.10 There are no material conflicts between the proposed business plan and Council policies. The Borough Council should not therefore need to use this veto.
- 3.11 It is proposed that the ballot be held from 12 October to 9 November 2017. This is a week later than previously envisaged but slippage by one week should not have any material impact on the proposals.
- 3.12 Subject to a successful ballot, it will be necessary for the BID Steering Group to set up a company that will be governed by a BID Board. The Board will be responsible for delivering the Business Plan and would probably appoint a BID Manager to drive the BID forward.

4 Financial and Manpower Implications

- 4.1 The principal cost to the Council will be its levy contribution capped at £8,000 per annum. This sum is affordable and provided within existing 2017/18 budgets. The relevant costs of arranging for the necessary ballot and other support that the Council provides on an on-going basis are also all within existing budgets.
- 4.2 Costs incurred by the Council in collecting the levy under the business rate regime will be recharged to the BID. These costs are currently estimated to comprise a one-off payment of £13,500 for the software and an annual sum of c. £5,500 for the system support. There would be a collection charge not exceeding £35/business. The total annual cost is therefore estimated at £12,000 and this re-charge has been factored-in to the BID Business Plan.
- 4.3 There may also be a limited amount of “pump-priming” expenditure to enable the BID Steering Group to set up a company. The Council may be asked to assist with funding this initially but any of these costs would also be re-charged to the BID once it is established.
- 4.4 There will be a baseline exercise for costs to ensure that any additional Council services provided to support the BID, i.e. any additional operations costs for cleaning say, are met from the BID budget rather than existing Council budgets.
- 4.5 ***Chief Finance Officer’s comments:*** *The levy rates are expected to generate more than £300,000 of funding for the BID which will be spent in accordance with its Business Plan. A cap of £8,000 per business will be set to limit hardship for individual businesses. Costs of collecting the levy will be charged to the BID and any additional costs will be baselined and also charged to the BID.*

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

- 5.1 The proposed arrangements for setting up a BID are all within the prescribed legislation. All necessary steps have been taken to comply with the relevant regulations.
- 5.2 The Council needs to decide whether it should use the veto allowed for under Section 51 of the Local Government Act 2003, read with Regulation 12 of the Business Improvement Districts (England) Regulations 2004. The circumstances in which the power of veto can be exercised are that the Council is of the opinion that the BID arrangements are likely:
 - to conflict to a material extent with any policy formally adopted by and contained in a document published by the authority; or
 - to be a significantly disproportionate financial burden on any person or class of persons caused by the manipulation of the geographical area of the BID or by the structure of the BID levy; and that burden is inequitable.

- 5.3 As it is recommended that the Council itself vote “yes”, and having regard to the information in section 3 of this report it is not considered that there will be any need to consider vetoing the proposals.
- 5.4 There are no equalities issues arising from the decisions required under this report.
- 5.5 **Monitoring Officer’s comments:** *Notice was given in accordance with Regulation 3(2) of the 2004 Regulations, on behalf of the BID proposer of their intention to seek a ballot. The ballot will be formally triggered when notice in accordance with Regulation 4(2)(a)(ii) is sent by the BID proposer to the Council, in its capacity as billing authority. The Council must then give notice to the Ballot Holder, namely the Chief Executive in her capacity as Returning Officer. The Ballot Holder must then undertake the necessary procedures to initiate a postal ballot in accordance with the statutory timetable.*

6 Sustainability Policy and Community Safety Implications

- 6.1 The proposed BID is intended to support a safer Epsom. Any implications from this decision should therefore be positive.
- 6.2 Plan E Epsom Town Centre Area Action Plan included a section on future town centre management. This document sets out the Borough Council’s in-principle support for investigating the possibility of establishing a BID for the town centre. Plan E was subject to a full sustainability appraisal.

7 Partnerships

- 7.1 The emergence of a BID is a reflection of the Borough Council’s commitment to strengthening the local economy in partnership with the business community.

8 Risk Assessment

- 8.1 There are limited risks entailed in the proposed recommendations on this agenda. They relate to whether the BID becomes a success and whether an effective partnership can be developed to achieve the desired outcomes.
- 8.2 The success of the BID itself is by-no-means certain. This will depend greatly on the emerging BID Board, their ability to deliver on the plan and the BID Manager they appoint.
- 8.3 The Borough Council will want to maintain close links with the BID to support it in its objectives. To this end clear channels of communication will need to be established and mutual understanding developed to avoid misunderstandings and to enhance the prospects of success.

9 Conclusion and Recommendations

- 9.1 The Borough Council supports the idea of a BID. The proposed Business Plan comprises a positive set of proposals that the Borough should be able to support. The payment of £8,000 per annum is an acceptable level of contribution for the Borough Council.
- 9.2 It is recommended that the Council should formally support the Business Plan, determine to vote "Yes" in the forthcoming ballot and not use its power of veto.

WARD(S) AFFECTED: (Town, College and Woodcote);

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Epsom
BID
Racing Ahead

A WINNING COMBINATION

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AGENDA ITEM 6
ANNEXE 1

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To discuss the Epsom BID please contact Epsom BID Development Manager Michelle Baker. email Michelle@epsom.bid or tel 07527 016338.



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MESSAGE FROM EPSOM BID CHAIR

“ By voting 'YES' your business can be a part of something significant! As store manager of Marks and Spencer and Chair of the Epsom BID I am excited at the opportunities and benefits the BID will bring to us all that will directly benefit our businesses, our customers and our employees alike. Epsom has an impressive mix of businesses, from the well-established to the new and evolving, attracted by the location, rich history and great potential of our town. The area without a doubt has an amazing offer, including strong transport links, brilliantly diverse businesses and a strong evening economy. As well as being a thriving market town in Surrey, we have Epsom Downs Racecourse on our doorstep, one of the world's most respected consultancies Atkins which is a major employer locally, both the University for the Creative Arts and the Laines Theatre Arts College in town which attracts thousands of students from far and wide each year, Epsom Playhouse our fantastic theatre and much much more. Whilst we do have a great town we know we can make it even better! We want Epsom to be a place where businesses come, stay and prosper. We believe that the best way to do this is by setting up Epsom Business Improvement District (BID) - a business led organisation.

We have listened to what you said is important for your business and, as a result, Epsom BID would invest 1.5m into 6 clear themes:

- Theme 1: Marketing and promotion**
- Theme 2: High-quality events to boost trade**
- Theme 3: Environmental improvements**
- Theme 4: Parking and accessibility**
- Theme 5: Safer Epsom**
- Theme 6: Business support**

Soon you and your business will have the opportunity to vote to make these plans happen. To find out more detail about what a Business Improvement District could do for Epsom, including our pledges to you, please read on. We hope we can count on your support by voting yes in the ballot. Together, we can help make Epsom a better place for business, vote 'YES' for the Epsom BID! ”



Laura Sims,
Store Manager at **Marks and Spencer**
High Street Epsom

MESSAGE FROM EPSOM BID VICE CHAIR

“ As an Epsom resident and local independent business owner I'm excited by the prospect of a BID as I strongly believe that Epsom will benefit. We are surrounded by towns that have had BIDs in place for some time and that have experienced the difference a BID can make to a town's economy. A BID for Epsom will provide benefits for businesses and residents alike by making the town more attractive, vibrant and safer.

Epsom desperately needs to attract more independent businesses so that people want to come here to shop. The BID will be able to put on events specifically designed to highlight all areas of the town so that businesses at the extreme ends of Epsom will have their profiles raised and feel the benefit from more visitors who then stay to enjoy the night time economy too. The BID will also be looking to achieve economies of scale to benefit businesses and produce savings on their overheads.

Most importantly, the BID will be run by local businesses who will make the decisions on how the BID fund is spent to bring maximum benefit to the town. ”



Lyn French,
BID Vice Chair and owner of
The Stitch Mouse

OUR VISION

“ We aim to make Epsom a more vibrant and prosperous town where businesses flourish and visitor numbers increase. Whether you live or work in Epsom or are simply visiting, we want to ensure you enjoy our town, appreciate how much it has to offer and look forward to returning. ”

MEET THE EPSOM BID STEERING GROUP



Laura Sims,
BID Chair and Store Manager Marks and Spencer



Lyn French,
BID Vice Chair, owner of The Stitch Mouse, South Street Epsom



Anne Fowler,
Senior Partner, TWM Solicitors



Simon Durrant,
General Manager, Epsom Downs Racecourse



Carolina Starre,
Owner, Spiritual Quest



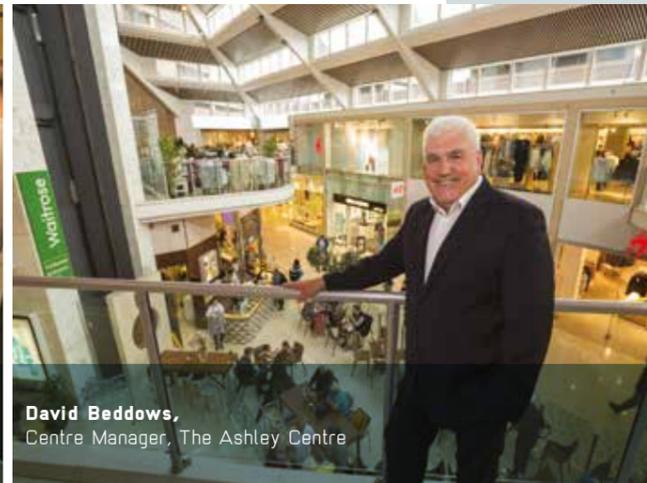
Epsom & Ewell Borough Council supports the Epsom BID

Laura Sims BID Chair and Store Manager Marks and Spencer with Kathryn Beldon Chief Executive, Epsom & Ewell Borough Council

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Danny O'Sullivan,
Franchisee, McDonalds



David Beddows,
Centre Manager, The Ashley Centre



Tony Cave,
Manager, The Assembly Rooms, JD Wetherspoon



Andy Willmott,
Membership Manager, Surrey Chamber of Commerce



Gary Tillet,
Store Manager, Waitrose

The BID Steering Group are the formal BID proposers and have developed the Epsom Business Improvement District (BID). Pending a successful ballot the BID Steering Group will conclude and a new BID Board will be formed; Board nominations will open to all eligible businesses. It is likely that many of the BID Steering Group will join the new BID Board however new businesses are also welcome to join and help us to shape the future of the Epsom BID. We will ensure that the BID Board is truly representative of the BID area and the different business sectors. If you are interested in joining the Epsom BID Board and representing your sector or area of Epsom please contact Michelle Baker, Epsom BID Development Manager on email Michelle@epsom.bid or tel 07527 016338.



OUR KEY OBJECTIVES

- Create a single point of contact for all businesses in Epsom and a strong, collective business voice on issues that matter to you
- Encourage new businesses start-ups, quality independents and brand names to Epsom
- Support and help existing businesses thrive and succeed
- Improve the welcome and the visitor experience
- Increase footfall and dwell time
- Improve safety and perception of safety
- Improve accessibility
- Make Epsom the place to do business
- Improve the look and feel of Epsom
- Establish Epsom as a destination
- Celebrate and raise awareness of the rich history and heritage of Epsom
- Promote Epsom as a thriving market town
- Deliver effective marketing and promotion of Epsom and local businesses
- Support existing events and deliver new ones throughout the year
- Establish a strong working partnership between businesses in the town, the racecourse and other key stakeholders such as the Theatre, University, College, Police and Council

EPSOM BID OVERVIEW

Epsom Business Improvement District (BID) will bring 350+ local businesses together to form a strong business partnership, actively leading on new initiatives to strengthen the town's appeal and create reasons for more people to visit Epsom time and again. The BID will introduce significant and positive improvements for Epsom, which in turn will have a positive effect on all businesses, employees, visitors and residents.

In Epsom, the BID Steering Group, made up of local businesses like yours, is proposing to establish a Business Improvement District (BID) to include both the town centre and the racecourse; this will provide a new synergy and formal working relationship between two key areas of Epsom, working collaboratively for a more prosperous future.

The BID is your chance to help deliver £1.5 million of additional investment in Epsom over the next five years. It is a huge opportunity, which will give you the means to enhance business performance, improve trading conditions and increase footfall as well as improving Epsom for your employees, visitors and clients.

A Business Improvement District (BID) is a 100% business-led and business-managed body formed specifically to make agreed improvements to a defined commercial area such as a town or city. Local businesses within the area choose the improvements and initiatives they want to see introduced to boost their trading environment and benefit their business sector. Businesses then vote on the proposals and pending a successful ballot all initiatives go ahead managed by a Board of local businesses. Quite simply a BID is a 5-year business plan for Epsom that has been written for and by local businesses - this is your opportunity to vote on whether Epsom achieves BID status.

Since the legislation was introduced in 2003 there are already more than 250 established BIDs in towns, cities and business parks across the UK with 50+ BIDs in London and 10+ in Birmingham alone. We know that BIDs work and that they are valued by businesses as 95% of BIDs are re-elected after their first 5-year term.

- The 250+ established BIDs in the UK include Twickenham, Richmond-upon-Thames, Croydon, Wimbledon, Guildford, Purley, Bromley, Orpington, Oxted, Watford, Woking and St Albans
- Staines-upon-Thames and Dorking have recently achieved 'yes' votes at BID ballot
- Kingston-upon-Thames has had a BID for over 10 years and is now in their third 5-year BID term
- Camberley and Sutton are now in their second 5-year term

We don't want Epsom to be left behind and are confident that the time is right for businesses to work together and back a BID for Epsom.



MANAGEMENT

The BID will be run by a new limited by guarantee, not for profit company, controlled and managed by local businesses.

It will be managed by 10-15 committed volunteer Board members from the businesses within the BID area and will be representative of the different business sectors and geographical locations within the BID boundary; their role will be to ensure that the projects identified within this business plan are successfully delivered on time and within budget.

If you are the senior manager or owner of a business in Epsom BID area and interested in having an active role on the Epsom BID Board please contact Michelle Baker, Epsom BID Development Manager on email Michelle@epsom.bid or tel 07527 016338.

BALLOT

In order for a BID to be established, a ballot of eligible businesses listed on the local billing authority's rating database has to be held. The voting process has to be conducted entirely by post.

The voting papers will be sent to the ratepayer - this is the tenant of the business or the landlord (in the case of vacant units) within the boundary set for the BID. There are 384 hereditaments (individual business premises eligible to vote) within the proposed BID boundary. An independent organisation is appointed to carry out the voting process and we are instructing the Electoral Reform Service to undertake our ballot.

In order for a BID to be established, a majority of businesses involved need to vote in favour during an independent 28-day postal ballot. This will require more than 50% of the votes cast to be in favour of the BID and the 'yes' vote must represent more than 50% of the total rateable value of all votes cast. If the ballot is successful, the BID levy will become mandatory to all eligible businesses in the BID area.

In Epsom ballot papers will be despatched on 12th October 2017 to each business by post and must be completed and returned by 5pm on 9th November 2017. The ballot result will be announced on 10th November 2017 and, if the vote is in favour, the Epsom BID will commence on 1 April 2018 and will run for a five-year term.

At the end of the initial 5-year term a new BID Business Plan would be drawn up with a fresh set of proposals chosen by local businesses; the BID would go to re-ballot and businesses asked to vote yes or no to the BID continuing. 95% of BIDs in the UK are re-elected.



“The Ashley Centre are voting yes to the Epsom BID”
David Beddows,
Centre Manager The Ashley Centre

AGENDA ITEM 6
ANNEXE 1

DECISION

As a business in Epsom this is ultimately your BID and you decide whether or not it goes ahead.

With 250+ BIDs across the UK developed by local businesses just like yours, do not miss out on such a huge opportunity to enhance the performance of your business and give our town the competitive edge that it deserves. **Vote Yes for the Epsom BID.**

FUNDING

BIDs are funded through a levy, which is typically calculated at between 1-2% of a business premises rateable value (not business rates).

In Epsom it is proposed that the BID would be funded through a 1.5% levy on the rateable value of all eligible business premises in the BID boundary shown on page 25, as this generates a realistic and workable income to deliver the projects set out in this business plan.

The BID levy (1.5% of rateable value) will apply to all businesses with a rateable value of £10,000 and above. You can check your rateable value at www.voa.gov.uk or contact Michelle Baker, Epsom BID Development Manager to find out your exact contribution to the BID, email Michelle@epsom.bid or tel 07527 016338.

Businesses with a rateable value below £10,000 will be exempt from both the BID ballot and the levy, but may choose to be involved through voluntary BID membership if they wish.

The BID will also help generate additional funds over and above those received from the levy, as BID's provide a mechanism for accessing grants, match-funding, sponsorship and other funding streams.

In accordance with BID best practice businesses within The Ashley Shopping Centre will receive a small discount in view of the additional fees already paid through the service charge for existing services and will contribute 1.25% of their business premises rateable value.

Retail charities and businesses with charitable status will be eligible to pay the BID levy as we believe that all businesses will directly benefit from the Epsom BID initiatives and improvements.

BID levy contributions will be capped at £8,000 for the largest businesses and also those with multiple business premises. The BID will apply to all business classifications within the BID boundary.

The Epsom BID will generate £300,000+ per annum of ring-fenced funds to invest in projects within the proposed BID area. This is £1.5 million of new investment in Epsom over the 5-year term.



YOUR VISION YOUR PROJECTS

Hundreds of local businesses have given their views on what the BID should deliver.

Epsom BID Steering Group is made up of business owners just like you. Together they have developed your ideas into a range of projects that fall under six key themes, which will make Epsom a safer, more pleasant and, above all, more vibrant place to shop, eat, drink and do business.

- Theme 1:** Marketing and promotion
- Theme 2:** High-quality events to boost trade
- Theme 3:** Environmental improvements
- Theme 4:** Parking and accessibility
- Theme 5:** Safer Epsom
- Theme 6:** Business support

After getting so many businesses' views, we're confident the projects and initiatives included in this business plan reflect your views. We hope you share our excitement about the difference a BID could make to trading conditions in Epsom over the coming five years.



“ TWM Solicitors are voting yes to the Epsom BID ”

Anne Fowler,
Senior Partner TWM Solicitors

BUSINESS CONSULTATION

Thank you to all businesses that got involved with the BID consultation and helped to shape the Epsom BID Business Plan during 2016/17.

PUBLIC MEETING AT EPSOM PLAYHOUSE

A public meeting for businesses was arranged in March 2016 with businesses identifying the following priorities during the meeting:

- Better branding to promote Epsom 's heritage and association with the Epsom Derby and Epsom Salts
- Improved access to the town centre from Epsom train station
- Clear signs to the town centre fro Epsom station
- Zone 6 for Epsom so people can use Oyster cards to travel more easily
- A cleaner town
- Unique retailers to be attracted to the area
- To make parking better and cheaper
- To improve the transport network so buses and trains run later
- More control for local people over use of town centre buildings

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FIRST BUSINESS SURVEY

An initial BID feasibility study was carried out in September 2016 to establish whether businesses would support the introduction of a BID in Epsom and to find out the priorities that you would want a BID to focus on.

97 businesses participated in the study with 59% of businesses saying they supported the idea of a BID and a further 36% were undecided at that stage and interested to find out more. Businesses saw what a positive step forward a Business Improvement District could be for Epsom and a new working group of local businesses was formed to drive the the BID Steering Group forward.

The survey gave us valuable feedback on the improvements you would want to see in Epsom.



“Epsom Downs Racecourse are voting yes to the Epsom BID”

Simon Durrant,
General Manager Epsom Racecourse

AGENDA ITEM 6
ANNEXE 1

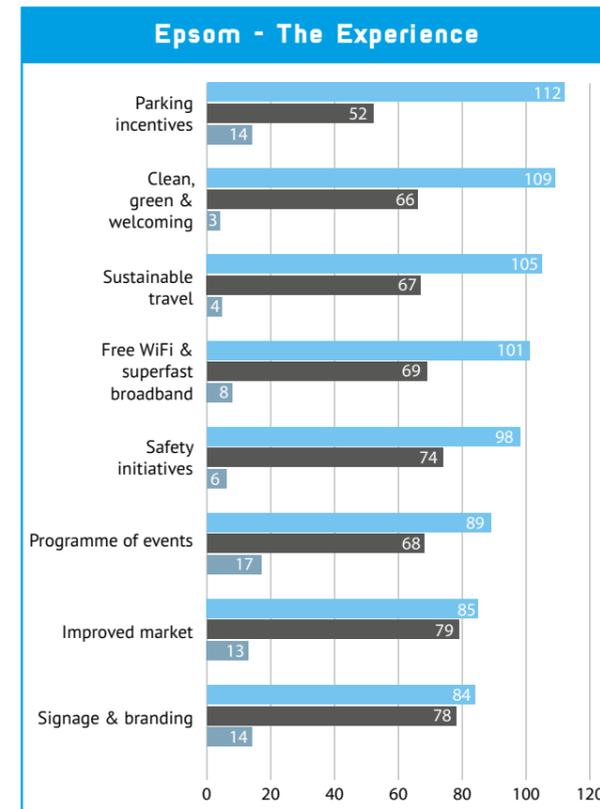
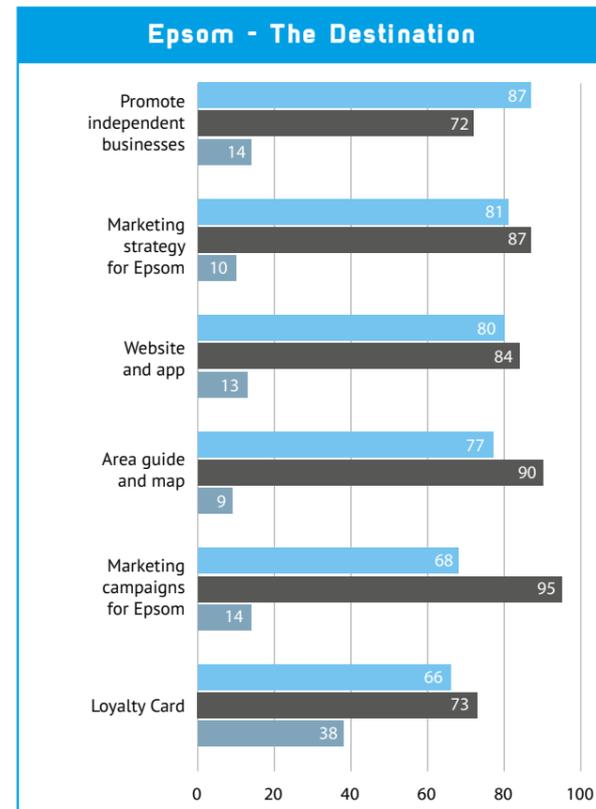
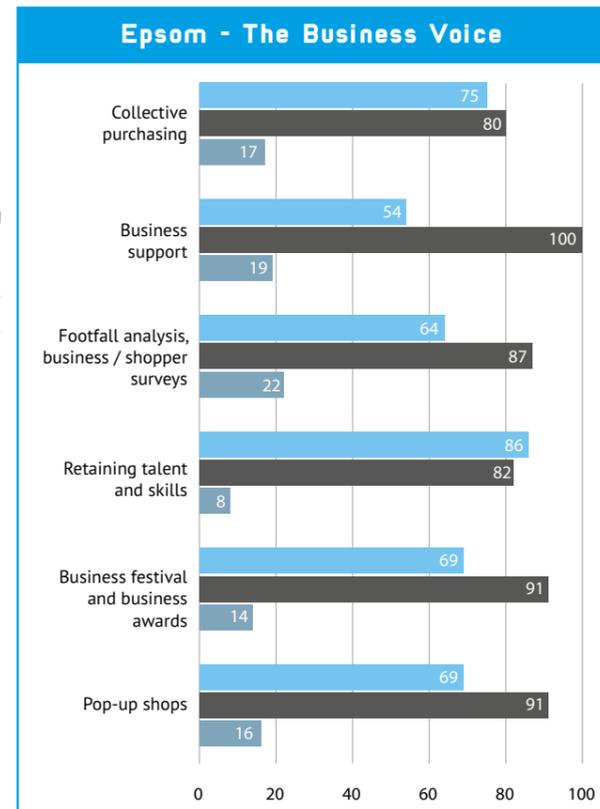
NEWSLETTERS 1,2,3

Three newsletters were written and distributed to businesses in 2016/17 to explain the BID process and keep you up to date on developments. Copies of the newsletters are available to download at www.epsom.bid

SECOND BUSINESS SURVEY

A second consultation exercise took place in March 2017 with 179 businesses participating; the feedback from this survey shaped the proposals within this BID Business Plan.

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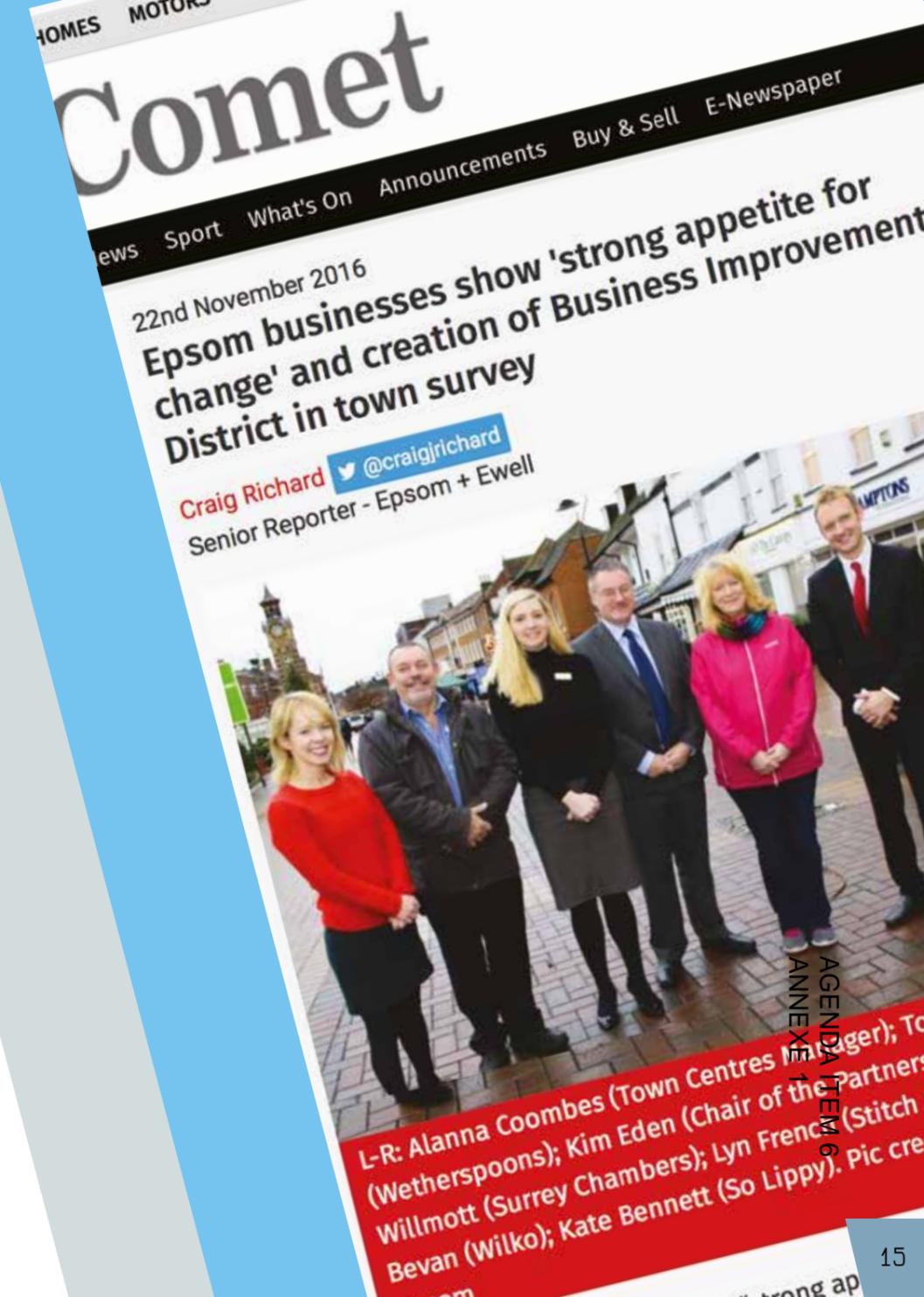
■ Strongly Support
 ■ Support
 ■ Do Not Support

2017 LAUNCH EVENT

All businesses were invited to the BID Business Plan launch event at Epsom Racecourse in October 2017. This was the opportunity to meet the BID Board, find out more about the exciting proposals and hear from other BID areas on their achievements and successes.

OUR COMMITMENT TO YOU

If Epsom achieves Business Improvement District (BID) status this business plan becomes a legal document and all projects must be delivered; so you can be assured that by voting 'yes', all initiatives will be delivered during the BID term 2018-2023.



THE PROPOSED PROJECTS CHOSEN BY YOU

THEME 1 Marketing and Promotion

You said

- Epsom should have its own brand and identity
- Epsom should be a destination
- The different shopping areas and parts of the town need to be marketed more efficiently to encourage footfall and flow around the town
- People simply don't know how much Epsom has to offer

So we will

- Create new high quality branding for Epsom
- Commission an independent professional marketing strategy for Epsom and deliver the recommendations
- Develop high impact marketing campaigns to highlight the strengths of Epsom to include promoting the different business sectors and publicising new and existing events to include the Epsom Derby and Christmas period
- Produce an Epsom map and events guide both in print and online and display throughout Epsom
- Launch a new website and social media platforms for Epsom to showcase the town, the offer, promote our local businesses and draw people into the town
- Carry out regular market research to identify how current users of the town think it could be improved and identify potential new visitor sources, to include shopper, student and employee surveys
- Create targeted promotions to increase footfall during quieter trading periods
- Establish links with partner organisations to develop collaborative projects which better promote the town's profile regionally and nationally
- Co-ordinate and deliver a range of activities and events across the BID area to publicise and promote the Epsom Derby and capitalise on the visitor numbers



THEME 2 Epsom Events

You said

- We do not bring in enough daytime shoppers and visitors
- Epsom should be known for its arts, leisure and entertainment
- The town doesn't back the Derby as warmly as businesses in Wimbledon get behind the tennis

So we will

- Ensure Epsom is renowned locally for our new and existing high profile events
- Introduce a calendar of year round events which will support, extend and boost existing events as well as launch new events to increase footfall into all areas of the town so that everyone benefits
- Arrange for direct mail outs to the thousands of local residents to spread the word on what's happening in Epsom and support with strong social media and a new website
- Focus on key events such as the Epsom Derby and Christmas with a high profile lights switch on event and ensure there are Christmas lights and festivities throughout the whole BID area in the run up to Christmas
- Organise family friendly events throughout the year
- Arrange new events such as a student Fresher's Festival, comedy, music and arts events and a classic car show
- Introduce speciality food and craft markets, an antiques market, French market and annual food festival
- Deliver promotional activity in public spaces so that there is always something happening
- Ensure all businesses across all sectors benefit directly from events
- Ensure all areas of Epsom benefit from the events
- Install footfall counters across the BID area to benchmark current levels of footfall and demonstrate the effectiveness of BID activities and share this data with businesses



THEME 3 Environmental Improvements

You said

- The town could be made more attractive and vibrant
- The town is disjointed
- Need to increase awareness of the offer and areas of Epsom through improved signage

So we will

- Make Epsom more vibrant and welcoming
- Install attractive promotional town centre banners and flags with real impact
- Display summer bunting throughout the town
- Instil a sense of pride in the town with increased floral displays in addition to the existing displays
- Install way-finding signage and maps of the town to link the main areas of the town and signpost shoppers, visitors and commuters
- Improve the visitor experience and welcome at Epsom train station and key gateways to create a great first impression for visitors
- Install free WiFi in public spaces, this will help to promote the town's new website which will be the landing page where we can promote businesses and events

THEME 4 Parking and Accessibility

You said

- Reduce the expense of parking
- Parking is a disincentive to people working in and visiting Epsom

So we will

- Form a new 'Parking Working Group' to act on your behalf in discussions with the Councils and parking providers as the BID will represent 350+ local businesses
- Link with public transport operators to aim to provide better services at key times, especially during the evening when we will look to deliver a late night bus service so visitors can get home safely and directly
- Negotiate reduced bus fares and parking charges for employees within Epsom
- Support the campaign for Epsom to join Zone 6 and the Oyster card
- Work with providers to explore parking incentives

THEME 5 Safer Epsom

You said

- Epsom needs improved safety measures for the evening economy
- There is no crime intelligence sharing amongst businesses, the police and other stakeholders

So we will

- Epsom is widely known as a safe town to visit both in the day and after dark and we want it to stay that way. Epsom BID will recruit trained, BID-branded Rangers at weekends, evenings and for key events to work with the police to ensure evenings in the town are well-managed and safe, that people leave the town quietly and the taxi rank is well-marshalled. In the day they will welcome and guide visitors and provide a friendly, safe and reassuring presence
- Co-ordinate and manage the existing Storenet radio system for both the daytime and night time economy so that all businesses are connected with one other, the Police and the CCTV control room and sharing intelligence and combating crime
- Work to achieve the prestigious Purple Flag status for Epsom - similar to the Green Flag for parks and Blue Flag for beaches, the Purple Flag recognises and raises the quality of Epsom's evening offer
- Support the current Pubwatch scheme
- Explore CCTV enhancements

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THEME 6 Business Support

You said

- Find cost savings through businesses working together
- Implement a business loyalty scheme

So we will

- Implement group purchasing initiatives to save day and night-time economy businesses money on overheads such as energy, insurance, telecoms, waste disposal and recycling as the BID will represent 350+ businesses and will have collective purchasing power
- Introduce a loyalty card for shoppers, students, employees and fellow businesses
- Develop an business welcome pack
- Target obstacles to recruiting and staff retention in Epsom and develop a recruitment pack to highlight the benefits of working in Epsom
- Produce regular updates for businesses on the issues which are important to them and provide key performance information for the town such as footfall figures and shopper dwell time
- Retaining talent and skills - promote Epsom as an economic driver and a great place to work. Working with schools, colleges and universities develop schemes for work experience placements, apprenticeships and graduates in local businesses
- Review the broadband speeds within the BID area with a view to rolling out Superfast Broadband so that Epsom is the place to do business
- Employ an experienced BID Manager to deliver and manage the projects in this business plan. The post-holder will work directly for the BID, be accountable to local businesses, report to the BID Board and will work hand-in-hand with local businesses and key landlords, including the team at The Ashley Centre, as well as represent the interests of BID businesses on major issues such as planning, car parking improvements, traffic management and street improvements
- CSR - Epsom BID will develop a Corporate Social Responsibility Strategy for Epsom with a focus on giving back to the local community and addressing the economic, environmental and social impacts on the BID area
- SME's - small businesses add to the vibrancy and character of Epsom so we will support and promote by providing practical support and services, networking events, training, joint marketing and promotion. We will also aim to broker relationships between partner larger corporations and smaller enterprises across different sectors



AGENDA ITEM 6
ANNEXE 1

PROPOSED 5-YEAR BUDGET

HOW MUCH WILL THE BID INVEST IN EPSOM?

PROPOSED BUDGET
1ST APRIL 2018 - 31ST MARCH 2023

WHAT WE WILL GENERATE IN INCOME	YEAR 1 1 April 2018 - 31 March 2019	YEAR 2 1 April 2019 - 31 March 2020	YEAR 3 1 April 2020 - 31 March 2021	YEAR 4 1 April 2021 - 31 March 2022	YEAR 5 1 April 2022 - 31 March 2023	TOTAL
BID levy income	£318,000.00	£318,000.00	£318,000.00	£318,000.00	£318,000.00	£1,590,000.00
Additional BID income through sponsorship & voluntary BID membership	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£150,000.00
TOTAL	£348,000.00	£348,000.00	£348,000.00	£348,000.00	£348,000.00	£1,740,000.00

WHAT WE WILL INVEST IN YOUR CHOSEN PROJECTS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
THEME 1: Marketing & promotion	£70,000.00	£70,000.00	£70,000.00	£70,000.00	£70,000.00	£350,000.00
THEME 2: High quality events	£75,000.00	£80,000.00	£80,000.00	£80,000.00	£80,000.00	£395,000.00
THEME 3: Environmental improvements	£29,100.00	£37,000.00	£37,000.00	£37,000.00	£37,000.00	£177,100.00
THEME 4: Parking & accessibility	£20,000.00	£20,000.00	£20,000.00	£20,000.00	£20,000.00	£100,000.00
THEME 5: Safer Epsom	£30,000.00	£30,850.00	£30,850.00	£30,850.00	£30,850.00	£153,400.00
THEME 6: Business support	£70,000.00	£70,000.00	£70,000.00	£70,000.00	£70,000.00	£350,000.00
Overheads and setup costs	£26,000.00	£12,250.00	£12,250.00	£12,250.00	£12,250.00	£75,000.00
Levy collection costs	£12,000.00	£12,000.00	£12,000.00	£12,000.00	£12,000.00	£60,000.00
Contingency at 5% of BID levy income	£15,900.00	£15,900.00	£15,900.00	£15,900.00	£15,900.00	£79,500.00
TOTAL EXPENDITURE	£348,000.00	£348,000.00	£348,000.00	£348,000.00	£348,000.00	£1,740,000.00

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Notes

- 1st April is the chargeable day each year between April 2018- March 2023. BID levy to be paid in one instalment
- A contingency has been set at 5%, as per industry guidelines which includes business relocation, business failure
- The agreed levy collection charge is within industry guidelines of 3% of total levy / £35 per hereditament
- The BID will work to obtain additional funding and financial support through sponsorship, match funding, grants and voluntary BID membership
- Annual financial accounts will be independently audited and shared with all businesses
- A financial statement will be included within all levy bills, published on the BID website and available at the BID AGM

FRESH ROASTED
COFFEE

HOW MUCH WILL THE BID COST YOUR BUSINESS?

The cost to each business is a small percentage of their rateable value. The BID levy represents an investment in the town by each business which, for a relatively small sum, is almost certain to generate a considerable return.

EXAMPLES IN EPSOM

Contribution to the BID				
Business	Rateable Value	Weekly	Monthly	Yearly
The Stitch Mouse	£11,250.00	£3.24	£14.06	£168.75
Spiritual Quest	£18,500.00	£4.44	£19.27	£231.25
Organico Coffee Shop	£24,000.00	£6.92	£30.00	£360.00
TWM Solicitors	£58,000.00	£16.73	£72.50	£870.00
Santander	£65,500.00	£18.89	£81.87	£982.50
JD Wetherspoon	£195,000.00	£56.25	£243.75	£2,925.00
Marks and Spencer	£505,000.00	£121.39	£526.04	£6,312.50
Epsom Downs Racecourse	£635,000.00	£153.84	£666.66	£8,000 capped levy
Epsom Town Hall	£545,000.00	£153.84	£666.66	£8,000 capped levy

Notes

- The minimum threshold for the Epsom BID is £10,000 rateable value. All businesses with a rateable value of £10,000 and above will be eligible to vote at ballot and pay the BID levy. You can check your rateable value at www.voa.gov.uk or email Michelle@epsom.bid
- BID levy is calculated at 1.5% of your business premises rateable value (not business rates)
- For managed shopping centres – The Ashley Centre - we have followed national best practice and propose a reduced levy of 1.25% of rateable value in view of the additional fees already paid for services
- BID levy is capped at £8,000 for the largest businesses
- BID levy applies to all business classifications within the BID area



Paul Cookson
Founder of Whats On In Epsom
supports the Epsom BID

ASSESSING THE EFFECTIVENESS OF THE BID

The Epsom BID proposes a clear 5-year vision and will establish a number of activities to measure the impact of the projects contained within this plan. These will be communicated back to all BID businesses to demonstrate the effectiveness of the BID and will include:

- Establish, measure and report on a package of performance indicators, to include footfall figures, visitor dwell time, vacant unit levels, crime statistics, media coverage, website visits, social media followers and reach, financial savings for businesses
- Install footfall counters across the BID area to benchmark the success of BID activities and share this data with you
- Upload all BID board minutes onto the new BID website to ensure the BID is open and transparent
- Produce and distribute an Annual Report to all businesses to track progress and continue to develop activities in line with business feedback
- Organise an annual survey of BID businesses to seek detailed feedback on their perception of the performance of the town and the BID
- Extensive and regular interaction with BID businesses to gain information on the workings of the town and the BID
- Invite all BID businesses to the BID AGM to report back on operational, project and financial management
- Organise 'Meet the BID Board' meetings so that you have direct access to the Board
- The BID company will be subject to independent, accredited, external audit, leading to the production and submission of an annual report, annual accounts and the submission of statutory financial and corporation tax returns
- Allowing the rotation of Board representatives as required

BASELINE AND OPERATING AGREEMENTS

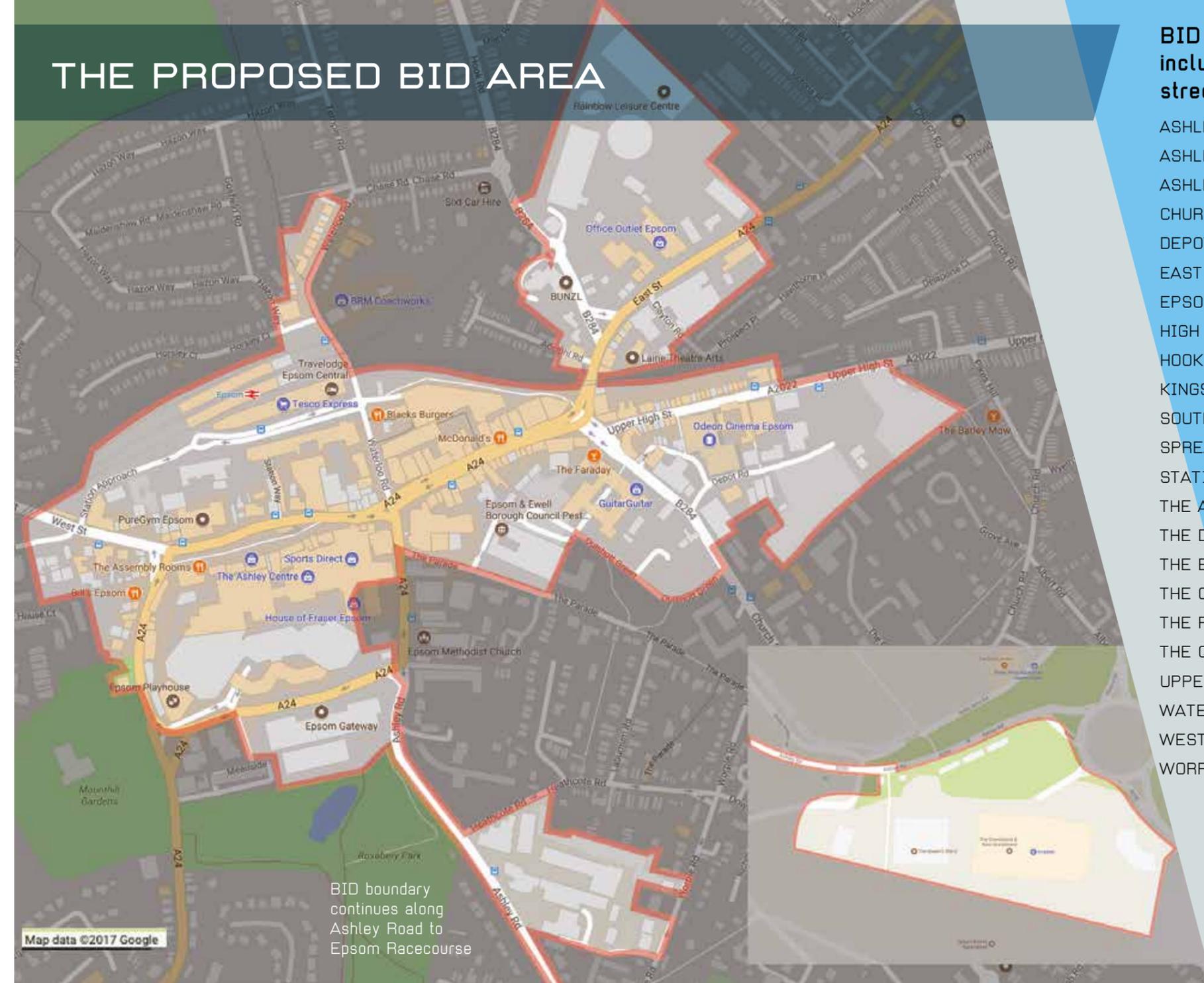
Epsom & Ewell Borough Council has funded the development of the Epsom Business Improvement District (BID).

The Epsom BID Steering Group (of local businesses) has worked with the Council in assessing the levels of service currently provided by the public sector in the proposed BID area. These are called Baseline Agreements and detail the current level of service provided for by the local authority. This ensures that the BID only delivers additional activities over and above this level of service.

We have also drawn up an Operating Agreement, which details the proposed arrangements for BID levy collection.

Both the Baseline Agreement and the Operating Agreement are available for any potential BID levy payer to view on the BID website www.epsom.bid

THE PROPOSED BID AREA



BID boundary continues along Ashley Road to Epsom Racecourse

BID boundary includes the following streets / areas:

- ASHLEY AVENUE
- ASHLEY ROAD
- ASHLEY SQUARE
- CHURCH STREET
- DEPOT ROAD
- EAST STREET
- EPSOM DOWNS
- HIGH STREET
- HOOK ROAD
- KINGS SHADE WALK
- SOUTH STREET
- SPREAD EAGLE WALK
- STATION APPROACH
- THE ASHLEY CENTRE
- THE DERBY SQUARE
- THE EBBISHAM CENTRE
- THE OAKS SQUARE
- THE PARADE
- THE QUADRANT
- UPPER HIGH STREET
- WATERLOO ROAD
- WEST STREET
- WORPLE ROAD

EXAMPLES OF BID ACHIEVEMENTS

Camberley BID - www.collectivelycamberley.co.uk

- Introduced 124 hanging baskets and flower towers
- BID car show increased footfall in the town by 18.8%
- New town centre website received 400,000 views
- The Little Book of Offers - over 90,000 printed and delivered to local residents. Providing a great opportunity to promote businesses
- Industry Insider Card - employee discount scheme generated more than 4000 transactions since its introduction 2 years ago, fantastic way to encourage employees to shop locally as well as attract and retain staff for each BID business
- Heroes Welcome Military Discount - Camberley welcomed the armed forces and provided discounts for them and their families. This has helped to generate awareness and promotion of the town's military heritage
- Market Street Festival, Saturday footfall increased by 12.9%, Sunday footfall increased by 34%

Sutton BID www.successfultotton.co.uk

- Created a brand 'Enjoy Sutton' - Launched a loyalty card - over 5000 cards in circulation
- Managed the Christmas lights event - over 4000 visitors
- Organised a variety of events including Easter Egg Hunt, Pop-up farm, deck chairs on Trinity Sq. in the summer, Crazy golf and Sunset cinema
- Launched the monthly Farmers' and Artisans markets and also speciality markets
- Launched the shopper shuttle (BID golf buggy) that takes elderly and less able shoppers the length of the High Street
- Organised promotional campaigns and competitions to promote Sutton and highlight businesses

Worcester BID - www.worcesterbid.com

- 2,689 employees signed up to the BID employee loyalty card
- 348 mystery shopper reports undertaken
- 40% increase in footfall for Food Festival
- BID rangers patrolled over 21,000 miles and conducted 13,500 business visits over 5-year BID term
- 49 new pedestrian finger post signs installed highlighting 67 different commercial areas and attractions
- RingGo used 231,62 times since introduced by the BID
- 11.4% of all parking transactions were through RingGo
- 580 businesses benefited from discounted parking throughout Worcester BID
- 119 businesses benefited from Christmas lights for business frontages
- 15 TV and radio interviews to promote Worcester as open for business during and after the floods
- Chuggers reduced in number and frequency thanks to BID lobbying



Truro BID - www.enjoytruro.co.uk

- Three consecutive Gold awards for South West in Bloom
- Events bringing in an additional 25,000 people
- Website receives 1,000 hits per day, with one page for every business
- Production of 17,500 event guides - marketing coverage valued at £30,000 - £40,000 - 9th lowest retail vacancy rate in UK (out of 750)

Falmouth BID - www.falmouth.co.uk

- Falmouth Spring Festival
- New logo and brand for the town
- 100,000 new visitor map guides distributed
- New logo to support Fal 350
- New Falmouth shopper bag
- Six vacant sites revamped eg Woolworths and Threshers
- Official new website with over 500 pages
- National PR campaign achieving £200,000 worth of national coverage - a return on investment of 15:1
- New street furniture, 200+ new flags, 2,500+ metres of bunting and 100+ floral displays
- New Christmas festival
- A new cruise ship scheme that has trialled the dropping of 5,000 passengers in the centre of town
- Numerous free training courses for local businesses and financial support for all major local events

Stratford-upon-Avon BID - www.stratforward.co.uk

Events and entertainment

- Organise the Fringe and River Festivals and co-organise the Food Festival
- Supported the Diamond Jubilee celebrations in the town
- Partnered with Stratford Vision on a large screen for the Olympics opening ceremony
- Deliver the Christmas events programme - expand the plan of events and entertainment, to include an outdoor Fashion Show

Marketing and promotion

- Print and distribute major leaflet campaigns
- Develop and maintain key websites to promote Stratford-upon-Avon
- Organise a major social media campaign
- Deliver promotional radio campaigns
- Set-up a series of quarterly features in key quality publications

Customer service and safety

- Employ Town Hosts to assist visitors, support businesses, oversee street entertainment and to uphold the appearance of the town
- Organised a pilot system of Street Marshals to support the evening economy
- In Holborn BID's bulk buying club achieved 25% savings on electricity costs



Winchester BID - www.winchester.co.uk

- 25% increase in daily tours of the city
- 48,000 Christmas campaign
- Generated £2.1 million of positive media coverage in 12 months
- Installed 37,000 LED tree lights
- BID branded taxi marshals



Plymouth BID - www.waterfrontbid.co.uk

- Daytime crime reduced by 23%
- 300,000 additional day time visitors to the city since the start of the BID
- Parking promotions
- Plymouth BID manages the Council car parking service



Camden BID - www.camdentownunlimited.com

- Funded an additional 28 uniformed Police Officers to patrol the BID area
- Reduced crime by over 30%
- Removed 4,000 pieces of graffiti
- Prepared and delivered a £10 million streetscape regeneration plan
- All BID streets cleaned at least once a day, in addition to the Council standard service
- Introduced London's first 24 hour commercial pop up space



Broad Street, Birmingham BID - westsidebid.co.uk

- Recorded crime down by 50.7%
- 87% of visitors thought that Broad Street was safer than before the BID
- 385 hanging baskets in the BID area
- Generated £2.1 million of positive media coverage in 12 months
- Created the high profile 'Walk of the Stars'
- Installed 37,000 LED tree lights
- BID branded taxi marshals



Rugby BID - www.rugbyfirst.org

- Installed state of the art CCTV system in the town
- 24/7 monitoring by BID CCTV operatives
- Rugby Rangers - high visibility, friendly, helpful town ambassadors patrolling the town
- Shoplifting incidents decreased by 54%
- Every week the BID Clean Team visit 90+ businesses to clean the exterior of business premises, shop frontages and doorways
- Introduced events and marketing to encourage more visitors to Rugby



The Swansea BID - www.swanseabid.co.uk

- Chewing Gum and Graffiti Removal Project has now removed over 1.8 million pieces of gum
- Works with NCP and offers - 'Free Parking on Sundays'



Shrewsbury BID - www.shrewsburybid.co.uk

- Trialled 'Free Sunday Parking' in June and footfall at the Darwin Shopping Centre and Pride Hill Shopping Centre rose by 35% and 34% respectively, on last year's figures



FREQUENTLY ASKED QUESTIONS

1. What is the Epsom BID?

The Epsom BID is a non local authority body responsible for providing the Business Improvement District services for Epsom BID area. It is run for local businesses by local businesses and is 100% business managed and controlled.

2. Who has funded the BID development?

Epsom & Ewell Borough Council has funded the Epsom BID project development. Following on from the achievements of 250+ other BID areas across the UK including Camberley, which recently achieved a second 'yes' vote following their first 5-year term and Kingston-upon-Thames which is in its third 5-year BID term, the Local Authority in Epsom wanted to offer businesses the same opportunities and see if there was an appetite for a BID. Epsom & Ewell Borough Council is supportive of the local business community working together to form a Business Improvement District (BID).

3. How have the projects in this business plan been chosen?

The projects in this business plan are based entirely on ideas put forward by businesses in Epsom through various surveys and meetings. The most popular ideas and priorities have been included in this document and, pending a successful BID ballot, will all go ahead.

4. What if most businesses vote 'yes' during the ballot?

Just like a political election there is no minimum turnout required during the 28 day postal ballot. If a majority of businesses (both in terms of total number and overall rateable value) vote 'yes' Epsom will achieve 'Business Improvement District' status and join the 250+ established BIDs across the UK.

All eligible businesses (with a business rateable value of £10,000 and above) will be asked to contribute to the BID, even if an individual voted 'no'.

The money collected will be ring-fenced and managed by a new BID Board, made up of business representatives across the town, for sole use by the BID to deliver the projects set out in the BID Business Plan. You and your business can join the Board.

5. What if the majority vote 'no'?

Very simply, the projects set out in this BID Business Plan will not go ahead. As a result, Epsom could fall behind other comparable local centres, especially those with established BIDs, such as the 50+ areas in London and nearby BID areas including Kingston-upon-Thames, Camberley, Sutton, Guildford and Twickenham.



“ The Assembly Rooms, Wetherspoons are voting yes to the Epsom BID ”

Tony Cave,
Manager The Assembly Rooms, JD Wetherspoon

AGENDA ITEM 6
ANNEXE 1

6. What if I don't vote?

Much like a political election, there is no minimum turnout for a BID. So, if you don't vote, it will not affect the outcome of the ballot in any way.

7. Who has to pay BID levy?

If Epsom achieves a 'yes' vote, all eligible occupiers of a business premises with a rateable value of £10,000 and above within the BID area would pay the levy. This applies to both occupied and non-occupied business premises. Property landlords only become liable where the property is empty and a lease does not exist.

8. Are there any exemptions on BID levy?

All business premises with a rateable value below £10,000 will not be eligible to vote at ballot or pay the BID levy. The Epsom BID will develop a voluntary BID membership scheme to ensure all businesses can take advantage of the BID benefits. No business classifications within the proposed boundary are exempt from the Epsom BID.

9. What will the BID cost me?

The amount you pay will be based on your individual business rateable value (not your business rates) and so smaller businesses will pay less than larger businesses. Find out more on page 23 or email michelle@epsom.bid for your own BID levy statement.

10. Which rateable value will be used to calculate my BID contribution?

The 2017 listings, which came into force on 1st April 2017. These figures, as well as the opportunity for you to check your rateable value, are available at www.voa.gov.uk

11. Isn't this just a way for councils to save money?

No, legally BIDs cannot replace existing or proposed public services provided by bodies such as the Council, Police and others. In this way, the BID only improves current standards and does not subsidise or replace them. In order to ensure this is the case, all BIDs are legally required to draw up Baseline Services Agreements that set out the services the public sector currently provide and will deliver during the 5-year BID term; this ensures the BID is only delivering additional value to businesses. You can view the Baseline Service Agreements at www.epsom.bid

Organico Coffee Shop, Epsom



12. Who will run the BID?

BIDs are operated as not-for-profit organisations which are led and managed by local business representatives (managers or business owners) within the BID area. Pending a 'yes' vote at ballot a new Limited by Guarantee Company will be incorporated - 'Epsom BID Limited. It is likely that this will be formed from the current BID Steering Group and all businesses within the BID area are welcome to join and be part of the new Board. If you would like a place on the BID Board, please email Michelle@epsom.bid or tel 07527 016338.

13. What period would the BID cover?

The BID would cover a five year period between 1st April 2018 and 31st March 2023.

14. What benefits do BIDs bring to everyone?

Experience across the country has shown that the 250+ established BIDs have resulted in the following key benefits:

- Increased customer footfall
- Boost in trade
- A more buoyant local economy
- Gives your town the competitive edge
- Reduced individual business costs through joint projects
- Physical improvements to the area
- A strong and united business voice on key issues
- Businesses being more involved in community projects
- Fair fee structure in that all contribute
- Builds local pride

15. What's in it for me?

BIDs across the country have proven that they increase customer numbers visiting a town centre like Epsom, help to grow business profits, give businesses like yours a greater voice and create a fair system of contribution towards key improvements.

16. Will the BID look for other sources of funding?

Yes. The BID will pursue other sources of funding and support including sponsorship, a voluntary BID membership and voluntary contributions from businesses, landlords, landowners and organisations that are not covered by the BID arrangements.

17. Why do businesses have to pay for all this - why isn't someone else paying for it?

A BID only delivers projects that are not already being done and without the BID would simply not be done. BID income cannot be used to pay for services already being provided. In this sense, the BID will add value by delivering additional activities in Epsom that cannot currently be funded/delivered by others.

18. Who will I pay my BID levy to?

The BID is an independent organisation, led and managed by local businesses. You will receive a BID invoice from Epsom & Ewell Borough Council on behalf of Epsom BID Limited as the local authority are responsible for the collection of BID levies as they are the billing authority for all BIDs across the UK and have the statutory powers to invoice and collect levy. BID levy is collected by the local authority and is ring-fenced in its entirety and transferred directly to the BID Company. BID levy is invoiced from 1st April each year and is payable in one annual instalment.

19. Will the Council and other public sector bodies pay the BID levy?

Yes, they will pay BID levy on properties / car parks / premises within the BID area for which they are liable to pay non-domestic rates.

20. Who can vote?

All eligible businesses within the BID boundary shown on page 25 with a rateable value of £10,000 and above will be entitled to vote during the 28 day postal ballot.

21. Can BID projects be altered?

BID projects, costs and timescales can be altered, subject to approval from the BID company's Board, providing they fall within the resources available. In this way the BID can be responsive and flexible during the 5-year BID term. The minutes of all Board meetings will be published on the new BID website.

22. Will my levy change?

No, the BID levy will remain the same throughout the 5 year BID term 1st April 2018 - 31st March 2023 and will not increase in line with inflation.

The 2017 rateable values will be used to calculate BID levy contributions each year. Any changes in property rateable values will be reflected in a corresponding change to levy in the following year.

The BID levy will apply from 1st April each year between 2018-2023. The 1st April will be the 'chargeable day' and BID levy will be payable in one annual instalment. No refunds will be given where a business vacates part way through the billing year or if a property is taken out of the ratings list. Where a new assessment is brought into the ratings list the BID levy will apply from the 1st April in the following year.

23. Have BIDs worked elsewhere?

Yes, there are 250+ established and highly successful BIDs operating across the UK. Sutton town centre BID 'Successful Sutton' is in their second 5-year BID term and Kingston-upon-Thames BID 'Kingston First' are in their third 5-year BID term. Staines-upon-Thames and Dorking have recently developed BIDs. 95% of BIDs are re-elected by businesses after their first 5-year term which demonstrates their value to local businesses.



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ANNEXE 1

Vote 'YES' between 12th October - 9th November 2017



Your business. Your voice. Your town. Your BID.

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Annexe 2: Proposed Epsom Town Centre BID Boundary



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AGENDA ITEM 6
ANNEXE 2

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BUDGET TARGETS 2018/19

Report of the: Head of Financial Services

Contact: Lee Duffy

Urgent Decision?(yes/no)

If yes, reason urgent decision required:

Annexes/Appendices (attached): **Annexe 1** –Minutes of Financial Policy Panel meeting 12/9/17

Annexe 2 – Report to Financial Policy Panel 12/09/17

Other available papers (not attached): Policy Book 2017/18

REPORT SUMMARY

This report updates the financial forecast and recommends financial targets for preparing the draft budget for 2018/19 and financial planning for 2019/20 & 2020/21 as recommended by the Financial Policy Panel

RECOMMENDATION (S)

- (1) That the Committee receives the Minutes of the meeting of the Financial Policy Panel held on 12 September 2017;**
- (2) That the Committee agrees the following overall revenue budget target for 2018/19:-**
 - (a) estimates are prepared including options to reduce organisational costs by £588,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy;**
 - (b) that at least £200,000 additional revenue is generated from an increase in discretionary fees and charges, based on minimum overall increase in yield of 3.0%;**
 - (c) that a provision for pay award is made of £228,000 that represents an increase to the staffing budget of 1.5%;**
- (3) That further savings and efficiencies be identified to address the budget shortfalls of £90,000 in 2018/19, £577,000 in 2019/20 and £791,000 in 2020/21;**

- (4) That the Capital Member Group seek to limit schemes included within the capital expenditure programme to enable the retention of agreed minimum level of capital reserves.**

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

- 1.1 The recommendation in this report is consistent with the Council's four year financial plan 2016-2020 and the Medium Term Financial Strategy.

2 Financial Policy Panel

- 2.1 At its meeting on 12 September 2017, the Financial Policy Panel received detailed financial analysis, including forecasts of the budget position, in the Budget Targets report.
- 2.2 The Minutes of the Meeting of the Panel are attached as Annexe 1 to this report and a copy of the Budget Targets report considered by the Panel is attached at Annexe 2.

3 Proposals

- 3.1 That the Committee endorses the budget targets recommended by the Financial Policy Panel.

4 Financial and Manpower Implications

- 4.1 As set out in the report to the Financial Policy Panel

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

- 5.1 *Monitoring Officer's comments: There are no direct legal or equality implications arising from this report. The choices made throughout the budget-setting process might engage a range of duties, particularly if any changes are proposed.*

6 Sustainability Policy and Community Safety Implications

- 6.1 No implications for the purpose of this report

7 Risk Assessment

- 7.1 A high level of risk to Council finances has arisen from the resultant public sector spending cuts. The main risks for next year are set out in the 2018/19 budget report.

8 Conclusion and Recommendations

- 8.1 The recommendations to the Strategy and Resources Committee are covered in the recommendations of this report.

- 8.2 This report covers budget targets for 2018/19, taking into account the financial forecast for the next three years and the Council's approved Medium Term Financial Strategy.
- 8.3 Based on the assumptions used, the forecast identifies that cost reductions are required in the region of £90,000 in 2018/19 and £1.458 million in total over the next three financial years
- 8.4 The budget strategy involves continuing to deliver efficiency savings and generate extra service income whilst reviewing service levels so that service costs can be reduced as needed to achieve a balanced budget year on year.
- 8.5 Following the Committee's approval of budget targets, the policy committees will be asked to give guidance on the preparation of detailed service estimates in the October/November committee cycle including any specific service reviews.
- 8.6 The Financial Policy Panel will next receive an update on the budget position for 2018/19 in December 2017 when the draft estimates have been prepared.

WARD(S) AFFECTED: (All Wards);

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**Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 12 September
2017**

PRESENT -

Councillor Eber Kington (Chairman); Councillors Richard Baker, John Beckett, Neil Dallen, Graham Dudley, Omer Kokou-Tchri, Barry Nash and Vince Romagnuolo

Officers present: Lee Duffy (Head of Financial Services) and Fiona Cotter (Democratic Services Manager)

4 DECLARATIONS OF INTEREST

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

5 BUDGET TARGETS 2018/19

The Panel received and considered a report which updated the financial forecast and recommended financial targets for preparing the draft budget for 2018/19 and financial planning for 2019/20 and 20/21.

As a result of the reduction in Government grant funding over recent years the Council had reduced actual spending in cash terms. The Council was no longer in receipt of Revenue Support Grant and faced a tariff adjustment in 2019/20 that was effectively negative Revenue Support Grant. It was not yet clear what would happen in 2020/21 in this regard. The Head of Financial Services stated that a report was due to go the next Strategy and Resources Committee meeting regarding the recently announced Localisation of Business Rates pilot scheme. Officers were clear that their position was that they would seek to ensure that any pilot scheme sought to redress the impact of negative Revenue Support Grant. The Panel again expressed its frustration with the Government's approach to funding public sector services.

The Panel was pleased to note that the Auditors again intended to issue an unqualified audit opinion in respect of the Council's financial statements. It was confirmed that £2.5m was the agreed minimum level of unspecified reserves. This approach was approved by the Auditors and the amount was consistent with that held by other authorities of this size. Whilst the current general fund balance was £834,000 above this, the Council still faced a number of financial uncertainties. It was unclear whether negative Revenue Support Grant would continue and escalate, for example, and the Council still needed to find £1.5m in savings over the next three financial years.

Cost reductions in the region of £90k still needed to be identified in 2018/19. This shortfall was based on a number of assumptions, in particular that the County Council would be reducing its financial contribution to services provided by this Council and the loss of transitional Business Rate Relief. Many authorities appeared to be banking on the localisation of Business Rates propping up services but Officers were sceptical and did not believe the Council should rely on this.

Provision of £100k had been made in 2018/19 and 2019/20 to mitigate the potential impact of benefit reforms on services such as homelessness or benefits – it was a contingency. However, the contingency for Service Changes and Pressures reduced to £100k by 2020/21. This was because certain items had been moved from capital and reclassified as revenue expenditure (IT and bin replacement).

In regard to the New Homes Bonus, the new eligibility criteria assumed a level of growth before it kicked in and the assumption had been made that it would be difficult for this Council to meet the threshold thereby leading to a significant reduction in this source of funding to only £196k in 2020/21.

It had been assumed that homelessness grant funding had been secured in 2018/19 of £131k per annum for three years but the Head of Financial Services was seeking confirmation of this as such funding had been an element of Revenue Support Grant which this Council no longer received. No assumptions had been built in regarding homelessness in general as significant growth had already been built into the budget for this. No provision had been included for income for the acquisition of new commercial properties as this was still subject to member approval at meetings due to take place next week. Income from the two commercial properties already in Council ownership had been taken into account in the forecast net cost of services in 2017/18 of £8,365k. Likewise, it was not appropriate to include any provision for an increase in members' allowances over and above RPI until the report of the Independent Remuneration Panel had been received and considered by the Council.

In terms of income generation, it was reiterated that some property was already generating income. The Council had been successful in a bid to the Local Government Association to assist in looking at other income generation streams. It was hoped that this work would commence in October. However, the Chairman again cautioned against committing significant amounts of Officer time in chasing small amounts of income. It was again confirmed that the saving in relation to the disposal of the Ebbisham Centre was a half year saving. The crucial savings in relation to its disposal would be in relation to maintenance liabilities.

Going forward, the report reiterated the key features of the on-going programme which had been implemented to deliver the necessary savings and additional income required to meet the funding shortfalls:

- Continuation of delivery of savings identified in the Council's Efficiency Plan;

- A base review of the year end position at the relevant time, identifying any potential savings, additional cost pressures and areas where savings could be developed. These would be used to update the four year financial plan;
- Generation of additional income from investment in commercial property and the realisation of cost reductions in the operation of Council owned property;
- Delivery of an Income Generation Plan that would identify new income streams for the Council and also highlight areas where further income could be increased from existing services.

The greatest financial risks continued to appear to be further potential funding cuts from Central Government and from Surrey County Council for services provided by this Council. It was noted that whilst the pay restriction in the public sector had been relaxed resource constraints would need to be taken into account in any pay award. The Panel would receive an updated position on the budget for 2018/19 at its meeting in December.

Finally, the Chairman pointed out that under his Chairmanship, the Capital Member Group would not “seek to limit” but, so far as it was within its control to do so, *would* limit the number of schemes included within the capital expenditure programme to enable retention of the agreed minimum level of capital reserves.

Accordingly, the Panel recommended to the Strategy and Resources Committee:

- (1) The following overall revenue budget target for 2018/19:-
 - a) estimates are prepared including options to reduce organisational costs by £588,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy;
 - b) that at least £200,000 additional revenue is generated from an increase in discretionary fees and charges, based on minimum overall increase in yield of 3.0%;
 - c) that a provision for pay award is made of £228,000 that represents an increase to the staffing budget of 1.5%;
- (2) That further savings and efficiencies be identified to address the budget shortfalls of £90,000 in 2018/19, £577,000 in 2019/20 and £791,000 in 2020/21;
- (3) That the Capital Member Group limits schemes included within the capital expenditure programme that enable the retention of agreed minimum level of capital reserves.

6 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 25 May 2017 were agreed as a true record and signed by the Chairman.

The meeting began at 7.30 pm and ended at 8.19 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)

BUDGET TARGETS 2018/19

Report of the: Head of Financial Services
Contact: Lee Duffy
Urgent Decision?(yes/no) No
If yes, reason urgent decision required: N/A
Annexes/Appendices (attached): **Annexe 1** – Updated Four Year Plan
Other available papers (not attached): Policy Book 2017/18

REPORT SUMMARY

This report updates the financial forecast and recommends financial targets for preparing the draft budget for 2018/19 and financial planning for 2019/20 & 2020/21.

RECOMMENDATION (S)

That the Panel recommends to the Strategy and Resources Committee:-

- (1) The following overall revenue budget target for 2018/19:-**
- (a) estimates are prepared including options to reduce organisational costs by £588,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy;**
 - (b) that at least £200,000 additional revenue is generated from an increase in discretionary fees and charges, based on minimum overall increase in yield of 3.0%;**
 - (c) that a provision for pay award is made of £228,000 that represents an increase to the staffing budget of 1.5%;**

Notes

- | | |
|---|--|
| <p>(2) That further savings and efficiencies be identified to address the budget shortfalls of £90,000 in 2018/19, £577,000 in 2019/20 and £791,000 in 2020/21;</p> <p>(3) That the Capital Member Group seek to limit schemes included within the capital expenditure programme that enable the retention of agreed minimum level of capital reserves.</p> | |
|---|--|

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

- 1.1 The Medium Term Financial Strategy aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.
- 1.2 The Strategy and Resources Committee has agreed the following key service priority:-
- 1.2.1 Set budget targets for 2018/19 to keep the tax level below the Surrey average.
- 1.2.2 Delivery of the Financial Plan for 2016-2020 whilst limiting use of New Homes Bonus
- 1.3 It is the Financial Policy Panel's role to advise the Strategy and Resources Committee on all matters relating to the budget and policy framework.

2 Introduction

- 2.1 The Council carried out a comprehensive review of its finances leading to the approval of the Four Year Financial Plan 2016-2020.
- 2.2 The major challenge for the Council is to deliver year-on-year savings to achieve a balanced budget during the funding cuts faced in the four year settlement.
- 2.3 To address the funding shortfall the Council has produced an efficiency saving programme and has reduced actual spending in cash terms.
- 2.4 In May the Financial Policy Panel received a preliminary report on preparing the 2018/19 budget and agreed a budget reporting timetable.
- 2.5 The following table is taken from the Financial Plan and provides an overview of the budget review process:-

Annual Review	Financial Planning
May	<ul style="list-style-type: none"> Financial Review
June	<ul style="list-style-type: none"> End of Year Financial Reports
July – September	<ul style="list-style-type: none"> Review of Revenue and Capital Reserves Update of Four Year Budget Forecast Set Budget Targets for 2018/19
October – Nov December	<ul style="list-style-type: none"> Estimates and Budget Options Capital Appraisals Capital Finances
January	<ul style="list-style-type: none"> Service estimates and investment plans for following year
February	<ul style="list-style-type: none"> Determine Budget and Council Tax
March	<ul style="list-style-type: none"> Publish Budget Council Tax Information & Billing
April	Start of new Financial Year

2.6 This report provides an update on the Council's financial position prior to the Strategy and Resources Committee approving budget targets for 2018/19.

3 Government Four Year Settlement

3.1 The funding outlook for the Council has changed significantly for the four years following the final financial settlement in early 2016. A widely expected phased cut to funding was front loaded and left the Council with no Revenue Support Grant from 2017/18 onwards, and an overall 66% reduction in funding between 15/16 and 19/20. The baseline funding for 2018/19 is £1.4m.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Revenue Support Grant	417	0	0	0
Retained Business Rates – Baseline	1,300	1,324	1,364	1,407
Transitional Grant	93	83	0	0
Tariff Adjustment	0	0	0	-624
Forecast Funding	1,810	1,407	1,364	783

- 3.2 As a further comparison our baseline funding in 2010/11 was £4.2m. The anticipated baseline funding for 2019/20 is £783k.

4 The Council's Financial Position

2016/17 Revenue Account Final Accounts

- 4.1 The final accounts for 2016/17 were reported to Strategy and Resources Committee in June 2017. The District Auditor, Grant Thornton, will report back to the Strategy and Resources Committee later this month. Adjustments to the draft accounts will also be reported. To date no changes have been identified either to the financial performance for 2016/17 or to the level of cash reserves available as at 31 March 2017.
- 4.2 At the time of writing this report the Auditors intend to issue an unqualified audit opinion in respect of the Council's financial statements.
- 4.3 At the end of 2016/17 the Council's reserve levels stood at £3.334m for general fund balances and £13.188m for strategic earmarked reserves. A breakdown of these reserves can be found in the Council's Statement of Accounts published online.
- 4.4 The 2016/17 budget did not anticipate any withdrawal from general fund reserves to finance the provision of services. The actual year end position allowed the Council to make a contribution to general fund balances of £163,000 leaving the Council with a general fund balance of £3.334m. This is £834,000 above the £2.5m internally set threshold.
- 4.5 The 2017/18 budget was set with a balanced budget and anticipated no use of general fund reserves.

Capital Reserves

- 4.6 The following statement of the Council's capital reserves is also taken from the financial statements for 2016/17:-

	Usable Capital Receipts £'000
Balance brought forward at 1 April 2016	4,388
Amounts received in 2016/17	+ 737
Amounts applied to finance new capital investment	- 812
Reduction in realised capital resources	- 75
Balance carried forward at 31 March 2017	4,313

- 4.7 The estimated commitments on capital reserves required to fund schemes in the 2017/18 capital programme total £1.864 million; £1,221,000 for schemes brought forward and £643,000 for new schemes.
- 4.8 The estimate of uncommitted capital reserves is therefore reduced to £2.4 million.

5 Budget Outlook for 2018/19

- 5.1 A financial model has been prepared and the following table summarises the latest budget forecast:-

	<u>2017/18</u> <u>Budget</u> £'000	<u>2018/19</u> <u>Forecast</u> £'000	<u>2019/20</u> <u>Forecast</u> £'000	<u>2020/21</u> <u>Forecast</u> £'000
Net Cost of Service b/f		8,365	8,619	8,525
Add back prior year use of reserves/provisions		225		
Pay & Price Increases		418	395	395
Contingency for Service Changes and Pressures		395	174	100
Changes in External Funding		4	65	65
Increase in Fees & Charges		-200	-200	-210
Identified savings (breakdown in 5.4)		-588	-528	0
Forecast Net Cost of Services	8,365	8,619	8,525	8,875
Interest on Balances	-220	-220	-220	-220
Use of New Homes Bonus	-500	-500	-304	-196
Transfer from Working Balance (-)	0	0	0	0
Forecast Net Expenditure	7,645	7,899	8,001	8,459
Base income from Council Tax	6,045	6,251	6,460	6,673
Retained Business Rates	1,527	1,558	1,589	1,620
Tariff adjustment	0	0	-625	-625
Transitional Grant	83	0	0	0
Adjustments	-10	0	0	0
Total Funding	7,645	7,809	7,424	7,668
Forecast Budget Shortfall	0	90	577	791

- 5.2 The forecast budget shortfall for 2018/19 is £90,000 and over the next 3 years financial years (inclusive of 2018/19) the total deficit is £1.458m. This shortfall includes the following assumptions:
- 5.2.1 That £500k New Homes Bonus Grant is used to fund services in 18/19, the criteria for eligibility for this grant has been changed and as a result funding for future years will reduce significantly, with levels expected to drop to £304k in 2019/20 and £196k in 2020/21.
 - 5.2.2 Increases in yield from fees and charges are increased by 3% from 2018/19 onwards.
 - 5.2.3 Provision for increase in pay bill reflects current proposal submitted to Staff Consultative Group costing £228k in 2018/19,
 - 5.2.4 Reduction in funding from SCC of £254k to support provision of services for refuse collection and highways horticultural, partially offset by an increase in garden waste subscription fees of £119k to mitigate loss of funding.
 - 5.2.5 Homelessness grant funding secured in 2018/19 for £131k per annum for 3 years
 - 5.2.6 No provision has been provided for income from the acquisition of new commercial properties.
 - 5.2.7 No provision has been included for an increase in business rates payable on council owned properties due to loss of transitional reliefs.
 - 5.2.8 No provision has been made for an increase in member allowances over and above rpi.
 - 5.2.9 £200k included to fund expenditure previously charged to capital for IT and bin container replacement
 - 5.2.10A provision of £100k in 2018/19 and 2019/20 to mitigate the impact of benefit reforms.
 - 5.2.11 Loss of housing benefit admin grant of £45k in 2018/19 and a further £24k in 2019/20
 - 5.2.12A provision for an increase in property maintenance costs of £50k for 2018/19 and 2019/20.
- 5.3 The 2018/19 budget figures will change throughout the budget setting process as managers and Accountants review budgets and trends.
- 5.4 The following savings for 2018/19 were agreed in principle by the relevant Policy Committees in the 2017/18 budget targets reports last year:

	£'000	Committee
Restructuring of Senior Management Team	60	S&R
Disposal of Ebbisham Centre	52	C&W / S&R
Cease sweeping up highway verge cuttings after cutting	52	Environment
Issuing licences for professional users of parks	10	C&W
Allotments – self management	4	C&W
Introduce vending in parks	5	C&W
Operational efficiencies and income generation	405	All
Total savings	588	

2018/19 deficit

5.5 The following statement of the Council's capital reserves is also taken from the financial statements for 2016/17:-

5.6 This leaves the Council with a budget deficit of £90,000 for 18/19. It is anticipated that further savings should be achievable to address the funding gap through:

5.6.1 **Efficiency savings** – officers will continue to review service delivery to identify any further efficiencies, income streams and economies of scale.

5.6.2 **Income generation** – officers will deliver an Income Generation Plan that will identify new income streams for the Council and also highlight areas where further income can be increased from existing services

5.6.3 **A base review** – this entails reviewing the year end position for 2016/17, identifying any potential savings, additional cost pressures and areas where savings can be developed.

5.6.4 **Property related** – to generate additional income from investment in commercial property and to realise cost reductions in the operation of Council owned property.

5.7 It is proposed that officers undertake reviews throughout the year and during the budget setting process to help deliver a balanced budget for 2018/19. If necessary a list of proposals will be presented to members by officers with suggestions of how to reduce the £90,000 shortfall.

5.8 The following main factors were used to prepare the forecast.

ASSUMPTIONS USED	BASE £'000	2017/18 Budget	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
General Inflation - prices	9,500		2.0%*	2.0%	2.0%
Pay bill growth	11,000	2.1%	2.1%**	1.9%	1.9%
Fees & Charges allowance: annual increased yield on discretionary charges	6,600		3.0%	3.0%	3.0%
Interest rate used		1.00%	1.25%***	1.5%***	2.00%***
Increase in Council Tax	6,045	£187.02	£5 increase on Band D	£5 increase on Band D	£5 increase on Band D
Increase in Property Base		32,324 <i>Properties</i>	0.75%	0.75%	0.75%

* allows for unavoidable price inflation only

** assumes pay proposal submitted to Staff Consultative Group is approved.

*** assumes additional resources available from interest equalisation reserve to maintain a minimum £220,000 per annum for general fund use

6 Budget Timetable 2018/19

6.1 In May the Financial Policy Panel received a preliminary report on preparing the 2018/19 budget and agreed a budget reporting timetable. The table below summaries the overview of the budget review process:

Annual Review	Financial Planning
May	Financial Review
June	End of Year Financial Reports
July - September	Review of Revenue and Capital expenditure Set budget targets for 2018/19
October - December	Estimates and Budget Options Capital finances and appraisals
January	Service estimates and investment plans for following year Capital schemes to Council
February	Determine budget and council tax Approve capital programme for 2018/19
March	Publish budget Council tax information and billing

7 New Homes Bonus Scheme

- 7.1 The New Homes Bonus protocol agreed by Strategy and Resources Committee in September 2013 allowed for £500,000 per annum of grant to be used to finance general fund services.
- 7.2 Central Government last year changed the criteria for the award of the grant and as a result significantly reduced the amount of New Homes Bonus payable. The level of funding is expected to reduce from the £1,554,000 for 2017/18 down to £664,000 in 2018/19.
- 7.3 The current forecast anticipates the continued use of £500,000 of New Homes Bonus in 2018/19 but this funding reduces down to £304,000 in 2019/20 and £196,000 in 2020/21.

8 Forecast for 2019/20 and 2020/21

- 8.1 **Annexe 1** projects a further deficit of £577,000 in 2019/20 and £791,000 in 2020/21. If the £90,000 shortfall in 2018/19 is addressed this would reduce the deficit in 2019/20 to £487,000 and 2020/21 to £701,000.
- 8.2 There are still a number of risks that may impact on these projections such as the impact of any delays or changes to efficiency savings, welfare reforms and further reductions in external funding for services from Surrey County Council.
- 8.3 A programme has been implemented to deliver the necessary savings and additional income required to meet the funding shortfalls. The key features of this programme are:
 - 8.3.1 Continuation of delivery of savings identified in the Council's Efficiency Plan
 - 8.3.2 A base review of the year end position for 2016/17, identifying any potential savings, additional cost pressures and areas where saving can be developed. These will be used to update the four year financial plan.
 - 8.3.3 Property related – to generate additional income from investment in commercial property and to realise cost reductions in the operation of Council owned property.
 - 8.3.4 Income generation – officers will deliver an Income Generation Plan that will identify new income streams for the Council and also highlight areas where further income can be increased from existing services

9 Fees and Charges

- 9.1 Budgeted income from discretionary fees and charges totals nearly £7 million. Additional income targets were again set this year for Council run venues along with increases in other fees and charges. The 2018/19 budget forecast assumes an additional yield on charges set by the Council generating £200,000 based on a minimum overall increase of 3.0% in total income.
- 9.2 Any shortfall in income will need to be offset by additional cost savings so that a balanced budget can be achieved.

10 Council Tax and Retained Business Rates

- 10.1 The forecast assumes an increase of £5 on Band D equivalent property per annum in council tax income. It is anticipated this level of tax increase would keep the council tax in the lower half of the Surrey Districts, consistent with the council tax policy.
- 10.2 The current Band D for the Borough is £187.02. The Borough's council tax is benchmarked against the other Surrey District council tax levels below:-

SURREY	Average council tax for the authority including parish precepts - Band D	
	£	% change
Runnymede	154.59	3.34
Mole Valley	175.89	3.93
Epsom & Ewell	187.02	2.72
Guildford	189.65	3.47
Spelthorne	192.44	2.67
Elmbridge	211.77	1.93
Reigate & Banstead	220.60	2.42
Tandridge	225.93	2.70
Surrey Heath	225.96	2.41
Waverley	226.18	3.56
Woking	226.71	2.23

Source :DCLG website August 2017

- 10.3 The forecast also assumes a 2% increase in the Council's share of retained business rates income for each financial year.

- 10.4 The Council maintains a Business Rates Equalisation Reserve to finance any fluctuations in its share of Business Rate income. The uncommitted balance on this reserve currently stands at £795,000.

11 Capital Programme

- 11.1 The capital programme review for 2018-2019 is under way. The Capital Member Group has met this month to review draft bids.

12 Proposals

- 12.1 The recommendations to the Strategy and Resources Committee are covered in the recommendations of this report.
- 12.2 The Panel is requested to advise whether any changes are needed to the budget strategy or the charging assumptions used in setting the budget target for 2018/19.

13 Financial and Manpower Implications

- 13.1 ***Chief Finance Officer's comments:** Decisions on a pay settlement for April 2018 are not required prior to the budget being agreed however resource constraints will need to be taken into account in any pay award.*
- 13.2 *The financial outlook for 2018/19 was contained in the Four Year Financial Plan and is shown in Annexe 1 of this report.*
- 13.3 *The 2018/19 budget figures will change throughout the budget setting process as managers and the Finance Team review budgets and trends.*

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

- 14.1 ***Monitoring Officer's comments:** No comments for the purposes of this report.*

15 Risk Assessment

- 15.1 A high level of risk to Council finances has arisen from the resultant public sector spending cuts. The main risks for next year are set out in the 2018/19 budget report.
- 15.2 The longer term financial risks are contained in the Four Year Financial Plan 2016-2020.

16 Conclusion and Recommendations

- 16.1 The recommendations to the Strategy and Resources Committee are covered in the recommendations of this report.
- 16.2 This report covers budget targets for 2018/19, taking into account the financial forecast for the next three years and the Council's approved Medium Term Financial Strategy.

- 16.3 Based on the assumptions used, the forecast identifies that cost reductions are required in the region of £90,000 in 2018/19 and £1.458 million in total over the next three financial years
- 16.4 The budget strategy involves continuing to deliver efficiency savings and generate extra service income whilst reviewing service levels so that service costs can be reduced as needed to achieve a balanced budget year on year.
- 16.5 The budget strategy also requires prudent use of government grants such as the New Homes Bonus to limit reliance on specific grants for funding council services.
- 16.6 The greatest financial risks appear to be further potential funding cuts from Central Government and from Surrey County Council for services provided by this Council.
- 16.7 The budget position for 2018/19 will be reassessed later this year when detailed service estimates have been prepared.

WARD(S) AFFECTED: (All Wards);

REVENUE BUDGET FOUR YEAR FORECAST

FOUR YEAR BUDGET PROFILES	2017/18	2018/19	2019/20	2020/21
	Budget	Forecast	Forecast	Forecast
	£000	£000	£000	£000
NET SPEND B/F FROM PREVIOUS YEAR		7,645	7,899	8,001
add back: Use of New Homes Bonus in Previous Year		500	500	304
add back: Interest on Balances as credited to the revenue account in previous year		220	220	220
add back: Use of Reserves/Provisions in previous years budget		225	0	0
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	8,365	8,590	8,619	8,525
Allowance for Pay and Price Inflation				
General Inflation - price base		+190	+190	+190
General Inflation pay bill base		+228	+205	+205
Prices Increases net of Increased Fees & Charges		+418	+395	+395
Regulation & Legislative Changes				
Pension Fund Valuation 2019				+100
IT and bin replacement programmes transferred from capital		+200		
Loss of Housing Benefit Admin Grant		+45	+24	
Increase in provision for property maintenance		+50	+50	
Provision for impact on services of latest benefit reforms		+100	+100	
Legislation Impacts		+395	+174	+100
Changes to External Funding				
Refuse & recycling (SCC)		+218	+65	+65
Increase in garden waste fees to offset reduction in SCC subsidy		-119		
Highways horticulture (SCC)		+36		
Parking enforcement (SCC)				
Homelessness Grant (DCLG)		-131		
Changes to External Funding		+4	+65	+65
New Home Bonus				
Estimated New Homes Bonus	-1,554	-665	-304	-196
Transfer to Corporate Project Reserve	+1,054	+165	+0	+0
NHB Funding used to support General Fund services	-500	-500	-304	-196
Cost Reduction Plan				
Savings from Reviews and Star Chamber Exercise		-476	-406	
Restructuring of Senior Management Team		-60		
Disposal of Ebbisham Centre		-52		
Reduction in homelessness costs through new properties			-122	
Additional income identified in Income Generation Plan				
Income from investment in commercial property				
Cost Reduction Plan		-588	-528	+0
Fees and Charges				
Increased yield on discretionary Fees and Charges		-200	-200	-210
		-200	-200	-210

FOUR YEAR BUDGET PROFILES	2017/18	2018/19	2019/20	2020/21
	Budget	Forecast	Forecast	Forecast
	£000	£000	£000	£000
Interest on Balances (excludes interest credited to strategic reserves)				
Capital Reserves	1,719	1,278	1,000	1,000
Working Balance	5,877	5,277	4,627	4,577
Section 106	1,500	500	0	0
Other Balances	3,750	800	500	500
Investments (average)	12,846	7,855	6,127	6,077
Interest rate used (supplemented by interest equalisation reserve)	1.00%	1.25%	1.50%	2.00%
Interest on Reserves	-128	-98	-92	-122
Interest on Cash Flow / Tax Collection credited to General Fund	-40	-50	-60	-80
Total Interest Forecast	-168	-148	-152	-202
Interest separately allocated to Strategic Reserves				
Add: Use of interest equalisation reserve	-52	-72	-68	-18
Interest credited to General Fund to Finance Services	-220	-220	-220	-220
SUMMARY OF FORECASTS				
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	8,365	8,590	8,619	8,525
Price Increases (inflation)		+418	+395	+395
Legislation Impacts		+395	+174	+100
NHB Funding used to support General Fund services	-500	-500	-304	-196
Changes to External Funding	+0	+4	+65	+65
Cost Reduction Plan		-588	-528	+0
Fees and Charges		-200	-200	-210
Interest credited to General Fund to Finance Services	-220	-220	-220	-220
Forecast Net Cost of Services	7,645	7,899	8,001	8,459
SETTLEMENT ASSESSMENT FUNDING FORECAST				
RSG	+0	+0	+0	+0
Tariff Adjustment	+0	+0	-625	-625
Transitional Grant	+83	+0	+0	+0
Retained Business Rates	1,238	1,558	1,589	1,620
Small Business Rate Relief Grant	289	included above		
Formula Grant / Business Rate Retention	1,610	1,558	964	995
Base Income from Council Tax		6,045	6,251	6,460
Increase in council tax base		+45	+47	+49
	6,045	6,090	6,298	6,509
Forecast for increase in Council Tax income		+161	+162	+164
Council Tax Income Forecast	6,045	6,251	6,460	6,673
Deficit on Retained Business Rates	-111			
Collection Fund Surplus	101	0	0	0
Assumed Collection Fund Income (Formula Grant + Council Tax)	7,645	7,809	7,424	7,668
Forecast Budget Shortfall (required use of working balance)	0	90	577	791
GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION				
Estimated Working Balance b/f	3,334	3,334	3,244	2,667
Resulting Working Balance c/f	3,334	3,244	2,667	1,876

CORPORATE PLAN: PERFORMANCE REPORT ONE 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 – Performance Report One 2017 to 2018
<u>Other available papers</u> (not attached):	Corporate Plan 2016 to 2020

REPORT SUMMARY

This report provides an update against our Key Priority Performance Targets for 2017 to 2018, under our new Corporate Plan.

RECOMMENDATION (S)

- (1) That the Committee considers the performance reported in Annexe 1 and identifies any areas of concern.**
- (2) That the Committee considers the actions that have been proposed or taken where performance is currently a concern as shown in table 3.1.**

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 66 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 details what will be done, what the 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. On the whole performance is good as shown in the table below. Consideration should be given to any Key Priority Performance Target where performance is currently a concern as shown in table 3.1.

Performance status		
Key to reporting status		Number
	On track/achieved	24
	Slightly off track not a major concern or slippage	3
	Off track or unlikely to be achieved for projected year	2
Total		29

3 Actions identified for the Key Priority Performance Target where performance is currently a concern

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

Not achieved	Actions identified
<p>Supporting businesses and our local economy Support the Business Partnership to develop a proposal for a Business Improvement District (BID) with the intention of holding a Ballot</p>	<p>This target has slipped slightly however a ballot will be held on 9 November.</p>
<p>To agree and implement a scheme for the allocation of the neighbourhood portion of Community Infrastructure Levy (CIL) (15%)</p>	<p>A further report on the introduction of a Local Projects scheme go before S&R Committee during November 2017.</p>

4 Financial and Manpower Implications

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

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

5.1 *Monitoring Officer's comments: There are no legal implications arising from this report. The implications around each individual target are considered as those targets are considered and action is taken.*

6 Sustainability Policy and Community Safety Implications

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

7 Risk Assessment

7.1 Actions have been identified for those Key Priority Performance Targets where performance is currently a concern.

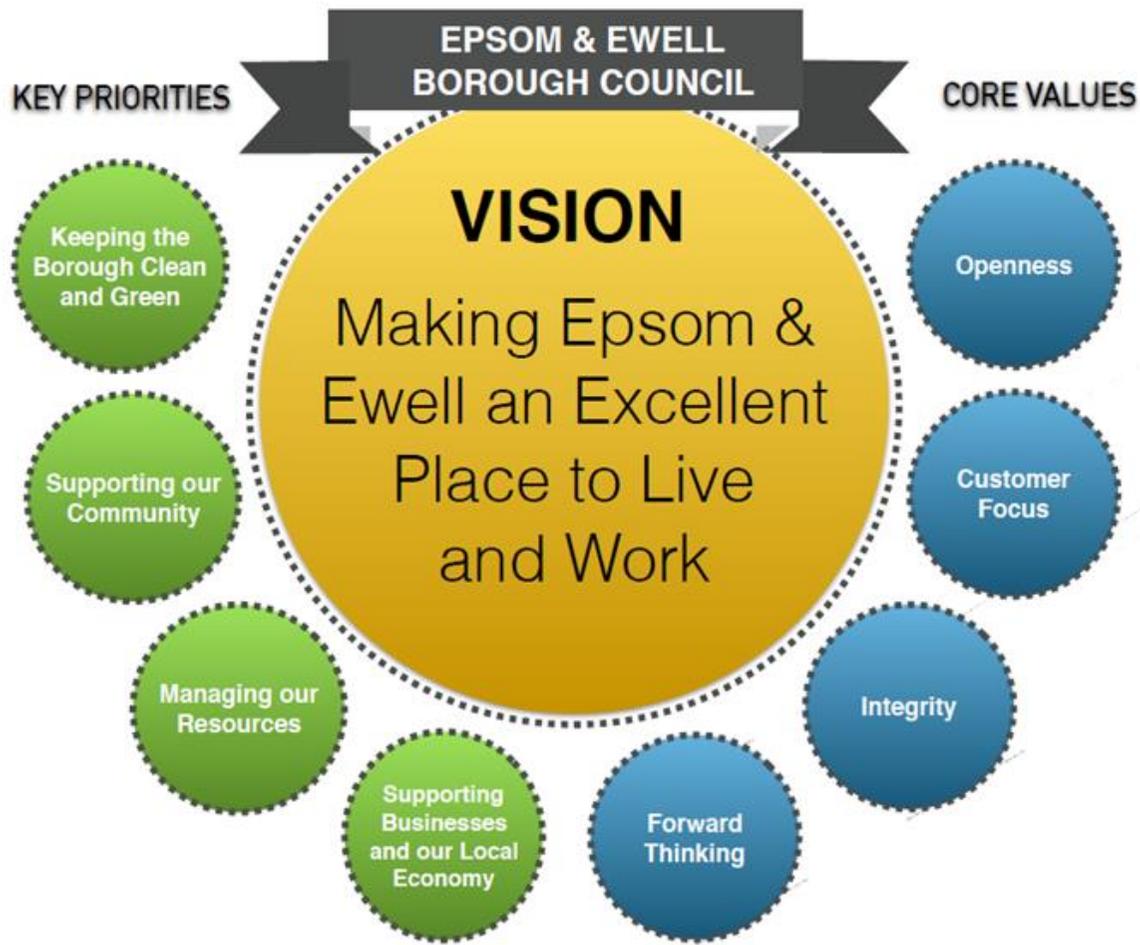
8 Conclusion and Recommendations

8.1 The Committee is requested to consider the performance reported and identifies any areas of concern.

8.2 The Committee is requested to consider the actions that have been proposed where performance is currently of concern.

WARD(S) AFFECTED: (All Wards);

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Corporate Plan: Key Priority Performance Targets
Strategy & Resources Committee – Performance Report One 2017/2018



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

Performance status		
Key to reporting target status		Number
	On track/achieved	24
	Slightly off track not a major concern or slippage	3
	Off track or unlikely to be achieved for projected year	2
Total		29

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:
Developing multi-skilled and motivated staff	Present proposals for a revised pay structure to HR Panel and S&R Committee	Shona Mason Head of HR & OD	31 October 2017	April to Sept: Revised pay structured developed and presented to Leadership Team, Chair of HR Panel and Chair of S&R with consultation with staff commenced in July.	
				Oct to Dec:	
				Jan to March:	
	Present proposals for a revised appraisal scheme to the Leadership Team and HR Panel	Shona Mason Head of HR & OD	31 December 2017	April to Sept: Draft scheme was developed and presented to Leadership Team	
				Oct to Dec:	
				Jan to March:	
	Hold three Managers Huddle's to support the development of all EEBC managers	Shona Mason Head of HR & OD	31 March 2018	April to Sept: So far we've held one Managers Huddle in June 2017 covering the following topics - Developing the Managers Network, Our EEBC Manager, Service Delivery Plans & Performance Management.	
				Oct to Dec:	
				Jan to March:	
	To consult with staff on a range of initiatives including management competencies, revised HR policies including the Attendance Management and Capability, and the appraisal process	Shona Mason Head of HR & OD	31 March 2018	April to Sept: Collated and review of feedback from staff on Attendance Management Policy and Capability policy with a view to rolling out new policies in Autumn. Finalised "Our EEBC Manager" behaviours and competencies via the Manager Huddle that took place in June.	
				Oct to Dec:	
				Jan to March:	

Managing our resources – Key priority						
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:	
Providing services digitally	Complete phase 2 of the website	Judith Doney Head of Revenues & Benefits Andrew Lunt Head of Venues & Facilities	31 December 2017	April to Sept: Venues currently on target. Plan Alpha have supplied templates, relevant domain addresses have been purchased, 360 degree filming of the Playhouse and Ewell court house has been carried out. Websites content is now being drafted.		
				Revenues & Benefits self-service currently on target. Module has been updated to newest version and initial work done by Capita consultant. Setup now to be completed by Revenues & Benefits project team.		
				Oct to Dec:		
					Jan to March:	
	Develop the Customer Experience Strategy and report to S&R	Joy Stevens Head of Customer Services & Business Support	31 March 2018	April to Sept: Some work has been done on the Customer Experience Strategy but this is linked to progressing the replacement options for the CRM which has been submitted as a capital bid.		
				Oct to Dec:		
				Jan to March:		
	100% of all housing clients to complete applications digitally	Rod Brown Head of Housing & Environmental Services	31 March 2018	April to Sept: Year to date 100% of housing clients applications have been submitted digitally.		
				Oct to Dec:		
Jan to March:						

Managing our resources – Key priority																				
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:															
Identifying new sources of revenue and maximising our existing income	At least 98.4% of Council Tax collected	Judith Doney Head of Revenues & Benefits	31 March 2018	April to Sept: The cumulative target as at July is 42.50%. We've collected 43.00%. This compares to 42.80% in July 2016/17. We are expecting to achieve this target by year end.	G															
				Oct to Dec:																
				Jan to March:																
<p>Received Net Amount of Council Tax Due</p> <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <caption>Received Net Amount of Council Tax Due Data</caption> <thead> <tr> <th>Month</th> <th>Actual (%)</th> <th>Profile Target (%)</th> </tr> </thead> <tbody> <tr> <td>April</td> <td>14.70%</td> <td>14.00%</td> </tr> <tr> <td>May</td> <td>24.10%</td> <td>23.50%</td> </tr> <tr> <td>June</td> <td>33.50%</td> <td>33.00%</td> </tr> <tr> <td>July</td> <td>43.00%</td> <td>42.50%</td> </tr> </tbody> </table>						Month	Actual (%)	Profile Target (%)	April	14.70%	14.00%	May	24.10%	23.50%	June	33.50%	33.00%	July	43.00%	42.50%
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Managing our resources – Key priority																																								
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:																																			
Identifying new sources of revenue and maximising our existing income	At least 99.0% of Business Rates to be collected	Judith Doney Head of Revenues & Benefits	31 March 2018	April to Sept: The cumulative target as at July is 42.20%. We've collected 43.03%. This compares to 42.35% in July 2016/17. We are expecting to achieve this target by year end.	G																																			
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Managing our resources – Key priority

Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:																																							
Identifying new sources of revenue and maximising our existing income	Process new Housing Benefit claims within an average time of 28 days	Judith Doney Head of Revenues & Benefits	31 March 2018	April to Sept: Apart from April and May, we've been processing new Housing Benefits claims within an average time of 25 days therefore meeting the target set. When compared to July 2016/17 we were processing claims with an average time of 38 days.	G																																							
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Managing our resources – Key priority																																												
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:																																							
Identifying new sources of revenue and maximising our existing income	Process Housing Benefit change of circumstances within an average time 11 days	Judith Doney Head of Revenues & Benefits	31 March 2018	April to Sept: Target met.	G																																							
				Oct to Dec:																																								
				Jan to March:																																								
<p>Time Taken to Process Housing Benefit Change Events</p> <p>Legend: Actual (Blue bars), Target In Days (Red line)</p> <table border="1"> <caption>Data for Time Taken to Process Housing Benefit Change Events</caption> <thead> <tr> <th>Month</th> <th>Actual (Days)</th> <th>Target (Days)</th> </tr> </thead> <tbody> <tr><td>April</td><td>7</td><td>11</td></tr> <tr><td>May</td><td>9</td><td>11</td></tr> <tr><td>June</td><td>9</td><td>11</td></tr> <tr><td>July</td><td>8</td><td>11</td></tr> <tr><td>August</td><td>-</td><td>11</td></tr> <tr><td>September</td><td>-</td><td>11</td></tr> <tr><td>October</td><td>-</td><td>11</td></tr> <tr><td>November</td><td>-</td><td>11</td></tr> <tr><td>December</td><td>-</td><td>11</td></tr> <tr><td>January</td><td>-</td><td>11</td></tr> <tr><td>February</td><td>-</td><td>11</td></tr> <tr><td>March</td><td>-</td><td>11</td></tr> </tbody> </table>						Month	Actual (Days)	Target (Days)	April	7	11	May	9	11	June	9	11	July	8	11	August	-	11	September	-	11	October	-	11	November	-	11	December	-	11	January	-	11	February	-	11	March	-	11
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Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:
Identifying new sources of revenue and maximising our existing income	Increase the catering income from Bourne Hall café and Playhouse bar by an additional £50,000 net	Andrew Lunt Head of Venues & Facilities	31 March 2018	April to Sept: The current income position for the named venues stands at £255,304 net (to the end of July). Although this figure is a little over half of the required amount, due to the seasonal nature of the venues business it is projected that we will achieve target.	
				Oct to Dec:	
				Jan to March:	
	Secure a combined lettings income from Bourne Hall, Community & Wellbeing Centre, Playhouse and Ewell Court of £462,000	Andrew Lunt Head of Venues & Facilities	31 March 2018	April to Sept: The current income position for Bourne Hall, Community & Wellbeing Centre, Playhouse and Ewell Court venues stands at £255,304 net (to the end of July).	
			Oct to Dec:		
			Jan to March:		

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:
Identifying new sources of revenue and maximising our existing income	Generate £8,000 income from pest control referral service	Rod Brown Head of Housing & Environmental Services	31 March 2018	April to Sept: Year to date, we've generated £5900.	
				Oct to Dec:	
				Jan to March:	
	Epsom Cemetery extension: <ul style="list-style-type: none"> Conduct ecological and ground water risk assessment Submit the planning application 	Rod Brown Head of Housing & Environmental Services	31 July 2017 31 December 2017	April to Sept: Ground Water Risk Assessment was received in August and although subject to Environment Agency approval looks promising. Other assessments are needed and being pursued. Obtaining results of all extensive pre-application assessments may delay submission of planning application.	
				Oct to Dec:	
				Jan to March:	
To produce a proposal in regards to income generation plan to accompany the Medium Term Financial Strategy		Lee Duffy Head of Financial Services	20 February 2018	April to Sept: A proposal by an independent consultant for producing a four year generation plan with clear deliverables towards a savings targets of £500,000 has been agreed and will be funded by a grant from the LGA. A start date for works to commence will be agreed shortly.	
				Oct to Dec:	
				Jan to March:	

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:
Delivering further efficiency savings and cost reductions	E-Tendering system implemented	Gillian McTaggart Head of Corporate Governance	31 October 2017	April to Sept: The Contract & Procurement Officer has been in post for six months and the system is now fully operational and has been used to run a number of procurement exercises. A Contract Register has been compiled of all current contracts and this will be uploaded onto the system. Training/awareness sessions will be held to ensure that managers are aware of the new procurement system and their responsibilities.	
				Oct to Dec:	
				Jan to March:	
	Submit a capital bid and, identify a replacement system for the CRM which meets our business needs, is affordable and sustainable	Joy Stevens Head of Customer Services & Business Support	30 September 2017	April to Sept: A capital bid has been submitted and was reviewed by the Capital Member Group.	
				Oct to Dec:	
				Jan to March:	

Managing our resources – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:
Maximising returns from properties and other investments	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	Mark Shephard Head of Property	31 March 2018	April to Sept: No suitable investment properties were available to purchase in the Borough that met the Council's stringent Property Investment Strategy criteria.	
				Oct to Dec:	
				Jan to March:	
	To produce a proposal in regards to an Asset Management Strategy and Ten year maintenance plan	Mark Shephard Head of Property	31 March 2018	April to Sept: The Asset Management Strategy remains under review and a report is anticipated to be brought to S&R during the next quarter.	
				Oct to Dec:	
				Jan to March:	
	Review options for establishing a local authority trading company through a Member / Officer Working Group and report to S&R	Mark Shephard Head of Property	31 December 2017	April to Sept: The Working Group has reviewed options and a report is being brought to S&R / Extraordinary Council on 19 September 2017.	
				Oct to Dec:	
		Simon Young Head of Legal & Democratic Services	Jan to March:		

**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 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:
Supporting a comprehensive retail, commercial and social offer	Support the Business Partnership to develop a proposal for a Business Improvement District (BID) with the intention of holding a Ballot	Mark Berry Head of Place Development	31 October 2017	April to Sept: This target has slipped slightly. BID ballot to take place during November 2017.	
				Oct to Dec:	
				Jan to March:	
	To agree and implement a scheme for the allocation of the neighbourhood portion of Community Infrastructure Levy (CIL) (15%)	Mark Berry Head of Place Development	31 August 2017	April to Sept: During July 2017 Members of Epsom & Ewell’s Joint Infrastructure Group (comprised of Borough Members and County Joint Committee Members) received a report setting out how CIL monies could be allocated to neighbourhood level schemes. Members confirmed the proposed new Civic Investment Fund (CIF) style scheme and agreed that a further report on the introduction of a Local Projects scheme go before S&R Committee during November 2017.	
			Oct to Dec:		
			Jan to March:		

Supporting Businesses and our Local Economy – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:
Maintaining strong links with local business leaders and representative organisations	To hold at least three business breakfasts	Mark Berry Head of Place Development	31 March 2018	April to Sept: On course. One held on 24 May 2017. Another planned for the autumn although date not yet fixed.	
				Oct to Dec:	
				Jan to March:	
Delivering an affordable Economic Development Strategy	Plan E (Phase 1): • Finalise and agree the design for the Market Place improvements in partnership with Surrey County Council (SCC)	Mark Berry Head of Place Development	31 October 2017	April to Sept: Material and design for Market Place improvements agreed between Borough and County Council. Detailed construction design in-hand. Work on implementation due to commence during 2018.	
				Oct to Dec:	
				Jan to March:	
	To investigate the creation of a joint committee with Surrey County Council	Simon Young Head of Legal & Democratic Services	31 March 2018	April to Sept: Not yet started however, it is anticipated that this target will be achieved by year end.	
				Oct to Dec:	
				Jan to March:	

Supporting Businesses and our Local Economy – Key priority						
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:	
Promoting our Borough as an excellent place to do business	Develop the business case for a business hub and report to S&R	Mark Berry Head of Place Development	28 November 2017	April to Sept: A business case is being prepared for submission to the Local Enterprise Partnership (LEP) to establish the availability of funding for the acquisition of an Epsom office building.		
		Mark Shephard Head of Property		Oct to Dec:		
				Jan to March:		
	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		Mark Berry Head of Place Development	31 December 2017	April to Sept: Review commenced. To be reported in the autumn to the relevant Chairman.	
					Oct to Dec:	
					Jan to March:	

Supporting Businesses and our Local Economy – Key priority					
Key priority objective. We will do this by...	Key priority performance target for 2017/18	Responsible officer	Achieved by:	Latest progress:	Status:
Promoting our Borough as an excellent place to do business	To carry out a corporate review of all marketing and promotions to agree an overall strategy	Gillian McTaggart Head of Corporate Governance	31 October 2017	April to Sept: A scope for the corporate marketing review has been drafted and a project group will meet at the beginning of September reporting to the Leadership Team at the end of October.	
				Oct to Dec:	
				Jan to March:	

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PROCUREMENT STRATEGY

<u>Report of the:</u>	Head of Corporate Governance
<u>Contact:</u>	Gillian McTaggart
Urgent Decision?(yes/no)	N/A
If yes, reason urgent decision required:	No
<u>Annexes/Appendices</u> (attached):	Annexe 1: Procurement Strategy – Overview & key success measures Annexe 2: Procurement Strategy
<u>Other available papers</u> (not attached):	Strategy & Resources Committee - Restructuring of the procurement function 26 January 2016 Strategy & Resources Committee - Review of the Contract Standing Orders 21 June 2016

REPORT SUMMARY

This report seeks approval for the Procurement Strategy 2017-2021

RECOMMENDATION (S)

That the Procurement Strategy 2017-2021 as set out in summary in annexe 1 and in detail in annexe 2 to this report be approved

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

- 1.1 The Procurement Strategy sets out the Council's overall aims and objectives in relation to procurement setting out a clear and transparent strategy.
- 1.2 Procurement is a key function that is embedded across council services. This strategy details the principles that will be adopted for the future procurement and provision of services and will provide a clear framework which will help support the delivery of the Corporate Plan.

2 Background

- 2.1 Procurement is defined as the process of acquiring goods, works and services covering both acquisitions from third parties and from in-house providers.

- 2.2 The Council spends some £14.5 million each year with outside suppliers. Budgetary pressures mean that it is important to procure efficiently and effectively and achieve best value.
- 2.3 The Council had an independent healthcheck of its procurement function undertaken in 2015 and as a result a report was taken to this committee in January 2016 to obtain approval for restructuring the procurement function. The healthcheck identified a number of areas of weaknesses including procurement strategy, procurement policy and procurement systems. As part of the restructure approval was given to work with the London Borough of Sutton to assist with strategic procurement.
- 2.4 The Public Contracts Regulations were introduced in 2015 and these govern public sector procurement. These new regulations codified other legislation to provide clarity, promote transparency, improve efficiencies in procurement, reduce red tape, reduce timescales, improve choice, and promote greater access to public sector contracts for Small to Medium Sized Enterprises (SMEs). A SME is defined by its staff head count (less than 250) and either turnover or balance sheet total. A diverse group of businesses fall into the SME category, ranging from sole traders to businesses and social enterprises.
- 2.5 Progress has been made in improving our procurement framework including the appointment of a dedicated Contract & Procurement Officer. Also as recommended in the healthcheck the Contract Standing Orders have been updated and now reflect the requirements of Public Contract Regulations 2015. These were approved by this committee in June 2016. The Council has installed the Proactis/Due North e-tendering system and this is being rolled out with support from the Procurement Team at the London Borough of Sutton.
- 2.6 A number of tenders have already been awarded using the system and from the end of October all procurement should go through the system as in line with the Contract Standing Orders.

3 Proposals

- 3.1 The Procurement Strategy was last updated in 2014 but this was limited in coverage, as it did not refer to the Corporate Plan or the Public Contract Regulations 2015. The new strategy demonstrates how the Council can use its spending power to deliver its corporate objectives and ensure that proper procedures are followed and expenditure is governed by suitable contractual arrangements.

The detailed Procurement Strategy was developed with an external procurement consultant looking at procurement across the whole Council, with the aim of developing a procurement model across all services that is compliant, commercial, and cost effective; and provides greater challenge on whether there is a sound business case, why something is needed, and how it is spent.

- 3.2 Compliant, so that procurement principles are applied consistently and in line with the Public Contracts Regulations, the council's governance structure and regulations and is transparent and open.
- 3.3 Commercial, so that requirements should not be overly prescriptive and where possible expressed as outcomes.
- 3.4 Cost effective, in that price will be an important criterion in the procurement process and therefore to achieve cost effectiveness the Council will be committed to competitive tendering. The use of the e-tendering system will assist this. Framework agreements and collaborating with other public bodies can also be used to reduce the cost of procurement.
- 3.5 Greater internal challenge, as all proposed procurement projects and decisions to spend with third parties should be subject to scrutiny and challenge with rigorous processes in place to determine the required outcome through business cases.
- 3.7 To support the overall Procurement Strategy a number of other policies have been included to guide managers, including a Competition Policy, Collaboration Policy and a policy for promoting contract opportunities for SMEs, voluntary organisations and social enterprises in Epsom and Ewell and in the local area.
- 3.8 This Procurement Strategy is very detailed providing a framework for employees to be aware of our responsibilities, aims and objectives. However the Contract Standing Orders (CSOs) provide practical guidance for them to follow, these set out the thresholds and rules for procuring services and ensure that we are fair, accountable and consistent across the Council as they apply to all officers. Assistance and support is available for procurement from the Contracts & Procurement Officer.
- 3.9 To make the Strategy more accessible a single page overview was developed as shown in Annexe 1. This shows the overall aims of the strategy and the key success measures for 2017/18. The full Procurement Strategy is attached as Annexe 2. The one page overview will be updated annually by the Head of Corporate Governance to refresh the key success measures.
- 3.10 To ensure that there is improvement in managing procurement performance, the Head of Corporate Governance will monitor the spend across the Council on a regular basis, reporting to the Corporate Governance Group. The key success measures for 2017/18 are;
 - Introduction of the e-tendering system throughout the Council
 - Continue to improve the use of purchase orders and provide training and support
 - Improved contract register and establishment of a forward plan

- Current suppliers and contractors to have registered on e-tendering system
- Spend analysis completed (how much we spend and on what)

4 Financial and Manpower Implications

4.1 There are no direct financial implications however by adopting the new Procurement Strategy; the Council will be able to show best value. Once the new processes are embedded we can look at reviewing financial savings targets.

4.2 **Chief Finance Officer's comments:** *An effective Procurement Strategy will assist the Council in delivering the savings required as set out in its Cost Reduction Plan*

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

5.1 There are no direct legal implications arising out of the report. Public procurement is highly regulated and governed by EU legislation and nationally by statute and locally by the constitution and Contract Standing Orders.

5.2 **Monitoring Officer's comments:** *An up to date procurement strategy is key in helping officers ensure that they are procuring effectively, and in accordance with the law and good practice.*

6 Sustainability Policy and Community Safety Implications

6.1 The Procurement Strategy covers environmental requirements. Where appropriate the Council will consider sustainable procurement when tendering and working collaboratively. It will also look at increasing opportunities for SMEs, voluntary organisations and social enterprises.

7 Partnerships

7.1 The Council are working with the London Borough of Sutton to assist with the roll out of e-tendering and support for large scale procurements. We are also working with the Surrey Procurement Officers Group

8 Risk Assessment

8.1 If the Council does not endorse the Procurement Strategy there is a risk that they will not be fully compliant with the relevant legislation and fails to achieve best value.

9 Conclusion and Recommendations

- 9.1 Having a Procurement Strategy will enable the Council to meet the challenges and opportunities to deliver our services. It will ensure that key changes to legislation are adopted
- 9.2 It will ensure that we can continue to meet the needs of our changing environment and develop opportunities within contracts to support the local economy
- 9.3 As a medium sized organisation the requirements of tendering need to be reasonable and manageable and this strategy will assist in implementing key success measures.

WARD(S) AFFECTED: (All Wards);

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Procurement Strategy 2017-21



OUR VISION

Making Epsom and Ewell an excellent place to live and work. Doing Business better forms part of MTFs and Efficiency Plan which can be supported by better procurement.

Compliant ✓

Commercial ✓

Cost effective ✓

Greater internal challenge ✓

Encourage competition ✓



THE COUNCIL'S AIMS

Our procurement and commissioning approach will result in projects being managed in a consistent way.

- Transparency.
- Savings.
- Supporting local economies through the use of small and medium sized enterprises.
- Collaboration.
- Effective Contract Management.

The aim of this strategy is to achieve:

- Legitimately procure contracts supported by sound business cases.
- Expert, innovative deliverable solutions from the market.
- Delivery of cost effective services, suppliers and works.
- Increased demand management.
- Consideration of social value to secure wider social, economic and environmental benefits.



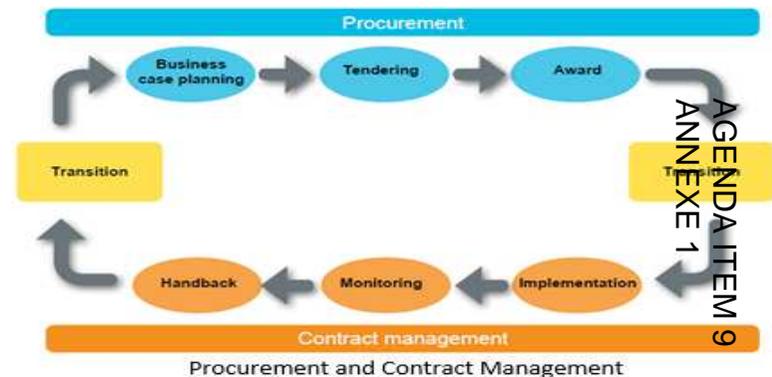
PROCUREMENT AND COMMISSIONING

Commissioning—assessing needs of the population in an area, designing and then securing delivery of services.

Procurement - the process of acquiring goods, works and services from third parties.

FOR 2017/18: KEY SUCCESS MEASURES

- Introduction of e-tendering throughout the council.
- Continue to improve the use of purchase orders and provide support and training.
- Improved Contract register and establishment of a forward plan.
- Current suppliers and contractors to have registered on e-tendering system.
- Spend analysis completed—how much we spend and on what?

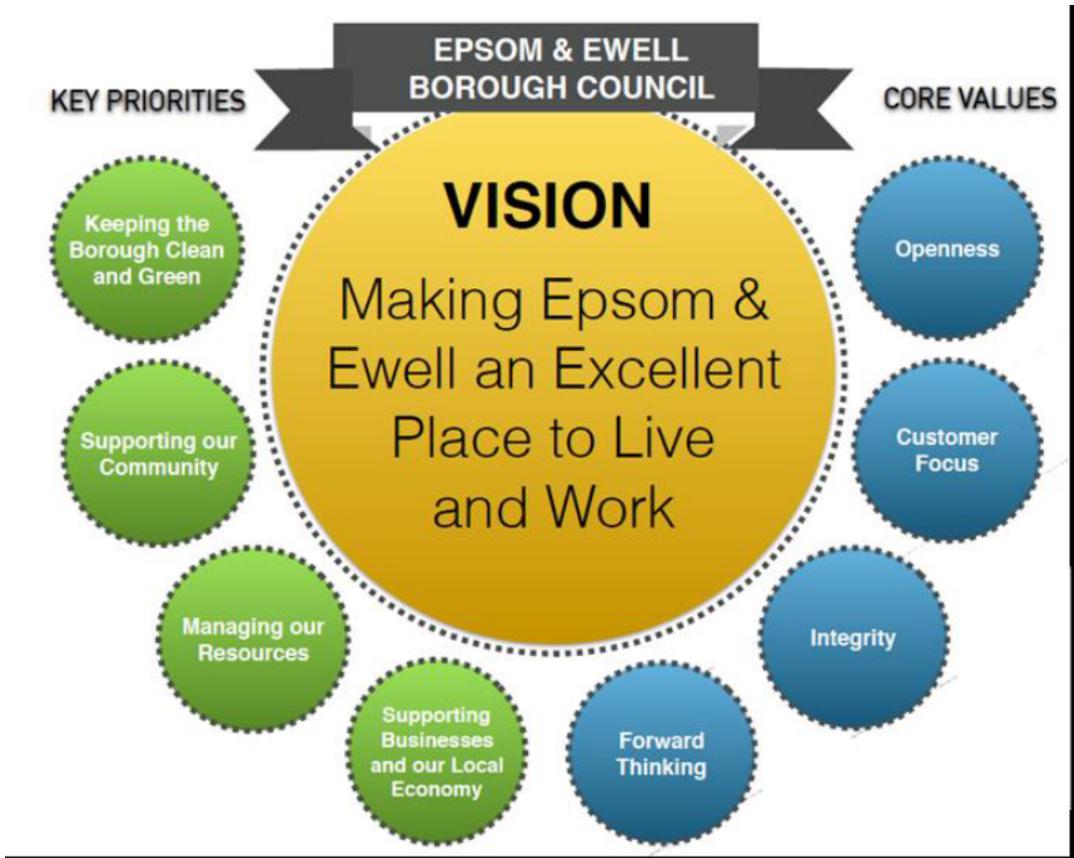


AGENDA ITEM 9
ANNEXE 1

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Procurement Strategy March 2017



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Appendices

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Appendix B - Collaboration Policy

Appendix C - Policy for Promoting contract opportunities for SMEs, Voluntary Organisations and Social Enterprises

Appendix D - Role of the Governance Team

Appendix E - Equalities Impact Assessment

Appendix F - Audited revenue spend by Headline 2015/2016

Vision, Priorities and Values

Our Vision

Making Epsom and Ewell and Excellent Place to Live and Work will be met through our four key priorities; Keeping the Borough Clean and Green; Supporting our Community; Managing Our Resources; Supporting Businesses and our Local Economy

Challenges and Opportunities

There are a number of challenges and opportunities to the delivery of our services:

- Managing market and cost pressures in an ongoing period of financial austerity for local government, whilst in some sectors facing increasing price and demand from the private sector that impacts our market influence;
- Delivering successful partnerships and driving collaboration through procurement, both locally and regionally;
- Changes to procurement legislation and maximising the use of technology to drive simpler and more cost effective processes for buyers and suppliers; and
- Ensuring that we have the skills, capability and capacity to deliver against our purpose as a service

Key Actions to meet the above challenges

These fall into the following key areas;

To be Compliant –To ensure key changes to legislation are adopted; more specifically those affecting both above the EU financial threshold and below are adopted e.g. contract modifications, termination, abnormally low bids, procurement reports; reforms to ensure optimum opportunities for SME's.

Improve Management Information; Diversify our supplier base; Improve contract performance and management; Make best use of collaborative opportunities; Better our use of framework agreements; Develop our core procurement skills; Ensure business continuity in procurement; review purchase order system and examine potential for electronic invoice processing

To achieve these we will;

Prioritise these key actions as noted in the strategy for 2017/2018, which support achievement of the four key Council priorities

Review and refresh our key actions each year of this strategy to ensure that they continue to meet the demands of our changing environment and of our customers and partners.

Develop opportunities within contracts to support the local economy both in terms of local suppliers and promoting local employment

1. Introduction – why we have this Strategy

This procurement strategy sets out the Council's overall aims and objectives in relation to procurement for the future, whilst recognising that most procurements fall below the thresholds for the full tendering regime of the regulations.

It is intended that by setting out the councils overall approach to procurement that we create a clear, transparent strategy for procurement which is clear for members, officers and residents alike, and to inform suppliers - both current and potential. This strategy details the principles that will be adopted for the future procurement and provision of services and sets out a number of key areas of work that will support achievement of the organisations overall aims.

Since 2015, new regulations have been introduced and enshrined within UK law under the Public Contracts Regulations 2015. These new regulations have sought to:

- Codify case law and provide clarity
- Promote Transparency
- Improve efficiency in procurements
- Reduce red tape
- Reduce timescales
- Improve choice
- Promote greater access to public sector business to SME's
- Offer a range of procedures – not detailed within this strategy.

Epsom and Ewell Borough Council is a medium sized organisation and the requirements of tendering need to be kept reasonable and manageable, commensurate with its Values and Priorities, whilst acknowledging the obligations (including the need for modernisation and transparency) placed upon it by being a public sector organisation.

This strategy aligns to the Council's approach to **commissioning and procurement**. In that we define commissioning as "the ways in which the Council assesses the needs of people in an area, determines priorities, designs and sources appropriate services and monitors and evaluates their performance"

Procurement is defined as the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process is part of a commissioning framework which spans the whole life cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical "make or buy" decision. Please see diagram at 3.4.

Epsom and Ewell Borough Council spends some £14.5 million each year in revenue spend through its' agency staffing costs and with outside suppliers and therefore it is essential that this money is spent effectively in a way that maximises spending power.

To this end, this strategy recognises the wider social objectives which the Borough Council wishes to pursue, in relation to equalities and diversity, support for social enterprise and the voluntary and community sectors and to encourage innovation.

This procurement strategy is an important document to clarify and inform staff of the council's ongoing aims to obtain the best outcomes through compliant, cost effective and commercially based procurement.

1.1 Who is this Strategy written for?

There are a number of key audiences for this strategy. It has been written to ensure there is a consistent approach within Epsom and Ewell Borough Council but it has also been written to inform current and potential suppliers about the organisations' aims and objectives and also for the wide range of partners with whom the Council works.

1.2 Underlying Financial Situation

In recent years the public sector has almost continuously faced the need to reduce expenditure and obtain more for less; successive budgets have adopted austerity measures which have reduced funding for many parts of the public sector and significantly for local authorities.

1.3 Review

The Council has implemented an efficiency plan to find savings and better ways to achieve required outcomes.

1.4 Overall aim for procurement

The overall aim is for the approach to procurement to ensure that the Council maximises the best use of its resources while at the same time meeting wider social objectives. The aim is:

“To develop a procurement model across all services that is:

Compliant, Commercial, Cost-effective and provides greater internal Challenge.”

Compliant – Procurement principles should be applied consistently across all procurement with common processes which are understood by both officers of the Council and those expressing interest in and tendering for Borough contracts. All procurement and purchasing must be compliant with the Public Contracts Regulations, the Councils governance structure and Financial Regulations, transparent and open to scrutiny. Compliance should not be seen as an option or optional.

Commercial – Specified requirements should not be over prescriptive and where possible expressed as outcomes. The use of outcome specifications can effectively transfer risk from the Council to contractors who are better placed to manage it

effectively. This will enable the market to use their commercial expertise to bring forward innovative and efficient ways to deliver better services at better cost. Supply should be aggregated where possible to achieve economy of scale to increase interest in Council contracts from the market.

Cost effective – In the current financial climate especially we are looking to reduce costs. Price will be an important criterion in all procurement processes. To achieve cost effectiveness the Council is committed to competitive tendering for the award of all contracts for works, supplies and services. At the same time procurement methods also need to be cost effective and the use of the e-tendering system will assist with this. Framework agreements and collaboration with other public bodies where they are appropriate, and can be used, will be, to reduce the cost of procurement.

Greater internal challenge – Rigorous commissioning processes to establish need and determine required outcomes are required through the use of business cases, particularly for capital bids and for project management; all proposed procurement projects and decisions to spend with third party organisations should be subject to scrutiny and challenge by the Leadership Team and potentially the relevant Committee of the Council.

This will achieve:

- Legitimately procured contracts supported by sound business cases.
- Expert, innovative and sustainably deliverable solutions from the market.
- Delivery of cost effective services, supplies and works.
- Increased demand management.

Procurement is one of the key planks for delivering value for money through a process that is open to challenge legally when not conducted in accordance with the regulations surrounding it.

2. Sustainable Procurement

The Council has key priorities which will be impacted by this procurement strategy, namely, supporting our local economy and Keeping our Borough Clean and Green.

3. Factors to consider in reviewing the procurement function

Scope

This strategic review and resultant strategy has looked at procurement across the Council and whilst not covering all the procurement related activities of the organization, the whole process of procurement was looked at from the identification of need, commissioning, through the procurement process, and contract management.

The key areas of the review were:

- To define the Councils vision for procurement
- To set up periodic reviews of procurement

- To define the governance structure around procurement
- To prioritise a number of areas for procurement action and
- To Implement and develop to operational level the e-tendering system

3.1 Governance

Current governance requirements in terms of the minimum requirements for procuring goods and services, and for the required authorisations, are set out in Appendix A. and also form part of the competition policy.

3.2 Responsibility for Commissioning and Procurement Projects

The Council has adopted an approach to commissioning that gives individual managers the responsibility to commission services. As part of that process of commissioning, managers are responsible for conducting procurement projects using the guidance contained herein. Contract leads may be asked to attend Management Team meetings to report on the progress of procurement projects as and when necessary. Directorates will be required (with support) to undertake the procurement of contracts in accordance with the governance requirements set out in a timely and compliant manner and to robustly manage those contracts to achieve the delivery of the specified outcomes and best value.

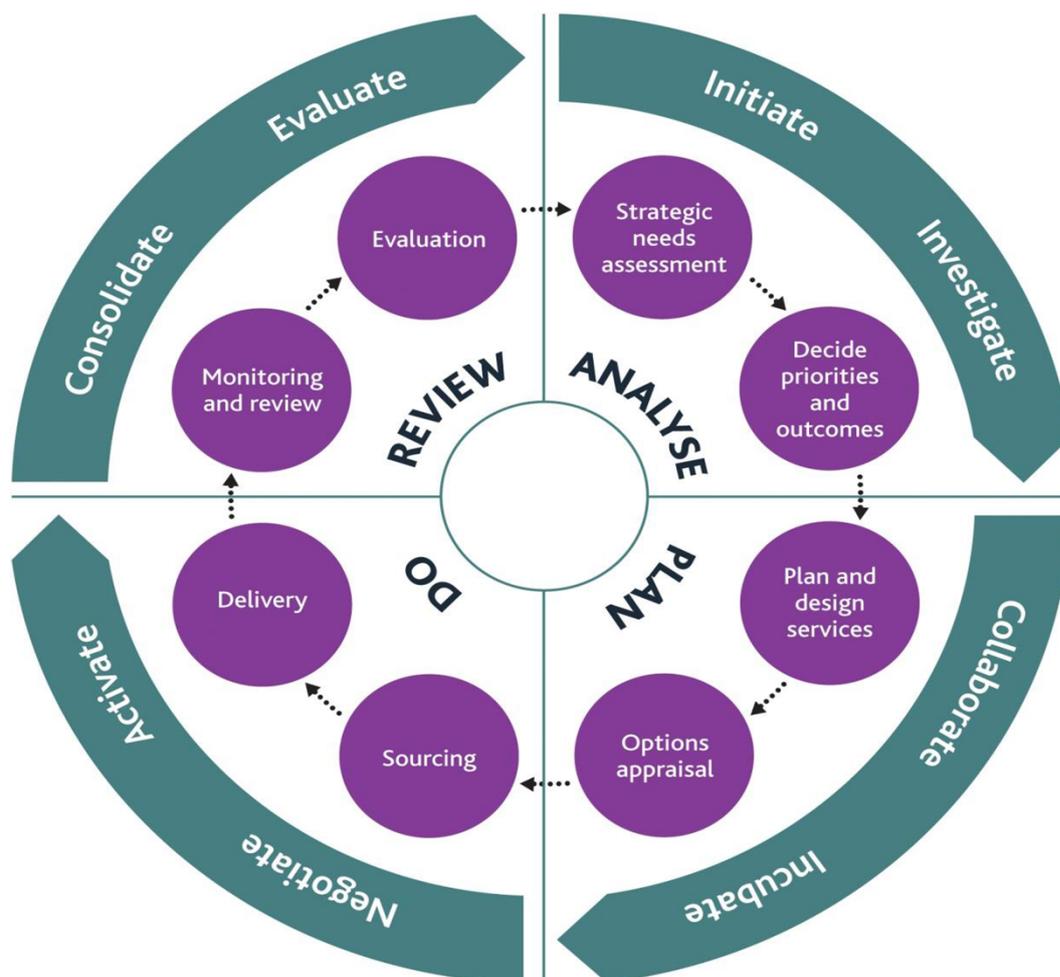
3.3 Procurement Spend

The Council spent circa £14.5M, including agency staffing costs (but excluding employed staff salary costs) with third party suppliers in 2015/2016. All expenditure could potentially come under the scope of procurement.

The categories of spend by headline category can be found in Appendix F.

3.4 Epsom and Ewell Borough Council as a Commissioner

The Council is looking to formalise its approach to procurement and commissioning. This approach to commissioning will be applied across all services whether they are provided from external, internal or other public sector providers. This approach to commissioning and procurement should result in such projects being managed in a consistent way. In order to dovetail with the commonly understood commissioning cycle, the activity at each stage would look diagrammatically as follows:-



4. Key Objectives

The following are the areas for action developed from this strategy:-

4.1 Become a compliant organisation

What we need to do to become a compliant organisation for both above and below threshold procurement practices;

- Endorse strategy to progress actions proposed
- Recognise one such challenge is to recognise the need to become compliant, to adopt modern procurement techniques and understand the legal, governance and transparency obligations within which we must operate

Category management is one methodology to manage buying activity by grouping together related supplies and services across the Council. Given the expenditure, scope and breadth of the work of the Council, some category management of key areas is desirable; e.g. agency staff, property management, ICT and facilities management

How we are going to do this;

In such instances, the Leadership Team would identify a procurement lead based on spend or significant impact and who will take responsibility for investigating and

improving procurement performance for the category. The finance team will provide spend analysis and management information. Under the guidance of the contract lead manager the necessary procurement work will be done to:

- Aggregate spend and realise savings
- Rationalise the supplier base
- Ensure optimum contract packaging to transfer risk to suppliers and increase commercial interest

Using this technique of managing procured services, management can be extended where necessary to interface with partners to further take advantage of opportunities to:-

- Aggregate spend across purchasing units and achieve economies of scale
- Manage and develop markets
- Rationalise specifications
- Rationalise the supplier base
- Reduce/share procurement costs
- Implement the action plan as a result of adopting this strategy

4.2 Improve Management Information to enable forward planning and decision making

Epsom and Ewell Borough Council has procured an electronic tendering system which provides a complete audit trail of tender processes and facilitates scrutiny. The system also has a contract register facility to record contracts. Work is being done to obtain details of existing contracts from Directorates so the register may be fully populated. All newly procured contracts will be added as they are awarded.

Increased visibility of supplier spend can be achieved through regular spend analysis; again some e-tendering systems can enable this by category, spend, supplier base, transaction numbers etc. down to individual invoice lines.

At the same time visibility of contracts, performance and spend will facilitate contract managers to renegotiate the cost, performance and methods of delivery of major contracts. It will also enable conformance with Local Government Transparency Act requirements.

4.3 Supplier Diversity

The Council recognises that supplier diversity is important both in terms of competitive sustainable markets and supporting the local economy. Competition will be actively managed from a wide range of providers including:

- commercial sector organisations both big and small (Including SMEs)
- the voluntary and community sector, and

- social enterprises

The Localism Act 2011 can offer further opportunities for the diversity of supply as this act enables residents to 'bid' to take over services currently commissioned by the Council to provide a 'community owned' service which will deliver added value because local people will have a more personal investment in it.

In order to encourage the development of such community owned services, the procurement process will need to be open and accessible to residents and will need to actively support resident participation. It will also need to acknowledge success criteria that local people recognise and involve them in the evaluation thereof.

4.4 Social Value

The [Public Services \(Social Value\) Act](#) came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before starting the procurement process, officers should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders. The Act is a tool to help get more value for money out of procurement. It also encourages officers to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.

4.5 Improve Electronic Invoice Processing

Epsom and Ewell Borough Council uses Civica financials as its accounts management system.

There do not seem to be any plans at present to look at full electronic invoice processing and it is unclear as to whether Civica financials support this, however, it may be something to be explored in the future. Essentially this would give the functionality to allow invoice receipt, workflow processing approval and payment without the need for printed material.

4.6 Improve Contract Performance Monitoring and Management

In terms of contract management and performance, the e-tendering solution we have offers automated reminders to contract managers at key times in the life of the contract.

The Council has high expectations of its contractors and suppliers to deliver quality goods and services effectively, efficiently, economically, on time and to the satisfaction of residents and officers. To ensure these expectations are met, strong contract management skills and procedures are necessary together with appropriate sanctions for contractors and suppliers if they fail to deliver as required. At the same time consistent, regular and productive communication between contract managers and contractors needs to occur in order to achieve better outcomes and cost savings through innovation.

All contract managers are expected to manage the delivery of service proactively to ensure services are delivered to the required quality and develop sustainable relationships with suppliers to promote innovation and mutual respect and thereby achieve the best outcomes for citizens.

4.7 Collaboration with partners

Public bodies procure many supplies and services which are common. Economies of scale by aggregation of spend, sharing of procurement costs and expertise can all result in better value for Epsom and Ewell BC. The proposed collaboration policy is set out in the Appendix B.

4.8 Better use of framework agreements

It is advisable and good practice to seek opportunities to use either government or purchasing consortia arranged framework agreements, work is needed to identify where these may be available and opportunities for their use. Analysis will identify areas of spend where the use of framework agreements could provide an appropriate solution to allow diversity of supply and reduce procurement timescales and cost.

4.9 Skills Development

The change in emphasis to using compliant procurement practice, spend control to manage categories of expenditure will require managers in the Council to develop procurement skills and knowledge. Contract managers would also benefit from training in contract management, in accordance with contract management guidance and to obtain better value from contracts. E-tendering system training is necessary for those undertaking procurement, but an appreciation of its functionality would be useful for all.

4.10 'Doing Business Better'

As part of the Medium Term Financial Strategy 2016 – 2020, better procurement stands neatly with the councils programmed aim of undertaking reviews over the 2016-2020 period for services, with the aim of increasing efficiency, effectiveness and cost.

The Council will look at its processes and procedures to reduce barriers to doing business with the market especially in relation to Small and Medium Size Enterprises (SMEs), local businesses, voluntary sector organisations and social enterprises. It will look across the range

of activities to package and otherwise make contracts commercially interesting to the market and accessible to all sectors. The Council will adopt consistent practices and processes to ensure transparency and a level playing field for suppliers and prospective suppliers.

4.11 Business Continuity in Procurement

All Local Authorities in the UK are statutorily required to have business continuity plans for their services and to make sure any contracted service also has them. It follows that one of the objectives is to ensure that its suppliers have effective business continuity plans in place. Services within the Council are tasked with ensuring that those suppliers delivering services or capabilities which underpin services can deliver to the extent required.

At the same time, the Council wishes to support suppliers to comply with business continuity good practice guidelines by signposting them to the Surrey local resilience forum - so that no supplier is excluded from competing for a contract.

4.12 Procurement Pledge

The Council as the umbrella organisation has looked at the 'Procurement Pledge' which is a formal and public commitment to work within our supply chain to create employment and training opportunities. The Council recognises this and will promote it by; promoting apprenticeships; will look at existing contracts and seek voluntary commitment from contractors to create apprenticeships and other opportunities; will consider setting internal targets to increase training and job opportunities through procurement; will promote the commitment to the pledge to contractors and to the wider public through meetings, events and media.

5. How the Council will procure. The Council as a Commissioner.

There are clear stages in the process from assessing need (commissioning) through to procurement, for ease of reference these are:-

Commissioning:

- Assessment of Need
- Current Services and Best Practice Assessing resources available
- Market consultation
- Market research and analysis Opportunities to collaborate and innovate
- Option Appraisal
- Risk Analysis
- Scoping the Requirements
- Preparation of the Business Case for Leadership Team Review for procurements over £20k
- Business Case for decision to proceed.

Procurement:

- Deciding the procurement route:
 - Is there an available contract through existing arrangements?
 - Is there an extant framework agreement available from another authority or public sector buying organisation?
- Would collaboration with others be viable?
- Advertising contract and conducting the tender process.
- Agreeing contract award by the relevant Head of Service in consultation with the council's statutory officers.
- Approval of award by the relevant committee
- Contract Management / Performance review

The Council is committed to procurement through open and transparent competition as set out in the Competition Policy (Appendix A).

6. Equalities in Procurement

Equality and Diversity is well-embedded into Council practices and always forms part of the thinking in our decision-making processes. The Equality Act, which came into

place on 1 April 2010, replaces all previous equality legislation and introduces a Single Equality Duty for the Council and other public authorities. The Equality Duty requires public bodies to consider all individuals when carrying out their day to day work – in shaping policy, in delivering services and in relation to their own employees. It therefore has important implications when procuring services.

7. Procurement Policies

To support the procurement strategy a number of procurement policies have been developed to guide managers. The following policies can be found in the Appendices.

Appendix A - Competition Policy

Appendix B - Collaboration Policy

Appendix C - Policy for Promoting contract opportunities for SMEs, Voluntary Organisations and Social Enterprises

Competition Policy

Introduction

Epsom and Ewell Borough Council paid some 1065 suppliers in 2015/2016 and with whom the Council spends over £14.5m p.a.

For an organisation of this size and expenditure profile I would expect to see a supplier base of less than 300 suppliers, some supplier rationalisation would therefore be possible.

The expenditure with individual suppliers ranges significantly. The Council needs to ensure that it gets best value from all its procurement and ensure that what it buys is both fit for purpose and obtained at an economic price.

Policy

Epsom and Ewell Borough Council is fully committed to securing all supplies, works and services through a challenging process of competitive tendering in order to obtain best value. The Council will, subject to the exceptions set out below or reasons of extreme urgency require all contracts to be publicly advertised and tendered.

The exceptions to this policy are:

- Where the Council already has an extant compliantly procured contract or framework agreement.
- Where supply can be obtained through an EU compliant framework agreement established for use by public bodies or public sector buying organisation.
- Contracts below £5,000. (However it is expected that officers will subject many of these small contracts to quotation in order to prove the duty of value for money and open more of the Council business to SME's.)

The exemptions through good governance would normally relate to:

- where effective competition is prevented either by government control or by the supplies or services being proprietary and/or are sold only at a fixed price; or solely in connection with repairs to or parts for existing vehicles, machinery, plant or systems

Reasoning behind the Competition Policy

This policy is recommended for adoption for the following reasons:

As a public body the Council is currently bound by the legislative requirements the Public Contracts Regulations 2015.

The increasing financial restraints on the Council mean that it needs to obtain more for every pound spent.

Competition is recognised as a method which is successful in achieving reductions in price and cost.

Competition facilitates the market to put forward commercial and innovative solutions to achieve the specified outcomes.

The open tendering of, in particular, smaller contracts is a major contributor to providing opportunity for local small organisations to participate and strengthen the local economy.

The details of the Councils minimum requirements for procuring goods and services are set out below;

PROCEDURE	TOTAL CONTRACT VALUE	AWARD CRITERIA
Quick Quote (QQ)	£5,000 – £24,999	Price only
Request for Quotation (RFQ)	£25,000 – £164,176	Price and Quality
Consultancy	£0 – £164,176	Price and Quality
Open Process (combined PQQ/ITT)	£164,176 - £750,000	Price and Quality
Restricted Process (PQQ & ITT)	£164,176 - £750,000	Price and Quality
Framework	£0+	Price and Quality
Existing Framework mini competition for call-off	£0+	Price and Quality
Waiver	£5,000 - £164,176	Waiver procurement process in exceptional circumstances only

Implementation

The Council has adopted an electronic procurement system whereby all tenders and referral for quotations will be administered electronically. The use of electronic tendering has the following advantages:

- Tender timescales are reduced

- Easy electronic access for tendering for suppliers large and small
- Automatic advertising through the tenders portal

And for small tenders and Referrals for Quotation (RFQs):

- Pre-registered suppliers for most requirements
- “Quick Quotes” for small purchases to obtain best price

The table below indicates the current arrangements for authorisations for entering into contracts:

Up to £4,999	Officer with delegated authority
£5,000 up to £24,999	Head of Service
From £25,000 up to EU Threshold	Head of Service in conjunction with a Finance representative
Above EU Threshold	The relevant committee

* Note: bespoke requirements can be incorporated into an e-tendering solution.

Oversight

The governance team will monitor the use of tendering; RFQs and Quick Quotes against expenditure to ensure that all appropriate contracts and purchases are procured in accordance with this competition policy.

Appendix B

Epsom and Ewell Borough Council – Collaboration Policy

It is recognised that collaboration between public bodies in procurement can on many occasions achieve better value for public bodies as against individual procurement. Whilst it is currently a theme across London and great efforts are being made to identify areas where collaboration may be useful, this policy sets out the Council's approach to collaboration and the matters to be noted when considering collaborative procurement.

Principles for Collaboration

The Council will actively look to take advantage of opportunities to collaborate on procurement with other public bodies wherever it meets the requirements of the Council in terms of:-

Being commercial – There must be tangible advantage in cost through aggregation of spend, economy of scale and market leverage.

Synergy of objectives – A satisfactory result will only occur if the parties to the collaboration can agree common objectives.

Appropriateness to the market – The market needs to be considered as to whether collaboration will be an advantage. It is necessary to look at the typical size and types of supplier in the market and how collaboration may affect market capacity and diversity. Collaboration can result in very large contracts the size of which may limit competition to big prospective suppliers only. Collaboration may not be appropriate in markets where local responsiveness is paramount or suppliers tend to be smaller organisations. Aggregating supply can reduce prices in the short term but in the medium term may reduce competitiveness in the market.

Timeliness – The collaboration needs to progress expeditiously and not result in the Council having a gap in supply, being open to unnecessary risk of procurement challenge or losing opportunity to make early savings. It is advisable to note that sometimes coming to agreement on how and what to procure and agreeing protocols between bodies can be resource intensive and time consuming.

Supporting sustainability objectives – The Council will take its local sustainability objectives into account. The collaboration would need to support:

Local supply, increasing opportunity for SMEs, Voluntary organisations or Social enterprises supporting local employment opportunity and environmental requirements.

How will Epsom and Ewell Borough Council collaborate with others?

The Council will collaborate on procurement as relevant for any contract;

Nationally – i.e. with Crown Commercial Services and other commonly use consortia, e.g. YPO: www.ypo.co.uk, procurementservices@ypo.co.uk ESPO: www.espo.org NEPO: www.nepoportal.org CBC: www.cbconline.org.uk

Regionally - i.e. with Surrey County Council or the South East region. Sub regionally – i.e. with the eleven Surrey Boroughs/Districts

Other partners – There may be times when it is appropriate to collaborate with other public bodies such as health, housing, or the police and other groupings of local authorities which may come together from time to time.

Scrutiny

The Governance team will monitor opportunities for collaborative procurement and require business units to justify why they are not procuring with other public bodies in appropriate cases.

Appendix C

Policy for promoting contract opportunities for SMEs, the Voluntary and Community Sector and Social Enterprises

Introduction

Epsom and Ewell Borough Council recognises that SMEs, the voluntary and community sector and Social Enterprises are valued and responsive suppliers to the Council and have a major part to play in sustaining the local economy, creating employment and delivering cost effective services.

This policy sets out how the Council will facilitate opportunity for SMEs, Voluntary Organisations and Social Enterprises, to bid for Council contracts without discrimination and without invalidating or precluding fair competition.

The Department for Communities and Local Government (DCLG) has issued Best Value Statutory Guidance which requires that “Authorities should be responsive to the benefits and needs of voluntary and community sector organisations of all sizes (honouring the commitments set out in Local Compacts) and small businesses”.

Public Procurement Legislation Context

The Council, as a public body, must comply with the Public Contracts Regulations and be open, fair and transparent in its procurement practice. The Council cannot discriminate within procurement. The Council must openly advertise contracts to all those who may be interested in expressing interest and may not use nationality, location, or an organisations type as a criteria for inclusion in (or exclusion from) a tender process.

The Council is also fully committed to securing all supplies, works and services through a challenging process of competitive tendering in order to obtain best value using the whole market.

Policy

The Council encourages the participation of SMEs, Voluntary Organisations and Social Enterprises in expressions of interest for contracts. The Council will ensure that, where appropriate, opportunity is facilitated for such organisations to compete for contracts. The Council will support and facilitate such opportunity but it cannot assist organisations, during or immediately before any tender process nor can it give any support which would distort open competition or which could be construed as discrimination. At all times Epsom and Ewell Borough Council will require best value.

Where internal Council service units express interest in delivering services in competition with the external market they will be expected to compete on the basis of equal and even competition.

Implementation

The Council will take the following measures to implement this policy:

Tender Packaging

The Council is constrained by the principle of aggregation which prevents Public Bodies from unreasonably breaking up their supply requirements to avoid proper competition and especially the requirement to publish OJEU notices (Advertising within the whole EU) above the relevant thresholds.

However officers commissioning services will be required to look for where there may be opportunities for SMEs, Voluntary Organisations and Social Enterprises either to supply direct to the Council or to become part of a main contractors supply chain.

Ensuring Opportunities are advertised - Small Tenders

There are a significant number of suppliers with turnover of less than £100,000 with the Council. There is therefore considerable scope for smaller contracts to be taken to the market.

The Council has adopted an electronic tendering system which facilitates easier issuing and receipt of tenders, it will also:

- Get the processes more widely known by Directorates
- Provide a Quick Quote (QQ) and Request For Quote (RFQ) facility to a wider range of officers
- Encourage the use of Quick Quotes and RFQs to open more small contracts to the market.
- Challenge new suppliers set up for evidence of tendering or other procurement compliant process.
- provide encouragement to suppliers and potential suppliers to register for contract opportunities

Tender Documentation

Standard Questionnaire – A simple PQQ (if at all) for small contracts to encourage smaller organisations to express interest. Clearer Specifications – officers within the Council have the areas of expertise relevant to their service areas, training on specification writing are available so that commissioners can express the requirements more clearly and succinctly. There will be more focus on specifying outcomes.

Ensuring a level Playing Field

The leadership team will challenge contract managers when they do not procure transparently and on a level playing field. It should become the established norm that all Council contracts will be awarded only as a result of competitive tendering either by the Council or a public body working on their behalf.

Challenge Contract Extensions

It can become practice to merely extend existing contracts, however this is not good practice without good reason. It is therefore advised to provide greater challenge of proposed contract extensions unless there is a sound business case for doing so. This could get more opportunities put out to the market.

Assessment of Risk and Financial Standing Requirements

Epsom and Ewell Borough Council has very clearly laid out financial regulations and contract standing orders which are reviewed regularly and which state tender thresholds and competition requirements. Specific risk assessments relative to contract requirements should be available in line with good contract monitoring and management.

Engagement with Local Businesses

Continue to foster links through the local Surrey Chambers of Commerce and other local business networks:

Create a dialogue to establish what they consider prevents them from competing for Council contracts.

Offer market engagement opportunities relative to contracts being offered.

Market Consultation

Make greater use of market consultation events to encourage and provide opportunity to smaller suppliers to compete for contracts, inclusion on framework agreements and meet with main contractors to enter their supply chains as part of the pre tender process. We will also use market consultation events as an opportunity for local SMEs to introduce themselves to prospective main contractors.

The Role of the Governance Team

There is a role in overseeing contracts to be taken by the Leadership Team, particularly for major contracts, or those of particular significance (e.g. wider interest, politically sensitive). The Leadership Team should ensure services have available the necessary professional expertise, management information and advice.

The role of the Leadership Team will be:

Strategy

- Review of Procurement strategy
- Development of procurement policy
- Take advice on opportunities for collaboration
- Ensure markets are engaged
- Oversee the contract management strategy

Governance

- To ensure the availability of advice on the interpretation of EU/UK Governance and Council governance (Contract Standing Orders etc.)
- Recording OJEU notices
- Procurement compliance in the use of frameworks, and collaborative procurement
- Management Information and Analysis
- Maintenance of contracts register – as part of forward plan

Spend analysis - in accordance with the Local Government transparency Act 2015

Procurement Management Information

- To receive and act upon procurement legislation advice / best practice
- Procurement procedure and process advice
- Commercial aspects
- Consider procurement options (e.g. Collaboration Frameworks etc.)

To ensure Directorates carry out the following aspects of good procurement/commissioning

- Market research and market knowledge
- Use of electronic tendering including adequate support, development and training
- Contract management techniques
- Challenge of traditional practice
- Challenge of off-contract or maverick spend
- To tackle procurement governance and process non-compliance matters
- Ensure opportunities for collaboration are explored
- Supplier management.

The role of the policy, performance and governance team will, in essence, be to develop strategy, governance, guidance, compliance, consistency and cost effectiveness across the procurement activity of the Council. The leadership team, with the support of the policy, performance and governance team, will challenge directorates regarding procurement actions (or lack of) including off contract spend and non-compliances.

Equalities Impact Assessment

Aims

The aim of this strategy is to set out how procurement will be undertaken by all Services, the specific procurement policies and guidance to be observed and the process for oversight, ensuring compliance with the Public Contracts Regulations, the Councils own governance, consistency and challenging the rationale of commissioning and procurement projects.

1. Is this a new policy/service or a review of an existing policy/service?
2. What are the aims/purpose of the policy/service?
3. Whose needs is the policy/service designed to meet? (Include detail of positive impacts on any specific groups e.g. older people, disabled people etc.)

The strategy covers all procurement within the Council so the document is to inform, in particular, officers and senior management team members.

EVIDENCE

4. What equality-related information, for example through consultation with stakeholders, has been gathered on this policy/service? (Indicate the type of information gathered and ensure you address ethnicity, disability, gender, age, religion and sexual orientation). Attach a summary or refer to where the evidence is held.

(This is largely an internal document.)

IDENTIFIED IMPACTS

5. In what ways might the policy/service impact negatively on some groups of people? (Please ensure you address ethnicity, disability, gender, age, religion and sexual orientation. If appropriate, you may also need to address social class and with people caring responsibilities).

The whole basis of the Public Contracts Regulations is that procurement must be non-discriminatory.

There are therefore no identified negative impacts identified.

ACTIONS AND PUBLICATION

6. What action needs to be taken as a result of this EIA to address any negative impacts or meet previously unidentified needs? None.

7. How will you evaluate the impact of the actions being taken? [Include date when this EIA will be reviewed]

No actions are indicated.

8. Please confirm how this impact assessment is being published.

This assessment will form an appendix to the Procurement Strategy.

Signed-off by the Head of Corporate Governance

Appendix F

Audited revenue spend by headline (2015/16)

Note: Directly employed staff costs are not included in the figures given below.

Spend area	£
Agency Staff	1,349,682
Premises related	3,389,278
Transport related	1,154,412
Supplies and Services; (Inc. £1,792,617 temporary accommodation)	7,923,671
Third party payments	543,873
Indirect employee	92,115
Total	14,453,031

The above is revenue spend only, there are separate budgets for capital which will need to be separately analysed.

Construction costs are usually capital expenditure which would be included under capital expenditure.

Procurement Strategy

The following details are given to enable you to contact us if you have any questions or comments about our strategy:

E-mail: contactus@epsom-ewell.gov.uk Phone: 01372 732224

Website: www.epsom-ewell.gov.uk

Reference points:

Communities and Local Government
www.communities.gov.uk

Local Government Association
www.lga.gov.uk

Local Government Transparency Act 2014
<http://www.local.gov.uk/practitioners-guides-to-publishing-data>

The Public Contract Regulations 2015

Link also for requirements applied for tenders not covered by the above
<https://www.gov.uk/guidance/public-sector-procurement-policy>

Social Value Act & 2015 Review
<https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403748/Social_Value_Act_review_report_150212.pdf

Localism Act 2011
<http://www.local.gov.uk/localism/localism-act>

Equality Act 2010
<https://www.gov.uk/guidance/equality-act-2010-guidance>

DCLG best value guidance
<https://www.gov.uk/government/publications/revised-best-value-statutory-guidance>

Organised Crime Procurement Pilot Report
Joint report of DCLG and Home Office

EEBC internal documents referenced:

Medium Term Financial Strategy 2016 – 2020

Contract Standing Orders

Economic Development Strategy

**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE
held on 27 June 2017**

PRESENT -

Councillor Eber Kington (Chairman); Councillor Clive Smitheram (Vice-Chairman); Councillors Tony Axelrod, Richard Baker (as nominated substitute for Councillor Clive Woodbridge), Kate Chinn, Neil Dallen, Omer Kokou-Tchri, Humphrey Reynolds and Mike Teasdale

In Attendance:

Absent: Councillor Hannah Dalton and Councillor Clive Woodbridge

Officers present: Kathryn Beldon (Chief Executive), Simon Young (Head of Legal and Democratic Services), Rod Brown (Head of Housing and Community), Judith Doney (Head of Revenues and Benefits) (for items 1 to 3), Lee Duffy (Acting Director of Finance and Resources), Gillian McTaggart (Head of Corporate Governance) (for items 1 to 6), Grant Miles (Interim Accountant), Brian Thompson (Interim Head of Financial Services), Peter Wells (Benefits Manager) (for items 1 to 3) and Fiona Cotter (Democratic Services Manager)

1 QUESTION TIME

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

2 DECLARATIONS OF INTEREST

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

3 LOCAL COUNCIL TAX SUPPORT SCHEME

A report was presented to the Committee which set out two options for the Local Council Tax Support Scheme for 2018/19 and which sought approval of the preferred option in order that any consultation required could be undertaken over the summer, if necessary.

Members were also asked to consider whether to set a scheme for a two year period to bring it in line with the Medium Term Financial Strategy, the Corporate Plan and the planned full roll out of Universal Credit and to continue provision of £25,000 per year for a Discretionary Hardship Fund for exceptional cases.

Option A was to 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.

Option B was to consider increasing the 20% minimum payment on the current scheme to either 25% or 30% and to undertake the required public consultation for consideration by Members in November 2017.

Option A (continuing with the current scheme) was the preferred option. This was on the basis that consultation cost time and money when the current scheme had been accepted as relatively fair by those affected. Increasing the percentage of the minimum payment would not necessarily guarantee collection rates and, following consultation, it was likely that further consideration would need to be given as to how this might affect vulnerable households. In addition, Universal Credit was due to come into effect in two years' time, the financial impact of which on households was still uncertain. It was felt that council tax support recipients would welcome the security of the continuation of a Council Tax Support Scheme during this period.

The report highlighted that the Council would only retain approximately 11% of any additional income received from reducing the level of Council Tax Support provided and could see an increase in the demand on the Hardship Fund which was fully funded by this Council.

Having noted that a commitment was given to review the scheme should the position radically change within the next two years, the Committee agreed:

- (1) To 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;
- (2) That, in setting the scheme for 2018/19, the scheme should also continue for 2019/20;
- (3) The continuation of the Discretionary Hardship Fund for exceptional cases and a provision of £25,000 per year for that purpose.

4 PLAN E - EPSOM HIGHWAY AND PUBLIC REALM IMPROVEMENTS

The Committee received and considered a report which sought a decision on the materials to be used in the Plan E Epsom Town Centre Highway and Public Realm Improvement Scheme.

Since the original funding had been agreed in 2015, now that more detailed designs and specifications had been drawn up and the cost of construction factored in, the overall anticipated cost of the scheme had increased. This meant that the original materials favoured for the public realm improvements were no longer affordable within the budget.

The Committee was therefore being asked to consider the options for blockwork bedded in sand equivalent to the existing Markey Place surface or a premium

option for sand-based blockwork using a superior product which would cost an estimated additional £185,000.

The report set out the advantages and disadvantages of both these options and on the basis that a quality finish, the longevity of which had been proven, could be achieved without additional cost, the Committee agreed:

- (1) Not to make an additional contribution from the Community Infrastructure Levy (CIL) towards the cost of the Plan E Epsom Town Centre Highway and Public Realm Improvement Scheme; and
- (2) That blockwork equivalent to the existing materials in the public realm, the cost of which could be afforded across the entire scheme within the established budget, be the material used for surfacing paths in various phased of the scheme and for surfacing the market place and other locations.

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

The Committee received and considered a report which provided a year-end update against its Key Priority Performance Targets for 2016 to 2017 as set out in the Council's Corporate Plan and provisional targets for 2017 to 2018.

The report confirmed that out of a total of 21 targets for 2016/17, 15 had been achieved and 6 had not been achieved. The report identified those actions not achieved and the remedial action identified, were applicable as set out in the table below:

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 continued to be very helpful. This target improved hugely when compared to the beginning of the year, it was now 29 days from 42 days in April. A new target of 28 days had been set. This was more realistic while still challenging.</p>
<p>At least three business cases which would 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 was now in place. The need to generate additional long term income streams was being addressed. New targets had been set around the Property Acquisition Fund for 2017/18.</p>
<p>Revenues and benefits self-serve functionality available</p>	<p>This would be implemented by December 2017.</p>

Not achieved	Actions identified
Review and implement a performance pay and staff appraisal scheme	Proposals for a revised pay structure would be presented to HR Panel and S&R by October 2017.
Supporting Businesses and our Local Economy Prepare a draft business plan for the proposed BID for consideration by Members in January 2017	A new target had 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'.
Commence the delivery of the agreed public realm improvements as part of the phase 1 highway works within Epsom town centre	This target had 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).

Whilst it was acknowledged that there had been slippage in progressing the Town Centre BID, this was not entirely within the control of the Council. However, it was confirmed that the Council was supporting the local business community to progress the BID to an agreed timetable with the intention to hold a ballot by the end of October 2017.

In regards to the Committee's targets for 2017/18, the Chairman referred members to additional information provided by email prior to the meeting. It was noted that the budgeted income of £462k from letting fees across the Council's 4 venues for 2017/18 compared with actual income received for 2016/17 of £421k, which represented an increase of just under 10%. The majority of the increase was at Ewell Court House where budgeted income was £38k more than 2016/17. This was on the basis that the range of improvements included in the refurbishment had been made with the intention of making the venue more attractive to potential hirers and current users thereby increasing potential income. The performance of this and other Council venues would also be monitored by Community & Wellbeing Committee as the service committee responsible for these venues. It was further noted that it had been suggested that the wording of the target in relation to the possible establishment of a Joint Committee with Surrey County Council be amended to read: "Complete a review of the benefits/disadvantages of establishing a Joint Local Committee and report to S&R".

The Committee:

- (1) Considered the performance reported in Annexe 1 and did not identify any areas of concern;
- (2) Reviewed and agreed targets for 2017 to 2018 as detailed in Annexe 2 of this report and outlined in paragraph 4.1 subject to the amendment of the

wording in relation to the target regarding the creation of a joint committee with Surrey County Council.

6 FINAL ACCOUNTS 2016/17

A report was presented to the Committee which summarised the Council's financial performance for 2016/17 and which sought approval to the Annual Governance Statement for 2016/17. In particular, the Committee was asked to note the carry forward of capital provision for schemes where costs would be incurred in 2017/18.

The Committee was informed that, as at the date of the meeting, the surplus on the General Fund for 2016/17 was £163K and the report highlighted the most significant favourable factors which had contributed to this surplus. These included: income from recently acquired commercial properties previously not budgeted for (£169K), good treasury management returns (£104K) and significant reductions in homelessness costs (£165K) achieved by increasing the supply of temporary accommodation and reducing bed and breakfast costs.

It was further noted that part of the additional income from the recovery of housing benefits had been used to increase the bad debt provision for housing benefit overpayments. At the moment, payments could be deducted at source but it was not certain what liabilities would be transferred to Central Government under Universal Credit. This was a national not a local issue and whilst it was acknowledged that this was not ideal, it was considered prudent to make this provision in the current circumstances.

It was noted that overall in 2016/17 the Council had maintained a prudent level of balances on revenue and capital reserves totalling around £21m but that the Council was also able to call on other cash balances for the purposes of investment (Minute 7 refers).

Having noted the excellent job done by innovative officers in producing a balanced budget against a difficult financial backdrop, the Committee:

- (1) Received the report on financial performance for 2016/17;
- (2) Agreed the Annual Governance Statement as attached as an Annexe to the report;
- (3) Noted the carry forward of provision of £5,314,000 for capital schemes to be added to the 2017/18 capital programme.

7 TREASURY MANAGEMENT : YEAR END PERFORMANCE 2016/17

The Committee received and considered a report which reviewed the performance of the Council's treasury management function in 2016/17.

It was noted that, as part of its financial strategy, the Council maintained revenue reserves and provisions (Minute 6 refers). However, it also retained cash balances from other sources such as S106 funds and creditors which meant that

the amount of funds available for investment (£28.9m in 2016/17) would be in excess of the amounts held in reserves and balances.

It was further noted that the final outturn position showed an increase in income of £52,000 on what was reported in the half year report received by the Financial Policy Panel in October 2016. This was because the assumption was always made that more of the capital programme would have been spent and the average annualised return on investments was better than anticipated.

Whilst it was noted that the Council had done well on its own internally managed fixed interest investments, the Council was locked into these and could not access these funds prior to their maturity date. The main benefit of using external fund managers was that risk to the Council could be minimised through the diversification of holdings.

The report highlighted that the Council had complied with the requirement to keep net borrowing below the relevant CFR in 2016/17 and no difficulties were envisaged for the current or future years. This view took into account current commitments and plans in the budget report. The Committee was assured that any increase in borrowing above the level currently agreed by Council could not be made without Council's approval.

It was currently envisaged that the fund manager would be able to achieve investment returns at around 0.9% for 2017/18. This compared to an anticipated return built into the budget of 1.25%. However, it was anticipated that overall income from investments this year would come in on budget due to the Council retaining higher levels of funds to invest than expected when setting 2017/18 budget.

Accordingly the Committee:

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

8 JOINT INFRASTRUCTURE GROUP: MEMBERSHIP

The Committee was asked to appoint Borough Council members to the joint officer/member working group (the Joint Infrastructure Group) to oversee the allocation of Community Infrastructure Levy.

The Group's Terms of Reference had been agreed at its inaugural meeting on 13 September 2016 and had been ratified by the Strategy and Resources Committee at its meeting on 22 November 2016. These confirmed the elected representation on the working group would comprise of three Borough Councillors and two County Councillors.

Given the importance of CIL funding to the Council's overall financial position, its Corporate Plan and Asset Strategy, it was suggested that the Borough membership should consist of the Chairman of Strategy and Resources

Committee, one other policy committee Chairman or Vice Chairman plus one other Councillor and that the appointments be made for a period of two years subject to the appointment going with the Chairmanship of the Strategy and Resources Committee.

Accordingly, the Committee agreed the following membership of the Joint Infrastructure Group for a two year period: the Chairman of Strategy and Resources Committee (currently Eber Kington), Councillor Barry Nash and Councillor Rekha Bansil.

9 CAPITAL MEMBER GROUP: MEMBERSHIP

The Committee was asked to appoint members to the Capital Member Group, a group which assisted in the formulation of the new capital programme each year to meet the capital budget timetable.

Accordingly, the Committee appointed Councillors John Beckett, Eber Kington, Omer KoKou-Tchri, Barry Nash and Clive Smitheram to the Capital Member Group.

10 MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Strategy and Resources Committee held on 4 April 2017 were agreed as a true record and signed by the Chairman.

11 EXCLUSION OF PRESS AND PUBLIC

The Committee resolved 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

The Committee agreed a way forward as set out in the Minutes.

Note: The details are considered officially sensitive at this time and the Minute for this item will be exempt from publication.

The meeting began at 7.30 pm and ended at 8.34 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)

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