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EPSOM & EWELL

TOWN HALL

EPSOM

11 February 2019

SIR OR MADAM

I hereby summon you to attend a meeting of the Council of the Borough of Epsom and Ewell which will be held at the Town Hall, The Parade, Epsom on **TUESDAY, 19 FEBRUARY, 2019** at **7.30 pm**. The business to be transacted at the Meeting is set out on the Agenda overleaf.

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

K. Belden

Chief Executive

COUNCIL

Tuesday 19 February 2019

7.30 pm

Council Chamber - Epsom Town Hall

For further information, please contact Democratic Services, tel: 01372 732124

FIRE PRECAUTIONS

No fire drill is planned to take place during the meeting. If an alarm sounds, members of the public should leave the building immediately, either using the staircase leading from the public gallery or following other instructions as appropriate. Do not use the lifts.

On leaving the building, please make your way to the Fire Assembly point on Dullshot Green.

AGENDA

1. DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 5 - 8)

To confirm the Minutes of the Meeting of the Council held on 11 December 2018.

3. MAYORAL COMMUNICATIONS/BUSINESS

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

4. QUESTIONS FROM COUNCILLORS

To answer any written questions from Councillors

Note: The deadline for questions was 5pm on 4 February 2019 (17.00 hours on the tenth clear working day before the day of the meeting).

No written questions had been received.

5. **BUDGET AND COUNCIL TAX 2019/20** (Pages 9 - 134)

This report fulfils the statutory requirement to agree a budget for 2019/20, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year. The council tax recommendation is for an increase of 2.99%. Financial Policy Panel made no recommendation to Council but requested that the report include options for a Council Tax freeze and an increase of 2.99%.

6. **EPSOM & EWELL BOROUGH COUNCIL PAY POLICY STATEMENT** (Pages 135 - 150)

This report seeks approval of the draft Epsom & Ewell Borough Council Pay Policy Statement for 2018/19.

7. **FINANCIAL REGULATIONS REVIEW** (Pages 151 - 192)

This report sets out recommendations of the Strategy and Resources Committee regarding proposed changes to the Financial Regulations in Part 4 of the Council's Constitution.

8. **MOTIONS TO COUNCIL**

In pursuance of the Council's Rules of Procedure, to consider any Motions submitted by the due deadline.

<u>Note</u>: The deadline for Notice of Motions was 5.00pm on 4 February 2019 (17.00 hours on the tenth clear working day before the meeting)

No notice of any motions had been received.

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EPSOM AND EWELL

Minutes of the Meeting of the COUNCIL of the BOROUGH OF EPSOM AND EWELL held at the Council Chamber - Epsom Town Hall on 11 December 2018

PRESENT -

The Mayor (Councillor Neil Dallen); The Deputy Mayor (Councillor John Beckett); Councillors Michael Arthur MBE, Richard Baker, Steve Bridger, Kate Chinn, Alex Clarke, Alex Coley, George Crawford, Hannah Dalton, Graham Dudley, Robert Foote, Chris Frost, Liz Frost, Colin Keane, Eber Kington, Omer Kokou-Tchri, Jan Mason, Tina Mountain, Peter O'Donovan, Martin Olney, Jane Race, David Reeve, Humphrey Reynolds, Vince Romagnuolo, Clive Smitheram, Jean Steer MBE, Alan Sursham, Mike Teasdale, Clive Woodbridge and Tella Wormington

<u>Absent:</u> Councillors Tony Axelrod, Rekha Bansil, Lucie Dallen, Rob Geleit, Barry Nash, Guy Robbins and Peter Webb

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

24 DECLARATIONS OF INTEREST

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

25 MINUTES

The Minutes of the Meeting of the Council held on 17 July 2018 were agreed as a true record and signed by the Mayor.

26 MAYORAL COMMUNICATIONS/BUSINESS

The Mayor made a number of announcements relating to noteworthy events over the past six months and to forthcoming charity events.

On behalf of the Council, he also wished condolences to be recorded to the family of former Councillor Betty Emery who had passed away recently, aged 99. Mrs. Emery had served for eight years as a Councillor in College Ward, first standing for election in May 1983 and retiring from office in May 1991.

27 QUESTIONS FROM COUNCILLORS

Seven questions had been addressed to Committee Chairmen to which written answers had been provided.

Due to an administrative issue, written replies had not been published on the Council's website in relation two questions received from Councillor Tina Mountain. The questions and responses were read out at the meeting and would subsequently be published on the Council's website.

Supplementary questions relevant to the subject of six of the written questions or responses were asked at the meeting and received a verbal response from the relevant Chairman.

28 REVISIONS TO PART 4 OF THE CONSTITUTION

The Council received and considered the report of the Chief Legal Officer setting out the recommendations of the Standards Committee regarding proposed changes to Standing Orders in Part 4 of the Council's Constitution.

Councillor Mike Teasdale **MOVED** and Councillor Clive Smitheram **SECONDED** the adoption of the recommendations in the report.

Upon being put, the motion was **CARRIED** (unanimously).

Accordingly, it was **RESOLVED** that:

(1) The revised Rules of Procedure for Council and Committee meetings, set out at Annex 1 to the report, be approved;

(2) The revised Contract Standing Orders, set out at Annex 2 to the report, be approved for inclusion in Part 4, Section 6 of the Constitution, subject to the correction of paragraph 5.45 to read as follows: "For procurement valued above the OJEU limit, tenders shall be evaluated by at least two officers including a representative from the Finance Department and the relevant department";

(3) The proposed Protocol and Guidance on recording, photography and the use of social media, set out at Annex 3 to the report, be approved for inclusion in Part 5 of the Constitution;

(4) The inclusion of the Council's Petition Scheme, (approved at its meeting in July 2010), be approved in Part 2 as Article 16 of the Council's Constitution, as set out at Annex 4 to the report;

(5) authority be delegated to the Monitoring Officer to make any further changes as may be necessary arising out of this report in consultation with the Chairman of the Standards Committee;

(6) the Council noted that in accordance with authority already delegated to the Monitoring Officer, changes would be made to job titles in the remainder of Part 4 of the Constitution to update in line with the management structure.

29 APPOINTMENT TO OUTSIDE BODY AND CONFIRMATION OF COMMITTEE APPOINTMENTS

The Council considered the report of the Chief Legal Officer, which set out the requirements of the Local Government and Housing Act 1989. Members received information as to the wishes of the Residents' Association Group as to Committee appointments. The report also sought an appointment to a vacancy on the Epsom and Walton Down's Training Management Board.

RESOLVED that:

(1) Councillor Robert Foote be appointed to the vacancy on the Epsom and Walton Downs Training Board;

(2) (a) Councillor Mike Teasdale fill the vacancy on the Planning Committee;

(b) Councillor Robert Foote fill the vacancy on the Licencing and Planning Policy Committee;

(c) Councillor Colin Keane replace Councillor Liz Frost on the Strategy and Resources Committee;

(d) Councillor David Reeve be appointed as the Vice Chairman of the Licensing and Planning Policy Committee.

30 NOTICES OF MOTION

"Women 100"

In pursuance of the Council's Rules of Procedure, Councillor Hannah Dalton **MOVED** and Councillor Tella Wormington **SECONDED** that:

"This Council notes and welcomes the work undertaken by the HR Team and officers across the Council to ensure that our policies and procedures promote equality, and which makes Epsom and Ewell an excellent and welcoming place for women to work and succeed.

In this year, marking the centenary of the first time women exercised the right to vote in a General Election, this Council also commends and celebrates the significant achievements of women in the Borough, and their important contribution to the history and development of Epsom and Ewell across a wide range of social, political, cultural, educational and environmental changes and advance"

Following consideration of advice given by the Chief Executive, the Council was unanimous that the motion be debated at the meeting.

Upon being put, the **MOTION** was **CARRIED** (unanimously).

“Variation to Car Park Charges”

In pursuance of the Council’s Rules of Procedure, Councillor Tina Mountain **MOVED** and Councillor Alex Clarke **SECONDED** that:

“This Council should agree that the first half hour of parking in all Epsom and Ewell Borough Car Parks should be free”

Following consideration of advice given by the Chief Executive, it was put to the Council that the matter be referred to the relevant Committee and the Mayor was requested to put the matter of referral to the vote.

Upon being put, there were 23 members in favour, 6 against and no abstentions

Accordingly, it was **RESOLVED** that

The matter be referred to the Environment and Safe Communities Committee

The meeting began at 7.30 pm and ended at 8.41 pm

NEIL DALLEN
MAYOR

Budget and Council Tax 2019/20

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Annexes/Appendices (attached):	Listed in report conclusion
Other available papers (not attached):	Estimates files held in Finance Directorate

Report summary

This report fulfils the statutory requirement to agree a budget for 2019/20, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year. The council tax recommendation is for an increase of 2.99%. Financial Policy Panel made no recommendation to Council but requested that the report include options for a Council Tax freeze and an increase of 2.99%.

Recommendation (s)

See (1) to (10) below

1 That it be noted that, under delegated powers, the Chief Finance Officer calculated the Council Tax Base as 32,895.63 (Band 'D' equivalent properties) for the year 2019/20 calculated in accordance with the Local Government Finance Act 1992, as amended (the "Act").

2 That the following estimates recommended by the policy committees be approved:-

a) The revised revenue estimates for the year 2018/19 and the revenue estimates for 2019/20.

b) The capital programme for 2019/20 and the provisional programme for 2020 to 2022, as summarised in the capital strategy statement.

3 That the fees and charges recommended by the policy committees be approved for 2019/20.

4 That the Council Tax Requirement for the Council's own purposes for 2019/20 is £6,525,177.

5 That the Council receives the budget risk assessment at Annexe 6 and notes the conclusion of the Chief Finance Officer that these budget proposals are robust and sustainable as concluded in this report.

6 That the Council receives the Chief Finance Officer Statement on the Reserves as attached at Annexe 8.

7 That the Council agrees the Treasury Management Strategy, Prudential Indicators and Authorised Limits for 2019/20 as set out in Annexe 11 including:-

a) Affordability Prudential Indicators

b) The actual and estimated Capital Financing Requirement

c) The estimated levels of borrowing and investment

d) The authorised and operational limits for external debt

e) The treasury management prudential indicators

8 That the following amounts be now calculated for the year 2019/20 in accordance with sections 31 to 36 of the Act:

a) £55,822,364 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act

b) £49,297,187 being the aggregate of the amounts which the Council estimates for the items set out in section 31(A)3 of the Act

c) £6,525,177 being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council, in accordance with section 31A(4) of the Act, as its council tax requirement for the year.

d) £198.36 being the amount at 8(c) above divided by the amount at 1. above, calculated by the Council, in accordance with section 31(B) of the Act, as the basic amount of its council tax for the year

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

SURREY COUNTY COUNCIL

Band:	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	£	£	£	£	£	£	£	£
Amount	969.00	1,130.50	1,292.00	1,453.50	1,776.50	2,099.50	2,422.50	2,907.00

SURREY POLICE AUTHORITY

Band:	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	£	£	£	£	£	£	£	£
Amount:	173.71	202.67	231.62	260.57	318.47	376.38	434.28	521.14

10 That the Council, in accordance with Section 30 to 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2019/20 for each of the categories of dwellings.

EPSOM AND EWELL BOROUGH COUNCIL

Band:	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	£	£	£	£	£	£	£	£
Amount:	132.24	154.28	176.32	198.36	242.44	286.52	330.60	396.72

AGGREGATE OF COUNCIL TAX REQUIREMENTS

Band:	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	£	£	£	£	£	£	£	£
Amount:	1,274.95	1,487.45	1,699.94	1,912.43	2,337.41	2,762.40	3,187.38	3,824.86

1 Introduction

1.1 The Council is required to agree a budget for 2019/20 and, having regard to the cost of service provision and estimates of income, the level of Council Tax for the coming year.

1.2 Legislation also requires:-

- The preparation of budget plans for a three year period
- The setting of prudential indicators which determine the level of Council borrowing and capital expenditure, together with the treasury management strategy
- The Council's Chief Finance Officer to report on the robustness of the estimates and the adequacy of the reserves
- The Council to consider the risks in its budget strategy

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

1.4 This report provides an overview of the General Fund Revenue Account budget position for 2019/20 and future years as a basis for determining council tax.

1.5 The Financial Policy Panel on 5 February 2019 recommended that budget options based on a council tax increase of 0% (freeze) and an increase of 2.99%. These options are shown in the report.

1.6 The budget report is based on a recommended increase of 2.99%, £5.76 per annum (for band d property) in council tax reflecting the final grant settlement figures received after the Financial Policy Panel met.

1.7 All options are consistent with the council tax policy of ensuring that council tax stays below the average payable of the Surrey Districts.

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

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

Council Tax

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

Budget Position

- Produce a balanced revenue budget each year.
- Maintain a minimum working balance of £2.5 million at 31 March 2020.
- Maintain a prudent level of strategic reserves and a minimum of £1 million in the Corporate Projects Reserve.
- Utilise reserves pro-actively to manage major risks to Council's finances.

3 Current Year Position

3.1 The 'probable outturn' comprises a revised forecast for the current year ending 31 March 2019, based on the mid-year budget review. The following table summarises the financial performance anticipated for the year as reported to each of the policy committees.

POLICY COMMITTEES' BUDGETS 2018/19

	Published Policy Book 2018/19	Mid-Year Forecast 2018/19	Variance
	£000	*£000*	*£000*
Strategy & Resources Committee	2,697	1,887	
Asset Rents (Landlord Account)	(2,879)	(2,879)	
Environment Committee	1,948	2,473	
Community & Wellbeing Committee	6,017	6,446	
Total	**7,783**	**7,927**	***+144***

3.2 Service expenditure variations have been reported to the responsible committees. The main issues affecting financial performance for the current financial year:-

Favourable:

- Contingency set aside for the impact of benefit reforms on services unlikely to be required in 2018/19.
- Additional income from investment property acquired on Longmead Business Park in March 2018.

Adverse:

- Parking income
- Increase in the cost of recycling gate fees.
- Income from Higher Needs Care service

3.3 The budget included no planned use of the working balance to finance services. For the purpose of preparing this budget report it has been assumed that in 2018/19 the Council will require a contribution from working balances of £144,000.

3.4 The working balance carried forward at 31 March 2018 was £3.3 million. Using the service income and expenditure position as recently reported to the policy committees, the forecast working balance for 31 March 2019 is £3.2 million.

3.5 Members will note that the Council planned to use £500,000 of New Homes Bonus to fund services in 2018/19 and this draw-down has still been assumed in the forecast position.

3.6 Variations from budget as identified during the year have been taken into account in preparing estimates for 2019/20. Areas of significant concern have also been reported to the relevant policy committee so that a plan of action can be agreed.

4 Budget Strategy

4.1 The 2019/20 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.

4.2 The Budget Targets for 2019/20 were agreed at Strategy & Resources Committee on 25 September 2018 as follows:-

- Estimates are prepared including options to reduce organisational costs by £406,000 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.
- That at least £200,000 additional revenue is generated from an increase in discretionary fees and charges.
- That a provision for pay award is made of £280,000 that represents an increase to the staffing budget of 2.5%, 1% for cost of living and 1.5% for progression.
- That further savings and efficiencies be identified to address the budget shortfall of £113,000 in 2019/20.
- That £200,000 from the financial gain of being part of the Pilot for Business Rates is used to mitigate the potential payment of £625,000 to government for 'negative RSG'.

4.3 The Financial Policy Panel has received regular updates and given guidance on the preparation of the estimates. For more detail, Councillors may wish to refer to background papers on these agendas. The following specific agendas may provide useful background to the budget review programme:-

- September 2018: Review of local taxation level and budget targets (including efficiency savings, staffing and income levels):
- December 2018: treasury management, capital programme and capital reserves:

- February 2019: finance settlement, business rate retention, income from the Council's Commercial Property Company and council tax

5 2019/20 Revenue Budget

5.1 The draft Budget Book was issued to all Councillors in January and was available when the estimates were considered by the policy committees.

5.2 The detailed fees and charges proposals and capital appraisals for all policy committees can be found on the appropriate policy committee agenda (January committee cycle).The estimates for services, as recommended by the policy committees, are summarised at Appendix 1 to this report.

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

5.4 There is one change to the 2019/20 budget shown in the Budget Book and this relates to an increase in the level of funding received from retained business rates. The updated position reflects an increase of £185,000 in business rates income and this has offset by a compensating reduction in the drawdown from the business rates equalisation reserve to the general fund.

5.5 The comparison to the 2018/19 published budget is also shown in the table below at committee total level:-

POLICY COMMITTEE BUDGETS 2019/20

	2018/19 Published Budget	**2019/20 Recommended Budget**	**Variance**
	£000	*£000*	*£000*
Strategy & Resources Committee	2,697	833	
Asset Rents (Landlord Account)	(2,879)	(2,669)	
Environment Committee	1,948	2,187	
Community & Wellbeing	6,017	6,036	
Total	**7,783**	**6,387**	- 1,396
External Funding (council tax, revenue support grant, retained business rates)	(7,783)	(6,387)	+ 1,396
Shortfall of income to cover planned expenditure & required use of Working Balance	**0**	**0**	**0**

Staff Budget

5.6 A total of £11.9 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £11.4 million in 2018/19. This will form the salary control total for budget monitoring purposes, subject to adjustments needed where service changes are agreed by the Council.

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

5.8 The Strategy and Resources Committee agreed a pay award of 1% for 2019/20 in November 2017.

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

Pensions

5.10 Following the 2016 pension fund valuation there is no increase to the level of employer's pension on-cost. No additional provision has been made for deficit funding in 2019/20. The next valuation will be based on the Surrey Pension Fund position at 31 March 2019 and will apply from financial year 2020/21.

6 Fees and Charges

6.1 Each policy committee has received a report on fees and charges for 2019/20. Income from the recommended charges has been included in the committee estimates.

6.2 A summary of the additional income from increases in discretionary charges included in the budgets recommended by the Committees, totalling £123,000 is attached at Appendix 3.

7 Economic Indicators

7.1 The latest Treasury economic indicators (December 2018) are shown at Appendix 5.

8 Equalities Implications

8.1 The Council will fulfil its statutory obligations and comply with its policy on equalities.

8.2 The budget proposals where they involve a reduction in service to users will require an equalities assessment.

8.3 Assessments will be required for service changes where identified in service plans.

9 Risk Management

9.1 A financial risk assessment was completed for each of the policy committee revenue budgets. The main financial risks have been included in a corporate budget risk assessment at Appendix 6.

9.2 The highest service financial risks remain the demands for housing and homelessness prevention along with the impact of potential withdrawal of services by Surrey County Council.

9.3 Appendix 6 also identifies the means of managing the risks identified. In relation to the size of the working balance and the capital reserves, which act as a contingency against such risks, the overall level of revenue budget risk in 2019/20 is deemed to be medium.

9.4 A higher risk remains with the financial outlook due to the state of the UK public finances and the impact of Brexit on the national and local economy, which could result in the need for further government public spending cuts.

9.5 The Government's four year settlement has provided a clearer picture of the levels of core funding for this Council. The removal in 2019/20, the final year of the four year settlement, of the negative RSG payment has improved the Council's funding position. However, the funding for Epsom and Ewell Borough Council from New Homes Bonus has continued to reduce significantly since 2016/17.

9.6 Government is committed to undertaking two reviews of Council funding in 2019, the Fair Funding and Redistribution of Retained Business Rates reviews. The likely outcome of these reviews for Epsom and Ewell Borough Council is unknown at this stage but both reviews pose a threat to current funding levels from 2020/21.

9.7 To mitigate against further reductions to the Council's core funding any reliance on new homes bonus grant to finance ongoing services has been removed from the 2019/20 budget.

9.8 The Government has produced statutory guidance which limits Council investment in the acquisition of commercial properties and will impact on opportunities for future income generation.

10 Revenue Budget Overview 2019/20

10.1 The Council's budget requirement can be measured by the amount of Council expenditure that will be financed from external finance (revenue support grant and retained business rates) and from council tax income.

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

10.1 The Budget Requirement in 2018/19 was £7,783,000. The budget requirement for 2019/20 is calculated as follows:-

Net Expenditure on Services	£000	External Finance	£000
Gross Expenditure	46,838	Revenue Support Grant	0
		Retained Business Rate Income	983
Gross Income including planned use of earmarked reserves	- 40,451	Small Business Rate Relief Grant	602
		Collection Fund Deficit (business rates)	-1,803
		Collection Fund Surplus (council tax)	80
Net Expenditure	6,387	External Finance	-138
T/F from Working Balance	0	Council Tax Income	6,525
Budget Requirement	6,387	Income from grant and Council Tax	6,387

10.2 The reduction in the Budget Requirement (net spending) is 17.9%.

10.3 In April 2012 central government brought in a new measurement of spending defined as the ‘Council Tax Requirement’. This is the estimate of tax to be raised i.e. Band D tax level multiplied by the council tax base (the number of Band D equivalent properties). The Council is required to show this information in the council tax leaflet.

10.4 The Council Tax Requirement for 2019/20 is £6,525,177 subject to any budget changes made at the Council meeting.

10.5 The Council tax requirement will change each year due to:-

- Increases/decreases in domestic properties
- Increases/decreases in council tax

11 Local Government Finance Settlement

11.1 The Government made an offer of a fixed, four-year Local Government Finance Settlement in February 2016, covering the years 2016/17 to 2019/20. Included within the fourth year of the settlement was a payment to Government of £625k, now referred to as ‘negative RSG’.

11.2 The Council agreed to accept the offer of the four year settlement and the production of an Efficiency Plan.

11.3 The following table shows the spending assessment figures announced for 2019/20.

GOVERNMENT FUNDING	**2018/19 Actual** *£000*	**2019/20 Final Settlement** *£000*
Business Rates Baseline Funding	1,366	1,397
Government Settlement Funding Assessment	**1,366**	**1,397 (+31, -+2.3%)**

11.4 The government's funding assessment has increased by £31,000 or 2.3% in 2019/20.

11.5 The latest settlement figures received shows a significant change to the four year settlement provided in February 2016 with the removal of £625k 'negative RSG' liability.

11.6 Although 'negative RSG' has been removed from the provisional settlement for 2019/20 there is an increased risk to the Council's funding position for 2020/21 onwards.

11.7 This is due to the Government's on-going Fair Funding and Business Rates Retention reviews both of which could have an adverse impact on our future funding position.

	2016/17 £'000	***2017/18 £'000***	***2018/19 £000***	***2019/20 £000***
Final Settlement				
Revenue Support Grant	417	0	0	0
Retained Business Rates - Baseline	1,300	1,326	1,366	1,397
Government Baseline Funding	**1,717**	**1,326**	**1,366**	**1,397**
Transitional Grant	93	83	0	0
Government Settlement Total	**1,810**	**1,409**	**1,366**	**1,397**

12 Core Spending Power

12.1 In its spending announcements the Ministry of Housing, Communities and Local Government also refers to changes in ‘spending power’. This is a term used to measure the impact of all government grant changes on local authority budgets. Core Spending Power is different from Government funding as this includes income received from council tax and New Homes Bonus Grant.

	2018/19	2019/20
	£’000	**£’000**
Grants		
Retained Business Rates	1,366	1,397
Total Grant Funding	**1,366**	**1,397**
New Homes Bonus	834	444
Council Tax*	6,301	6,558
	7,135	**7,002**
Core Spending Power	**8,502**	**8,399**

* figure from provisional financial settlement

12.2 Nationally there is an increase in spending power for 2019/20 of 2.1%. However, Epsom and Ewell Borough Council’s spending power will reduce by £103,000 or 1.2% and this is due to a significant reduction of funding received from New Homes Bonus Grant.

13 New Homes Bonus Grant

13.1 The Council additionally benefits from the award of New Homes Bonus grant, based upon the number of new residential properties in the borough in the preceding year, with a supplement for affordable housing.

13.2 The methodology for this grant allocation was changed in 2017/18 by Government which resulted in a significant reduction in funding allocations in 2018/19. Originally the Council received a rolling 6 years of individual allocations; this has been reduced down to 4 years for 2018/19 alongside a further reduction by only awarding funding for growth in homes above the 0.4% per annum baseline.

13.3 The provisional payment for 2019/20 is £444,000, which compares to the forecast included within the Financial Plan of £473,000, this grant will be made available for capital investment or corporate projects.

13.4 The amount of funding available from New Homes Bonus has diminished substantially over the last few years, in 2016/17 the Council received in excess of £2 million. With most of the current award made up from legacy payments there is a strong likelihood that this source funding could reduce even further in the future or be removed altogether as part of the Fair Funding Review.

13.5 The Financial Plan presented in September assumed all New Homes Bonus is used to fund services, however, following the removal of 'negative RSG' in the provisional finance settlement, the draft budget for 2019/20 no longer requires any use of New Homes Bonus to finance services.

13.6 The updated Financial Plan removes reliance on this as a source of funding for services.

	2019/20 £'000	**2020/21 £'000**	**2021/22 £'000**
2016/17	158		
2017/18	46	46	
2018/19	219	219	219
2019/20	21	21	21
2020/21 (forecast)		21	21
2021/22 (forecast)			21
Projected Grant (based on current scheme)	**444**	**307**	**282**

14 Business Rate Retention

14.1 The 2019/20 government settlement includes £1,397,000 for this Council as a 'settlement funding assessment' which is solely from Business Rates Baseline funding.

14.2 Until 2012/13 formula grant funding, including redistributed business rates, had been fixed in the local government finance settlement and this allocation was not varied during the year. Under the local retention scheme Councils enjoy gains or suffer losses from variations to the business rates collected, whether due to changes in collection rates or more/fewer businesses.

14.3 In 2018/19 Epsom & Ewell Borough Council benefitted from being part of the Surrey business rates pilot for the year. The County including Epsom & Ewell Borough Council submitted a separate bid to be a pilot for 2019/20 but were unsuccessful with the application, this means that method for redistribution of business rates will revert back to the national scheme used prior to 2018/19.

14.4 The forecast for retained business rates for 2018/19 does not include the benefit of being part of a Surrey Pilot for this year, it was agreed as being part of the Pilot that all authorities will receive a guaranteed gain of £500,000. The financial outcome of this will be available at the end of the year when all Surrey authorities have finalised their position on business rates for the financial year.

14.5 The Financial Policy Panel recently received more information on the business rate collection forecast and the latest position is summarised in the table below:

	Gov't Baseline 2018/19 *£000*	**EEBC Budget 2018/19 (NNDR1)** *£000*	**EEBC Latest Forecast 2018/19** *£000*	**EEBC Budget 2019/20 (NNDR1)** *£000*	
Rates Collectable	24,912	24,922	24,960	24,919	
Less: payable to central government	-12,456	-12,461	-12,480	-12,460	50%
Less: payable to SCC	-2,491	-2,492	-2,496	-2,492	20% of local share
NNDR Baseline	9,965	9,969	9,984	9,967	Rates kept before tariff
Less 'Tariff'	-8,599	-8,599	-8,599	-8,796	Tariff set by govt to go to 'top-up authorities'
Retained Business Rates	1,366	1,370	1,385	1,171	
Less: Levy (share of growth)		-167	-183	-188	
Est. of Retained Business Rates	1,366	1,203	1,202	983	
Add back: Small Business Rate Relief Grant		329	341	602	Separate grant funding for extension of SBRR
EEBC Income including relief grants	**1,366**	**1,532**	**1,543**	**1,585**	

14.6 The above table includes the estimate of income received from retained business rates plus government section 31 grant awarded to councils to compensate for the additional business rate reliefs.

Business Rates Equalisation Reserve

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

Business Rate Equalisation Reserve Forecast	***£000***
Balance 31 March 2018	**2,244**
Planned use to partially offset 2017/18 deficit and levy payment	-65
Forecast balance 31 March 2019	**2,179**
Planned use to offset Prior Year Deficit	-1,845
Forecast balance 31 March 2020	**334**

15 Funding Received from Commercial Property Investment Company (EEPIC)

15.1 Council agreed on 19th September 2017 to set up a Local Authority Property Investment Trading Company with one of its primary objectives to enable the acquisition of investment properties outside the Borough that will generate additional income for the Council.

15.2 Since the inception of the Company (EEPIC), the company has acquired two properties outside the Borough and these are expected to deliver a benefit to the Council's General Fund for 2019/20 of £818,000.

15.3 From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.

15.4 The new guidance does not impact on the two out-of-Borough purchases already made through EEPIC in 2017, since they occurred before the new guidance took effect this financial year.

16 Reserves

16.1 The reserves as contained in the audited financial statements at 31 March 2018 may be summarised as follows:-

	Balance 31 March 2017 £000	**Balance 31 March 2018 £000**	
Capital Receipt Reserves	4,893	4,889	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy. Incudes £580k earmarked Hospital Cluster Receipt.

	Balance 31 March 2017 £000	**Balance 31 March 2018 £000**	
Community Infrastructure Levy	3,835	5,036	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	9,353	12,851	Provisions for future expenditure or against identified liabilities
Working Balance	3,334	3,348	General Fund working balance

16.2 The policies for the reserves are contained in Section 3 of the Financial Plan 2016-2020 approved by Council in February 2016.

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

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

	Capital Reserves (excluding Hospital Cluster) ***£'000***
Balance brought forward at 1 April 2018	**4,309**
Anticipated receipts in 2018/19	210
Estimated use to fund 2018/19 capital expenditure	- 1,339
Estimated Balance at 31 March 2019	**3,180**
Planned use for 2019/20 programme	- 364
Allowance for Receipts in Year	0
Note: excludes allowance for programme slippage	
Estimated Balance at 31 March 2020	**2,816**

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

16.6 Next year's budgets include the following planned use of general reserves:-

- No use of the General Fund Working Balance to fund services
- £364,000 of capital reserves and £100,000 of revenue to fund the capital programme (including spend to save schemes subject to approval of business case)

17 Financial Forecast

17.1 The following financial forecast comprises an update of the forecast to take account of the 2019/20 budget proposals and central government public sector spending plans.

	2019/20	**2020/21**	**2021/22**	**2022/23**
	Budget ***£000***	**Forecast** ***£000***	**Forecast** ***£000***	**Forecast** ***£000***
Cost of Service b/f	7,928	8,328	8,932	9,570
Pay & Prices Increases	+ 533	+ 590	+ 598	+ 606
Contingency for Service Changes and Pressures	+ 807	+ 280	+ 250	+ 250
Increases in Fees & Charges	- 123	- 290	- 210	- 210
Changes to External Funding	- 17	+ 24	0	0
Star Chamber / Service Savings	- 800	0	0	0
Forecast Net Cost of Services	**8,328**	**8,932**	**9,570**	**10,216**
Interest on Balances	- 96	- 130	- 175	- 240
Contributions to / (from) reserves	- 1,845	0	0	0
Use of New Homes Bonus	0	0	0	0
Forecast Net Expenditure	**6,387**	**8,802**	**9,395**	**9,976**
Business Rates Forecast	1,585	1,269	1,138	1,004
Council Tax Income Forecast	6,525	6,770	7,024	7,287
Collection Fund Surplus / (Deficit)	- 1,723	0	0	0
Collection Fund Income	**6,387**	**8,039**	**8,162**	**8,291**
Funding Shortfall	*0*	*- 763*	*- 1,233*	*- 1,685*

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

- The forecast covers existing services plus makes contingencies for government reforms
- The use of any New Homes Bonus receipts to fund services has been removed from the latest forecast.
- Council tax have been increased by 3% per annum.
- Annual pay increase of 2% per annum from 2020/21.
- The forecast does not assume any further income from new property acquisitions.
- Revenue funding towards the financing of a sustainable capital programme is included within the forecast, with £100,000 of the 2019/20 programme being funded from revenue and this increases to £400,000 by 2022/23.
- With the forthcoming Government reviews on Fair Funding and the Redistribution of Retained Business Rates the forecast reduces the reliance on external funding with business rates income expecting to reduce by just under £600,000 by 2022/23.
- With the uncertainty on what the Council funding levels will be from 2020/21 onwards and the significant risks posed by the Government reviews the latest forecast anticipates that savings in excess of £1.6 million will be needed by 2022/23 to achieve a balanced budget at the end of this period.

18 Capital Programme

18.1 The review of capital spending requirements was overseen by the Capital Member Group. The Financial Policy Panel considered the financing requirement for new capital investment in December 2018 and February 2019.

18.2 A provisional three year forward programme was reported to the policy committees in the last committee cycle. Supported schemes have been included in the draft capital programme.

18.3 The updated capital strategy statement is attached at Appendix 10 and includes a summary of proposed investment for 2019-2022.

18.4 A capital investment programme of £1,114,000 is recommended for 2019/20 and the following funding is required to allow the schemes in this programme to be completed:-

18.5 Use of Capital Reserves for the core programme is £364,000

18.6 Use of central government grant: £650,000

18.7 Use of revenue income: £100,000

18.8 Schemes will also be carried forward from the 2018/19 programme where not completed by 31 March 2019.

19 Prudential Indicators and Authorised Limits for 2019/20

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

19.2 The Council agreed to borrow funds of up to £80m to finance the acquisition of commercial properties in 2016/17 and further borrowing of up to £300 million was approved in 2017/18 when it was agreed to establish a wholly owned property investment trading company.

19.3 From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing. As such, Strategy & Resources Committee noted at its September 2018 meeting the suspension of any further such purchases, until further guidance or case law is published that clarifies the Council's related vires.

19.4 The Financial Policy Panel has considered the capital financing requirements as part of the capital programme review and it is not anticipated that the Council will undertake any long term borrowing to finance the core capital programme in 2019/20.

19.5 Prudential Indicators and Authorised Limits have been proposed in the appendix on this basis and on the basis of the capital strategy recommended to the Council.

20 Council Tax Options

20.1 The current Surrey District Council Tax levels are shown at Appendix 12.

20.2 The policy in the Medium Term Financial Strategy is to ensure that Council Tax stays below the average of the Surrey Districts.

20.3 The final Government Grant settlement announced capping limits for council tax, allowing District Councils to increase their council tax by either £5 per annum (property D equivalent) or 3% before needing to hold a referendum. The recommendation in the budget report is for an increase of 2.99%, which represents an increase of £5.76 per annum on a Band D equivalent property.

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

20.5 Two options for 2019/20 levels of council tax are illustrated at Appendix 13, a freeze in council tax and an increase of 2.99%. Both options are based on the service estimates in the Budget Book 2019/20 and the estimate reports presented to the policy committees in January and February 2019.

20.6 Council tax for the 2.99% increase and a freeze are shown in the table below.

Increase:	**0%**	**2.99% Increase Recommendation**
Council Tax	£192.60	**£198.36**
Increase per annum	£0	**£5.76**
Increase per week	0p	**11p**
Income Generated 2019/20	£0	**£189,000**
Adjustment needed to Draft Budget Book	£189,000 adverse	**£0**
Income Generated Future Years Council Tax Base	0	**£189,000**

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

21 Consultation with Non-Domestic Ratepayers

21.1 The Council has provided information about the Council's spending proposals and business rates reliefs on the web and promoted use through the Business Partnership. Any response specific to the 2019/20 budget will be identified at the meeting.

22 Collection Fund

22.1 In accordance with the Local Authorities (Funds) (England) Regulations 1992, the Borough Council as the billing authority is required to estimate on 15 January each financial year the surplus or deficit on its Collection Fund for that year in respect of Council Tax. The estimates are required to be made on an accruals basis in accordance with proper accounting practices.

22.2 Where a deficit or surplus in the 2018/19 Collection Fund is estimated in respect of Council Tax or Business Rates, the amount is to be apportioned in 2018/19 between authorities that precept on the collection fund in accordance with the ratio of their 2018/19 precepts.

22.3 The calculation of the estimated position on the Council's 2018/19 Collection Fund in respect of Council Tax items is detailed at Appendix 14 and this shows a surplus on the Fund of £79,760 is forecast for this Council and will be credited to the General Fund Revenue Account for 2019/20.

22.4 The business rates retention scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2018/19 in 2019/20. A deficit of £1,803,542 is forecast for this Council and will be charged to the General Fund Revenue Account for 2019/20. The calculation is shown in Appendix 14.

23 Precepts

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

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

24 Council Tax Recommendation

24.1 The budget target included an increase of 3 percent in Council Tax.

24.2 Following confirmation of changes in government funding and the council tax referendum rules, along with the need to minimise the use of working balances, the recommendation in this report is based on an increase of 2.99%.

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

Council Tax Requirement 2019/20	**£**	**£**
Budget Requirement		6,386,842
Revenue Support Grant	0	
Non Domestic Rates retained	983,187	
Small Business Rate Relief Grant	602,260	
External Support:		(1,585,447)
Sub-Total		4,801,395
Add: Collection Fund Deficit (business rates)		1,803,542
Less: Collection Fund Surplus (council tax)		(79,760)
Council Tax Requirement		**6,525,177**

24.4 Precepts have been recommended as follows:-

	£	%
Surrey County Council	47,813,798	76
Surrey Police	8,571,614	14
Epsom and Ewell Borough Council	6,525,177	10
Total	62,910,590	

24.5 In accordance with Regulation 3 of the local authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 32,895.63 as its Council Tax base for the year 2019/20. This represents the number of Band D equivalent properties.

24.6 Based on the recommendation in this report, the change in the council tax levy per Band D equivalent dwelling, when compared to 2018/19 would be as follows:-

Recommendations	**2018/19**	**2019/20**	**Variation**	
	£	**£**	**£**	**%**
Surrey County Council	1,411.29	1,453.50	42.21	2.99
Surrey Police Authority	236.57	260.57	24.00	10.14
Epsom & Ewell Borough Council	192.60	198.36	5.76	2.99
Total	**1,840.46**	**1,912.43**	**71.97**	**3.91**

25 Robustness of the Estimates

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

25.2 The Council's Chief Finance Officer advises that:-

- The Council received the 2017/18 financial statements in good time, with an unqualified audit opinion

- The revenue and capital budget monitoring arrangements are effective for the purpose and all Members receive quarterly monitoring reports

- The Financial Policy Panel receives regular reports on financial and risk management, asset management and procurement issues and has been well placed to provide effective advice on the medium term financial strategy, the capital strategy and on financial planning leading to the preparation of the detailed service estimates.

- The policy committees have received detailed estimates of revenue and capital expenditures for 2019/20 and have also received assessments on the main financial risks.

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

25.4 A corporate budget risk assessment is appended to this report (Appendix 6), as is a statement on the level of reserves (Appendix 8).

25.5 The Chief Finance Officer considers that the budget proposals for 2019/20 are robust and sustainable.

25.6 The updated financial forecast (Appendix 9) identifies the need for further significant cost reduction and income generation as set out in this report so as to improve the forecast budget position by nearly £1.7 million by 2022/23.

25.7 The forecast removes the reliance on funding from new homes bonus grant to finance services and reduces the Council share of retained business rates income in anticipation of the impact of the Government's 'Fair Funding' and Redistribution of Retained Business Rates' reviews.

25.8 The revenue budget for 2019/20 provides £100,000 funding towards the Council capital programme and the forecast increases the contribution by £100,000 per annum to provide funding for a sustainable capital programme that is not reliant on the use of the Council's diminishing capital receipts in the future.

25.9 The major challenge in the Financial Plan was the delivery of over £3 million of savings over the four years 2016 to 2020 and the 2019/20 estimates demonstrate that these savings have been achieved over this period.

26 Conclusions

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

26.2 The proposed budget makes provision for all services next year and takes into account variations in income and expenditure this year, as well as changes to government grant funding. The budget also includes the full year effect of savings made last year and new efficiency savings and increases in income for 2019/20.

26.3 The Council has been able to prepare a balanced budget through a range of changes to services, increases to income especially from the acquisition of commercial property. Revenue reserves are sufficient to manage further variations in income and expenditure.

26.4 There is significant uncertainty over the levels of income Epsom and Ewell Borough Council will get to retain when Government completes its review of Local Government Funding which will impact on the Council finances from 2021/22 onwards. The latest information suggests that the Council can expect a further reduction to its funding and as a result could be expected to deliver £1.7 million of savings and new income to achieve a balanced budget by 2022/23.

26.5 Budget and Council Tax decisions for 2019/20 should be consistent with the draft Medium Term Financial Strategy and the Financial Plan for 2016 – 2020.

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

26.7 The draft budget is based on a 2.99% annual increase in council tax. The proposed budget will still require the delivery of cost reductions but the increase would help to maintain the resources needed for service delivery in the medium term.

26.8 The Council will maintain its council tax policy under any of the option presented with the tax being below the Surrey average.

26.9 For ease of reference, the Annexes attached to this report are listed below:

Annexe 1	Policy Committee Budgets 2019/20
Annexe 2	Main Changes to Service Budgets for 2019/20
Annexe 3	Income from increases to discretionary Fees and Charges
Annexe 4	Updated Four Year Efficiency Plan 2016/17 to 2019/20
Annexe 5	Economic Indicators
Annexe 6	Risk Assessment
Annexe 7	Reserves (Revenue and Capital)
Annexe 8	Chief Finance Officers' Statement on Robustness of Estimates and Adequacy of Reserves
Annexe 9	Financial Forecast 2019 – 2029
Annexe 10	Capital Strategy Statement
Annexe 11	Treasury Management Strategy, including Prudential Indicators &

	Authorised Limits
Annexe 12	Surrey District Council Tax levels 2018/19
Annexe 13	Council Tax Calculation 2019/20
Annexe 14	Council Tax Collection Fund
Annexe 15	Business Rate Collection Fund

Ward(s) Affected: (All Wards);

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Agenda Item 5
Annex 1

BUDGETS RECOMMENDED BY THE POLICY COMMITTEES

BUDGET SUMMARY	**2017/18 Actual**	**2018/19 Budget**	**2018/19 Revised Estimates**	**2019/20 Estimate**
	£	**£**	**£**	**£**
GROSS EXPENDITURE				
STRATEGY AND RESOURCES COMMITTEE	26,808,764	27,437,381	26,544,552	26,924,562
ENVIRONMENT COMMITTEE	11,190,644	9,757,321	10,267,152	9,857,040
COMMUNITY AND WELLBEING COMMITTEE	11,313,086	10,178,412	10,371,533	10,056,199
TOTAL GROSS EXPENDITURE	**49,312,494**	**47,373,114**	**47,183,237**	**46,837,801**
GROSS INCOME				
STRATEGY AND RESOURCES COMMITTEE	(28,948,395)	(26,013,997)	(25,757,120)	(25,359,120)
ENVIRONMENT COMMITTEE	(9,030,002)	(7,786,327)	(7,704,236)	(7,618,204)
COMMUNITY AND WELLBEING COMMITTEE	(4,535,567)	(4,022,877)	(3,800,313)	(3,924,167)
Less ASSET RENTS (Internal Recharges)	(3,246,139)	(2,879,470)	(2,879,470)	(2,669,015)
TOTAL GROSS INCOME	**(45,760,103)**	**(40,702,671)**	**(40,141,139)**	**(39,570,506)**
CONTRIBUTION TO / (FROM) STRATEGIC RESERVES	**4,077,811**	**1,112,738**	**885,476**	**(880,453)**
NET EXPENDITURE	**7,630,202**	**7,783,181**	**7,927,574**	**6,386,842**
CONTRIBUTION TO / (FROM) GENERAL RESERVE FOR YEAR	14,772	0	(144,393)	0
NET BUDGET REQUIREMENT	**7,644,974**	**7,783,181**	**7,783,181**	**6,386,842**

COMMITTEE TOTALS	**2017/18 Actual**	**2018/19 Budget**	**2018/19 Revised Estimates**	**2019/20 Estimate**
	£	**£**	**£**	**£**
STRATEGY AND RESOURCES COMMITTEE	305,203	2,697,178	1,888,620	833,162
ENVIRONMENT COMMITTEE	3,565,812	1,947,834	2,472,668	2,187,076
COMMUNITY AND WELLBEING COMMITTEE	7,005,326	6,017,639	6,445,756	6,035,619
ASSET RENTS (Internal Recharges)	(3,246,139)	(2,879,470)	(2,879,470)	(2,669,015)
CONTRIBUTION TO / (FROM) GENERAL RESERVE FOR YEAR	14,772	0	(144,393)	0
TOTAL	**7,644,974**	**7,783,181**	**7,783,181**	**6,386,842**

FUNDED BY	**2017/18 Actual**	**2018/19 Budget**	**2018/19 Revised Estimates**	**2019/20 Estimate**
	£	**£**	**£**	**£**
COUNCIL TAX PRECEPT	6,045,236	6,289,942	6,289,942	6,525,177
REVENUE SUPPORT GRANT	0	0	0	0
TRANSITIONAL GRANT	82,624	0	0	0
NNDR	1,237,674	1,203,289	1,203,289	983,187
SMALL BUSINESS RATE RELIEF GRANT	289,507	328,942	328,942	602,260
COLLECTION FUND SURPLUS - COUNCIL TAX	100,580	141,095	141,095	79,760
COLLECTION FUND DEFICIT - BUSINESS RATES	(110,647)	(180,087)	(180,087)	(1,803,542)
TOTAL	**7,644,974**	**7,783,181**	**7,783,181**	**6,386,842**

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MAIN SERVICE BUDGET CHANGES 2018/19 TO 2019/20

	Budget Savings £'000	Budget Costs £'000
STRATEGY & RESOURCES		
Reduction in government funding for housing benefit		743
Reduction in housing benefit payments	(717)	
Budget for providing Local elections		70
Reduced New Homes Bonus Grant		221
Increase in transfer of New Homes Bonus to Corporate Projects Reserve		259
Net change in contribution from the Business Equalisation Reserve	(1,779)	
Provision for Grounds Maintenance Seasonal Action Team		96
Change in MRP relating to investment properties		75
Change in revenue funding contribution towards capital projects	(440)	
Increased income from investment properties	(287)	
ENVIRONMENT		
Increase in income from trade,civic and green waste through changes in demand	(97)	
Increased cost of waste & recycling including reduced funding from SCC		166
COMMUNITY & WELLBEING		
Review of operations in Parks	(77)	
All Committees		
Increase in salaries & other overheads including changes to vacancy provision		588
Additional income from increase in Fees and Charges (budget proposals)	(123)	
All other service budget changes (changes all below £60,000)	(94)	
	(3,614)	**2,218**
Policy Committee Budget Reduction		**(1,396)**

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ADDITIONAL INCOME FROM INCREASING FEES AND CHARGES FROM APRIL 2019

	£'000	**£'000**
ENVIRONMENT		
Car Parks	8	
Refuse Collection / Recycling	59	
Markets	3	
Development & Building Control	15	
Cemetery	7	
Licensing & Environmental Health	6	
		98
COMMUNITY AND WELLBEING		
Community & Wellbeing Centre	4	
Community Services	5	
Bourne Hall	8	
Ewell Court House	2	
Epsom Playhouse	3	
Allotments	1	
Parks & Open Spaces	2	
		25
TOTAL		**123**

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UPDATED EFFICIENCY PLAN - 2018/19 to 2019/20

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Operational efficiencies and income generation	253	237	501	566	1,557
Strategy & Resources Committee					
Reduce hardship fund	5				5
Alternative payroll provision		10			10
Acquisition of investment properties		172	805	152	1,129
Environment Committee					
Introduce Planning Performance Agreements	12				12
Charging to variations to Section 106 Agreements	4				4
Charging for Enabling Officer	2	3			5
Parking income above 6% yield	367				367
Cease sweeping up highway verge cuttings after cutting		52			52
Highways Horticultural Restructure of Team		41			41
Cease additional cuts to highway verges		52			52
Community & Well-Being Committee					
Allotments – introduce water charging	8				8
Allotments – self management			2		2
Extend Housing Act charges	4				4
Cease extended out of hours service	24				24
Reduction in homelessness costs through new properties		75	230		305
Charge for Handyman Service	10				10
Introduce administration charge for Home Improvement Agency service	10				10
Cemeteries increase charges for inscriptions	12				12
Increase of fees in cemetery	11				11
Merging Routecall Service	152				152
Social Centre Review	73				73
Advertising on litter bins	2				2
Review of operation of parks				77	77
Introduce vending in parks			-	5	5
Venues Service Review		52	52		104
Total Identified Savings	**949**	**694**	**1,590**	**800**	**4,033**
Unidentified savings Target	**-**	**-**	**-**	**-**	**-**
Total Savings Delivered to Achieve Balanced Budget	**949**	**694**	**1,590**	**800**	**4,033**

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

This edition of the comparison contains 24 new forecasts, all of which were received between December 3rd and December 17th 2018. The tables below summarise the average and range of independent forecasts for 2018 and 2019 and show the average of this month's new forecasts.

Forecasts 2018					
	Independent				
	Averages		December		**Average of new forecasts**
	December	November	Lowest	Highest	
GDP growth (per cent)	1.3	1.3	1.1	1.4	**1.3**
Inflation rate (Q4: per cent)					
-CPI	2.3	2.4	2.2	2.6	**2.3**
-RPI	3.2	3.3	3.1	3.8	**3.2**
LFS unemployment rate (Q4: %)	4.1	4.0	3.8	4.2	**4.1**
Current account (£bn)	-70.1	-70.2	-83.0	-58.0	**-70.8**
PSNB (2018-19: £bn)	31.1	30.3	25.0	55.0	**30.3**

Forecasts 2019					
	Independent				
	Averages		December		**Average of new forecasts**
	December	November	Lowest	Highest	
GDP growth (per cent)	1.5	1.5	0.9	2.2	**1.5**
Inflation rate (Q4: per cent)					
-CPI	2.0	2.0	1.5	3.5	**2.0**
-RPI	3.0	3.0	2.3	4.2	**2.9**
LFS unemployment rate (Q4: %)	4.1	4.1	3.6	4.5	**4.1**
Current account (£bn)	-67.1	-68.5	-100.0	-41.2	**-68.0**
PSNB (2018-19: £bn)	32.9	32.4	25.6	38.8	**32.4**

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COUNCIL
19 FEBRUARY 2019

REVENUE BUDGET 2019/20- RISK ASSESSMENT

STRATEGY &RESOURCES COMMITTEE						
Risk	**Budget (£M)**	**Ratin g**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Reducing projected net expenditure	All	**High**	Fail to deliver reducing and deliver a balanced budget	Delivery of the MTFS and the Efficiency Plan Developing a new MTFS and 10 Financial Plan Reduce organisational net costs by £800,000 in 2019/20	Identifying sources of revenue and maximising our existing income.	L1
External Funding	0 RSG 0 New Homes Bonus 1.6 Business Rates	**Med**	Outcome of the Fair Funding review will penalise the Council Outcome of the review of Business Rates Retention scheme Loss of New Homes Bonus	Potential for the new mechanism to reduce the funding to EEBC The removal of the negative RSG of £625,000 in 2019/20 has provided some support but it is unclear how the changes from the Fair Funding and Business Rates Retention reviews will impact on the Council's funding from 2020/21 onwards.	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1

STRATEGY &RESOURCES COMMITTEE						
Risk	**Budget (£M)**	**Ratin g**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Failure to control Salaries Costs	11.9	**High**	Not achieving 2% vacancy margin. Additional costs of agency/temporary staffing escalating costs Service or project pressures.	Pay & Reward Scheme Recruitment management Driving cultural change through OD strategy and new behaviours Monitor the implications of the changes to the National Living Wage in April 2019 Improved salaries monitoring	To deliver an agreed Organisational Development Strategy	L2
Cost of borrowing	140	**High**	Over borrowing at incorrect rates Cost of borrowing through PWLB increases	Borrowing to invest decisions Robust business cases Agree governance arrangements and robust reporting Borrow through the PWLB	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1

STRATEGY &RESOURCES COMMITTEE						
Risk	**Budget (£M)**	**Ratin g**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Rental returns for the general fund	2.8	**High**	Failure to achieve the required rental returns from commercial property investments funded by borrowing Loss of tenant	Management of properties Review of all purchasing opportunities and due diligence	Delivery of the MTFS delivering further efficiency savings and cost reductions Increasing returns on investment properties by £50k	L1
Rental returns for EEPIC	0.8	**High**	Failure to achieve the required rental returns from commercial property investments funded by borrowing Loss of tenant	Management of properties and tenants Review of all purchasing opportunities and due diligence	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1
Maintain secure investment of	0.1	**Low**	Generate a sound return on cash	Annual review of Treasury Management Strategy	Delivery of the MTFS delivering further efficiency	L1

STRATEGY &RESOURCES COMMITTEE						
Risk	**Budget (£M)**	**Ratin g**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
reserves and cash balance through the Treasury Management: Strategy			Safeguard capital sums invested	Use of external fund manager in accordance with treasury management policy Interest equalisation reserve Monthly review of fund performance Review of market risks using treasury management advisers	savings and cost reductions	
Pension funds	34.0 (Deficit as at 31/03/20 18)	Med	The deficit is not addressed over the next 20 years	Pension fund deficit payments are at £818k for the next three years until 2019/20 and then will be revaluated	Delivery of the MTFS delivering further efficiency savings and cost reductions	n/a

STRATEGY &RESOURCES COMMITTEE

Risk	Budget (£M)	Ratin g	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Asset Management	0.7 (exp)	**High**	Operational property is not fit for purpose. Optimisation of property for service to residents Insufficient reserves to fund major works and on-going maintenance to council assets.	An updated Asset Management Plan is outstanding and will be updated in 19/20 Property maintenance and prioritised repairs programme Monitor tenant requirements and rent levels	None	n/a
Retained Business Rates	1.6	**High**	Implications of the reforms to Business Rates Retention	Await the outcome of the Business rates retention reform Await the outcome of organisations appealing for charitable status	At least 99% of business rates to be collected	n/a

STRATEGY &RESOURCES COMMITTEE

Risk	Budget (£M)	Ratin g	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Housing Benefit Subsidy	17.8	**Med**	Reduced recovery rate on benefits paid out Increased demand for benefit payments due to recession Staff retention/ recruitment Welfare reforms	Additional staffing resources from Corporate Project Reserve Monthly monitoring of benefit performance indicators Quarterly monitoring of subsidy position Recruitment and retention programme Increasing bad debt provision for claimant arrears	Processing of new benefit claims in 22 days and change in circumstances in 11 days	n/a
Council Tax Income	6.5 (EEBC element)	**Med**	Collection rates due to economy & changes to council tax benefits Cash flow	Billing & recovery arrangements designed to support collection targets, additional resource for local council tax support scheme Collection performance reported to Directors monthly. Collection Fund separately managed on behalf of precept authorities (SCC & SP)	98.40% of Council Tax collected	n/a

STRATEGY &RESOURCES COMMITTEE						
Risk	**Budget (£M)**	**Ratin g**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Transformation agenda for Surrey County Council has identified £200M in cuts that will affect the whole of SCC	Unknown impact on EEBC		Loss of income Reduced service Increased costs	A Group has been established to assess and monitor the direct and indirect implications of the proposed changes	None	n/a

ENVIRONMENT COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Off Street Parking Income	4.0	**Med**	Income from off street car parks is exposed to adverse weather and economic conditions that can have significant effect on Outturn. Income may be adversely impacted for the duration of Plan E works	Monthly monitoring and work analysing individual car park performance against target. Offset any 2019/20 income shortfall related to Plan E works with a contribution from the Corporate Projects Reserve	n/a	n/a
On Street Parking income	0.1	**Med**	Loss of on street parking income due to termination of current arrangements with SCC	Need to monitor the changes within SCC	Identifying sources of revenue and maximising our existing income.	n/a

ENVIRONMENT COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Domestic and Trade Waste Collection	1.4	**Med to High**	Income from waste recycling fees is exposed to changes in market prices and the changes proposed by SCC.	Monthly monitoring of income against target and monitor the market fluctuations	Introducing a premium weekly waste and recycling service as standard for all residents and encouraging more household waste. collection	n/a
Highways	0.1	**Low**	Possible reductions of partner contributions due to budget cuts	Review of expenditure relating to highways agency spend to ensure full costs funded by SCC.	n/a	n/a

ENVIRONMENT COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Building Control	0.3	**Low**	Changes to economy further impacting on planning and building control income Private competition on Building Control Service has impacted adversely in recent years with the market is difficult to predict	Annual review of charges Monthly monitoring of income Review recommendations from review of building control service and market services	n/a	n/a
Place Development	0.5	**High**	Risk of designation for planning decisions Non delivery of the Local Plan and Plan E	Monitor costs and costs of specific appeals	Implement the Local Plan and the national planning statistics	L3, L5 and L9
Epsom Market	0.1		Income may be adversely impacted for the duration of Plan E works	Monthly monitoring of income against target and monitor the market fluctuations Offset any 2019/20 income shortfall related to Plan E works with a contribution from the Corporate Projects Reserve		

ENVIRONMENT COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Cemetery Services	0.5	**Med**	Lack of space in cemetery Reduction in the no of burials and memorials	Cemetery extension project is on track to be delivered in 2019/20	n/a	n/a

COMMUNITY AND WELL BEING						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Homelessness	0.7	**Med**	Increase in number of households requiring temporary accommodation Lack of affordable housing therefore unable to move households out of TA	The Council have invested in a number of schemes to support those in and at risk of homelessness	Have no more than 40 households in temporary accommodation Housing allocation policy to be fully implemented At least 8 households accommodated through PSL At least 30 new households supported through the rent deposit scheme	L10

COMMUNITY AND WELL BEING						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Venues Income	0.3	**Med**	Not reaching budgeted level of letting income from venue. Additional operational costs	Implement restructure and marketing of venues	Maximising returns from property and other investments	L1

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REVENUE RESERVES FORECAST 2018-2019

	Balance at 31 March 2018 *£'000*	Forecast Transfers *£'000*	Forecast Balance at 31 March 2019* *£'000*
Current Balances			
General Fund	3,348	-144	3,204
Total Current Balances	**3,348**	**-144**	**3,204**
Strategic Reserves			
Insurance	437	-25	412
Repairs and Renewals	237	22	259
Interest Equalisation	631	0	631
VAT Reserve	320	0	320
Housing & Planning Delivery Grant	176	-20	156
Property Maintenance	423	-172	251
Commuted Sums	1,965	0	1,965
Hospital Cluster Interest	232	0	232
Corporate Project Reserve	2,574	-190	2,384
Community Safety	82	1	83
Historic Buildings	3	0	3
Partnerships (ex yell young people and local partnerships)	28	0	28
Residential Property Acquisition Fund	1438	0	1,438
PPP Reserve	111	-19	92
Civic Investment Reserve	0	0	0
Business Rate Equalisation Reserve	2244	-65	2,179
Hollymoor Lane - Orbit Contribution	90	-90	0
Linden Homes	83	0	83
HIA Hardship Fund	71	-19	52
Sports & Leisure Development Projects Fund	92	-8	84
Property Income Equlisation Reserve	1349	687	2,036
Total Strategic Reserves	**12,586**	**102**	**12,688**
Other Reserves	265	3	268
Total Revenue Reserves	**16,199**	**-39**	**16,160**

CAPITAL RESERVES 2017-2020

Provisional Capital Programme Funding Summary

	Community Infrastructure Levy	Section 106 S106	Capital Grant-DFG	Capital Receipts	Repairs and Renewals Reserves	Residential Property Fund	Other Contributions	Borrowing	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Available Capital Resources at 1/4/2018	4.063	0.879	0.353	4.889	0.273	1.438	0.082	55.646	67.044
Less hospital cluster				-0.580					
	4.063	0.879	0.353	4.309	0.273	1.438	0.082	55.646	67.044
Funding the 2018/19 Capital Programme	0.000	0.000	-0.641	-0.913	0.000	0.000	-0.540	0.000	-2.094
Anticipated Receipts in 2018/19	1.040	0.000	0.641	0.210	0.000	0.000	0.540	0.000	2.431
Funding rolled forward 2017/18 Capital schemes	-1.379	-0.204	-0.353	-0.386	0.000	0.000	-0.082	0.000	-2.404
Estimated available Capital Resources at 31/3/2019	**3.724**	**0.675**	**0.000**	**3.220**	**0.273**	**1.438**	**0.000**	**55.646**	**64.977**
Estimated available Capital Resources at 1/4/2019	3.724	0.675	0.000	3.220	0.273	1.438	0.000	55.646	64.976
Anticipated Receipts in 2019/20	1.040	0.000	0.650	0.000	0.000	0.000	0.100	0.000	1.790
Funding the 2019/20 Capital Programme	-2.745	0.000	-0.650	-0.364	0.000	0.000	-0.100	0.000	-3.859
Estimated available Capital Resources at 31/3/2020	**2.019**	**0.675**	**0.000**	**2.856**	**0.273**	**1.438**	**0.000**	**55.646**	**62.907**
Estimated available Capital Resources at 1/4/2020	**2.019**	**0.675**	**0.000**	**2.856**	**0.273**	**1.438**	**0.000**	**55.646**	**62.907**
Anticipated Receipts in 2020/21	1.040	0.000	0.650	0.000	0.000	0.000	0.000	0.000	1.690
Proposed New Bids for 2020/21	0.000	0.000	-0.650	0.000	0.000	0.000	0.000	0.000	-0.650
Estimated available Capital Resources at 31/3/2021	**3.059**	**0.675**	**0.000**	**2.856**	**0.273**	**1.438**	**0.000**	**55.646**	**63.947**

Notes:
1. Bids have been initially been allocated to funding from Capital Receipts, however alternative funding sources could be used e.g Repairs and Renewals, CIL and Section 106.
2. The receipts forecast assumes a £100k revenue contribution to fund capital schemes in 2019/20. This contribution is subject to the budget being approved at Council in Februar
3. No expenditure has been entered for the residential and commercial property funds but this will occur when opportunities arise.
The timing of the expenditure cannot be forecast, therefore has been left blank at this time.
4. Borrowing is only available to fund the In-Borough Commercial Property Acquisition Fund
5. £2.245m of CIL funding was recently agreed by S&R Committee to support Plan E and the Stoneleigh Station Accessibility project.
This has been recorded above as part of the 2019/20 programme, however, exact timescales for incurring this expenditure are not yet confirmed.

STATEMENT ON THE ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

1. Introduction

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

To assist Chief Finance Officers in compiling these statements, CIPFA wrote to all Chief Finance Officers on 21 December 2011 providing further details of their responsibilities in respect of the budget setting process and in particular the statement on the robustness of the estimates and adequacy of reserves. This statement addresses the requirements as set out in the letter and Members should consider the content of this report carefully.

2. Robustness of the estimates

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

In terms of the robustness of the estimates presented for 2019/20, the following observations are made:

Preparation of the 2019/20 budget began last year with the development and approval of the new Four Year Medium Term Financial Strategy and Efficiency Plan. Income generating opportunities or revenue savings agreed as part of the MTFS for 2019/20 are included within next year's budget after assessing whether they are achievable, deliverable and acceptable. The Policy Committees in October 2018 considered savings or income generating items included within the Efficiency Plan, scheduled to be delivered in 2019/20. The 2019/20 budget incorporates £800,000 of savings and additional income identified from the Efficiency Plan.

The process for determining the 2019/20 budget has again required the majority of budgets to be cash limited. Contractual price rises and utility price increases have been incorporated but all non-pay budgets have been cash limited. The 2019/20 pay award proposed by the Joint Staff Consultative Committee was agreed by Strategy and Resources Committee in November 2017 and a pay award provision of £292,000 has been incorporated within the estimates for 2019/20.

The Council lost its debt free status in 2016/17 when it was agreed to acquire commercial properties funded by 50 year PWLB loans. Last year the Council set up a Local Authority Property Investment Trading Company to enable the acquisition of investment properties outside the Borough the Company has acquired two properties that are budgeted to benefit General Fund Services by £818,000 of net income in 2019/20. With any investment there are risks, the benefit from acquiring these properties remain as long as they are tenanted, paying full rent and being properly maintained.

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

Maintenance of our buildings is also an increasing pressure which needs to be addressed and whilst increased provision has been made within the 2019/20 General Fund Revenue Budget the ten year maintenance programme currently being developed needs to be finalised and incorporated into future projections. With earmarked reserves having been utilised, uncommitted capital receipts nearing the minimum required level and pressure on revenue funding, the opportunity to fund on-going maintenance is limited.

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

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

Both the understanding of the Council's financial position and the commitment to ensure delivery of budgets continue to develop across all service areas enabling the Council to be more effective in its financial planning. Members receive quarterly monitoring reports and the Chairmen of the Policy Committees receive a monthly update on financial issues facing the Council. All budget managers receive monitoring reports for their particular area. The financial monitoring system covers both revenue and capital expenditure.

As with any budget there are uncertainties to plan for and manage and this remains the case even at this stage.

The 2019/20 budget continues to be affected by changes to how Non Domestic Rates are calculated and distributed which the government introduced in 2013. The system seeks to provide a greater reward for those authorities which encourage business growth but also means the local authority shares to a much greater extent the risks associated with any loss of businesses. Government is undertaking a review of the method for redistribution of Non Domestic Rates in 2019 which will impact on the level of resources that this Council retains and these changes to Council funding will come into effect from 2020/21. To assist with the potential volatility of this income stream the Council has a Business Rates Equalisation Reserve, this reserve can also be potentially used to mitigate against reductions in allocated funding for a period of time whilst compensating savings can be found.

Another element of uncertainty relates to income. In terms of other income, these estimates are made looking at past levels of income achieved as well as trends throughout a year. Variances can increase income as well and often these positive variances cancel out the negative variances. However, there is still a real risk where significant levels of income are forecast. The fees and charges levied by the Council have been subject to a detailed review. Significant income budgets are subject to the same degree of rigorous monitoring as other budgets and any variations are reported through the monitoring processes in place. For 2019/20 the Council has taken the opportunity to adjust budgets where income received continually failed to meet the agreed budget. In addition where the Council is required to set fees and charges to ensure the full costs of the service are recovered it is important that the fees are regularly reviewed and prompt action is taken where either a deficit or surplus is projected.

With all Councils seeing a reduction in government funding, there is a risk that other organisations will look to reduce the funding given to Epsom and Ewell Council to provide services on their behalf or jointly.

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

In conclusion, the 2019/20 General Fund estimates are considered to be robust on the basis that:

a. Stringent budget monitoring, together with prompt responses to variances is actioned.
b. Total net expenditure is maintained within approved budgets.

3. Adequacy of Reserves

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

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

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

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

The level of reserves was reported to the Strategy and Resources Committee in July 2018, when the financial statements for 2017/18 were approved. The minimum working balance in the Medium Term Financial Strategy stands at £2.5m.

In the past, the government has increased local authority exposure to financial risk with the introduction of the Local Council Tax Support Scheme and localisation of business rates. The risk in part has been offset by reducing the collection rate for council tax, increasing the provision for bad debt, and by creating the business rate equalisation reserve. Having considered these risks, the conclusion is that minimum levels should remain as currently specified with the Medium Term Financial Strategy; namely

- General Reserve - £2.5 million
- Capital Receipts - £1 million
- Corporate Projects Reserve £1 million

The General Fund balance is anticipated to be £3.2 million at 31 March 2020. The projections assume no withdrawal from the General Fund Balance in 2019/20.

The unallocated capital receipts are anticipated to be just under £2.9 million at 31 March 2020. The 2019/20 budget funds £100,000 of the capital programme from revenue and £364,000 from capital reserves. With the annual capital programme on average using up around £0.7 million of capital receipts per annum the Council will

need to identify how future capital expenditure can be resourced either through additional funding from revenue, borrowing or generating new receipts.
The Council has other reserves ear-marked for specific purposes and these are detailed in Appendix 7.

With the Council acquiring commercial property to generate income to protect front line services, consideration has been given as to whether it would be appropriate to increase the minimum level of the General Fund Balance to recognise the Council's increased exposure to risk should the current tenants withdraw. Given that the Council is transferring a proportion of the rental income into a reserve to mitigate the potential risk relating to lost income and or liabilities for any maintenance costs, it has not been deemed necessary.

Having undertaken the review of reserves and given the economic and financial environment the Council is working within during 2019/20 it is believed that the Council is operating at an acceptable level of reserves.

Lee Duffy
Chief Finance Officer

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REVENUE BUDGET FOUR YEAR FORECAST

Status: Financial Planning Based on 2019/20 Budget

	MTFS		FORECAST								
FOUR YEAR BUDGET PROFILES	**2018/19 Budget £000**	**2019/20 Budget £000**	**2020/21 Forecast £000**	2021/22 Forecast £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000
NET SPEND B/F FROM PREVIOUS YEAR		**7,783**	**6,387**	**8,802**	**9,395**	**9,976**	**9,998**	**10,376**	**10,790**	**11,260**	**11,686**
add back: Use of New Homes Bonus in Previous Year		**500**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
add back: Interest on Balances as credited to the revenue account in previous year		120	96	130	175	240	270	400	500	500	500
add back: Use of Reserves/Provisions in Previous Year		-475	1,845	0	0	0	0	0	0	0	0
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	**8,403**	**7,928**	**8,328**	**8,932**	**9,570**	**10,216**	**10,268**	**10,776**	**11,290**	**11,760**	**12,186**
Allowance for Pay and Price Inflation											
General Inflation - price base		+190	+190	+190	+190	+194	+198	+202	+206	+210	+214
General Inflation pay bill base		+292	+400	+408	+416	+424	+433	+442	+450	+459	+469
Other		+51									
Prices Increases net of Increased Fees & Charges		**+533**	**+590**	**+598**	**+606**	**+618**	**+631**	**+643**	**+656**	**+669**	**+683**
Increases in costs / Reductions in income											
Pension Fund Valuation 2019			+100	+100	+100						
Increase in cost of waste collection		+107									
Resources for staff learning and development		+35									
Transit site		+20									
Change in corporate contingencies		+127									
Provision for business improvement work to increase capacity		+20									
Apprenticeship scheme		+39									
Increase in provision for property maintenance		+50	+50	+50	+50	+50					
Provision for impact on services of latest benefit reforms			+100								
Local elections		+70	-70								
Verge maintenance		+59									
Reduction in savings on Ebbisham Centre		+71									
Community Safety		+36									
Funding of projects within the capital programme		+100	+100	+100	+100	+100	+100	+100	+50		
Health and Wellbeing		+36									
Verge maintenance		+37									
Increases in costs / Reductions in income		**+807**	**+280**	**+250**	**+250**	**+150**	**+100**	**+100**	**+50**	**+0**	**+0**
Changes to External Funding											
Refuse & Recycling (SCC)											
Loss of Housing Benefit Admin Grant		+25	+24								
Grant funding from DCLG for Local Council Tax Admin Subsidy		+50									
Remove funding from Property Company towards funding capital programme		-115									
Higher Needs		+23									
Changes to External Funding		**-17**	**+24**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**

FOUR YEAR BUDGET PROFILES	2018/19 Budget £000	2019/20 Budget £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000
New Home Bonus											
Estimated New Homes Bonus	-833	-444	-307	-282	-84	-84	-84	-84	-84	-84	-84
Transfer to Corporate Project Reserve	+333	+444	+307	+282	+84	+84	+84	+84	+84	+84	+84
NHB Funding used to support General Fund services	**-500**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Cost Reduction Plan											
Star Chamber		-406									
Acquisition of Commercial Property		-152									
Base review		-75									
Savings from Leadership Team restructure		-167									
Cost Reduction Plan		**-800**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Contributions from Reserves/Provisions											
Funding from business rates equalistation reserve of retained business rates income deficit		-1,845									
Reduced contributions to the Property Equalisation Reserve						-500					
		-1,845	**+0**	**+0**	**+0**	**-500**	**+0**	**+0**	**+0**	**+0**	**+0**
Fees and Charges											
Increased yield on discretionary Fees and Charges		-123	-290	-210	-210	-216	-223	-229	-236	-243	-251
		-123	**-290**	**-210**	**-210**	**-216**	**-223**	**-229**	**-236**	**-243**	**-251**
Interest on Balances (excludes interest credited to strategic reserves)											
Average level of investments											
Investments (average)	*0*	*12,000*	*13,000*	*14,000*	*16,000*	*18,000*	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*
Interest rate used (supplemented by interest equalisation reserve)	*0.80%*	*0.80%*	*1.00%*	*1.25%*	*1.50%*	*1.50%*	*2.00%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Total Interest Forecast	-120	-96	-130	-175	-240	-270	-400	-500	-500	-500	-500
Add: Use of interest equalisation reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Interest credited to General Fund to Finance Services	**-120**	**-96**	**-130**	**-175**	**-240**	**-270**	**-400**	**-500**	**-500**	**-500**	**-500**
SUMMARY OF FORECASTS											
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	**8,403**	**7,928**	**8,328**	**8,932**	**9,570**	**10,216**	**10,268**	**10,776**	**11,290**	**11,760**	**12,186**
Price Increases (inflation)		**+533**	**+590**	**+598**	**+606**	**+618**	**+631**	**+643**	**+656**	**+669**	**+683**
Increases in costs / Reductions in income		**+807**	**+280**	**+250**	**+250**	**+150**	**+100**	**+100**	**+50**	**+0**	**+0**
Changes to External Funding		**-17**	**+24**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
NHB Funding used to support General Fund services	**-500**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Cost Reduction Plan		**-800**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Contributions from Reserves/Provisions		**-1,845**	**+0**	**+0**	**+0**	**-500**	**+0**	**+0**	**+0**	**+0**	**+0**
Fees and Charges		**-123**	**-290**	**-210**	**-210**	**-216**	**-223**	**-229**	**-236**	**-243**	**-251**
Interest credited to General Fund to Finance Services	**-120**	**-96**	**-130**	**-175**	**-240**	**-270**	**-400**	**-500**	**-500**	**-500**	**-500**
Forecast Net Cost of Services	**7,783**	**6,387**	**8,802**	**9,395**	**9,976**	**9,998**	**10,376**	**10,790**	**11,260**	**11,686**	**12,118**

FOUR YEAR BUDGET PROFILES	2018/19 Budget £000	2019/20 Budget £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000
SETTLEMENT ASSESSMENT FUNDING FORECAST											
RSG	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Transitional Grant	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Tariff Adjustment	0	0	0	0	0	0	0	0	0	0	0
Retained Business Rates	**1,203**	**983**	**1,269**	**1,138**	**1,004**	**868**	**736**	**600**	**462**	**321**	**178**
Small Business Rate Relief Grant	**329**	**602**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Localism Relief Grant	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Formula Grant / Business Rate Retention	**1,532**	**1,585**	**1,269**	**1,138**	**1,004**	**868**	**736**	**600**	**462**	**321**	**178**
Base Income from Council Tax		6,290	6,525	6,770	7,024	7,287	7,561	7,845	8,140	8,445	8,762
Increase in council tax base		+46	+49	+51	+53	+55	+57	+59	+61	+63	+66
	6,290	**6,336**	**6,574**	**6,821**	**7,076**	**7,342**	**7,618**	**7,904**	**8,201**	**8,508**	**8,828**
Forecast for increase of 3% in Council Tax income		+189	+196	+203	+211	+219	+227	+236	+244	+254	+263
Council Tax Income Forecast	**6,290**	**6,525**	**6,770**	**7,024**	**7,287**	**7,561**	**7,845**	**8,140**	**8,445**	**8,762**	**9,091**
Deficit on Retained Business Rates	-180	-1,803	0	0	0	0	0	0	0	0	0
Collection Fund Surplus	141	80	0	0	0	0	0	0	0	0	0
Assumed Collection Fund Income (Formula Grant + Council Tax)	**7,783**	**6,387**	**8,039**	**8,162**	**8,292**	**8,429**	**8,580**	**8,740**	**8,907**	**9,083**	**9,269**
Forecast Budget Shortfall (required use of working balance)	**0**	**0**	**762**	**1,233**	**1,684**	**1,569**	**1,796**	**2,050**	**2,353**	**2,602**	**2,849**
GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION											
Estimated Working Balance b/f	3,334	3,334	3,334	2,572	1,338	-346	-1,915	-3,711	-5,761	-8,114	-10,716
Resulting Working Balance c/f	3,334	3,334	2,572	1,338	-346	-1,915	-3,711	-5,761	-8,114	-10,716	-13,565

Strategic Reserves (Significant)											
Interest Equalisation	631	631	631	631	631	631	631	631	631	631	631
Insurance	375	350	325	300	275	250	225	200	175	150	125
Property Maintenance	424	349	274	199	124	49	0	0	0	0	0
VAT	319	319	319	319	319	319	319	319	319	319	319
Corporate Projects	2,574	2,718	2,725	2,707	2,491	2,275	2,059	1,843	1,627	1,411	1,195
Business Rates Equalisation	2,180	335	335	335	335	335	335	335	335	335	335
	6,503	**4,702**	**4,609**	**4,491**	**4,175**	**3,859**	**3,569**	**3,328**	**3,087**	**2,846**	**2,605**
Property Income Equalisation	2,020	2,695	3,370	4,045	4,720	4,895	5,070	5,245	5,420	5,595	5,770
	8,523	**7,397**	**7,979**	**8,536**	**8,895**	**8,754**	**8,639**	**8,573**	**8,507**	**8,441**	**8,375**
Capital Reserves	**3,180**	**2,920**	**2,370**	**1,920**	**1,570**	**1,320**	**1,170**	**1,120**	**1,120**	**1,120**	**1,120**

Potential to transfer some of the interest equalistion to another strategic reserve
£25k per annum of the insurance reserve is being used to fund revenue budget
Assumed £75k use of property maintenance reserve per annum for backlog property maintenance works
No use of VAT reserve anticipated however with a number of property schemes could be needed
Assumed £300k per annum of corporate projects reserve being used to fund revenue budget/schemes
The business rates equalisation reserve assumes the NHS is successful in its appeal and the deficit in 2017/18 cleared in 2019/20
Anticipates that property income equalisation reserve meets the target of 1 year rental income for 5 properties secured with borrowing
Assumes £700k annual capital programme requiring financing from reserves revenue or capital

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EPSOM AND EWELL BOROUGH COUNCIL

CAPITAL STRATEGY STATEMENT
February 2019

Capital Investment 2019/20 to 2021/22

1. Introduction

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

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

The development of the Capital Strategy and the Asset Management Plan assists the Council in major investment decisions. The Asset Management Plan was last updated in February 2015 to reflect progress made on property and energy management. A refreshed plan, currently being prepared by the Head of Property and Regeneration is due in June 2019.

As in previous years, due to the continued public sector funding environment the core capital programme 2019-2022 has been limited to core projects which comprise mandatory and other prioritised expenditure, investment that can be funded from external funds and is classed as a high priority and 'Spend to Save' schemes that will provide future savings.

2. Development of the Capital Strategy

Member and officer capital groups have been established to oversee the core capital programme and monitor capital schemes. The Capital Member Group is made up of Members nominated by the Financial Policy Panel, supported and attended by the Chief Finance Officer as appropriate. The officer group with responsibility for overseeing the core capital programme is the Leadership Team and comprises of the Heads of Services.

Service and financial planning timetables are submitted to Financial Policy Panel annually. The Capital Strategy is presented to the Council for approval each year. The current strategy includes the current and following two years, proportionate to the size of the authority.

3. Commercial Activity & Investment Strategy

In 2016/17, Council agreed a strategy for property investment which included the creation of a Commercial Property Acquisition Fund of up to £20 million, financed from prudential borrowing. In February 2017, Council increased the fund by a further £60 million. This approved capital expenditure is for acquisition of investment properties within the Borough, with approval of individual investments delegated to the Investment Property Group.

In September 2017, Council approved the establishment of a property investment company and a supplementary capital expenditure budget for property acquisitions of up to £300m across 2017/18, 2018/19 and 2019/20, also to be funded by prudential borrowing.

The commercial property acquisition funds were approved principally to secure long term income streams from commercial property, thereby diversifying the Council's income and reducing reliance on funding from Central Government, which has been reduced and become less reliable in recent years.

In 2016/17, Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. By the end of 2017/18, £1.4m of the fund had been invested in residential property.

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

Property Acquisition Funds	Commercial Property		Residential Property	Total
	In-Borough	Out-of Borough*		
	£000	£000	£000	£000
Opening fund balance	80,000	300,000	3,000	383,000
Purchases during 2016/17	(19,206)	0	(811)	(20,017)
Purchases during 2017/18	(5,148)	(60,293)	(562)	(66,003)
YTD purchases during 2018/19	0	0	0	0
Fund balances at 31/12/2019	**55,646**	**239,707**	**1,627**	**296,980**

* Following MHCLG statutory investment guidance in April 2018, Strategy & Resources Committee agreed (in September 2018) to suspend further out-of-Borough investment property acquisitions, where the main purpose is purely to profit, until further guidance or case law is published that clarifies the Council's related vires. With respect to in-borough properties, whilst acquisitions have not been suspended, officers are monitoring developments in the regulatory environment which will be taken into consideration before any further acquisitions are proposed.

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

4. Main Capital Programme 2019-22

Based on the available capital resources and subject to external funding, including grants and developer contributions, and securing revenue savings, Council has been asked to approve the following programme for 2019-22 in February 2019.

Project	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Disabled Facility Grants *	650	650	650	1,950
Replacement of CRM and Data Warehouse	306	0	0	306
Upgrade of some parking pay-and-display machines	43	0	0	43
Bourne Hall – refurbishment of toilets	40	0	0	40
Hope Lodge Extension to Car Park	75	0	0	75
Total	**1,114**	**650**	**650**	**2,414**

* Subject to additional external funding

In addition schemes may be added where:-

- there is a carry forward from 2018/19 with specific funding already allocated
- new schemes supported by a business case (self-financing), or
- they can be funded by additional external funding sources e.g. Section 106 agreements or specific grants

Funding for the approved programme is set out below.

Funding Type	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Capital Reserves and Receipts	364	0	0	364
Government Grants	650	650	650	1,950
Revenue Reserves	100	0	0	100
Total	**1,114**	**650**	**650**	**2,414**

5. Use of Capital Reserves

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

The Council's Medium Term Financial Strategy targets a minimum balance of capital reserves of £1 million to be used as a contingency for unplanned capital commitments over the next four years. This minimum balance is subject to annual review and may be varied:-

- where capital receipts generated from sale of assets have an adverse impact on the revenue budget, e.g. loss of rental income, or
- for changes in revenue budget targets requiring differing levels of investment income
- where major developments or land disposals take place

Due to the low level of receipts from the disposal of property assets since 2009, the Capital Member Group has limited investment from reserves to high priority and spend-to-save schemes. The forecast of capital receipts at 31 March 2019 is £3.18 million. This assumes full delivery of the 2019/20 capital programme and new capital receipts of £210,000.

6. Capital Financing and Resources

Potential capital resources have been identified from

- capital reserves at the end of March 2020;
- approved sales of property assets, subject to market recovery;
- revenue funding, as identified as part of the revenue budget setting process;
- use of Community Infrastructure Levy (CIL) and S106;
- external funding, including grants and commuted sums.

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

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

In 2019/20, the draft budget includes £100,000 of revenue funding for the 2019/20 capital programme. In subsequent years, the Council's current 10 year forecast projects an annual increase of £100,000 to the revenue contribution, until an annual contribution of £700,000 is reached in 2025/26. All revenue contributions are subject to annual approval as part of the Council's budget setting process, and are intended to limit the use of diminishing capital reserves such that the capital programme becomes sustainable in future years.

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

	CIL & S106 £m	Capital Grant - DFG £m	Capital Receipts £m	Residential Property Fund £m	Revenue* £m	Borrowing £m	Total £m
Estimated resources at 1/4/2019	4.40	0.00	3.18	1.44	0.00	55.65	64.94
Anticipated Receipts in 2019/20	1.04	0.65	0.00	0.00	0.10	0.00	1.79
Funding the 2019/20 Capital Programme	-2.75	-0.65	-0.36	-1.44	-0.10	-55.65	-60.95
Estimated resources at 31/3/2020	**2.70**	**0.00**	**2.82**	**0.00**	**0.00**	**0.00**	**5.78**
Estimated resources at 1/4/2020	**2.70**	**0.00**	**2.82**	**0.00**	**0.00**	**0.00**	**5.78**
Anticipated Receipts in 2020/21	1.04	0.65	0.00	0.00	0.20	0.00	1.89
Proposed New Bids for 2020/21	0.00	-0.65	0.00	0.00	0.00	0.00	-0.65
Estimated resources at 31/3/2021	**3.74**	**0.00**	**2.82**	**0.00**	**0.20**	**0.00**	**7.02**
Estimated resources at 1/4/2021	**3.74**	**0.00**	**2.82**	**0.00**	**0.20**	**0.00**	**7.02**
Anticipated Receipts in 2021/22	1.04	0.65	0.00	0.00	0.30	0.00	1.99
Proposed New Bids for 2021/22	0.00	-0.65	0.00	0.00	0.00	0.00	-0.65
Estimated resources at 31/3/2022	**4.78**	**0.00**	**2.82**	**0.00**	**0.50**	**0.00**	**8.36**

* All revenue contributions are subject to annual approval as part of the Council's budget setting process.

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

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

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

7. Criteria for Assessing Capital Programme Priorities

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

- investment where there is a guarantee of the scheme being fully externally funded and is classed as a high priority
- investment required to meet Health and Safety or other new legislative requirements
- investment required to continue to deliver the services of the Council (e.g. minimum level of building maintenance)
- investment in 'Spend to Save' schemes that will generate cost savings or additional income generation, providing;

    - there is payback of the capital invested within 5 years (up to 7 years for energy reduction initiatives);
    - there is a low risk of not achieving return on investment
    - there is a clear definition of the cost/benefits of the scheme

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

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

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

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

By assessing schemes against the above criteria, the Council ensures that capital schemes support the corporate plan priorities, as set out in the Corporate Plan

Separate criteria exist to evaluate proposed individual property acquisitions that are funded from the Property Acquisition Funds.

8. Timetable for Approval of Capital Programme

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

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

Any approved capital scheme which has not been committed by the mid-year point of the year in which funding is agreed is subject to review by the Capital Member Group / Financial Policy Panel.

Any approved capital scheme where additional capital or revenue costs are identified prior to commencement of the scheme should be referred back to the relevant policy committee and, if additional funding is required, to Strategy and Resources Committee as soon as possible during the year.

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

9. Borrowing Strategy

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

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

However, during this period a borrowing strategy may need to be developed in preparation of the 2020-2024 Medium Term Financial Strategy. Subject to the levels of new receipts generated, revenue contributions, income generated from CIL and S106 and external grants, there may be a need to borrow to finance part of the main capital programme.

10. Approach to Procurement

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

11. Managing and Monitoring the Capital Programme and Risk Management

Managing and Monitoring the Capital Programme

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

Financial monitoring reports are submitted to Members on a quarterly basis. This includes expenditure monitoring, uncommitted balances held on s106 funds and capital receipts balances. Budget monitoring reports show the projected outturn and profiled spend for each scheme, highlighting significant variations and slippage and identifying recommended action. Summary reports are sent to all Members at the end of each quarter and recommended changes to the programme are submitted to committees during the year. Financial Policy Panel will consider major variances from revenue or capital programmes.

Risk Management

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

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

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

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

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2019/20

1.INTRODUCTION

1.1 Background

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

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

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

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

CIPFA defines treasury management as:

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

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is produced as a separate document to the Treasury Management Strategy.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

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

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

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

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

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

1.2.2 Treasury Management reporting

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

a. **Prudential and treasury indicators and treasury strategy** (this report, presented to Full Council) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and

- an investment strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** (presented to Financial Policy Panel) – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** (presented to Strategy & Resources Committee) – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Strategy and Resources Committee, subject to the advice under the terms of reference of the Financial Policy Panel. Under this delegation, the annual treasury report is presented to Strategy & Resources Committee and the mid-year treasury management report is presented to Financial Policy Panel.

1.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

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

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

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

1.4 Training

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

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

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

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council has used Knight Frank and Huggins, Edwards and Sharp in relation to this activity.

2 THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

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

2.1 Capital expenditure

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

Capital expenditure £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Strategy & Resources	175	843	306	0	0
Environment & Safe Communities	273	1,023	118	0	0
Community & Wellbeing	801	2,412	690	650	650
Total services	**1,249**	**4,278**	**1,114**	**650**	**650**
Residential property fund	562	0	1,627	0	0
Commercial property fund*	65,441	0	55,646	0	0
Total	**67,252**	**4,278**	**58,387**	**650**	**650**

*The Council agreed in 2016/17 to borrow funds of up to £80m to finance the acquisition of commercial properties within the Borough and further borrowing of up to £300 million was approved in 2017/18 when it was agreed to establish a wholly owned property investment trading company.

From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.

Consequently, Strategy & Resources Committee noted at its September 2018 meeting the suspension of any further such purchases out-of-Borough, until further guidance or case law is published that clarifies the Council's related vires.

This being the current position, the remaining £240m balance on the £300m fund has presently been removed from the Council's capital expenditure forecasts.

The remaining balance of £55.6m from the £80m fund for acquisitions within the Borough remains within the forecasts.

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

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

The net financing need for the commercial property fund included in the above table against expenditure is shown below:

Commercial property fund	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital Expenditure	65,441	0	55,646	0	0
Financing costs	478	1,113	1,809	2,504	2,504
Net financing need for the year	**65,441**	**0**	**55,646**	**0**	**0**
Percentage of total net financing need %	**100%**	**N/A**	**100%**	**N/A**	**N/A**

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

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

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

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £3.6m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening CFR	18,973	87,517	86,335	140,774	138,961
Unsupported capex - commercial properties	65,441	0	55,646	0	0

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Other	162	0	0	0	0
Finance Leases	3,634	0	0	0	0
Less MRP	(693)	(1,182)	(1,207)	(1,813)	(1,865)
Closing CFR	**87,517**	**86,335**	**140,774**	**138,961**	**137,096**
Movement in CFR	**68,544**	**(1,182)**	**54,439**	**(1,813)**	**(1,865)**

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

2.3 Core funds and expected investment balances

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

Year End Resources £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£'000	£'000	£'000	£'000	£'000
Fund balances / reserves	3,348	3,348	3,348	3,348	3,348
Capital receipts	4,889	4,021	3,468	3,468	3,468
Earmarked reserves & CIL	17,887	16,425	16,006	17,006	18,006
Other	2,401	2,326	2,326	2,326	2,326
Total core funds	**28,525**	**26,120**	**25,148**	**26,148**	**27,148**
Working capital*	7,000	7,000	7,000	7,000	7,000
(Under)/over borrowing	(20,148)	(20,148)	(20,148)	(20,148)	(20,148)
Expected investments	**15,377**	**12,972**	**12,000**	**13,000**	**14,000**

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

2.4 Minimum revenue provision (MRP) policy statement

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

MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. The Council is recommended to approve the following MRP Statement*:*

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

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

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

Repayments included in finance leases are applied as MRP

3 BORROWING

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

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2018 and for the position as at 31 December 2018 are shown below for both borrowing and investments.

Treasury Portfolio	Actual at 31 March 2018		Current at 31 December 2018	
	£000	%	£000	%
Treasury Investments				
Banks	0	0%	3,000	13%
Money Market Funds	5,500	44%	8,300	35%
Total Managed In House	**5,500**	**44%**	**11,300**	**48%**
Aberdeen Asset Management Fund	7,059	56%	12,114	52%
Total Managed Externally	**7,059**	**56%**	**12,114**	**52%**
Total Treasury Investments	**12,559**	**100%**	**23,414**	**100%**
External Borrowing				
PWLB	64,427	100%	64,427	100%
Total External Borrowing	**64,427**	**100%**	**64,427**	**100%**
Net Treasury Investments/ (Borrowing)	**(51,867)**	**-**	**(41,013)**	**-**

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

£'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External Debt					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Debt at 1 April	19,134	87,516	86,334	140,773	138,960
Expected change in Debt	65,441	0	55,646	0	0
Other long-term liabilities (OLTL)	3,634	0	0	0	0
Less MRP	(693)	(1,182)	(1,207)	(1,813)	(1,865)
Less use of internal funds	(20,148)	(20,148)	(20,148)	(20,148)	(20,148)
Actual gross debt at 31 March	**67,368**	**66,186**	**120,625**	**118,812**	**116,947**
The Capital Financing Requirement	**87,517**	**86,335**	**140,774**	**138,961**	**137,096**
(Under)/over borrowing	**(20,148)**	**(20,148)**	**(20,148)**	**(20,148)**	**(20,148)**

The Council's external debt has been incurred solely for commercial property investment activities.

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

3.2 Treasury Indicators: limits to borrowing activity

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

Operational boundary £'000	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Debt relating to commercial property fund	84,575	141,981	140,774	138,961
Other long term liabilities	3,634	0	0	0
Total	**88,209**	**141,981**	**140,774**	**138,961**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

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

Authorised limit £'000	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Debt relating to commercial property fund	84,575	141,981	140,774	138,961
Other long term liabilities	3,634	0	0	0
Total	**88,209**	**141,981**	**140,774**	**138,961**

3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Link Asset Services Interest Rate View														
	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018/19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

3.5 Policy on borrowing in advance of need

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

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

3.6 Debt rescheduling

As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Council, at the earliest meeting following its action.

3.7 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

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

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)

- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

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

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table.

7. **Transaction limits** are set for each type of investment.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**.

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.

10. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2018/19 under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

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

Changes in risk management policy from last year.
The above criteria are unchanged from last year.

4.2 Creditworthiness policy

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

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

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

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

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

- Banks 1 - good credit quality – the Council will only use banks which:
    i. are UK banks; and/or
    ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of AAA

  and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):
    i. Short Term – *F1*
    ii. Long Term – *A-*
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies - The Council will use all societies which:
    i. Meet the ratings for banks outlined above;
    ii. Have assets in excess of *£1bn*;

    or meet both criteria.
- Money Market Funds (MMFs) – *AAA*
- Ultra-Short Dated Bond Funds with a credit rating of at least 1.25
- Ultra-Short Dated Bond Funds with a credit rating of at least 1.50
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc

- Supranational institutions
- Pooled property funds – up to £5m.

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

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

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

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

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

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Other limits

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

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

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of *AA*-** from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:

- no more than 50% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment strategy

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

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

Investment returns expectations.
Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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

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

Upper limit for principal sums invested for longer than 365 days			
£m	**2019/20**	**2020/21**	**2021/22**
Principal sums invested for longer than 365 days	£10m	£10m	£10m
Current investments as at 31/12/2018 in excess of 1 year maturing in each year	£0m	-	-

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

4.5 Investment risk benchmarking

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

4.6 End of year investment report

At the end of the financial year, officers will report on the Council's investment activity as part of the Annual Treasury Report to Strategy & Resources Committee.

4.7 External fund managers

Around £12m of the Council's funds are externally managed on a discretionary basis by Aberdeen Asset Management.

The Council's external fund manager(s) will comply with the Annual Investment Strategy. The agreement(s) between the Council and the fund manager(s) additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The minimum credit criteria to be used by the cash fund manager(s) are as follows: -

	Fitch	**Moody's**	**Standard and Poors**
Long Term	**A-**	**A2**	**A**
Short Term	**F1**	**P1**	**A-1**

5 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2019/20 – 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. The plans include both the core capital programme and approved investments through the Property Acquisition Funds.

5.1.1 Capital expenditure

Capital expenditure £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Strategy & Resources	175	843	306	0	0
Environment & Safe Communities	273	1,008	118	0	0
Community & Wellbeing	1,363	1,125	1,909	650	650
Total services	**1,811**	**2,976**	**2,333**	**650**	**650**
Commercial activities/ non-financial investments	65,441	0	0	0	0
Total	**67,252**	**2,976**	**2,333**	**650**	**650**

5.1.2 Affordability prudential indicators

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

Ratio of financing costs to net revenue stream

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

%	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Ratio	11%	13%	27%	34%	32%

The estimates of financing costs include current commitments and the proposals in the budget report. The financing costs are incurred to fund investment in investment properties and would, therefore, be funded by associated income streams from these sources.

5.1.3 Maturity structure of borrowing

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

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

Maturity structure of fixed interest rate borrowing 2019/20		
	Lower	**Upper**
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	20%
10 years to 20 years	0%	0%
20 years to 30 years	0%	0%
30 years to 40 years	0%	0%
40 years to 50 years	0%	100%
Maturity structure of variable interest rate borrowing 2019/20		
	Lower	Upper
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years to 20 years	0%	0%
20 years to 30 years	0%	0%
30 years to 40 years	0%	0%
40 years to 50 years	0%	0%

5.1.5. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

6 ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period has already started in the US, and more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt. In addition, the European Central

Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

UK. The flow of positive economic statistics since the end of the first quarter this year has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.4% in October. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's inflation report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the **labour market** figures in September, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.2%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 0.8%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. In particular, wage rates were increasing at 3.1% y/y in October and heading higher due to unemployment falling to a 49 year low of 3.7%. With CPI inflation over the target rate of 2% and on a rising trend towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being the fourth increase in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to the Fed having to start on cutting rates. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation. The results of the mid-term elections are not expected to have a material effect on the economy.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds
and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. At the time of writing, the EU has rejected the proposed Italian budget and has demanded cuts in government spending which the Italian government has refused. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in

May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.

- **Other minority eurozone governments.** Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

<u>Brexit timetable and process</u>

- March 2017: UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50 on 29 March 2019.
- 25.11.18 EU27 leaders endorsed the withdrawal agreement
- 12.12.18(?) vote in UK Parliament on the agreement
- 21.12.18 – 8.1.19 UK Parliamentary recess
- 8.1.19 – 29.3.19 second vote (?) in UK parliament if first vote rejects the deal
- 21.1.19 vote in Parliament on a 'no deal' scenario; if approved...
- By 29.3.19 then ratification by EU Parliament requires a simple majority
- By 29.3.19 if UK and EU parliaments agree the deal, EU Council needs to approve the deal; 20 countries representing 65% of the EU population must agree
- 29.3.19 UK leaves the EU (or asks the EU for agreement to an extension of the Article 50 period if UK Parliament rejects the deal and no deal departure?)

- 29.3.19: if an agreement is reached with the EU on the terms of Brexit, then this will be followed by a proposed **transitional period ending around December 2020.**
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy may leave the single market and tariff free trade at different times during the transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

7 TREASURY MANAGEMENT PRACTICES (TMP)

TMP1 – CREDIT AND COUNTERPARTY RISK MANAGEMENT
The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

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

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

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

The investment policy proposed for the Council is:

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

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

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).

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

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

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

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

	Non Specified Investment Category	**Limit (£ or %)**

	Non Specified Investment Category	Limit (£ or %)
a.	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. National Rail, the Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	AAA long term ratings, 50% of money invested through external fund manager. Restriction of 5yrs maximum maturity
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	50% of money invested through external fund manager. Restriction of 10yrs maximum maturity 50% of money invested through external fund manager. Restriction of 10yrs maximum maturity
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	In this instance balances will be minimised as far as is possible.
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a	£5m per institution.

	Non Specified Investment Category	Limit (£ or %)
	minimum asset size of £1bn, but will restrict these type of investments to 12 months	
e.	Any **bank or building society** that has a minimum long term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Maximum of 50% on investments over 1yr
f.	Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to the parent bank providing an appropriate guarantee and meeting the ratings outlined above.	£5m per institution.
g.	**Share and loan capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	Maximum £5m per institution, subject to minimum rating of AA- (long term). The exception is Epsom & Ewell Property Investment Company Limited (EEPIC) - Council has separately authorised share capital and loans to EEPIC.
h.	**Property funds** – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	Maximum £5m per fund

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with these categories before making any investment.

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

Use of external fund managers – It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories, and are contractually committed to keep to the Council's investment strategy. The performance of each manager is reviewed by the Chief Finance Officer and the managers are contractually required to comply with the annual investment strategy.

TMP2 Performance measurement

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

a. Monthly reviews carried out by the treasury management team

b. Reviews with our treasury management consultants & external fund manager

c. Annual review after the end of the year as reported to Strategy & Resources Committee

d. Half yearly monitoring report to Financial Policy Panel

e. Quarterly monitoring reports

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

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

a. average investments held during the financial year and average interest rates

b. investment strategy for the year compared to actual strategy

c. explanations for variance between original strategies and actual

d. comparison of return on investments to the investment benchmark

e. compliance with Prudential and Treasury Indicators

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

a. In house investments
7 day LIBID

b. External fund manager

7 day LIBID

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

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

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

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

TMP3 Decision – making and analysis

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

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

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment transactions

- Confirmations from borrowing institutions where deals are done directly
- Contract notes received from fund manager
- Fund manager valuation statements

Processes to be pursued:

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

TMP4 Approved instruments, methods and techniques

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

TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

Allocation of responsibilities

(i) Full council

- approval of annual treasury management strategy.

(ii) Strategy & Resources Committee

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing annual monitoring reports and acting on recommendations

- approving the selection of external service providers and agreeing terms of appointment.

(iii) Financial Policy Panel

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

(iv) Chief Finance Officer

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

Principles and Practices Concerning Segregation of Duties

The following duties must be undertaken by separate officers: -

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

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

The responsible officer

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

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance

- submitting regular treasury management policy reports

- submitting budgets and budget variations

- receiving and reviewing management information reports

- reviewing the performance of the treasury management function

- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function

- ensuring the adequacy of internal audit, and liaising with external audit

- recommending the appointment of external service providers.

- The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

- The responsible officer may delegate his power to borrow and invest to members of his staff. The Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness.

- The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

- Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations

- It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

The Chief Accountant

The responsibilities of this post will be: -

a) execution of transactions

b) adherence to agreed policies and practices on a day-to-day basis

c) maintaining relationships with counterparties and external service providers

d) supervising treasury management staff

e) monitoring performance on a day-to-day basis

f) submitting management information reports to the responsible officer

g) identifying and recommending opportunities for improved practices

The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

a) Ensuring that the system is specified and implemented

b) Ensuring that the responsible officer reports regularly on treasury policy, activity and performance.

The Monitoring Officer – the Chief Legal Officer

The responsibilities of this post will be: -

a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.

b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.

c) Giving advice to the responsible officer when advice is sought.

Internal Audit

The responsibilities of Internal Audit will be: -

a) Reviewing compliance with approved policy and treasury management practices.

b) Reviewing division of duties and operational practice.

c) Assessing value for money from treasury activities.

d) Undertaking probity audit of treasury function.

Absence Cover Arrangements

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

Dealing

The following posts are authorised to deal: -

- Chief Accountant
- 3 Senior Accountants
- 3 Accountants

TMP6 Reporting requirements and management information arrangements

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

As a minimum, members will receive:

- an annual report on the strategy and plan to be pursued in the coming year, to Full Council

- a mid-year review on the current performance of the treasury management function, to Financial Policy Panel

- an annual report on the performance of the treasury management function, to Strategy & Resources Committee, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

TMP7 Budgeting, accounting and audit arrangements

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

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

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

TMP8 Cash and cash flow management

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

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

TMP9 Money Laundering

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

TMP10 Staff training and qualifications

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

a) Treasury management staff employed by the Council

b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time.
Additionally, training may also be provided on the job and it will be the responsibility of the Chief Finance Officer to ensure that all staff under his

authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

Details of Approved Training Courses

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

Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Members charged with governance

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

TMP11 Use of external service providers

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

TMP12 Corporate governance

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

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

The following documents are available for public inspection: -

Treasury Management Strategy

Annual Investment Strategy

Minimum Revenue provision policy statement

Annual Treasury Review Report

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

Annual accounts and financial instruments disclosure notes

Annual budget

3 Year Capital Plan

Minutes of Council / committee meetings

8 APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher,at 04/12/2018 (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

Based on lowest available rating

AAA

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

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

9 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer is responsible for:

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

Changes to Treasury Management Strategy for 2019/20

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

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

In particular - following investment guidance issued in 2018 by MHCLG, and the resultant decision at Strategy & Resources Committee (September 2018) to note the suspension of further out-of-Borough investment property acquisitions (funded by borrowing) where the intention is purely to profit - the remaining unspent £240m balance on the £300m property acquisition fund has presently been removed from capital expenditure forecasts and related prudential indicators.

Section 6 provides an economic update from our independent financial advisors, Link Asset Services. This provides economic forecasts for UK and other world economies.

Section 8 provides a list of approved countries for investment; no new countries have been added to the list for 2019/20.

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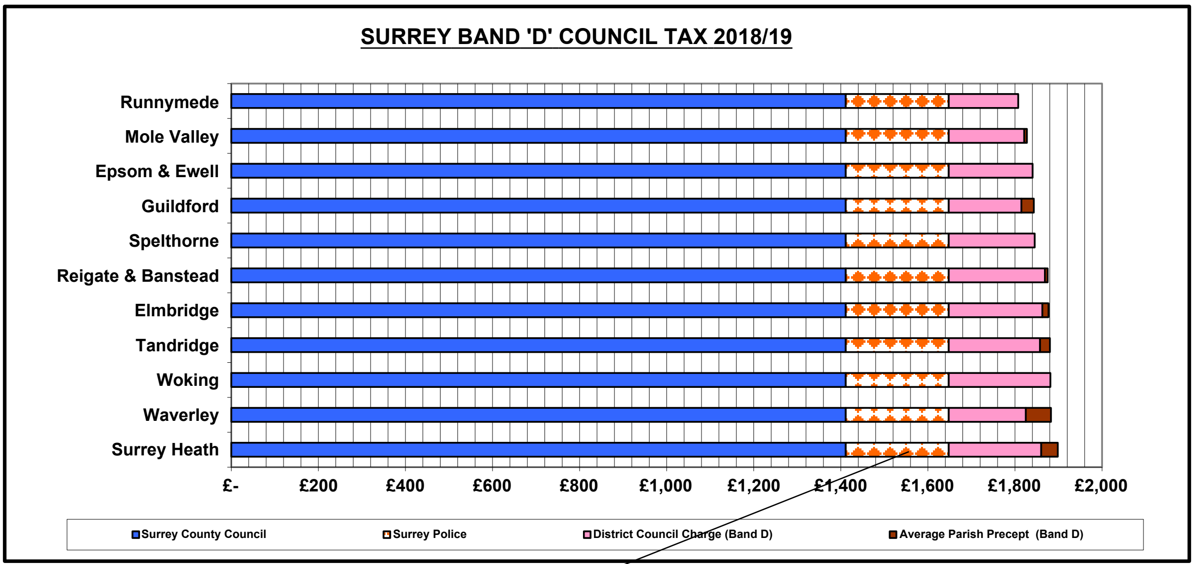
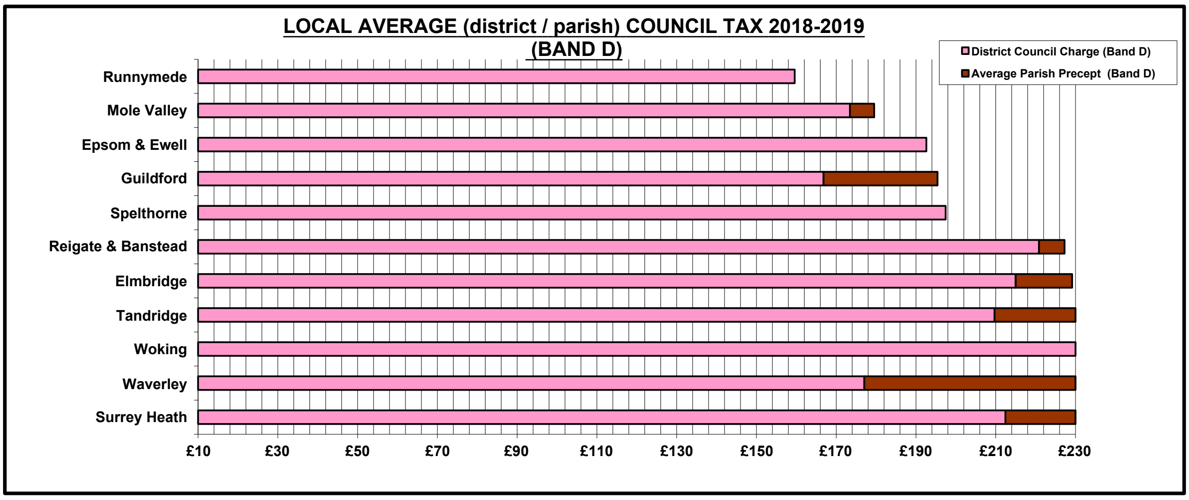
2018-2019 COUNCIL TAX (average per dwelling and Band D for 2 adults)

SURREY DISTRICT		Surrey County Council	Surrey Police	District Council Charge (Band D)	Average Parish Precept (Band D)	Local Average (Band D)	Average Council Tax (Band D)
Runnymede	£	1,411.29	236.57	159.59	0.00	**159.59**	1,807.45
Mole Valley	£	1,411.29	236.57	173.45	6.07	**179.52**	1,827.38
Epsom & Ewell	**£**	**1,411.29**	**236.57**	**192.60**	**0.00**	**192.60**	**1,840.46**
Guildford	£	1,411.29	236.57	166.82	28.58	**195.40**	1,843.26
Spelthorne	£	1,411.29	236.57	197.44	0.00	**197.44**	1,845.30
Reigate & Banstead	£	1,411.29	236.57	220.85	6.40	**227.25**	1,875.11
Elmbridge	£	1,411.29	236.57	215.00	14.15	**229.15**	1,877.01
Tandridge	£	1,411.29	236.57	209.71	22.66	**232.37**	1,880.23
Woking	£	1,411.29	236.57	233.46	0.00	**233.46**	1,881.32
Waverley	£	1,411.29	236.57	177.04 21	57.75	**234.79**	1,882.65
Surrey Heath	£	1,411.29	236.57	212.42	38.03	**250.45**	1,898.31





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COUNCIL TAX PROPOSAL: CALCULATION FOR 2019/20 BUDGET REPORT (Includes SPCC decision and SCC council tax proposals)

		2018/19	2019/20	2019/20
	EPSOM AND EWELL BOROUGH COUNCIL	*2.98%*	**0.00%**	**2.99%**
		£	**£**	**£**
				Recommendation
	Gross Service Expenditure	*47,373,114*	**46,837,801**	**46,837,801**
	Business Rate Tariff	*8,599,015*	**8,796,075**	**8,796,075**
	Business Rate Estimated Levy	*166,569*	**188,488**	**188,488**
	Gross Expenditure	*56,138,698*	**55,822,364**	**55,822,364**
	Gross Income	*39,589,933*	**40,450,959**	**40,450,959**
	Business Rate Income - (Tariff Element/Levy)	*8,765,584*	**8,984,563**	**8,984,563**
	Budget Requirement	*7,783,181*	**6,197,363**	**6,386,842**
	Business Rate Retained Income	*1,203,289*	**983,187**	**983,187**
	Small Business Rate Relief Grant	*328,942*	**602,260**	**602,260**
	Revenue Support Grant	*0*	**0**	**0**
	Transitional Grant	*0*	**0**	**0**
	Collection Fund Surplus (Council Tax)	*141,095*	**79,760**	**79,760**
	Collection Fund Deficit (Business Rates)	*-180,087*	**-1,803,542**	**-1,803,542**
	Council Tax Grant	*0*	**0**	**0**
	Collection Fund Income	*1,493,239*	**-138,335**	**-138,335**
	Council Tax Requirement	*6,289,942*	**6,335,698**	**6,525,177**
	Council Tax Base (Band D Equiv. Properties)	*32,658.06*	***32,895.63***	***32,895.63***
	Basic Amount of Council Tax	*£192.60*	**£192.60**	**£198.36**
	Epsom & Ewell Borough Council			
1/9ths	**Valuation Band**			
6	**A**	*£128.40*	**£128.40**	**£132.24**
7	**B**	*£149.80*	**£149.80**	**£154.28**
8	**C**	*£171.20*	**£171.20**	**£176.32**
9	**D**	*£192.60*	**£192.60**	**£198.36**
11	**E**	*£235.40*	**£235.40**	**£242.44**
13	**F**	*£278.20*	**£278.20**	**£286.52**
15	**G**	*£321.00*	**£321.00**	**£330.60**
18	**H**	*£385.20*	**£385.20**	**£396.72**
	Surrey County Council Basic Amount			
	£1,453.50			
1/9ths	Valuation Band			
6	A	*£940.86*	**£969.00**	**£969.00**
7	B	*£1,097.67*	**£1,130.50**	**£1,130.50**
8	C	*£1,254.48*	**£1,292.00**	**£1,292.00**
9	D	*£1,411.29*	**£1,453.50**	**£1,453.50**
11	E	*£1,724.91*	**£1,776.50**	**£1,776.50**
13	F	*£2,038.53*	**£2,099.50**	**£2,099.50**
15	G	*£2,352.15*	**£2,422.50**	**£2,422.50**
18	H	*£2,822.58*	**£2,907.00**	**£2,907.00**
	Surrey Police & Crime Commissioner: Basic Amount (RECOMMENDED)			
	£260.57			
1/9ths	Valuation Band			
6	A	*£157.71*	**£173.71**	**£173.71**
7	B	*£184.00*	**£202.67**	**£202.67**
8	C	*£210.28*	**£231.62**	**£231.62**
9	D	*£236.57*	**£260.57**	**£260.57**
11	E	*£289.14*	**£318.47**	**£318.47**
13	F	*£341.71*	**£376.38**	**£376.38**
15	G	*£394.28*	**£434.28**	**£434.28**
18	H	*£473.14*	**£521.14**	**£521.14**
	Council Tax Total			
	Valuation Band			
	A	£1,226.97	**£1,271.11**	**£1,274.95**
	B	£1,431.47	**£1,482.97**	**£1,487.45**
	C	£1,635.96	**£1,694.82**	**£1,699.94**
	D	£1,840.46	**£1,906.67**	**£1,912.43**
	E	£2,249.45	**£2,330.37**	**£2,337.41**
	F	£2,658.44	**£2,754.08**	**£2,762.40**
	G	£3,067.43	**£3,177.78**	**£3,187.38**
	H	£3,680.92	**£3,813.34**	**£3,824.86**

COUNCIL TAX PROPOSAL: CALCULATION FOR 2019/20 BUDGET REPORT (Includes SPCC decision and SCC council tax proposals)

		2018/19	2019/20	2019/20
	EPSOM AND EWELL BOROUGH COUNCIL	*2.98%*	**0.00%**	**2.99%**
EPSOM & EWELL BOROUGH COUNCIL ELEMENT OF THE COUNCIL TAX - CHANGES				
	Council Tax at Band D =	*£192.60*	**£ 192.60**	**£ 198.36**
	Increase in Council Tax (%)		**0.00%**	**2.99%**
	Increase in Council Tax (per annum)		**£0.00**	**£5.76**
	Increase in Council Tax (per month)		**£0.00**	**£0.48**
	Increase in Council Tax (per week)		**£0.00**	**£0.11**
	Income Generated from Council Tax Increase		**£0**	**£189,479**
	Use of Working Balance		**£189,479**	**£0**
	Equiv. Council Tax support from use of wkg bal.		**£5.76**	**£0.00**
	Note:			
	Budget Requirement	*7,783,181*	**£6,197,363**	**£6,386,842**
	Increase in Budget Requirement		***-20.4%***	***-17.9%***

10%	**EEBC**	**£6,525,177**
76%	**SCC**	**£47,813,798**
14%	**SPA**	**£8,571,614**
		£62,910,590
		£62,910,590

Council Tax Collection Fund Income and Expenditure Account Estimate for the Year Ended 31 March 2019

	2018/19
	£
Expenditure :-	
Surrey County Council Precept	46,089,994
Surrey Police Precept	7,725,917
Epsom & Ewell Borough Council Precept	6,289,942
Distribution of Income in 2018/19 to cover 2017/18 surplus	1,314,684
Increased Provision for Bad Debts	21,108
	61,441,645
Income :-	
Council Tax Income	60,945,920
	60,945,920
Surplus for the year	(495,725)
Balance Brought Forward 1 April	1,257,902
Balance Carried Forward 31 March	762,177

Surplus allocation 2019/20 Budget:	£
Surrey County Council	584,448
Surrey Police & Crime Commissioner	97,969
Epsom & Ewell Borough Council	79,760
	762,177

**Retained Busimess Rates Collection Fund
Income and Expenditure Account Estimate
for the Year Ended 31 March 2019**

	2018/19
	£
Expenditure :-	
Central Government (includes tariff & levy)	6,114,462
Surrey County Council	17,445,527
Epsom & Ewell Borough Council	1,362,193
Increased Provision for Bad Debts	411,140
Increased Provision for Appeals	-
Cost of Collection Allowance	85,059
Transitional Protection	6,310
	25,424,691
Income :-	
Business Rates Income	24,958,430
Reduced Provision for Appeals	503,768
Transitional Protection	-
Funding from Preceptors in 2018/19 to cover 2017/18 deficit	450,216
	25,912,414
Surplus for the year	487,723
Balance Brought Forward 1 April	(4,987,201)
Balance Carried Forward 31 March	(4,499,478)

Deficit allocation 2018/19 Budget:	£
Central Government	(2,268,492)
Surrey County Council	(427,444)
Epsom & Ewell Borough Council	(1,803,542)
	(4,499,478)

Epsom & Ewell Borough Council Pay Policy Statement

Head of Service/Contact:	Shona Mason, Head of HR & Organisational Development
Annexes/Appendices (attached):	**Annex 1:** Draft Epsom & Ewell Borough Council Pay Policy Statement **Annex 2:** Election Fees
Other available papers (not attached):	

Report summary

This report seeks approval of the draft Epsom & Ewell Borough Council Pay Policy Statement for 2018/19.

Recommendation (s)

That the Council approves the Pay Policy Statement for 2018/19.

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

1.1 The Council's Pay Policy Statement is a statutory requirement, which supports the council's Key Priorities, Service Plans and Sustainable Community Strategy.

2 Background

2.1 The Localism Act requires each local authority to publish a statement which identifies the Council's approach to pay and in particular sets out pay arrangements for the senior chief officer posts. Under Section 38(1) of the Localism Act 2011 the Council is required to prepare a Pay Policy Statement, for the financial year, which is approved by full Council.

2.2 The statement sets out the levels of remuneration for the Council's senior officers as well as a general approach to pay which is lifted from the Council's HR Employee Pay Policy.

2.3 Once agreed by the Council, the Pay Policy Statement will form part of the basis on which the Council remunerates employees particularly those at the senior officer level, as required by Section 41 of the Localism Act 2011.

2.4 The information set out in the pay policy statement meets the requirements of the legislation and details the relationship between those employees who are lowest paid and Chief Officers.

2.5 The policy statement outlines the following key areas:

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

2.6 Currently senior salary information has been published as part of the Final Statement of Accounts. However the Localism Act 2011 (Section 38) requires the Council to publish an annual Pay Policy Statement.

2.7 The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 (in force from 31 March 2017) require public sector employers operating in England to provide gender pay reports by 30 March 2018 covering mean gender pay gap in hourly pay for year from 31 March 2017. This data is also required to be published publicly on the Government website. The headline statistic within the Gender Pay Gap Information, of mean hourly rate, shows a positive picture in favour of women of 14.1% and positions the Council as one of the most positive organisations in terms of women's mean pay.

2.8 Once approved by Full Council the pay policy statement will be published on the Council's website.

3 Proposals

3.1 The Pay Policy Statement, which is prescribed in terms of content, sets out the Council's policies in respect of remuneration. The statement is simply a summary of the key provisions as required by the Localism Act.

3.2 The Council is therefore not being asked to approve the policies, but simply approve the statement which sets out existing policies.

3.3 The proposed Pay Policy Statement is attached at **Annex 1**

3.4 The Pay Policy Statement 2018/19 was approved by Strategy & Resources Committee on 31 January 2019. Authority was delegated to the Chief Executive to make such amendments as were necessary, identified at the meeting. The document has been reformatted and paragraph numbers added for ease of reference. Amendments to the text are reflected in Annexe 1 to this report in bold italics (paragraph 3.3, third bullet point and paragraph 4.3 refer). The separate paragraph/section 4 entitled "The use of performance related pay for chief officers" has been deleted: it was a restatement of the policy outlined in Section 5 (Increases and additions to the remuneration of each chief officer).

3.5 As required by the Localism Act, Pay Policy Statement now needs to be approved by Full Council. The Statement will then be published on the Council's website.

4 Financial and Manpower Implications

4.1 There are no implications arising directly from this report.

4.2 ***Chief Finance Officer's comments:*** *The pay policy statement is a statutory requirement and its content is consistent with the Council's budgets.*

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

5.1 The draft Pay Policy Statement complies with the requirements of Section 38 of the Localism Act 2011 which requires all local authorities to prepare a Pay Policy Statement every financial year. The Localism Act 2011 sets out the information which a pay policy statement must contain. Section 40 of the Act also requires the Council to have regard to any guidance issued or approved by the Secretary of State.

5.2 Guidance under Section 40 was issued in February 2012 and the attached pay policy statement takes account of this guidance.

5.3 HR are currently reviewing key HR polices which include the Council's Employee Pay & Remuneration Policy and Local Government Pensions Discretions Policy which will incorporate these aspects of the guidance. These policies will be presented to Strategy & Resources Committee in due course for approval.

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

6 Sustainability Policy and Community Safety Implications

6.1 There are no implications arising directly from this report.

7 Partnerships

7.1 There are no implications for partnerships arising directly from this report.

8 Risk Assessment

8.1 There is a legal requirement for the Council to prepare, approve and publish a Pay Policy Statement annually and therefore is at risk of not meeting its legal duties if a statement is not agreed and published.

9 Conclusion and Recommendations

9.1 The Council approves the Pay Policy Statement for 2018/19.

Ward(s) Affected: (All Wards);

EPSOM & EWELL BOROUGH COUNCIL

Pay Policy Statement

2018/2019

Version number: 1
Date: February 2019

Tracking

Policy Title	Pay Policy Statement 2018/2019		
LT sign off	18.12.2018		
Committee	Strategy & Resources Full Council	**Date approved**	31 January 2019 19 February 2019 (TBC)
Review due date	12 months	**Review completed**	
Service	HR & Organisational Development		

Revision History

Revision Date	Revisor	Previous Version	Description of Revision

Document Approvals

Each revision requires the following approvals:

Sponsor Approval		Name	Date

Contents

1. Introduction and background summary

1.1 Under the Localism Act 2011 the Council is required to publish an annual pay policy statement which has been approved by full Council. The information is set out under headings which have been prescribed by the Localism Act and relates to 2018/19 financial year.

2. Purpose

2.1 The statement sets out the levels of remuneration for the Council's senior officers as well as a general approach to pay which is lifted from the Council's HR Employee Pay & Remuneration Policy.

2.2 The information set out in the pay policy statement meets the requirements of the legislation and details the relationship between those employees who are lowest paid and Chief Officers.

2.3 The policy statement outlines the following key areas:

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

3. Level and elements of remuneration for each senior officer

3.1 All staff are employed on an Epsom & Ewell Borough Council contract of employment and therefore are subject to PAYE. All employees are on local conditions and the pay structure applies to all employees, including Chief

Officers. The grade allocated to a post is determined by the qualifications, skills and knowledge required as outlined in a role profile and person specification. The Council has a job evaluation scheme which is used to evaluate the grades of posts.

3.2 For the purposes of this policy statement, all references to "Chief Officers" is taken to include the Chief Executive, Chief Operating Officer and Heads of Service. Their salary scales are set out in the table below:

Post	**Bottom of salary range p.a.**	**Top of salary range p.a.**
Chief Executive	£97 769	£116 170
Chief Operating Officer	£77 971	£92 647
Heads of Service	£55 844	£66 382

3.3 In addition to basic pay these officers may receive the following benefits, where applicable:

- Payment into the pension scheme (employer's contribution at 15.5% of pensionable pay) if the employee has opted in and pays contributions at the required employee level themselves
- Chief Executive and Chief Operating Officer lump sum payment of 4% of basic salary in respect of subsistence and other expenses thereby reducing administration and providing a cap on the cost
- Payment of up to ***two*** annual subscriptions to professional institutions where this has clear benefit to the job. Costs of memberships vary but most are around £200.
- Monitoring Officer and Section 151 Officer allowance of 15% of basic salary for the additional responsibilities for the statutory requirements of each role
- Lump sum payment is for the requirement to have a car for the effective performance of duties. The amount varies according to the role of the individual.

3.4 Our policy is to pay appropriately to attract competent and experienced senior staff to lead the organisation, we do not aim to be in the upper quartile of payment levels locally but nearer the mid-point or median.

3.5 We recognise that the cost of housing in Epsom & Ewell is amongst the highest in the Southeast and that we are within commuter distance of London and the higher salaries there, and we take this into account when determining salary levels from the benchmarking information.

3.6 The overall consideration is what is reasonable and financially affordable.

4. Remuneration of chief officers on recruitment

4.1 Our policy is to appoint at the bottom of the salary scale, or near the bottom taking into account relevant skills and experience, progression through the grade is subject to successful performance in accordance with our performance management scheme.

4.2 On occasion it may be necessary to appoint above the bottom point, in this case consideration will be given to the justification for doing so and will dependent upon factors such as experience and market conditions.

4.3 ***Appointments to the post of Chief Executive are made by the Council. Appointments of Directors can be made by an Appointments Panel and appointments of Heads of Service is the responsibility of the Chief Executive.***

5. Increases and additions to remuneration for each chief officer

5.1 Cost of living pay increases, for all staff are considered annually (every four years – from 2020) through consultation with the Staff Consultative Group, which is made up of employee representatives and is the body which the Council consults with on terms and conditions of employment and other employee related matters.

5.2 1% cost of living increase budgeted for 2019/20.

5.3 The latest financial forecasts include an annual 2% cost of living increase for 2020/1 – 2024/5 and this is based on the Government's target for CPI.

5.4 When determining pay awards we take into account financial affordability as well as the increase in cost of living for all staff.

5.5 All employees (including Chief Officers) can be awarded a single increment on the salary scale annually. This is dependent on satisfactory performance with no automatic progression through grades. All employees are expected to perform their duties to a satisfactory standard to progress through the grade.

5.6 Once an employee reaches the top of their salary scale there is no opportunity for further progression, however, any cost of living increase will apply.

6. The approach to the payment of chief officers on their ceasing to hold office or to be employed by the authority

6.1 Our Managing Workforce Change policy sets out a consistent method of calculating redundancy pay which uses the Modified Statutory Redundancy ready reckoner which is applied to all redundant employees including Chief

Officers. The level of redundancy pay is calculated on weekly earnings using the statutory system. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment.

6.2 The Council has a Local Government Pension Scheme Discretions Policy which is applicable to all employees, including Chief Officers.

7. The publication of and access to information relating to remuneration of chief officers

7.1 Our annual pay policy statement will be published on the website where it can be easily accessed by any interested parties such as tax payers and external organisations.

7.2 Information about Chief Officer remuneration is also published as part of the Final Statement of Accounts. The pay scales for all employees can also be found on the website.

8. Pay multiple (ratio) between Chief Officers' pay and all other employees

8.1 The pay of all employees is set according to the Council's pay scales. There is a fixed relationship between each point on each of the grades there are no predefined pay ratios between different groups of employees or specific posts.

8.2 The bottom of our lowest pay scale is £18,557 and the top of the Chief Executive scale is £115,019 is a pay multiple of 1:6.2.

8.3 This is well within the maximum ratio 1:20 identified as a maximum pay multiple in the Hutton Review of Public Sector Pay.

8.4 The mean average pay for employees other than Chief Officers is £27,461; therefore currently the ratio of mean average Chief Officer pay to mean average pay of other employees is 1:2.5.

9. Election fees

9.1 Fees in respect of the role of Returning Officer for, borough and county elections are paid separately from and in addition to the relevant officer's salary package. The amount payable varies according to the size of the electorate and number of postal voters and is calculated as set out in the attached Annex 1 ELECTION OF COUNTY/ BOROUGH / PARISH COUNCILLORS IN SURREY: SCALE OF RETURNING OFFICER'S FEES AND CHARGES - 2018/2019.

9.2 Payments for employees at Head of Service and below for Local Election duties are made in accordance with the same scale.

10. Gender Pay Gap Information

10.1 In accordance with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, which came into force on the 31 March 2017, employers with at least 250 employees are required to publish annual information as at 31 March each year. This information is published on the Council's website and also externally and on the Governments Gender Pay Gap website.

11. Policy on employing someone who has taken redundancy

11.1 Employees who leave the Council voluntarily are free to apply for jobs that are advertised.

11.2 Employees who leave the Council with a redundancy payment and subsequently apply and are successful for a position within the Council must repay any redundancy payment if the appointment is within 4 weeks of their termination date.

11.3 If the appointment start date is longer that 4 weeks the employee can return to work in the position offered in accordance with the Redundancy Modifications Order and will lose any contractual rights to have their continuous service recognised for all purposes.

12. Policy on employing someone who is also drawing a pension

12.1 We employ staff on merit and pay the full salary applicable to the role. We would not take into account whether a person was already in receipt of a pension in respect of previous employment with the Council or otherwise.

12.1 We will consider requests from staff who wish to draw their pension but continue working in a reduced capacity either through a reduction in working hours or levels of salary / responsibility.

13. Policy on lowest paid

13.1 When determining any pay award we will take into account the needs of the lowest paid along with national living wage requirements set out by Government.

13.2 No employee will be paid below the UK National Living Wage.

	ELECTION OF COUNTY/ BOROUGH / PARISH COUNCILLORS IN SURREY: SCALE OF RETURNING OFFICER'S FEES AND CHARGES - 2018/2019			
	The scale of Fees and Charges specifies the maximum recoverable amounts available for each electoral area.			
	It also sets maximum recoverable amounts for specified services and specified expenses.			
	Neither of these can be exceeded but the Returning Officer is entitled to disburse funds on the different functions specified in			
	the fee scale as he/she sees fit, provided the expenditure is accounted for properly and only spent on what is necessary for the			
	efficient and effective conduct of the election.			
	This scale of Fees and Charges is also to be used at any referendum held under the regulations listed in the Notes at the bottom of Annex 1.			
	All references in this document to the Returning Officer or County DRO are to be read and interpreted as applying to the Counting Officer at any			
	Referendum covered by the list of regulations in the Notes at the bottom of Annex 1.			
Part A -	**Note: The Returning Officer or County DRO may allocate some of his/her fee to deputies or vire them to another expenditure head.**			
	Calculated by using CBZX 12 month rolling index on National Statistics website	2016/17	2017/18	2018/19
	for 2007/8 and 2008/9 and average rate of increase in pay across County	2% increase	No increase	Minor increases to bring in line with neighbouring counties
	authorities during 2008 for 2009/10.			
	No increase in fees since 2009/10.			
1	(a) Separate County, Borough or Parish Elections			
	First 500 electorate	£31.96	£31.96	£32.00
	For every additional 500 electors, or part thereof	£15.62	£15.62	£16.00
	(b) Combined County / Borough and Parish Elections			
	First 500 electorate (in combined part of area only)	£43.38	£43.38	£43.00
	For every additional 500 electors, or part thereof (in combined part of area only)	£21.27	£21.27	£21.00
	Note 1: Where a combined fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.			
	Note 2: Where a single election is payable from this fee scale in combination with an election paid by central government, the combination element will only be paid by this local fee scale if there is no payment for combination in the government fee scale.			
	Note 3: Where more than two elections are combined from this fee scale, the following payment will be made per 500 electors or part thereof for each extra election. This is only applicable in the areas in which those elections apply.	£5.65	£5.65	£6.00
	(c) Uncontested Election *	£26.67	£26.67	£27.00
	* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested.			
2	In each contested electoral area, for services in connection with the despatch and receipt of postal ballot papers			
	For first 100 postal voters	£7.26	£7.26	£7.00
	For each additional 75 postal voters or fraction thereof	£5.88	£5.88	£6.00
3	In each contested electoral area, for services in connection with the preparation and issue of Official Poll Cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll)			
	First 2000 poll cards	£20.13	£20.13	£20.00
	For every additional 250 poll cards, or fraction thereof	£1.37	£1.37	£1.00
4	**NOTE: At a contested by-election the total fee payable to the Returning Officer must be at least equal to the sum of the Presiding Officer and Count Assistant fees stated at B1(a) and B4(a)(I) respectively and the amount opposite**	£89.54	£89.54	£90.00
5	Max fee for training Presiding Officers and Poll Clerks per session (min 25 people at ordinary election. One session only at by-election if training deemed necessary).	£162.00	£162.00	£162.00
	This fee to be distributed direct to the Trainer(s).			
Part B -	**Expenses of Returning Officer or County DRO for which maximum amounts are specified**			
	In no case shall a charge exceed the sum actually and necessarily payable or paid by the Returning Officer or County Deputy Returning Officer. Subject thereto the MAXIMUM charges shall be as follows:			
1	For the Presiding Officer at each Polling Station			
	(i) (a) at separate Borough or Parish Polls (including payment for use of mobile phone)	£199.00	£199.00	£217.00
	(I) (b) at combined Borough / Parish Polls (including payment for use of mobile phone)	£244.41	£244.41	£255.00
	(i) (c) for each extra election above a combined election	£30.60	£30.60	£30.00
	(ii) Where at a polling place there is more than one polling station, the maximum recoverable amount in respect of one only of the presiding officers at the polling station at such a polling place is increased by	£9.10	£9.10	£20.00
	NB Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B1 (a) & (b) are increased by	£39.79	£39.79	£40.00
	Max fee per session for training of Presiding Officers as necessary	£43.19	£43.19	£43.00
2	For each Poll Clerk at each Polling Station			
	(a) at separate Borough or Parish Polls (including payment for use of mobile phone)	£119.44	£119.44	£125.00
	(b) at combined Borough / Parish Polls (including payment for use of mobile phone)	£147.86	£147.86	£150.00
	(c) for each extra election above a combined election depending on local circumstances and as the Returning Officer thinks fit	£15.30	£15.30	£15.00
	Part time Poll Clerk			Will be calculated on hourly rate
	NB Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B2 (a) & (b) are increased by	£39.79	£39.79	£40.00
	Max fee per session for training of Poll Clerks as necessary	£43.19	£43.19	£43.00
3	For the remuneration of persons employed in the despatch and receipt of postal ballot papers. (**NB.** See C3 below. If external contractors are used to prepare/despatch ballot paper packs then the total fee is actual costs.)			
	For each 100 postal ballot papers, or fraction thereof in each electoral area of the County / Borough / Parish	£73.33	£73.33	£75.00
4	For the remuneration for persons employed in connection with the count			
	(a) Counting Assistants			

	(i) For the first two hours or part thereof			£51.16	£51.16	£52.00
	(ii) For each additional hour or part thereof			£11.37	£11.37	£14.00
	(b) Count Supervisors					
	(i) For the first two hours or part thereof			£73.90	£73.90	£75.00
	(ii) For each additional hour or part thereof			£23.88	£23.88	£24.00
	(c) Senior Count Supervisors					
	(i) For the first two hours or part thereof					£90.00
	(ii) For each additional hour or part thereof					£30.00
5	For all Clerical and other assistance employed by the RO or DRO					
	For each Electoral Division, Ward or Parish Ward					
	(a) Contested Elections: * County/Borough Councillors and Parish Councillors					
	(i) Separate Polls					
	First 500 electorate			£34.52	£34.52	£35.00
	For every additional 500 electorate, or part thereof			£17.20	£17.20	£17.00
	(ii) Combined Polls (County/Borough & Parish)					
	First 500 electorate (in combined part of area only)			£46.02	£46.02	£46.00
	For every additional 500 electorate, or part thereof (in combined part of area only)			£22.75	£22.75	£23.00
	Note: Where a combined clerical fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.					
	(b) Uncontested Elections * :			£27.61	£27.61	£28.00
	* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested. The Fee is also applicable at Ordinary Elections where the Parish or Parish Ward is contested but the Borough Ward is uncontested.					
6	Preparation and issue of poll cards					
	(all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll)					
	For every 100 cards or fraction thereof			£2.15	£2.15	£2.00
Part C -	**Expenses of Returning Officer for which NO maximum amounts are specified**					
1	For travelling and overnight subsistence expenses of:					
	(a) the Returning Officer					
	(b) the Deputy Returning Officer(s)					
	(c) any Presiding Officer or Poll Clerk					
	(d) any clerical or other assistants employed by the Returning Officer					
2	Expenses in printing or otherwise producing the ballot papers					Actual costs
3	Expenses in printing or otherwise producing the postal ballot ballot paper packs by external contractors. (**NB** See B3 above. If external contractors are used to prepare/despatch ballot paper packs then the total actual costs apply).					Actual costs
4	Expenses in printing or otherwise producing the official poll cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll) and in delivering them to voters, excluding the expenses referred to in paragraph 6 of Part B above					Actual costs
5	Expenses in printing or otherwise producing and, where appropriate, publishing notices and other documents required by the Representation of the People Acts					
6	Expenses in renting, heating, lighting and cleaning any building or room for the purpose of the election					Actual costs
7	Expenses in adapting any building or room and in restoring it to a fit condition for its normal use					Actual costs
8	Expenses in the provision of voting compartments and any other furniture necessary for polling stations. Prior agreement to be sought from paying authority.					
9	Expenses in the provision of ballot boxes and instruments to stamp on the ballot papers the official mark and also the provision of devices to record the signatures relating to the issue of ballot papers. Prior agreement to be sort from paying authority.					
10	Expenses in the conveyance to and from the polling stations of:					
	(a) the ballot boxes and ballot papers, and					Actual costs
	(b) the voting compartments, any other furniture necessary for polling stations and the instruments to stamp on the ballot papers the official mark or any other equipment required in the administration of the election.					Actual costs
11	Expenses in the provision of stationery and writing implements and in postages, including postal ballot paper postages (but excluding official poll cards - see paragraph 4 of Part C above) telephone, bank charges and other miscellaneous items					Actual costs
12	Expenses in connection with the provision of security measures					Actual costs
13	Expenses in connection with the employer's portion of superannuation contributions for the Returning Officer, Deputy Returning Officer(s), etc					
14	Expenses in the provision of equipment and software for the checking of personal identifiers on the postal voting statements. Prior agreement to be sought from paying authority.					
15	Reimbursement of up to 50% of the costs of any elections management software licence charge in the year in which local elections are held. Further scaled down to a proportionate amount if a by-election held.					
	For maximum levels of expenditure for certain duties under Part C above - see Annex 1 attached.					

ANNEX 1

Maximum Levels of Expenditure under Part C of Scale of Fees and Charges for County / District / Borough / Parish Elections within Surrey

Head	**Duty**					
C1(c)	Presiding Officer Travel - Fixed w			£14.11	£14.11	£25.00

C1(c)	Poll Clerk Travel - Fixed w			£8.45	£8.45	£10.00
	Mileage rates applicable in rural areas where fixed travel is not appropriate			£0.48	£0.48	£0.48
C1(d)	Fixed Travel of staff to transport boxes at the Count (if not delivered by Presiding Officer)			£21.15	£21.15	£21.00
C1(d)	Count staff travel - fixed w			£9.10	£9.10	£10.00
C2	Checking Ballot Papers - per 10,000 ballot papers or part thereof ww			£17.91	£17.91	£18.00
C4	Poll Cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll) - Hand delivery			£0.19	£0.19	£0.19
C7	Polling Station Inspectors - maximum payable per person 1 w			£262.10	£262.10	£262.00
C8	Preparation of Ballot Boxes & stamping instruments (each polling station)			£7.16	£7.16	£7.00
C8	Preparation of Stamping Instruments used at postal vote issue			£1.76	£1.76	£2.00
C10	Transport of Postal Votes to Count - 2 per District / Borough 1 w			£84.64	£84.64	£85.00
C10	Staff to transport boxes at Count - per District / Borough 1 ww			£634.79	£634.79	£635.00
C10	Remove bundles of counted votes - 3 per District / Borough 1 w			£141.07	£141.07	£141.00
C11	Mobile telephones (where no land lines available).			£5.53	£5.53	This will now be part of the payment for the duties undertaken
C12	Security at Count - per District / Borough 1 ww			£253.92	£253.92	£254.00
C12	Security at Count - Fixed Travel 1 w			£14.11	£14.11	£14.00
	Note: C12 restriction on ordinary day of election only to be removed					
NOTES	**1 Applicable only at the Ordinary Day of Election for County /Borough / Parish Councillors**					
	w payable per person					
	ww maximum payable to be disbursed appropriately					
	Referendum regulations applicable to this fee scale:					
	The Local Authorities (Conduct of Referendums) (England) Regulations 2012					
	The Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012					
	The Neighbourhood Planning (Referendums) Regulations 2012					

ANNEX 2

Proposed calculation and distribution of core payments - see Word document annexed to this document. Actual payments agreed by each Surrey authority to be recorded in the 'Actual Core Staff Payments' worksheet. Core staff will be paid overtime as per agreed Council poilcy or if no policy in place a minimum of normal hourly rate is paid

Signed ____

James Whiteman, Returning Officer Guildford Borough Council

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Financial Regulations Review

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Annexes/Appendices (attached):	**Annexe 1** – Updated Financial Regulations **Annexe 2** – Amendment agreed at Strategy and Resources Committee (31 January 2019).
Other available papers (not attached):	Previous Financial Regulations (see Constitution Part 4)

Report summary

The Financial Regulations form part of the Constitution and ensure that there are adequate rules to govern the Council's financial affairs.

This report sets out recommendations of the Strategy and Resources Committee regarding proposed changes to the Financial Regulations in Part 4 of the Council's Constitution.

Recommendation (s)

That the Council:

(1) Note the comments of Financial Policy Panel and Strategy and Resources Committee on the proposed amendments to the Financial Regulations at paragraphs 3.4 to 3.6;

(2) Approve the revised Financial Regulations, as set out in Annexe 1, for inclusion in Part 4, Section 5 of the Constitution.

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

1.1 The updated Financial Regulations will support the delivery of the Council's Corporate Plan, particularly the key priority of 'Managing our Resources' and the delivery of the Medium Term Financial Strategy, by ensuring that there are adequate rules to govern the Council's financial affairs.

2 Background

2.1 The Financial Regulations form part of the Council's Constitution and were last updated in 2013. Since then, the Council has undergone a number of changes to officer structures.

2.2 The Financial Regulations need updating to reflect these organisational changes, and to ensure its processes and procedures meet the needs for organisational efficiency and achieve good governance.

3 Proposals

3.1 The updated Financial Regulations are attached at Annexe 1. Job titles have been amended to reflect the current organisational structure and references to statutory regulations have also been updated as appropriate.

3.2 The other main changes are summarised in the following table:

Section	Description of Change
4. Financial Planning - Revenue Reserves	New authorisation limits are proposed for the use of revenue reserves, as follows; • Up to £20,000 – Chief Finance Officer • From £20,000 to £50,000 – Chief Finance Officer in consultation with the relevant Committee Chairman • Above £50,000 – Committee approval required Previously, no authorisation limits were specified in the Financial Regulations. The introduction of limits is intended to clarify the responsibilities of officers and members. The limits do not apply to reserves held for accounting purposes.
6. Revenue Budget Control - Virements	Virement rules have been clarified and there is a proposed increase in the threshold - from £20,000 to £50,000 - for virements that require Committee approval. The proposed increase reflects that the previous threshold has been unchanged since the Regulations were introduced in 2001.
6. Revenue Budget Control – Supplementary Estimates	Following feedback from Financial Policy Panel on 4 December 2018, paragraph 6.9 has been added to clarify the recommended course of action for adverse budget variances.

Section	Description of Change
6. Revenue Budget Control - Emergencies	Regulations for emergencies have been updated to ensure consistency with the Constitution's Scheme of Delegation.
7. Capital Programme	Where capital schemes are expected to exceed the budget, a new provision would permit the Chief Finance Officer to authorise additional expenditure of up to £5,000. The CFO, in conjunction with the Committee Chairman, could also authorise additional expenditure between £5,000 and £20,000. Any additional expenditure >£20,000 will still require Committee approval.
12. Treasury Management	The annual Treasury Management Strategy will now to be presented to Full Council in February (previously S&R Committee in April), in line with recommended CIPFA practice.
15. Income - Writing-Off Debts	A new provision would permit the Head of Digital and Service Transformation, in conjunction with the Chief Finance Officer, to authorise the write-off of business rates debts, where the liable party is subject to insolvency action as prescribed in the Insolvency Act 1986 and the Council is not legally able to continue with recovery action. Previously, all business rate debt write-offs > £20,000 required the authorisation of Strategy & Resources Committee.
20. Partnerships and External Arrangements	A new provision allows Heads of Service, the Chief Operating Officer and Chief Executive to bid for external funds, provided they first inform the Chief Finance Officer, and if appropriate the Chief Operating Officer and Chief Executive, and can evidence that the bid will have no negative impact on the Council’s budget. Should a proposed bid involve a significant issue of policy, it should also be reported to the relevant policy committee for approval.

3.3 The proposed changes were considered at Financial Policy Panel (FPP) on 4 December 2018.

3.4 FPP requested one further change to the Financial Regulations – *“the inclusion of the definition of a ‘material sum’”* in relation to adverse budget variances.

3.5 Subject to this change, which has now been incorporated into the updated Financial Regulations at Annexe 1 paragraph 6.9, FPP recommended that Strategy & Resources approve the updated regulations.

3.6 Following Financial Policy Panel, Strategy & Resources Committee considered the updated Financial Regulations on 31 January 2019 and recommended to Full Council that the Financial Regulations be approved, subject to one amendment, which is shown at **Annexe 2**.

3.7 The amendment has been included in the version attached to this report and Full Council is asked to approve the Financial Regulations for inclusion in the Constitution.

4 Financial and Manpower Implications

4.1 There are no additional cost implications to the implementation of the Financial Regulations.

4.2 ***Chief Finance Officer's comments:*** *It is important that the Financial Regulations be kept up-to-date, in order for the Council to properly manage its financial affairs and discharge its duties.*

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

5.1 None for the purposes of this report.

5.2 ***Monitoring Officer's comments:*** *None for the purposes of this report*.

6 Sustainability Policy and Community Safety Implications

6.1 No implications for the purposes of this report.

7 Partnerships

7.1 No implications for the purposes of this report.

8 Risk Assessment

8.1 Failure to update the Financial Regulations would place the Council at risk of having unclear officer/member responsibilities following organisational changes. This could result in business being conducted less effectively or failure to achieve value for money or best practice.

9 Conclusion and Recommendations

9.1 The Financial Regulations need updating to reflect organisational changes and to ensure the processes and procedures meet the needs for organisational efficiency and achieve good governance.

9.2 Members are asked to:

9.2.1 Note the comments of Financial Policy Panel on the proposed amendments to the Financial Regulations at paragraphs 3.4 and 3.5 of this report;

9.2.2 Note the comments of Strategy and Resources Committee on the proposed amendments to the Financial Regulations at paragraph 3.6 of this report;

9.2.3 Approve the incorporation of the updated Financial Regulations in the Council's Constitution.

Ward(s) Affected: (All Wards);

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SECTION 5 - Financial Regulations

Issued: July 2002; Revised July 2013, February 2019

1 About Financial Regulations

The role and function of Financial Regulations

1.1 Financial Regulations are a set of rules (standing orders) that govern the financial affairs of the Council. They are approved by the Council and apply to all members and officers of the Council and anyone acting on its behalf must comply with the Regulations.

1.2 The Regulations identify the financial responsibilities of the full Council, Committees and Panels, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer, Heads of Service and Budget Managers.

1.3 Any reference to the Chief Finance Officer should be interpreted as meaning the Council's S151 Officer. The Chief Finance Officer is the Council's S151 Officer.

1.4 Where decisions have been delegated or devolved to other responsible officers, references to the relevant Head of Service in the Regulations should be read as referring to those officers.

1.5 All members and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is lawful, correctly authorised, provides value for money and achieves best value. Compliance with Financial Regulations will help discharge this responsibility.

Finance Rule Book & other procedures

1.6 The Finance Rule Book sets out in more detail some of the procedures to which staff who manage budgets or carry out financial transactions need to adhere, although we try to avoid detailed prescription wherever possible. All members and officers **must** comply with Financial Regulations.

1.7 Although the Financial Regulations and the Finance Rule Book cover all major financial systems and processes, the Council has other procedures which set out how Council funds are managed. Regard must be had to the requirements of the Council's Procurement and Capital Strategies as well as Standing Orders for Contracts.

1.8 Financial Regulations are complementary to the Council's Standing Orders for Contracts, which are about the systems and procedures for procuring goods and services. The Financial Regulations and the Finance Rule Book deal with the financial and control issues relating to the procurement of goods and services.

What do Financial Regulations cover?

1.9 The Financial Regulations set out the financial management policies of the Council. The list on the "Contents" page sets out the subjects covered.

1.10 Financial Regulations are not detailed procedure notes. The Finance Rule Book provides greater detail, although will not necessarily cover all eventualities. Where appropriate Managers should maintain their own operating procedure notes to fit in with the needs of their own service.

What if something is not clear?

1.11 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations that Members, Officers and others acting on behalf of the Council are required to follow.

1.12 If you are not clear what a regulation means to your work area, or how to apply it, please ask for guidance. You can ask the Chief Finance Officer, Chief Accountant, Head of Policy, Performance and Governance, or your service accountant.

What will happen if I don't comply?

1.13 If it is minor non-compliance then you will be asked to correct the situation as appropriate. A serious breach will be reported to the Chief Finance Officer, Leadership Team, and may require to be reported to Scrutiny Committee dependent upon the nature of the breach. The rules in the Council's Disciplinary Procedure may also be engaged.

FINANCIAL MANAGEMENT

2 Financial Management – General

Status of Financial Regulations

2.1 It is the responsibility of each Committee, Head of Service and Budget Manager to ensure compliance with all the requirements of these Regulations.

2.2 The Regulations also apply to services carried out under agency arrangements for any other Authority or organisation except where it is has been agreed in advance by the Chief Finance Officer, to comply with another organisation's regulations.

Agents acting for the Council will be expected to comply with these Regulations unless otherwise agreed by the Chief Finance Officer.

2.3 These Regulations also apply to arrangements with any other Authority, partnership or organisation except where it is otherwise specifically agreed by the Chief Finance Officer.

2.4 The Financial Regulations do not override any statutory provisions.

2.5 The Regulations must be read in conjunction with current schemes of delegation to Committees and Officers.

Responsibilities of the Chief Finance Officer

2.6 The Chief Finance Officer is the Council's S151 Officer and has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden.

2.7 The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations 2015

2.8 The Chief Finance Officer is responsible for:

- the proper administration of the authority's financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital programme
- treasury management
- determining the Council Tax Base
- determining the Business Rates Base

2.9 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the full Council and the external auditor if the Authority or one of its Officers:

(a) Has made or is about to make a decision which involves or would involve the Council incurring unlawful expenditure.

(b) Has taken, or is about to take, a course of action which if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency; or

(c) Is about to enter an item of account, which is unlawful.

2.10 Section 114 of the 1988 Act also requires the Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally.

2.11 The Chief Finance Officer is responsible for maintaining a regular review of the Financial Regulations and submitting any additions or changes necessary to the full Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, serious breaches of the Financial Regulations to the Scrutiny Committee.

Responsibilities of Heads of Service

2.12 Heads of Service are responsible for ensuring that Committee members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.

2.13 It is the responsibility of Heads of Service to consult with the Chief Finance Officer and seek approval on any matter liable to affect the authority’s finances materially, before any commitments are incurred.

2.14 Heads of Service are responsible for ensuring that all staff in their division are aware of the existence and content of the Council’s Financial Regulations and other internal regulatory documents and that they comply with them. A copy of the document will be available on the Council’s Internet and intranet site.

2.15 Heads of Service shall control expenditure and income, monitor performance, and take the necessary action to avoid exceeding any budget. The Chief Finance Officer shall provide appropriate financial information or the means by which budgets may be monitored effectively.

2.16 Where expenditure or income involves a contractual agreement with a third party, the Heads of Service must follow procedures laid down in the Contracts Standing Orders.

2.17 Heads of Service shall establish sound arrangements for the planning, appraisal, authorisation and control of their operations to ensure that economy, efficiency and effectiveness are achieved.

2.18 Heads of Service may nominate staff – called Budget Managers - to manage budgets on their behalf. This delegation does not in any way reduce the overall responsibilities of the Heads of Service. Budget Managers shall carry out their responsibilities in line with these Regulations and the Finance Rule Book.

Authorised Signatories

2.19 Heads of Service shall determine who is authorised to sign official documents on their behalf, and shall provide the Chief Finance Officer with up-to-date lists of specimen signatures of authorised Officers. The Chief Finance Officer will refuse to accept any document submitted where the authorising signature does not correspond to that notified.

3 Accounting Arrangements

Accounting policies

3.1 The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting records and procedures

3.2 The Chief Finance Officer is responsible for determining the accounting procedures and records for the Council. The Chief Finance Officer will ensure that the accounting systems are observed and that the accounts of the Council and supporting records are kept up to date.

The Annual Statement of Accounts

3.3 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

3.4 The Strategy and Resources Committee is responsible for approving the Annual Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations 2015.

Allocation of Accounting Duties

3.5 The following principles shall be observed in the allocation of accounting duties:

(a) The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;

(b) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

Subsidies and Grants Receivable

3.6 The Chief Finance Officer will take such action and establish procedures to ensure that the Council's subsidy and grant entitlement are maximised.

FINANCIAL PLANNING

4 Financial Planning - General

Policy Framework

4.1 The full Council is responsible for agreeing the Council's policy framework and budget. In terms of financial planning, the key elements are:-

- The Corporate Plan and Key Priorities
- The Four Year Financial Plan
- The Annual Budget
- The Capital Strategy and Capital Programme.
- The Treasury Management Strategy

4.2 The Council is responsible for approving the policy framework and budget which will be proposed by the Strategy and Resources Committee.

4.3 The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework.

Revenue Reserves

4.4 It is the responsibility of the Chief Finance Officer to advise the Strategy and Resources Committee and/or the full Council on prudent levels of reserves for the Authority.

4.5 The Chief Finance Officer is responsible for ensuring that reserves are used only for the purposes for which they were earmarked.

4.6 The Chief Finance Officer may authorise the use of reserves for their intended purpose up to the following limits:

Value	Level of Responsibility
Up to £20,000	Chief Finance Officer
From £20,000 to £50,000	Chief Finance Officer in consultation with the relevant Committee Chairman
Above £50,000	Committee approval required

4.7 The above limits do not apply to reserves held for accounting purposes. Reserves held for accounting purposes are used at the discretion of the Chief Finance Officer and include:

- Property Income Equalisation Reserve
- Business Rates Equalisation Reserve
- VAT Reserve
- Interest Reserve
- Insurance Reserve

Financial Plan

4.8 The Chief Finance Officer shall maintain a forward Financial Plan. The Financial Plan will show the financial implications of changes in Council policy, legislation, service levels, activity and other factors for at least three years ahead. The Chief Finance Officer will review financial projections annually. The plan will show, in summary, the estimated impact of future spending plans on the General Fund.

4.9 In order that the information requirements of the Financial Plan and Medium Term Financial Strategy are satisfied, reports to Committees with significant financial implications shall show the full year effect of the proposals and the implications for at least the next three financial years.

4.10 Budget Targets including updates of the financial projections should be presented to the Strategy and Resources Committee by the Chief Finance Officer no later than October each year.

Review and Notification to the Chief Finance Officer

4.11 Heads of Service and Budget Managers must regularly review the financial implications of changes in policy and other factors, and must notify the Chief Finance Officer promptly of the impact on current and future budgets.

5 Revenue Budget Preparation

Budget format

5.1 The general format of the budget will be approved by the Strategy and Resources Committee on the advice of the Chief Finance Officer.

5.2 The detailed form of the revenue estimates shall be determined by the Chief Finance Officer and must be consistent with the general directions of the Strategy and Resources Committee.

Budget preparation

5.3 Heads of Service shall prepare estimates of income and expenditure reflecting agreed key service priorities in consultation with the Chief Finance Officer in accordance with guidelines issued by the Strategy and Resources Committee.

5.4 The Chief Finance Officer shall report on the estimates to the appropriate policy committees. They shall in turn report the estimates to the Council with such recommendations as are deemed necessary.

5.5 The Chief Finance Officer shall advise the Strategy and Resources Committee and other committees as necessary on budget matters.

5.6 The Heads of Service shall supply the Chief Finance Officer with such information as is necessary to support the estimates.

Budget Timetable

5.7 The Chief Finance Officer will prepare a budget timetable each year. All budget submissions shall be made in accordance with the timetable.

6 Revenue Budget Control

Budget monitoring and control

6.1 It is the responsibility of each Head of Service to manage and direct resources to achieve the objectives of the budget. This involves the monitoring of expenditure and income and the regular review of performance. Where budgets are delegated to Budget Managers they are charged with the same responsibility.

6.2 Once approved by the Council, the revenue budget will give authority for expenditure to be incurred in the appropriate year unless:

(a) It would cause the appropriate budget head to be overspent,

(b) It is a long-term financing agreement that will have implications for government capital controls in which case the Chief Finance Officer must be consulted.

(c) It is a contingency sum requiring the approval of the relevant committee before expenditure is incurred.

6.3 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively.

6.4 The Chief Finance Officer must report to all Members on the overall budget position on a regular basis.

New Services and Extension of Service Provision

6.5 Any proposal to incur expenditure relating to the adoption of a new policy or extension of an existing policy not already sanctioned by the Council, must be accompanied by a report to the relevant policy committee with the financial implications agreed in advance with the Chief Finance Officer.

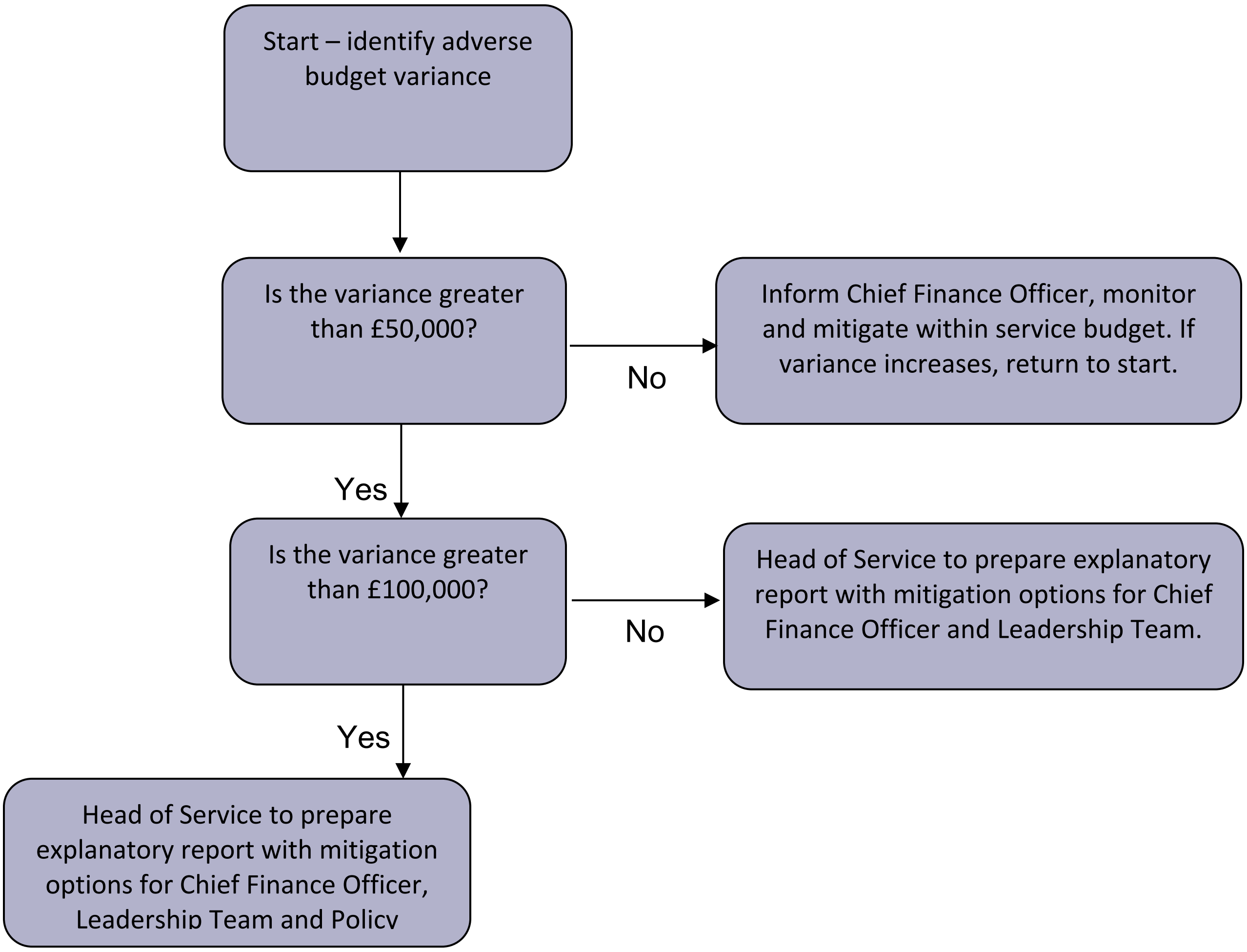
6.6 Proposals which commit future budgets to a level of expenditure greater than that provided for in the current year shall be reported to the relevant policy committee and the Strategy and Resources Committee and clearly show the total level of future annual commitment.

Supplementary Estimates

6.7 Policy Committees are required to manage services within the overall revenue and capital budget allocations. The Council will exceptionally consider supplementary estimates for significant added expenditure that cannot be managed within the total agreed budget.

6.8 Where it is apparent that the budget for a service may be exceeded (or there will be a shortfall of income) by a material sum (see flowchart at 6.9), the Head of Service must prepare a written report setting out the reasons and proposing how the shortfall may be met, and submit it to the Chief Finance Officer. The Chief Finance Officer will advise on the action to be taken, which may include proposals for a report to Leadership Team and/or Policy Committee, virement or exceptionally a request for supplementary estimate.

6.9 The following flowchart sets out the recommended course of action and thresholds for adverse budget variances. Exceptions to the recommended action should only be permitted with the agreement of the Chief Finance Officer.



6.10 Expenditure may be authorised in an emergency by the Chief Finance Officer with the agreement of the Chairman of the relevant Committee and shall be reported to the next meeting of that Committee. This procedure will only be adopted if the emergency does not provide sufficient time to follow the procedure set-out at 6.25.

Virement of revenue budgets

6.11 A revenue virement is the transfer of resources from one revenue budget to another. The Financial Policy Panel is responsible for agreeing procedures for revenue virements.

6.12 The delegated approvals for virements within the same Committee are --

Value	Level of Responsibility
Up to £5,000	Budget Managers
From £5,000 to £50,000	Relevant Head(s) of Service and Chief Finance Officer
Above £50,000	Committee approval required

6.13 Virements between committees above £50,000 require the approval of the Strategy and Resources Committee and the other relevant Committee(s). Virements between committees below £50,000 can be approved by Committee Chairmen and the Chairman of the Strategy and Resources Committee.

6.14 Virement between revenue and capital budgets will not be permitted due to the different sources of funding.

6.15 All virements must be completed on approved virement documentation.

6.16 Virements out of cost centre will be monitored in aggregate, based on the limits specified above, during the financial year by the relevant service accountant.

6.17 Virement between revenue income and expenditure will be permitted only where the additional expenditure will generate the income and with the approval of the Chief Finance Officer.

6.18 Virements in or out of the salary budget must be within control totals maintained by the Chief Finance Officer.

6.19 The virement of training budgets for any purpose other than training requires an express recommendation of the Human Resources Panel.

6.20 Virements must not be made in or out of the Epsom and Walton Downs Conservators and Nonsuch Park Joint Management Committee accounts.

6.21 Where the proposed virement involves a significant issue of principle, or a significant proportion of the original budget, the approval of the Strategy and Resources Committee is required.

6.22 The above virement arrangements do not apply to adjustments to budgets that arise due to accounting or technical reasons such as correcting errors, budget restructuring due to internal reorganisation, capital and pension charges, and changes to grant regimes, provided these do not impact on the net budget of the Council.

6.23 Where an approved budget is a contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that its use is in accordance with the purposes for which it has been established and has been approved by the Chief Finance Officer.

Treatment of year-end balances

6.24 Underspends on the revenue account will not normally be carried forward. Exceptionally such requests to allow the fulfillment of commitments will require the approval of the Strategy and Resources Committee

6.25 Emergency or Urgent Action RequestsWhere a decision cannot wait until the next Council or relevant policy committee meeting, then under the Constitution the Chief Executive and the Chief Operating Officer are empowered to take all necessary decisions in cases of emergency or urgency (Constitution Part 3, Section 7 - Scheme of Delegation to Officers, paragraph 7.4d). The definition of emergency and urgency is set-out in the Constitution in Part 3, Section 7, paragraph 7.5.

6.26 Delegated Authority Forms should be used for such decisions and are can be obtained from Democratic Services.

7 Capital Programme

Preparation of the capital programme

7.1 The Chief Finance Officer is responsible for maintaining a rolling capital programme and this is reported annually for consideration by the Financial Policy Panel who will also advise the Strategy and Resources Committee on funding implications.

7.2 The programme will include spending plans for the ensuing three years. The detailed form of the programme shall be determined by the Chief Finance Officer and must be consistent with the general directions of the Strategy and Resources Committee.

7.3 Projects that are reliant on the receipt of government or other third party funding, including central government and other grants must follow the normal capital programme procedures.

Capital Member Group and Capital Officer Group

7.4 The Financial Policy Panel will advise Strategy and Resources Committee on the capital programme and capital funding. The Capital Member Group has responsibility for advising on the development of the Capital Strategy for the capital programme review in consultation with the Chief Finance Officer.

7.5 The Capital Officer Group is responsible for the appraisal of all capital schemes submitted annually by budget managers. The assessment process will take into account key strategies including the Key Priorities and Asset Management Plan and the available capital resources. (More detail is provided in the Finance Rule Book).

New capital schemes

7.6 New schemes will be assessed based on the criteria within the Capital Strategy and recommended to the relevant committee within the capital funding released by the Strategy and Resources Committee, prior to approval from full Council. Each new scheme must have a capital project appraisal form completed and approved by the Capital Member Group.

Status of capital programme approval

7.7 Inclusion in the capital programme does not of itself confer authority to incur expenditure before:

(a) The relevant Committee has approved a project appraisal in accordance with the procedures set out in the Capital Strategy and the Asset Management Plan;

(b) A tender or quotation has been received which does not exceed the amount included in the programme and any other relevant cost limits;

(c) All necessary statutory approvals have been received;

(d) External funding has been secured where relevant;
(e) Spend to Save Schemes have been appraised and demonstrated pay-back of investment.

Variations to capital projects

7.8 The size, content or specification of a scheme shall not be significantly changed without the approval of the relevant service committee.

Virement

7.9 The guidance for virement of the capital programme is as follows:-

Value	Level of Responsibility
Within Cost Centre/ Capital Scheme	Relevant Budget Manager/ Project Manager

7.10 All virements must be completed on the approved virement documentation

Monitoring of progress

7.11 The detailed monitoring is the responsibility of the Capital Officer Group. It is the Chief Finance Officer's responsibility to report to Members on a quarterly basis and to submit any major variances of the Capital Programme to the Financial Policy Panel.

7.12 An officer who becomes aware that the estimated cost of a capital scheme for which he/she is responsible is likely to be exceeded should notify the Chief Finance Officer. The Chief Finance Officer can authorise additional funding per capital scheme up to the following limits:

Value	Level of Responsibility
Up to £5,000	Chief Finance Officer
From £5,000 to £20,000	Chief Finance Officer in consultation with the Chairman of the relevant Policy Committee and the Chairman of S&R
Above £20,000	Committee approval required

7.13 For capital schemes not completed by 31st March, a schedule of capital budgets to be carried forward will be presented to Strategy and Resources Committee by July.

7.14 At year-end, officers are responsible for applying the most appropriate source of capital funding to finance capital expenditure.

RISK MANAGEMENT AND CONTROL OF RESOURCES

8 Risk Management

Introduction

8.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include but is not limited to the proactive participation of all those associated with planning and delivering services.

Risk management

8.2 The Strategy and Resources Committee is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The risk management framework is monitored and reviewed by the Audit, Crime & Disorder, & Scrutiny Committee

8.3 The Chief Executive and all Heads of Service are responsible for managing the Council's risks, taking mitigating action and promoting risk management throughout the authority.

Internal control

8.4 The Chief Finance Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use. In addition, the Monitoring Officer has statutory responsibilities to report on prospective breaches of the law or maladministration.

8.5 The Accounts and Audit Regulations require every local authority to conduct a review at least once a year of the effectiveness of its system of internal control and shall include an Annual Governance Statement, prepared in accordance with proper practices. Heads of Service are responsible for ensuring effectiveness systems of internal control within their service.

8.6 It is the responsibility of Heads of Service to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Preventing fraud and corruption

8.7 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance is responsible for the development and maintenance of a policy to prevent fraud and corruption and for submitting it for approval to the Strategy and Resources Committee, prior to obtaining approval from full Council.

8.8 It is the responsibility of Heads of Service to make the relevant staff aware of the requirements of the protocol for addressing the issues raised by the Criminal Finances Act 2017and the Money Laundering Regulations 2017 and the Terrorism Act 2006.

Staffing

8.9 The Head of Paid Service is responsible for determining how officer support for committee roles within the authority will be organised.

8.10 The Head of Paid Service is responsible for providing overall management to staff. The Head of Paid Service is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

8.11 The Chief Finance Officer is responsible for controlling total staff numbers by:

- advising the Strategy and Resources Committee on the budget necessary in any given year to cover estimated staffing levels;
- adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs;
- the proper use of appointment procedures.

Security of Assets and Information

8.12 Heads of Service should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

8.13 Heads of Service shall be responsible for maintaining proper security and privacy of information contained in the financial and other records under their control.

8.14 To comply with data protection legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018, the Data Protection Officer (ie the Chief Legal Officer) shall be responsible for maintaining proper security and the appropriate degree of privacy of information held within the Council, either electronically or in other formats e.g. microfiche, paper output etc. All staff are responsible for ensuring that they keep information secure and use personal data in a manner consistent with the Council's Data Protection Act Policy, Retention Policy and ICT policy.

8.15 The Strategy and Resources Committee is responsible for reviewing the Data Protection Act policy.

9 Insurance

Review of Arrangements

9.1 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance is responsible for ensuring that proper insurance exists where appropriate and advising the Strategy and Resources Committee on insurance arrangements. This includes

(a) Adequate insurance to cover all assets in the organisation

(b) Acceptable levels of risk are determined and insured against where appropriate

9.2 Details of insurance requirements are summarized below and provided in detail in the Finance Rule Book.

Review of Insurance Cover

9.3 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance, shall keep under review all insurance cover in consultation with other Heads of Service as appropriate.

Records of Insurance Cover

9.4 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance shall maintain records of all insurance placed by the Council, showing the property and/or risks covered.

Notification of Risks

9.5 Heads of Service must give prompt notification to the Chief Finance Officer and the Head of Policy, Performance and Governance of all new risks, properties or vehicles that require to be insured and of any alterations affecting existing insurance.

9.6 Heads of Service shall give prompt notification in writing to the Head of Policy, Performance and Governance of any loss, liability, damage or any event which may result in a claim against the Council, or in a claim by the Council under a policy of insurance or otherwise.

Negotiation of Claims

9.7 The Head of Policy, Performance and Governance shall negotiate all claims in consultation with other officers as necessary.

Partnerships and 3rd Parties

9.8 Heads of Service, in consultation with Head of Policy, Performance and Governance must ensure that the correct insurance cover is in place for any arrangements with contractor, partners or 3rd parties prior to such arrangements being entered into.

Fidelity Guarantee Policy

9.9 All appropriate employees of the Council shall be included in a suitable fidelity guarantee policy.

10 Audit

Audit requirements

10.1 The Accounts and Audit Regulations require every local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.

10.2 The Council is responsible for appointing its external auditors. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by the Local Audit and Accountability Act 2014.

10.3 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

Provision of Internal Audit

10.4 The Chief Finance Officer and Head of Policy, Performance and Governance shall maintain an adequate and effective system of internal audit to satisfy the Council's responsibilities under the Accounts and Audit Regulations 2015. The audit shall be performed, as far as practicable, to the standards set out in the "Public Sector Internal Audit Standards (PSIAS).

10.5 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

10.6 Strategy and Resources Committee is responsible for approving the procurement of the Council's internal audit service.

Powers of Internal Auditors

10.7 To assist in complying with the requirements of the Accounts and Audit Regulations 2015, the Chief Finance Officer or his authorised representative shall have authority to:

(a) Enter at all reasonable times on any Council premises or land.

(b) Have access at all times to all records, documents and correspondence relating to any financial and other transactions of the Council, whether held by employees of the Council or by Consultants' employees under a contract for professional services.

(c) Require and receive such explanations as are necessary concerning any matter under examination.

(d) Require any employee of the Council to produce cash, stores or any other Council property under his control.

Reporting of Irregularities

10.8 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council or any suspected irregularity in the exercise of the functions of the Council the relevant Head of Service concerned shall immediately notify the Chief Finance Officer and the Head of Policy, Performance and Governance. The Chief Finance Officer and/or the Head of Policy, Performance and Governance shall take such steps as considered necessary by way of investigation and report. This regulation does not relieve any Head of Service from giving similar notification to the Chief Executive who may consider any legal and/or disciplinary implications.

Annual Report on Internal Audit

10.9 At least once a year a report shall be presented to the Audit, Crime & Disorder & Scrutiny Committee reviewing the internal audit coverage undertaken during the previous year and the audit plan for the forthcoming year.

Chief Internal Auditor

10.10 The post of Head of Internal Audit, whether internally appointed or through a contract, shall be a fully qualified member of one of the following bodies: -

(a) An Institute that is a member of the Consultative Committee of Accounting Bodies (CCAB);

(b) The Institute of Internal Auditors.

Internal Audit Charter

10.11 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance shall be responsible for approving the Internal Audit Charter Section. The purpose of this document is to:

(a) to define the internal audit activity's purpose, authority and responsibility;

(b) Outline the scope of internal audit work; and

(c) Obtain corporate agreement on how internal audit should operate.

Whistleblowing

10.12 All officers must report any suspected cases of fraud or corruption and should have regard to the Council's Whistleblowing Policy. The purpose of this policy is to establish a means by which employees who either suspect or have identified cases of fraud, corruption or other malpractice may raise issues of concern and be confident that those issues are dealt with seriously and fairly without fear of harassment.

11 Control of Assets

Use of Council Property

11.1 The Council's property must only be used in accordance with the ordinary course of the Council's business. Any other use can only be made in accordance with specific directions issued by the Head of Service concerned.

Property

11.2 The Head of Property & Regeneration will maintain an up to date register of all properties owned by the Council. The register shall record the purpose for which held, location, extent, purchase details, particulars of nature of interest and rents payable and particulars of tenancies granted.

11.3 The Chief Legal Officer shall have the custody of all title deeds under secure arrangements.

Inventories

11.4 Heads of Service shall maintain up to date inventories of the Council's furniture, fittings and equipment, and plant and machinery that has a significant value. The care and custody of such equipment shall be the responsibility of the Managers concerned.

11.5 The Head of ICT shall maintain a complete and up to date inventory of all information technology equipment.

Stocks and Stores

11.6 Heads of Service shall be responsible for the care and custody of the stocks and stores in their division. Stocks shall be kept at the optimum level sufficient to provide an effective service.

Responsibility for Security

11.7 Each Head of Service is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment cash, and other assets under his control. The Chief Finance Officer must be consulted where security is thought to be defective or where it is considered that special security arrangements may be needed.

Cash Holdings

11.8 Maximum limits for each cash holding shall be agreed with the Chief Finance Officer and Head of Policy, Performance and Governance and shall not be exceeded without their express permission (see Finance Rule Book).

Disposal of assets

11.9 Each Head of Service shall be responsible for obtaining the best value for the Council when disposing of assets under their control. The Chief Finance Officer shall be responsible for issuing guidance for the disposal of assets (see Finance Rule Book).

12 Treasury Management and Trust Funds

Treasury Management Policy

12.1 The Council shall adopt the key recommendations contained in the CIPFA publication "Treasury Management in the Public Services; Code of Practice".

12.2 The Council will create and maintain, as the cornerstones for effective treasury management:

(a) A treasury management policy statement, stating the policies and objectives of its treasury management activities

(b) Suitable treasury management practices, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

12.3 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, an interim report providing analysis of current performance and a final annual report, in the form prescribed in its treasury management practices.

12.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Strategy and Resources Committee, subject to the advice under the terms of reference of the Financial Policy Panel, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement and treasury management practices and CIPFA's Standard of Professional Practice on Treasury Management.

Treasury Policy Statement

12.5 The content of Treasury Management Strategy will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Any such amendments will not result in the Council materially deviating from the Code's key recommendations.

Treasury Management Practices

12.6 The content of treasury management practices will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Any such amendments will not result in the Council materially deviating from the Code's key recommendations.

Reporting on Treasury Management Activities

12.7 Each year, the Chief Finance Officer shall report to the Council on the proposed strategy for treasury management for the forthcoming financial year.

12.8 The Chief Finance Officer shall report to the Strategy and Resources Committee annually on the activities of the Treasury Management operation and on the exercise of Treasury Management powers delegated to him/her. The report shall comprise an Annual Report on Treasury Management for presentation by the end of July of the succeeding financial year. A second, interim report on current performance shall be presented in Autumn to the Financial Policy Panel.

Trust Funds

12.9 All trust funds shall be in the name of the Council unless specifically approved by the Council otherwise. The Chief Executive is responsible for ensuring trust funds are operated within any relevant legislation and the specific requirements of each trust.

Investments and Borrowings Records

12.10 The Chief Finance Officer shall make all borrowings and investments in the name of the Council, except where and to the extent the Council has authorised its investments to be invested by an outside agent.

12.11 The Chief Finance Officer shall maintain a register of loans and investments and records of all borrowings and investments made by the Council.

12.12 All negotiable investments, financial bonds and securities held in the name of the Council or its nominees shall be held under secure arrangements.

12.13 The requirements of the Council's Treasury Management Policies and Treasury Management Schedules must be followed at all times.

SYSTEMS AND PROCEDURES

13 Systems and Procedures - General

Introduction

13.1 Sound systems and procedures are essential to an effective framework of accountability and control.

Responsibility

13.2 The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by officers to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. Heads of Service are responsible for the proper operation of financial processes in their own departments.

13.3 Any changes to agreed procedures by Heads of Service to meet their own specific service needs should be agreed with the Chief Finance Officer.

Training

13.4 Heads of Service should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.

Data Protection and Freedom of Information Legislation

13.5 Heads of Service must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation in line with procedures agreed by the Head of Information Technology and the Council's Information Governance Officer. Divisional Managers must ensure that staff are aware of their responsibilities under the freedom of information legislation.

Schemes of Delegation

13.6 It is the responsibility of Heads of Service to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Head of Service's behalf in respect of payments, income collection and placing orders, together with the limits of their authority.

14 Banking Arrangements and Cheques

Banking Arrangements

14.1 The Council shall review its banking arrangements at least every 5 years.

14.2 All arrangements with the Council's bankers must be made by or under arrangements approved by the Chief Finance Officer who is authorised to operate such banking accounts as he may consider necessary. For the avoidance of doubt, the Chief Finance Officer is also authorised to make such arrangements as are necessary with custodians for the purposes of holding investments, including cash balances, managed by external fund managers.

14.3 Unless otherwise agreed by the Chief Finance Officer, all Council bank accounts shall stand in the name of the Epsom and Ewell Borough Council, but in any case not in the name or designation of any officer.

Bank Stationery

14.4 All cheques, and other debit and credit forms shall be ordered only on the authority of the Chief Finance Officer, who shall make proper arrangements for their safe custody.

Signing of Cheques

14.5 Cheques on the Council's banking accounts shall bear the facsimile signature of the Chief Finance Officer or be signed by the Chief Finance Officer or other officer authorised to do so.

Electronic Payment Systems

14.6 Where payments are to be transmitted electronically, the Chief Finance Officer shall approve the necessary arrangements to safeguard the Council against potential loss.

Authorisation of Payments

14.7 All payments, including BACs payments, in excess of £40,000 shall be countersigned by two authorised officers.

14.8 Only those Officers identified in the Council’s Treasury Management Procedures are authorised to make payments from the Council's accounts or otherwise approve the transmission of funds. Treasury Management Procedures must be followed at all times.

15 Income

Income Policy

15.1 The Council’s income policy shall be determined by the Strategy and Resources Committee as part of the Financial Plan. The Chief Finance Officer is responsible for setting targets for fees and charges within the Financial Plan.

15.2 The charge to be made for any service, so far as not delegated as set out in the Constitution to an officer, must be approved by the relevant service committee.

Review of Fees and Charges

15.3 The Heads of Service shall review charges at least once a year. Such charges shall then be submitted to the relevant Committee for approval, except where delegated authority shall otherwise provide. The financial implications of such reviews shall be reflected in the estimates for the forthcoming financial year.

Collection of Monies

15.4 The collection of all money due to the Council shall be under the supervision of the Chief Finance Officer or under arrangements specifically approved by the Chief Finance Officer.

Security and Controls

15.5 Each Divisional Manager is responsible for the regular review of their department's internal procedures for collecting and controlling income to ensure that the most effective controls are used.

Notification of Income Due

15.6 Each Head of Service shall inform the Chief Finance Officer promptly with such particulars of all amounts due as may be required by him to record correctly all sums due to the Council and to ensure the prompt rendering of accounts for the recovery of income due. This shall include details of all contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Chief Finance Officer shall have the right to inspect any documents or other evidence in this connection.

Money Laundering

15.7 The Council is required by law to establish procedures for money laundering as set out in the Anti Money Laundering Policy contained in the Finance Rule Book.

15.8 The Head of Policy, Performance and Governance discharges the duty of the designated Money Laundering Officer and is responsible for updating polices and procedures and providing advice to all staff. All staff must abide by the policy at all times and take prompt and proper action if they have any suspicions of money laundering.

Recovery of Debts

15.9 Heads of Service shall ensure that debts due to the Council are referred to the Chief Finance Officer for recovery without delay.

15.10 The Chief Finance Officer shall take all reasonable steps to recover amounts due to the Council, including the appointment of Enforcement Officers or other collection agencies.

15.11 The Chief Finance Officer is authorised to initiate County Court proceedings and sign the appropriate forms for the recovery of sundry debts.

15.12 With the exception of outstanding Council Tax and Business Rates, all outstanding debts which have been initiated in the County Court but which are being contested shall be referred to the Chief Finance Officer who shall take all reasonable steps to recover them.

Writing Off Debts

15.13 A debt that is properly due to the Council shall only be reduced or written off as irrecoverable on the authority of: -

(a) The Chief Finance Officer for debts up to £5,000, and

(b) Over £5,000 up to £20,000, in consultation with the Chair of Strategy and Resources provided that they are satisfied that the debt is not recoverable at reasonable effort and expense.

(c) Write offs in excess of £20,000 should be reported to the Strategy and Resources Committee.

15.14 The above limits do not apply to the write off of business rates debts, where the liable party is subject to insolvency action as prescribed in the Insolvency Act 1986 and the Council is not legally able to continue with recovery action. The write-off of these debts can be authorised by the Head of Digital and Service Transformation, in conjunction with the Chief Finance Officer.

15.15 A record of all amounts written off shall be maintained by the Chief Finance Officer and shall be kept up to date.

16 Orders for Work, Goods and Services

Key Controls

16.1 Orders shall only be issued for goods or services if the cost is covered by an approved revenue or capital budget.

16.2 All orders must comply with the Council's Standing Orders for Contracts and the guidelines set down in the Council's Procurement Strategy.

16.3 Official orders must be issued for all work, goods or services to be supplied to the Council except for instances listed in the Finance Rule Book and such other exceptions as the Chief Finance Officer may approve.

16.4 Heads of Services are responsible for ensuring that any procurement of contractors is compliant with HMRC's IR35 off-payroll working rules.

Official Orders

16.5 Official orders shall be in a form approved by the Chief Finance Officer and are to be signed only by staff approved by the appropriate Head of Service. They shall include any contractual requirements set out in Standing Orders for Contracts.

16.6 Each order shall conform to directions regarding purchasing and the standardisation of supplies and materials.

16.7 A copy of each order shall be retained by the responsible officer and shall show the cost or estimated cost of the work or goods and the relevant application. The copy may be kept in paper form or in an electronic form.

16.8 Telephone, facsimile transfer ("fax") or verbal orders shall be confirmed as soon as practicable, within 2 working days, by official orders that clearly show that they confirm instructions previously issued.

16.9 Official orders must only be used for legitimate Council business. They must not be used for the procurement of goods, materials or services for the personal or other use of an employee, nor must personal or private use be made of Council contracts.

Variation of Orders

16.10 Variations to Official Orders must be confirmed as soon as practicable in writing with a reference to the original Official Order.

Staff Benefits Scheme

16.11 Any procurement under the staff benefit package must be made in accordance with the regulations for that scheme.

Related Party Transactions

16.12 Any Officer who is in a position to influence the award of a contract or the placing of an order must inform their Head of Service if a transaction will involve an individual or company with whom they have a relationship.

16.13 No-one employed by the Council should enter into a contract with the Council, either as an individual or as a company, other than through their employment contract unless otherwise approved by the Chief Executive.

17 Paying for Work, Goods and Services

Separation of Duties

17.1 The activity of ordering/receiving goods should be separate from the authorization of payment of the account.

Method of Payment

17.2 The normal method of payment of money due from the Council shall be by BACS drawn on the Council's banking accounts by the Chief Finance Officer.

Certification of Invoices

17.3 All managers and authorised signatories are responsible for examining, verifying and certifying invoice(s) and any other payment vouchers arising from activities in their division. An authorized signatory must be satisfied that all works, goods or services received to which the account relates have been carried out , examined and approved, are within budget and are correctly coded. Such certification, by or on behalf of the Head of Service, shall be in manuscript or by an electronic method approved by a Head of Service. The names of officers authorised to sign such records shall be sent to the Chief Finance Officer by each manager together with specimen signatures and shall be amended on the occasion of any change within agreed limits specified in the Finance Rule Book.

Examination of Invoices

17.4 Invoices and other payment vouchers shall be passed without delay to the Chief Finance Officer who shall examine them to the extent that is considered necessary, for which purpose he shall be entitled to make such enquiries and to receive such information and explanations as may be required. Where the Chief Finance Officer is satisfied that a certified account has not fully complied with the Council's Standing Orders for Contracts or Financial Regulations, it shall be returned to the certifying officer requesting an explanation. In the event that no satisfactory explanation is forthcoming, the Chief Finance Officer shall report on the circumstances to the Leadership Team meeting and take action as necessary.

Payment Policy

17.5 Heads of Service shall take all reasonable steps necessary to ensure that the payment is made within 30 days wherever possible.

17.6 Special payment terms may only be agreed with suppliers following the prior agreement of the Chief Finance Officer.

Purchasing Cards

17.7 Nominated officers agreed by the Chief Finance Officer can have purchasing cards for the purchase of low value approved items. The nominated officers are responsible for ensuring all payments are made timely and correctly with appropriate authorization and vouchers corresponding to payments. The nominated officers are responsible for ensuring their cards are held securely at all time (further details are available in the Finance Rule Book and procedures).

18 Payments to Employees and Members

Responsibility

18.1 The Head of Human Resources and Organisational Development is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members.

Payment of Salaries and Wages

18.2 The payment of all salaries, wages, pensions, compensations and other emoluments to all employees or former employees of the Council shall be made under arrangements approved and controlled by the Chief Finance Officer.

18.3 The Head of Human Resources and Organisational Development shall maintain effective records affecting the payment of salaries and wages, and in particular:

(a) Appointments, (both permanent and temporary), resignations, dismissals, suspensions, secondments, and transfers;

(b) Absences from duty for sickness or other reason, apart from approved leave;

(c) Changes in remuneration;

(d) Information necessary to maintain records of service for pensions, income tax and National Insurance.

Appointment of Staff

18.4 Appointments of all employees shall be made in accordance with the Human Resources Policies and Procedures of the Council and the approved establishments, grades and rates of pay.

Variations to the Establishment

18.5 Any proposal to vary the authorised establishment shall be made in accordance with the Human Resources Policies and Procedures approved by the Council.

Time Sheets and other Records

18.6 The format of all time records and other pay documents must be approved by the Head of HR and Organisational Development.

Claims for Staff Expenses

18.7 All claims for payment of car allowances, training expenses, subsistence allowances, travelling and incidental expenses shall be submitted via the HR Self Service system and duly certified by the appropriate manager, by a specified date in each month.

18.8 The certification by the relevant manager shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.

18.9 All officers must keep receipts for inspection by HMRC. These should also be submitted to the appropriate manager and stored via the HR Self Service system.

Payments to Members

18.10 Payment to Members shall be in accordance with the Council's Members' Allowances Scheme.

18.11 Payment to co-opted members entitled to claim travelling and/or other allowances will be made by the Chief Finance Officer upon receipt of the prescribed form duly completed.

19 Taxation

Responsibility

19.1 The Chief Finance Officer is responsible for advising Heads of Service, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.

19.2 The Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

19.3 The Chief Finance Officer be responsible for all communications with HM Revenue and Customs for all matters relating to taxation. The Chief Finance Officer shall maintain records and accounts sufficient to meet the obligations of the collection agencies.

19.4 The Chief Finance Officer shall report any significant changes relating to the Council's tax affairs to Financial Policy Panel and/or Strategy and Resources Committee.

19.5 The Chief Finance Officer shall be responsible for creating and maintaining an awareness of the importance of effective tax accounting across the whole organisation, and especially among those responsible for the processing of transactions.

19.6 The Chief Finance Officer shall issue instructions and manuals as appropriate based on up to date legislation.

Appointment of Advisors

19.7 The Chief Finance Officer shall appoint professional advisers where considered necessary to resolve any taxation issues.

Property Transactions

19.8 The Chief Finance Officer and Head of Property and Regeneration shall be informed of all proposed acquisitions, disposals, rentals and leasing of property at the planning stage and shall advise on the taxation implications accordingly.

EXTERNAL ARRANGEMENTS

20 Partnerships, External Arrangements and Work for Third Parties

20.1 Heads of Service, the Chief Operating Officer and Chief Executive are permitted to bid for external funds, provided they first inform the Chief Finance Officer, and if appropriate the Chief Operating Officer and Chief Executive, and can evidence that the bid will have no negative impact on the Council's budget. Should the proposed bid involve a significant issue of policy, it should be reported to the relevant policy committee.

20.2 The Chief Finance Officer is responsible for issuing any required guidance on the financial aspects of contracts with third parties and external bodies.

20.3 Heads of Service and managers must ensure that work for 3rd parties does not have an adverse impact on any of the Council's services. Before entering into agreements, a risk management appraisal must be undertaken. All guidance issued by the Chief Finance Officer must be complied with and all agreements and arrangements must be properly documented.

20.4 The Chief Finance Officer in conjunction with the Head of Policy, Performance and Governance must ensure that adequate insurance arrangements are in place for all partners, 3rd parties or external arrangements. The Chief Finance Officer is responsible for advising on the tax implications of agreements with other parties.

20.5 The relevant Head of Service is responsible for approving partnership arrangements and informing the Chief Finance Officer of such arrangements. Where appropriate Heads of Service should seek financial and legal advice prior to entering into a partnership arrangement and that risk assessments are undertaken.

20.6 Heads of Service are also responsible for evaluating any long term implications of entering into such arrangements and informing the Chief Finance Officer.

20.7 The Heads of Service must also ensure that adequate records are maintained of any expenditure, grant or income including match funding.

20.8 The appropriate Head of Service and manager is responsible for ensuring that all funding notified by external bodies is received and used for the intended purpose and properly recorded in the Council's accounts. It is also the responsibility of the appropriate Head of Service to inform the Chief Finance Officer of bids for external funding with any implications such as match funding and or revenue budget implications.

20.9 Any contracts must comply with the Council's Contract Standing Orders

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PROPOSED AMENDMENT TO STRATEGY & RESOURCES ITEM 8 FINANCIAL REGULATIONS REVIEW

It proposed to replace paragraph 6.13 which currently states;

6.13 Virements between committees require the approval of the Strategy and Resources Committee and the other relevant Committee(s).

With the following;

6.13 Virements between committees above £50,000 require the approval of the Strategy and Resources Committee and the other relevant Committee(s). Virements between committees below £50,000 can be approved by Committee Chairmen and the Chair of Strategy and Resources Committee.

This amendment is recommended in the interests of operational efficiency, so if there is a need to reallocate resources (up to £50,000) between committees, for example public realm works, a virement can be agreed by the relevant Chairmen without the requirement for three individual reports having to be submitted for approval to Community & Wellbeing, Environment and S&R Committees. It is expected that this will only apply to a small number of virements.

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