



STRATEGY AND RESOURCES COMMITTEE

Thursday 26 July 2018 at 7.30 pm

Council Chamber - Epsom Town Hall

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

Councillor Eber Kington (Chairman)
Councillor Clive Smitheram (Vice-Chairman)
Councillor Tony Axelrod
Councillor Richard Baker
Councillor Kate Chinn

Councillor Hannah Dalton
Councillor Liz Frost
Councillor Omer Kokou-Tchri
Councillor Barry Nash
Councillor Clive Woodbridge

Yours sincerely

Chief Executive

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

AGENDA

1. QUESTION TIME

To take any questions from members of the Public

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

2. DECLARATIONS OF INTEREST

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

3. 2017/18 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS (Pages 5 - 132)

This report covers Grant Thornton's audit findings and presents the Statement of Accounts for 2017/18 following the external audit.

4. 2017/18 FINANCIAL OUTTURN REPORT (Pages 133 - 144)

This report summarises the Council's financial performance for 2017/18 and details the capital budgets to be carried forward for schemes where costs will be incurred in 2018/19.

5. FUNDING FOR EPSOM & EWELL MASTERPLAN (Pages 145 - 150)

The Committee is asked to agree that the Masterplan be provided with an appropriate level of funding.

6. HR POLICY REVIEW (Pages 151 - 156)

This report requests £30k to be released from the Corporate Project Reserves to undertake a full and comprehensive review all core HR Policies during 2018/19.

7. HIGH PRESSURE FUEL PIPELINE PROTECTION (Pages 157 - 162)

A report requesting permission to use an additional £36,000 of S106 funds on Epsom Common Local Nature Reserve in relation to the Oil Pipeline Agencies request for the high pressure fuel pipeline to be protected where crossed by paths used by vehicles including the entrance to Stew Ponds Car Park.

8. UTILISATION OF SECTION 106 FUNDS (Pages 163 - 166)

Requests additional funding from section 106 to carry out project in this year's summer period.

9. DEVELOPING A LONGER-TERM VISION FOR THE BOROUGH (Pages 167 - 174)

This report sets out a proposal for developing a longer-term vision for the borough, bringing together the views and aspirations of those that live and work in Epsom and Ewell.

10. UPDATE TO CONTRACT STANDING ORDERS (Pages 175 - 198)

The Contract Standing Orders set out the rules for letting contracts. This report outlines amendments to the Contract Standing Orders including a change to the lowest level threshold.

11. CORPORATE PLAN: KEY PRIORITY TARGETS FOR 2018 TO 2019 (Pages 199 - 206)

This report provides a list of all the Key Priority Targets for 2018 to 2019

12. FUTURE USE OF THE WELLS SITE UPDATE (Pages 207 - 212)

This report provides an update on progress since February 2018 and details the budget to progress the redevelopment up to and including the submission of planning permission. This report provides an update on progress since February 2018 and details the budget to progress the redevelopment up to and including the submission of planning permission

13. EASEMENT ACROSS EPSOM COMMON (Pages 213 - 218)

This report recommends an easement across Epsom Common be granted by the Council to UK Power Networks (UKPN).

14. CAPITAL MEMBER GROUP (Pages 219 - 226)

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group, approve an increase in budget of the Disabled Facilities programme and to agree the capital bidding process for 2019/20 to 2021/22.

15. FORWARD PLAN FOR COMMITTEE ITEMS (Pages 227 - 230)

This report sets out a work plan for the next Municipal Year.

16. MINUTES OF PREVIOUS MEETING (Pages 231 - 240)

The Committee is asked to confirm as a true record the Minutes of the meeting of the Strategy and Resources Committee held on 17 April 2018 and to authorise the Chairman to sign them.

17. EXCLUSION OF PRESS AND PUBLIC (Pages 241 - 242)

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

18. POTENTIAL REDEVELOPMENT OPPORTUNITIES (Pages 243 - 250)

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

19. EPSOM CEMETERY EXTENSION - LAND ACQUISITION (Pages 251 - 254)

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

2017/18 Statement of Accounts and Audit Findings

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Urgent Decision?(yes/no)	Yes
If yes, reason urgent decision required:	Statutory requirement to certify audited Statement of Accounts by 31 July 2018
Annexes/Appendices (attached):	Annex 1: Audit Findings Report Annex 2: 2017/18 Statement of Accounts (includes Annual Governance Statement) Annex 3: Letter of Representation
Other available papers (not attached):	Financial Outturn reported as a separate agenda item

Report summary

This report covers Grant Thornton's audit findings and presents the Statement of Accounts for 2017/18 following the external audit.

Recommendation (s)

The Committee is asked to:-

- (1) Approve the Statement of Accounts for the year ended 31 March 2018;**
- (2) Agree the Annual Governance Statement included within the Statement of Accounts;**
- (3) Receive the Audit Findings for 2017/18;**
- (4) Agree the management action in response to audit recommendations;**
- (5) Agree that the Chairman of Strategy and Resources Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;**
- (6) Delegate any further amendments to the 2017/18 Statement of Accounts to the Chief Finance Officer in consultation with the Chairman of Strategy and Resources Committee.**

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

- 1.1 The Council's four year Corporate Plan includes Managing our Resources as a key priority. The external audit of the Statement of Accounts provides assurance that the Council has accurately reported its use of financial resources and has achieved value for money.

2 Background

- 2.1 The Council's financial performance for 2017/18 is reported as a separate agenda item at this committee. A copy of the unaudited Statement of Accounts was made available to members on 1 June and placed on the Council's website on 31 May.
- 2.2 The Council's 2017/18 Statement of Accounts incorporate, for the first time, disclosures that show the combined financial position of the Council and Epsom & Ewell Property Investment Company. These disclosures are known as group accounts.
- 2.3 Grant Thornton, the Council's external auditor, has issued their Audit Findings following completion of the audit of the Statement of Accounts. The report is attached at **Annex 1**.
- 2.4 As part of the audit, Grant Thornton performed sufficient work to gain assurance that the group accounts are materially accurate.
- 2.5 The Audit Findings report will be presented to the committee by a senior officer from Grant Thornton, who will also answer any questions members may have on the audit.
- 2.6 The audited Statement of Accounts are included in **Annex 2** to this report. Members are invited to raise any detailed queries with the Chief Finance Officer prior to the meeting.

3 Outcome of Audit

- 3.1 The following specific points are made in the report:-
- The Auditors anticipate an unqualified opinion on the Council's Statement of Accounts.
 - Any adjustments required have been agreed and implemented and they did not affect the Council's reported outturn position or cash reserves.
 - The auditor plans to issue an unqualified conclusion on Value for Money
- 3.2 Appendix A of the Audit Findings report includes recommendations where management action has been agreed with the auditors

4 Proposals

4.1 The Committee is asked to:-

- Receive the Audit Findings for 2017/18;
- Receive the Statement of Accounts for the year ended 31 March 2018;
- Agree the Annual Governance Statement included within the Statement of Accounts
- Agree the management action in response to audit recommendations
- Agree that the Chairman of Strategy and Resources Committee and the Chief Finance Officer sign the letter of representation on behalf of the Council
- Delegate any further amendments to the 2017/18 Statement of Accounts to the Chief Finance Officer in consultation with the Chairman of Strategy and Resources Committee.

5 Financial and Manpower Implications

5.1 The Committee has received a summary of the General Fund position for 2017/18 and the financial reserves at 31 March 2018. The committee has also received details of expenditure on the capital programme.

5.2 **Chief Finance Officer's comments:** *The audit fee is within the budget previously reported. The Statement of Accounts are extensive and detailed so please raise any queries regarding Annexe 2 prior to the Committee meeting.*

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

6.1 The requirements for external audit are set out in the executive summary of the Audit Findings report.

6.2 **Monitoring Officer's comments:** *The Accounts and Audit Regulations 2015 require that the audited Statement of Accounts and Annual Governance Statement should be approved by a member committee and published on the Council's website by 31st July 2018.*

7 Sustainability Policy and Community Safety Implications; Partnerships

7.1 No implications for the purposes of this report.

8 Risk Assessment

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

9 Conclusion and Recommendations

- 9.1 The external auditors propose an unqualified opinion on the Council's Statement of Accounts.
- 9.2 The audited Statement of Accounts will be published on the Council website following signature and certification.

Ward(s) affected: (All Wards);

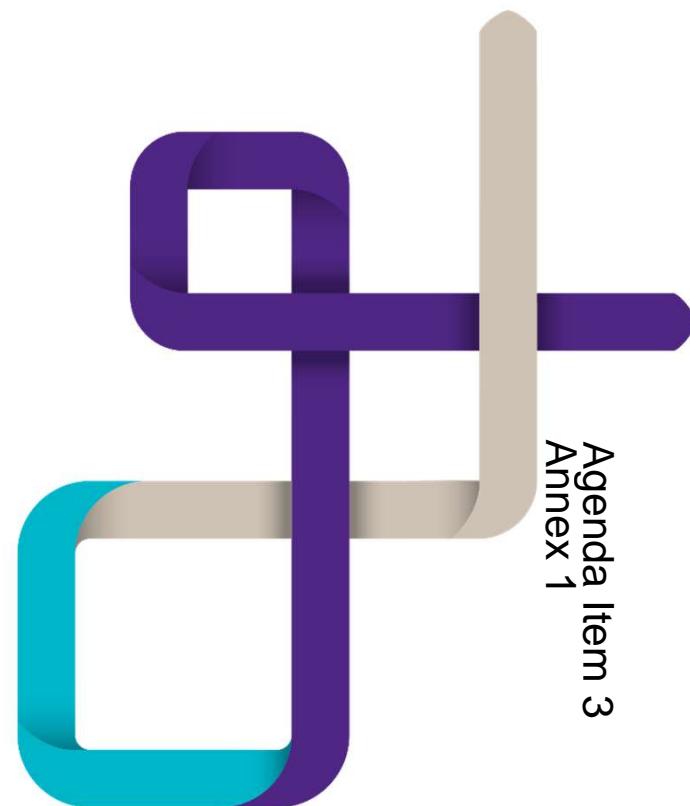
Audit Findings

Year ending 31 March 2018

Epsom and Ewell Borough Council

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Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as the report was not prepared for, nor intended for, any other purpose.

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Annex 1
Agenda Item 3

Headlines

This table summarises the key issues arising from the statutory audit of Epsom and Ewell Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the group and Council's financial statements give a true and fair view of the group's and Council's financial position and of the group and Council's expenditure and income for the year, andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 6 to 12. As at the date of this report, our work to date has not resulted in a change to the reported financial position.</p> <p>The quality of the draft statements presented for audit on 4 June 2018 was good and free of material errors and the team responded to audit queries promptly.</p> <p>The draft financial statements for the year ended 31 March 2018 recorded 'Total Comprehensive Income and Expenditure' of £571k for the group and our work has not resulted in a change to the reported position.</p> <p>Minor disclosure adjustments are detailed in Appendix C.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Standards and Resources Committee meeting on 26 July 2018, as detailed in Appendix E. These outstanding items include:</p> <ul style="list-style-type: none">- completing Property, Plant and Equipment valuation testing of assets not revalued in-year- awaiting third party year end confirmation from Deutsche- concluding our testing of debtors, creditors and journals- complete housing benefit expenditure testing- concluding review of related party and group consolidated disclosures- receipt of management representation letter- senior management review; and- review of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited.</p>
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Headlines - continued

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')

We have completed our risk based review of the Council's value for money arrangements. We have concluded that Epsom and Ewell Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We raised one recommendation for management as a result of our audit work in Appendix A

We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 13 to 14.

Statutory duties

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

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

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

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

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

Summary

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a comprehensive audit response was required for Epsom and Ewell Property Investment Company components and a targeted approach was required for {insert component name} components.
- Full scope audits of all significant components by the group engagement team and targeted testing at Epsom and Ewell Property Investment Company (EEPIC).

- An evaluation of the group's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Strategy and Resources Committee meeting on 26 July 2018, as detailed in Appendix E. These outstanding items include:

- completing Property, Plant and Equipment valuation testing of assets not revalued in-year
- awaiting third party year end confirmation from Deutsche
- concluding our testing of debtors, creditors and journals
- complete housing benefit expenditure testing
- concluding review of related party and group consolidated disclosures
- receipt of management representation letter
- senior management review; and
- review of the final set of financial statements.

Our approach to materiality

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

Our assessment of the value of group and Council materiality has been adjusted to reflect EEPIC transactions in the year. We detail in the table opposite our assessment of materiality for Epsom and Ewell Borough Council.

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	1,081k	1,027k
Performance materiality	757k	719k
Trivial matters	54k	51k

Agenda Item 3
Annex 1

Significant audit risks

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Risks identified in our Audit Plan	Commentary
<div>1</div> <div>Improper revenue recognition Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.</div>	<div>Auditor commentary Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Epsom and Ewell Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:<ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition;• opportunities to manipulate revenue recognition are very limited; and• the culture and ethical frameworks of local authorities, including Epsom and Ewell Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Epsom and Ewell Borough Council.</div>
<div>2</div> <div>Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. Management over-ride of controls is a risk requiring special audit consideration.</div>	<div>Auditor commentary We have:<ul style="list-style-type: none">• gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;• obtained a full listing of journal entries, identify and test unusual journal entries for appropriateness;• evaluate the rationale for any changes in accounting policies or significant unusual transactions. Our audit work to date has not identified any issues in respect of management override of controls.</div>

Significant audit risks

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Risks identified in our Audit Plan		Commentary
3	Valuation of property, plant and equipment The Council revalues its land and buildings on a rolling basis over a five year period to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.	Auditor commentary We have: <ul style="list-style-type: none">• Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;• considered the competence, expertise and objectivity of management's experts used;• discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions;• reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding;• tested revaluations made during the year to ensure they are input correctly into the Council's asset register;• evaluated assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. The Code of Practice for accounting allows flexibility for councils to adopt a rolling basis for the revaluation of assets over a five year period. The Council assured itself that the adoption of this approach has not result in assets current value being materially different from the carrying value recorded in the accounts via its valuer undertaking a desk top review. Our audit work to date has not identified any significant issues in respect of valuation of property, plant and equipment.
	We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.	
4	Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	Auditor commentary We have: <ul style="list-style-type: none">• identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;• evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out;• undertaken procedures to confirm the reasonableness of the actuarial assumptions made;• checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. Our audit work to date has not identified any issues in respect of valuation of pension fund net liability.
	We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	

Agenda Item 3
Annex 1

Reasonably possible audit risks

Risks identified in our Audit Plan		Commentary
5	Employee remuneration Payroll expenditure represents a significant percentage of the Council's total expenditure. As the payroll expenditure comes from a number of individual transactions and an interfaces with a number of sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention	Auditor commentary We have: <ul style="list-style-type: none">evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;gained an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;performed substantive analytical procedures on payroll data;reviewed year end reconciliations of the payroll to the ledger. Our audit work to date has not identified any significant issues in relation to the risk identified.
	Operating expenses Non-pay expenses on other goods and services also represents a significant percentage (68%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non- pay expenses as a risk requiring particular audit attention:	Auditor commentary We have: <ul style="list-style-type: none">evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;reviewed your control account reconciliations;sample tested operating expenditure;tested year end creditor payments;tested unrecorded liabilities and manual accruals. Our audit work to date has not identified any significant issues in relation to the risk identified.

Going concern

Our responsibility

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

Going concern commentary

Management's assessment process

The consideration and assessment of the relevance of the going concern basis of accounting was incorporated into the 2018/19 budget plan, and approved by the Senior Management Team and Committee. This assessment was:

- consistent with the 2018/19 financial plan; and
- judgements and assumptions taken.

Auditor commentary

- Management's assessment of the use of the going concern basis of accounting covered the period 01 April 2018 to 31 March 2019. We consider Management's process in reaching its judgements to be adequate. There is transparent disclosures of the key risks that are likely to impact the 2018/19 financial plans.

Work performed

We have:

- held regular discussions with officers about the financial standing of the Council;
- reviewed management's assessment of going concern assumptions and supporting information, including 2018/19 budget plan; Medium Term Financial Strategy 2016 - 2020; and
- reviewed the completeness and accuracy of going concern disclosures in the financial statements.




Auditor commentary

- Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.
- The Medium Term Financial Strategy 2016 - 2020 provides assurance that going concern assumptions extends two years to 2019/20.




Concluding comments

- We have reviewed management's assessment and are satisfied that the going concern basis is appropriate for the 2017/18 financial statements.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The Council accounts for activity in the year that it takes place, not simply when cash payments are made or received. Revenue policies set out in Note 1.2 include:</p> <ul style="list-style-type: none"> revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchase, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. 	<p>Your revenue recognition policies are appropriate and in line with the CIPFA Code of Practice on Local Authority Accounting.</p> <p>The Council has significant revenue streams from a number of different sources, principally fees and charges, income from council tax revenues and grant income. We did not identify any issues with how revenue has been recognised from these sources.</p> <p>Accounting policies in respect of revenue recognition are adequately disclosed.</p>	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> pension fund valuations and settlements revaluations Impairments provisions useful life of capital equipment. 	<p>The critical areas of judgement applied in compiling the Council's financial statements have been explained in the statement of accounts.</p> <p>The Council is advised by external experts in relation to property and pension fund valuations. We have reviewed the work of experts and are satisfied that the experts used by the Council are independent, appropriately skilled and have carried out their work in accordance with professional practices. Where estimates and judgements have been applied by officers we are satisfied they are free from material bias.</p>	 Green
Other critical policies	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	 Green

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

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

Other responsibilities under the Code

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

Issue	Commentary
1 Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to appendix E</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none">• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit• If we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none">• Note that work is not required as the Council does not exceed the threshold.
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of the group of Epsom and Ewell Borough Council in the audit opinion, as detailed in Appendix E.</p>

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Value for Money

Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

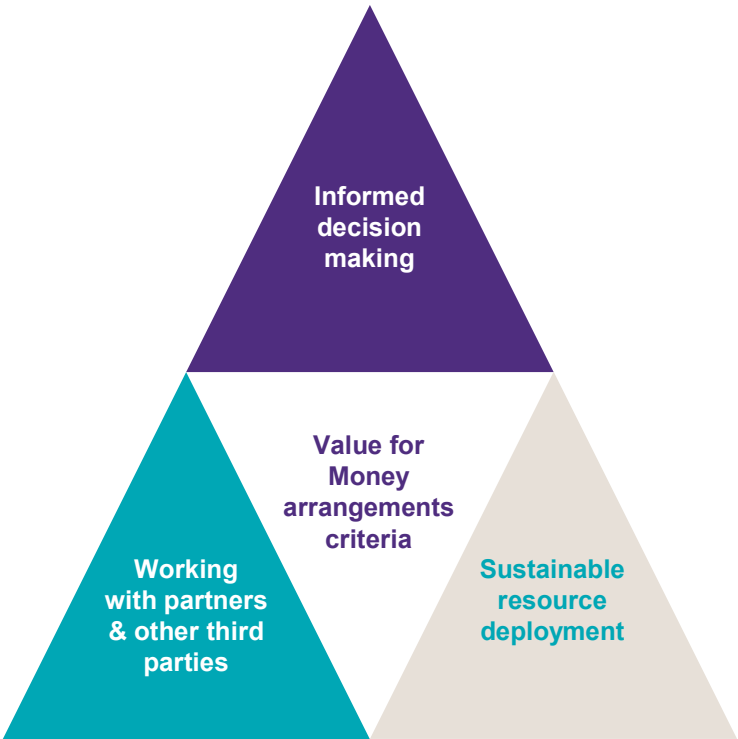
“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

Risk assessment

We carried out an initial risk assessment during January and February and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our External Audit Plan dated 19 March 2018.

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



Value for Money

Our work

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

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council delivered the planned budget during 2017/18 achieving a small underspend of £14k. Detailed explanations of the Financial Performance are set out in section 2 of the Narrative Report. Arrangements for monitoring performance and reporting of key performances to committees are embedded throughout the Council
- Capital investments in the year was dominated by investment property acquisitions as follows:
 - purchase of one investment property within the Borough for £5.1 million, and
 - purchase of two investment properties out of Borough via the Council's subsidiary company for a combined value of £60 million.
- The Council's medium term financial strategy shows a projected budget gap of £0.6 million by 2020/21. To address this gap, the Council developed four specific work streams within its Income Generation and Enterprise Plan. The plan was presented to the Strategy and Resources Committee in April 2018.

We have set out more detail on the risk we identified, the results of the work we performed and the conclusion we drew from this work on pages 15.

Overall conclusion

Based on the work we performed to address the significant risk, we concluded that:

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

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

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

Our recommendation and management's response to this can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment. We have not identified any further risks through our ongoing review of documents.

	Significant risk	Finding	Conclusion
1	<p>As part of the Council's four year Corporate Plan and Medium Term Financial Strategy, for the first time made material property investment acquisitions via a wholly owned property trading company. The Council made a loan to, and invested in the Company to enable the purchase of the investment properties. The Council funded the investment in the wholly owned Company through a combination of loans and cash balances.</p> <p>Planned response</p> <p>We updated our understanding of the Council's governance and financing arrangements to ensure proper informed decisions making and deployed resources achieve planned outcomes for taxpayers and local people.</p>	<ul style="list-style-type: none">On-going funding reductions from central government has led to councils exploring alternative sources of funding. In common with an increasing number of councils, Epsom and Ewell Borough Council undertook a series of investment property (IP) acquisitions within and out of Borough for rental income. The acquisitions were funded through Prudential borrowing approvals 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. During 2017/18, the Council made one IP acquisition within Borough for £5.1 million and two out of Borough acquisition for a total of £60 million. As disclosed in Note 12 of the Statement of accounts, the Council's rental income for IP acquisitions increased from £1.3 million in 2016/17 to £2.5 million by the end of 2017/18 and the group IP income for the same period stands at £4 million (refer group Investment Properties note).The Council established a wholly owned company namely Epsom and Ewell Property Investment Company (EEPIC) Limited to acquire the out of Borough purchases. The Council owns 100% of EEPIC and has ultimate control as set out in the Shareholder Agreement. The agreement sets out the performance levels required for the Company and the remit within which the Company will operate.As part of the Council's decision making process, the Committee reviewed external legal and tax advice. As a result, the Council structured it's investment in EEPIC through a commercial loan of £36.2 million to, and invested £24.1 million long term in the Company. EEPIC was then able to make the two out of Borough acquisition for a total of £60 million during 2017/18. Details of these arrangements are fully disclosed in the Narrative Report and in the Statement of Accounts.The Council approved the governance arrangements in September 2017, through the creation by the Strategy and Resources Committee of a shareholder sub-committee, to which will be delegated the Council's functions as sole shareholder of the Company. We note at the time of writing, the shareholder sub-committee has yet to meet. We recommend the Strategy and Resources Committee assess if the present governance arrangements for EEPIC provides the level of assurance required.	<p>Auditor view</p> <ul style="list-style-type: none">The financial climate continues to be an exceptionally challenging one for the Council. In common with many Councils, delivering an improved revenue stream will clearly need to remain as a key priority for the Council over the short to medium term.Regular reporting and monitoring of governance arrangements over investment decisions and the management of EEPIC should also be a key priority for Strategy and Resources Committee

Independence and ethics

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Details of fees charged are detailed in Appendix D

Page 24

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing Benefit grant	8,976	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,976 in comparison to the total fee for the audit of £44,708 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None			

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Strategy and Resources Committee. Details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms are set out above. None of the services provided are subject to contingent fees.

Agenda Item 3
Annex 1

Action plan

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2018/19 audit. The matter reported here is limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendation
1	●	<ul style="list-style-type: none">The Council approved EEPIC governance arrangements in September 2017, through the creation by the Strategy and Resources Committee of a shareholder sub-committee, to which will be delegated the Council's functions as sole shareholder of the Company be approved. We note at the time of writing, the shareholder sub-committee has yet to meet.	<ul style="list-style-type: none">We recommend the Strategy and Resources Committee assess if the present governance arrangements for EEPIC provides the level of assurance required <p>Management response</p> <ul style="list-style-type: none">In May 2018, EEPIC's accounts were externally audited by Williams and Co. Williams and Co issued an unqualified opinion, providing EEPIC Directors with a good level of assurance around the company's financial governance arrangements. In September 2018, the Council's shareholder sub-committee is expected to meet for the first time. The sub-committee will receive a report on EEPIC's activities. Internal audit are also due to conduct a review of EEPIC's governance arrangements during 2018/19, which should provide further assurance to the Council.

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

Follow up of prior year recommendations

We identified the following issues in the audit of [insert client name] Council's 2016/17 financial statements, which resulted in four recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

	Assessment	Prior year recommendations	Update on actions taken to address the issue
1	✓	Include senior management team in the annual related party declarations	<ul style="list-style-type: none">No issue arising to date from 2017/18 audit.
2	✓	Review all year end creditor balances and write off balance that are no longer a liability.	<ul style="list-style-type: none">Completed. No issue arising from 2017/18 audit.
3	✓	Explore with the NDR system provider if a detailed listing of prepayments can be run from the report function.	<ul style="list-style-type: none">Completed. No issue arising from 2017/18 audit.
4	✓	Increase resilience within the finance team to support the early accounts close for 2018.	<ul style="list-style-type: none">Finance team fully staffed. No issue arising from 2017/18 audit.

Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Events after the Balance Sheet date Note 6	<ul style="list-style-type: none">The Council advised us of a disposed of its interest in the Ebbisham Centre that occurred in May 2018 which generated a capital receipt of £150k. At 31 March 2018, the asset was recorded in the Balance Sheet as an Asset Held for Sale, valued at £150k.	<ul style="list-style-type: none">The Council will disclose the disposal as a non-adjusting post balance sheet event	✓
Financial Instruments (FI) Note 18	<ul style="list-style-type: none">The Code requires the fair value hierarchy to be disclosed within the FI.	<ul style="list-style-type: none">Update the FI accounting policy and disclosure note to include fair value hierarchy. <p>Management response</p> <ul style="list-style-type: none">Account policy note and disclosure updated.	✓
Group Accounts	<ul style="list-style-type: none">Group accounts should have equal prominence with the Council accounts and not disclosed as a sub set of the Council's accounts.	<ul style="list-style-type: none">Update the Statement of Accounts group accounts and accompanying notes are prominently disclosed. <p>Management response</p> <ul style="list-style-type: none">Group Accounts disclosures will be updated.	✓

Fees

We confirm below our final fees charged for the audit. There was no non-audit services provided in the year.

Audit Fees

	Proposed fee	Final fee
Council Audit	44,708	44,708
Grant Certification	8,976	TBC
Total audit fees (excluding VAT)	£53,684	£44,708

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

The total audit fee reconciles to the external Audit Costs Note 29.

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
• Certification of Housing Benefit	8,976
Non-audit services	nil
	£8,976

Audit opinion

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Epsom and Ewell Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and all related notes, including a summary of significant accounting policies to the core financial statements and group accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters

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

As explained more fully in the Statement of Responsibilities set out on page 82, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers is the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

Auditor's responsibilities for the audit of the financial statements

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

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

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

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Sarah L Ironmonger

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP
2nd Floor, St Johns House, Haslett Avenue West, Crawley. RH10 1HS



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Statement of Accounts

2017/18

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Certificate of the Chief Finance Officer

I certify that the audited Statement of Accounts, set out on the following pages 4 to 82, presents a true and fair view of the financial position of the Council at 31 March 2018 and of its income and expenditure for the year ended 31 March 2018.

Lee Duffy (CPFA)

Chief Finance Officer (S151 Officer)

Narrative Report

1. Introduction

Welcome to Epsom and Ewell Borough Council's Statement of Accounts for 2017/18, which reports the Council's financial performance during the year.

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

EEBC has a Corporate Plan which identifies four key priorities: to keep the locality clean and green; to support our community; to manage our resources effectively; and to support businesses and our local economy.

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

The Council's financial health has been maintained over 2017/18 and this capacity will be needed to provide a firm financial foundation for the Council to deliver services in a very challenging financial climate in the public sector for the medium term, with economic risks and continuing uncertainty around Local Government funding including potential Business Rate reforms.

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

2. Financial Performance

The Council's financial performance is summarised by the table below, as reported to Members in May 2018:

2016/17	Committee	2017/18		
Actual £'000		Budget £'000	Actual £'000	Variance £'000
1,811	Strategy and Resources Committee	630	305	(325)
2,542	Environment Committee	3,023	3,566	543
6,592	Community & Wellbeing Committee	7,237	7,005	(232)
10,945	TOTAL	10,891	10,876	(14)
(3,381)	Asset Rent / Capital Charges Account	(3,246)	(3,246)	0
(7,727)	External Funding	(7,645)	(7,645)	0
(163)	Contribution to General Fund Reserves	0	(14)	(14)
0	TOTAL	0	0	0

For 2017/18 the Council achieved an overall underspend of £14k on its revenue account budget, which has been added to the General Fund balance at year-end.

The Council has performed well to achieve an outturn close to the overall budget, particularly in the current challenging financial environment with continued funding cuts from central government. During 2017/18, the financial challenges included a further £83k reduction in central government grant support (following a £496k reduction in 2016/17); service delivery savings required of £664k; and an increase of £200k in budgeted income from fees and charges.

The Council achieved a collection rate of 99% for both council tax and business rates, above the national averages of 97% and 98% respective. Outstanding council tax arrears remain subject to recovery action until such times as these sums are fully paid or written off.

3. Reserves

The Council's General Fund balance stands at £3.348m at 31 March 2018 (£3.334m at 31 March 2017). In-year net contributions to strategic earmarked reserves totalled £3.498m and are included in Committee actuals in the table above (contribution to reserves of £3.375m in 2016/17). Reserve balances are summarised by the following table; a full breakdown is shown in the notes to the Statement of Accounts.

Usable Reserves	2017/18 Opening Balance £'000	2017/18 Movement £'000	2017/18 Closing Balance £'000
General Fund Balance	(3,334)	(14)	(3,348)
Strategic Earmarked Reserves	(9,353)	(3,498)	(12,851)
Sub-Total Revenue Reserves	(12,687)	(3,512)	(16,199)
Community Infrastructure Levy	(3,835)	(1,201)	(5,036)
Capital Receipts Reserve	(4,893)	4	(4,889)
Total Usable Reserves	(21,414)	(4,709)	(26,123)

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

4. Capital Expenditure

Capital investment on the Council's core capital programme amounted to £1.25m in 2017/18 (£2.61m in 2016/17). A summary of expenditure by Committee is shown below:

2016/17	Core Capital Programme Expenditure	2017/18		
Actual £'000		Current Budget £'000	Actual £'000	Variance £'000
1,026	Strategy and Resources	610	175	(435)
203	Environment Committee	783	273	(510)
1,379	Community and Wellbeing Committee	2,424	801	(1,623)
2,608	Total	3,817	1,249	(2,568)

In addition to the core capital programme, the Council undertook external borrowing to fund the acquisition of three commercial investment properties in 2017/18; one was purchased in the Borough for £5.1m; two were purchased out-of-Borough through the Council's subsidiary company for a combined £60.3m.

The Council also purchased two residential properties for a combined £0.56m, to be used as temporary accommodation.

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

2016/17 £'000		2017/18 £'000
	<u>Expenditure</u>	
2,608	Core Programme	1,249
19,134	Property Acquisition Fund	66,003
21,742	Total Expenditure	67,252
	<u>Funding</u>	
812	Capital Reserves	344
457	Government Grants	396
197	Revenue	626
0	Grants from Other Local Authorities	47
0	Contributions from Other Bodies	3
1,142	Section 106 Receipts	229
0	Community Infrastructure Levy Receipts	5
19,134	Long Term Borrowing	45,293
0	Internal Borrowing	20,148
0	Prior year funding	161
21,742	Total Capital Funding	67,252

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

The Council generated £340,000 of net capital receipts during the year, and applied £344,000 to fund in-year capital expenditure. The balance of the Council's usable capital reserves at 31 March 2018 is £4,889,000 (compared to £4,893,000 at 31 March 2017).

5. Pension Liability

For accounting purposes, a valuation of the pension fund is carried out under IAS19 to produce an accounting surplus or deficit at the balance sheet date. The balance of the Council's pension liability increased from £33.3m to £34.0m at 31 March 2018, an adverse movement of £0.7m. The Council's actuary estimated that at 31 March 2018, future liabilities amount to £101m (£100m at 31 March 2017) with assets of £67m (£67m at 31 March 2017).

The financial assumptions used by the actuary to calculate the future liability – such as those for inflation and discount rates – are set-out in the pension liability disclosure note.

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

6. Investments and Borrowings

The annual treasury management strategy, which was approved by Councillors in February 2018, is available on the Council's website.

At 31 March 2018, the Council held £24.1m long-term investments and £36.2m loans to its wholly owned subsidiary company. The Council held no short term deposits (£12.5m short term deposits at 31 March 2017). During 2017/18, the Council generated £0.95m of interest income (£0.35m in 2016/17) and £0.42m dividend income (nil in 2016/17).

The Council has undertaken external borrowing specifically to invest in commercial properties, to generate long term income streams. Long-term borrowing at 31 March 2018 increased to £64.4m, from £19.1m the prior year. The Council paid £0.98m in interest on these borrowings during 2017/18 (£0.10m in 2016/17).

7. Epsom & Ewell Property Investment Company Limited

In September 2017, the Council established a 100%-owned subsidiary, Epsom & Ewell Property Investment Company Limited, principally to invest in out-of-Borough, high quality, commercial property. The company aims to achieve rental yields from commercial property, delivering a long term income stream to the Council. This income stream will assist the Council in becoming more financially self-sufficient (independent from government grants) and sustaining high-quality services to local residents and businesses. During 2017/18, the company purchased two commercial properties, with a combined value of £60.3m.

The assets, liabilities, reserves and income and expenditure figures for the company have been consolidated into group accounts on page 74.

8. Economic Outlook

Brexit will continue to create uncertainty this year and beyond. The financial impacts are not currently quantified and could be positive or negative in relation to; interest rates for both capital borrowing and investments; general inflation rates; labour costs and mobility; property values and rents.

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

Income received by the Council from fees and charges – such as car park income, Council venues, building control and planning fees – is dependent on the disposable income of individuals and the wider private sector, which itself is linked to the performance of the wider economy. The Council monitors its income streams closely to ensure that any adverse trends are identified early.

In 2018/19, the Council will pilot the 100% Business Rates Retention Scheme, as part of a wider pool of Surrey County and District Councils. The Council continues to monitor possible future reforms to local government finance based around 100% business rates retention.

9. Statement of Accounts

The Statement of Accounts follow this narrative section and comprise four core statements:

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

The Statements also include:

- Notes to the Financial Statements
- Accounting Policies
- Collection Fund Accounts
- Group Accounts
- Statement of Responsibilities

10. Further Information

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

Comprehensive Income and Expenditure Statement for year ended 31 March 2018

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

2016/17				2017/18		
Net Expenditure	Gross Income	Gross Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
			Committee			
880	(7,574)	8,454	Environment	10,782	(7,548)	3,235
5,947	(3,838)	9,785	Community and Wellbeing	14,384	(4,959)	9,425
2,781	(19,077)	21,858	Strategy and Resources	26,466	(22,973)	3,493
9,608	(30,489)	40,097	Cost of Services	51,632	(35,480)	16,153
(685)	(685)	0	Other Operating Expenditure (Note 11)	24	0	24
(1,944)	(3,017)	1,073	Financing and investment Income and Expenditure (Note 12)	2,264	(4,974)	(2,710)
(10,592)	(10,592)	0	Taxation and non-specific grant income and expenditure (Note 13)	0	(10,954)	(10,954)
(3,613)	(44,783)	41,170	(Surplus) or Deficit on Provision of Services	53,921	(51,407)	2,513
(2,294)			(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			(717)
4,450			Remeasurement of net defined benefit liability/(asset) (Note 32)			(1,225)
2,156			Other Comprehensive Income and Expenditure			(1,942)
(1,457)			Total Comprehensive Income and Expenditure			571

Movement in Reserves Statement for the year ended 31 March 2018

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

	Usable Reserves				Unusable Reserves					Total Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Subtotal Usable Reserves	Revaluation Reserves	Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Subtotal Unusable Reserves	
2017/18	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2017	(12,687)	(4,893)	(3,835)	(21,415)	(36,156)	(62,623)	278	33,293	(65,208)	(86,623)
Movement in Reserves During 2017/18										
Total Comprehensive Income and Expenditure	2,513	0		2,513	(717)	0	0	(1,225)	(1,942)	571
Adjustments between accounting basis and funding under regulations (Note 9)	(6,023)	4	(1,202)	(7,221)	0	3,673	1,581	1,967	7,221	0
Increase or Decrease in 2017/18	(3,510)	4	(1,202)	(4,708)	(717)	3,673	1,581	742	5,279	571
Balance at 31 March 2018 carried forward	(16,197)	(4,889)	(5,037)	(26,123)	(36,873)	(58,950)	1,860	34,035	(59,928)	(86,052)
General Fund analysed over:										
Amounts earmarked (Note 10)	(12,849)									
Amounts uncommitted	(3,348)									
Total	(16,197)									
2016/17 Restated*										
Balance at 31 March 2016	(10,458)	(4,968)	(2,526)	(17,952)	(33,862)	(61,492)	81	28,059	(67,214)	(85,166)
Movement in Reserves During 2016/17										
Total Comprehensive Income and Expenditure	(3,613)	0	0	(3,613)	(2,294)	0	0	4,450	2,156	(1,457)
Adjustments between accounting basis and funding under regulations (Note 9)	1,384	75	(1,309)	150	0	(1,131)	197	784	(150)	0
Increase or Decrease in 2016/17	(2,229)	75	(1,309)	(3,463)	(2,294)	(1,131)	197	5,234	2,006	(1,457)
Balance at 31 March 2017 carried forward	(12,687)	(4,893)	(3,835)	(21,415)	(36,156)	(62,623)	278	33,293	(65,208)	(86,623)
General Fund analysed over:										
Amounts earmarked (Note 10)	(9,353)									
Amounts uncommitted	(3,334)									
Total	(12,687)									

*2016/17 comparatives have been re-stated to present Community Infrastructure Levy (CIL) balances as Capital Grants Unapplied, separately from General Fund balances, in accordance with the Code of Practice.

Balance Sheet as at 31 March 2018

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

2016/17 £'000		Note	2017/18 £'000
	Long-term Assets		
75,436	Property, Plant and Equipment	15	75,090
41,437	Investment Properties	16	47,041
722	Heritage Assets		722
261	Intangible Assets	17	141
0	Long Term Investments	18	24,117
7	Long Term Debtors	18	36,176
117,863	Total Long-term Assets		183,286
	Current Assets		
15	Inventories		20
0	Assets Held for Sale	15	156
3,940	Short-term Debtors	19	5,725
12,500	Short-term Investments	18	0
17,251	Cash and Cash Equivalents	20	12,989
33,706	Total Current Assets		18,890
	Current Liabilities		
(9,051)	Short-term Creditors	21	(9,393)
(89)	Lease Liability - Within One year	31	(310)
(9,140)	Total Current liabilities		(9,703)
	Long-term Liabilities		
(19,134)	Long Term Borrowing	18	(64,427)
(33,294)	Defined Benefit Pension Liability	32	(34,035)
(2,381)	Capital Grants Receipts in Advance	14	(2,753)
(986)	Long-term Provisions	22	(2,280)
(11)	Deferred Liabilities	31	(2,927)
(55,806)	Total Long-term Liabilities		(106,422)
86,623	NET ASSETS		86,052
	Total Reserves		
(21,414)	Usable Reserves	23	(26,123)
(65,209)	Unusable Reserves	23	(59,928)
(86,623)	TOTAL RESERVES		(86,052)

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 31 May 2018.

Cash Flow Statement as at 31 March 2018

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

2016/17			2017/18
£'000		Note	£'000
(3,613)	Net (Surplus) or Deficit on the Provision of Services	CIES	2,513
(1,285)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements	24	(7,882)
2,336	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	24	1,239
(2,562)	Net cash flows from Operating Activities		(4,129)
17,970	Net cash outflow / (inflow) from Investing Activities	25	53,019
(19,799)	Net cash outflow / (inflow) from Financing Activities	26	(44,627)
(4,391)	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period		4,262
12,860	Cash and Cash Equivalents at the Beginning of the Period		17,251
4,391	Net Increase/(decrease) in Cash and Cash Equivalents		(4,262)
17,251	Cash and Cash Equivalents at the End of the Reporting Period	20	12,989

Notes to the Core Statement of Accounts

Note 1: Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future.

2. Accruals of Income and Expenditure

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

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

3. Employee Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bonds as measured by the yield on the iBoxx AA Corporate Bond Index).
- The assets of Surrey Pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities - current bid price;
 - Unquoted securities - professional estimate;
 - Unitised securities - current bid price; and
 - Property - market value.

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

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

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

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

4. Events after the Balance Sheet Date

Amounts are adjusted in the Statement of Accounts if an event arises after the Balance Sheet date which provides additional evidence of conditions that existed at that date and materially affects the amounts to be included. If an event arises after the Balance Sheet date which concerns conditions which did not exist at that date, it is disclosed in the notes if it is considered material. The Statement of Accounts will be authorised by the Chief Finance Officer in July 2018, events will be considered up to the authorisation date.

5. Financial Instruments

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

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

Financial Assets: Financial assets are classified into two types:

1. Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
2. Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council has no available-for-sale assets (2016/17 none)

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

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

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

6. Intangible Assets

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

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

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

7. Interest in Subsidiary Company

The Council has a material interest in its wholly owned subsidiary company, Epsom & Ewell Property Investment Company Limited. Group accounts, which present the combined financial position of the Council and the subsidiary, are disclosed on page 74. In the Council's own single-entity accounts, the interest is recorded in the balance sheet as a long term investment at cost.

8. Investment Property

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

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

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

9. Leases

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

The Authority as Lessee

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

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

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

The Authority as Lessor

Operating Leases: Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are

made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

10. Overheads and Support Services

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

11. Property, Plant and Equipment

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

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

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

Measurement: Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Charges to Revenue for Non-Current Assets

Charges to Revenue for Non-Current Assets

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

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

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

13. Heritage Assets

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

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

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

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

14. Provisions and Contingent Liabilities

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

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

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

Contingent Liabilities: See notes to the accounts.

15. Reserves

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

16. VAT

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

17. Collection Fund

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

- In its capacity as a billing authority an authority acts as an agent. The Council collects and distributes council tax income on behalf of the major preceptors (Surrey County Council and Surrey Police) and itself. Also, the Council collects and distributes NDR on behalf of the major preceptors (Surrey County Council, itself and central government).
- While the council tax and NDR income for the year credited to the Comprehensive Income and Expenditure Statement and Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Council. The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the Council's share of any surplus or deficit on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with code, although in practice the difference would usually be small.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

18. Government Grants and Contributions

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

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

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

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

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

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

Community Infrastructure Levy

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

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

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

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

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

20. Fair Value Measurement

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

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

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

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

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

- Level 3 – unobservable inputs for the asset or liability.

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

There are no accounting standards due to come into force in 2018/19 that would have a material effect on the Council's transactions for 2017/18 and balances at 31 March 2018.

Note 3: Critical Judgements in Applying Accounting Policies

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

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

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. The Council has a de-minimis level of £20,000 when recognising assets and liabilities to be disclosed within the financial statements. Exception to this rule is employee untaken leave has not been accrued due to the amount being immaterial to the accounts and the year on year difference not being material.

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

Property, Plant and Equipment assets are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end; as a minimum, revaluations occur at least once every five years. In addition the Council instructs its valuers to undertake a review of assets held in the other land and buildings category not re-valued in the year, to ensure that the carrying value is not materially different from their current value. The review concluded that there had been no material movement in current values.

The Council has a material interest in its wholly owned subsidiary company, Epsom & Ewell Property Investment Company Limited. Group accounts, which present the combined financial position of the Council and the subsidiary, are included on page 74. In the Council's own single-entity accounts, the Council's shareholding in the company is recorded in the balance sheet as a long term investment at cost.

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

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

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment £75.1 million	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets and valuation assumptions, including estimates of remaining useful life. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
		The depreciation charge for PPE in 2017/18 was £3.1m. A movement of 1% would result in a change in the depreciation charge of approximately £31k.
Pension Liability £34.04 million	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The assumptions interact in complex ways – the pension disclosure note contains a sensitivity analysis of the impact of changes to individual assumptions.
NNDR Appeals £2.28 million	Appeals notified by the Valuation Office Agency still include a large number of appeals lodged when the government changed the appeal rules. The VOA does not provide sufficient information, all possible appeals are included for NNDR collection fund purposes. A new list came into effect on 1 April 2017 and further estimates have been made to include an appeals provision pertaining to the new list.	Currently all appeals have been included in calculating this provision however, if some of these are unsuccessful the current provision would need to be adjusted. In this case any surplus would feed through the collection fund calculation in future years.
General Bad Debt Provision £0.29 million	The current economic climate makes it uncertain that all the monies will be collected and an adequate allowance needs to be made for this in the measurement of these debtors. Council impair the debt wherever using a methodology and regularly write off the irrecoverable debts after all reasonable steps have been taken.	Council debt does not fluctuate heavily, however, officers have increased time to chase debtors to reduce the debts. We assess the bad debts annually and will if necessary increase the impairments and write off to CIES. For example, a 1% increase in the provision would result in an increase of £2,900.

Note 5: Material Items of Income and Expenditure

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

Note 6: Events after the Balance Sheet Date

In May 2018, the Council disposed of its interest in the Ebbisham Centre, generating a capital receipt of £150k. At 31 March 2018, the asset was recorded in the balance sheet as an Asset Held for Sale, valued at £150k. The disposal represents a non-adjusting post balance sheet event.

Note 7: Expenditure and Funding Analysis

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

2016/17				Committee	2017/18			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal and statutory reporting	Net Expenditure in the CIES		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal and statutory reporting	Net Expenditure in the CIES
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
1,274	(382)	(12)	880	Environment	3,566	1,390	(1,722)	3,235
6,618	(834)	163	5,947	Community and Wellbeing	7,005	4,280	(1,861)	9,425
3,172	(762)	371	2,781	Strategy and Resources	305	(753)	3,941	3,493
11,064	(1,978)	522	9,608	Net Cost of Services	10,876	4,918	358	16,153
(11,227)	1,903	(3,897)	(13,221)	Other Income and Expenditure	(10,891)	1,105	(3,854)	(13,640)
(163)	(75)	(3,375)	(3,613)	(Surplus) or Deficit	(14)	6,023	(3,496)	2,513
(3,171)	Opening General Fund balance				(3,334)			
(3,334)	Closing General Fund at 31 March				(3,348)			

Note to the Expenditure & Funding Analysis 2017/18

Committee	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Adjustments for Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal & statutory reporting	Net Expenditure in the CIES
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment	3,566	498	892	0	1,390	(1,722)	3,235
Community and Wellbeing	7,005	3,561	719	0	4,280	(1,861)	9,425
Strategy and Resources	305	(261)	(492)	0	(753)	3,941	3,493
Net Cost of Services	10,876	3,799	1,119	0	4,918	358	16,153
Other Income and Expenditure	(10,891)	(1,323)	848	1,582	1,105	(3,854)	(13,640)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(14)	2,476	1,967	1,582	6,023	(3,496)	2,513
Opening General Fund at 1 April 2017	£'000 (3,334)						
(Surplus)/Deficit	(14)						
Closing General Fund balance at 31 March 2018	(3,348)						

Note to the Expenditure & Funding Analysis 2016/17

Committee	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Adjustments for Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal & statutory reporting	Net Expenditure in the CIES
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment	1,274	(382)	0	0	(382)	(12)	880
Community and Wellbeing	6,618	(834)	0	0	(834)	163	5,947
Strategy and Resources	3,172	(762)	0	0	(762)	371	2,781
Net Cost of Services	11,064	(1,978)	0	0	(1,978)	522	9,608
Other Income and Expenditure	(11,227)	922	784	197	1,903	(3,897)	(13,221)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(163)	(1,056)	784	197	(75)	(3,375)	(3,613)
Opening General Fund balances at 1 April 2016	£'000 (3,171)						
(Surplus)/Deficit	(163)						
Closing General Fund balance at 31 March 2017	(3,334)						

Note 1. Adjustments for Capital Purposes

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

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

Note 2. Adjustments for Pension Benefits

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

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

Note 3. Other Differences

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

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

Note 8: Expenditure and Income analysed by Nature.

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

2016/17 £'000	Expenditure/Income	2017/18 £'000
	Expenditure	
12,041	Employee benefits expenses	13,794
25,644	Other services expenses	32,120
(498)	Support Services recharges	(444)
2,387	Depreciation, amortisation, impairment	5,961
1,073	Interest payments	1,965
525	Precepts and Levies	500
0	Losses on the disposal of assets	24
41,170	Total expenditure	53,921
	Income	
(12,428)	Fees, charges and other service income	(18,994)
(884)	Interest and investment income	(1,517)
(6,674)	Income from Council tax, non-domestic rates, district rates, district rate income	(7,289)
(22,788)	Government grants and contributions	(22,990)
(1,324)	Movement in Investment Properties	(617)
(685)	Gain on the disposal of assets	0
(44,783)	Total Income	(51,407)
(3,613)	(Surplus) or Deficit on the Provision of Services	2,513

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The 2016/17 comparatives have been re-stated to present Community Infrastructure Levy (CIL) balances as Capital Grants Unapplied, separately from the General Fund Balance. Previously, CIL had been included within the General Fund Balances.

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2017-18	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants Unapplied (CIL)	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES				
Charges for depreciation and impairment of non current assets	(3,126)			3,126
Revaluation losses on Property Plant and Equipment	(2,767)			2,767
Reversal of movements in the market value of Investment Properties	617			(617)
Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year	52			(52)
Amortisation of intangible assets	(120)			120
Revenue expenditure funded from capital under statute				
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(247)			247
Insertion of items not debited or credited to the CIES				
Statutory provision for the financing of capital investment	693			(693)
Capital expenditure charged against General Fund balances	626			(626)
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	1,575		(1,575)	
Application of grants to capital financing transferred to the CAA			256	(256)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	223	(223)		
Use of the Capital Receipts Reserve to finance new capital expenditure		344		(344)
Other transfers		(117)	117	
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(4,066)			4,066
Employer's pensions contributions and direct payments to pensioners payable in the year	2,099			(2,099)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements	(1)			1
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	(1,581)			1,581
Total Adjustments	(6,023)	4	(1,202)	7,221

2016-17	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants Unapplied (CIL)	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES				
Charges for depreciation and impairment of non current assets	(2,241)			2,241
Reversal of movements in the market value of Investment Properties	1,324			(1,324)
Amortisation of intangible assets	(146)			146
Revenue expenditure funded from capital under statute				
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(52)			52
Insertion of items not debited or credited to the CIES				
Statutory provision for the financing of capital investment	110			(110)
Capital expenditure charged against the General Fund balance	197			(197)
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	1,309		(1,309)	
Capital grants and contributions unapplied credited to the CIES	1,126			(1,126)
Application of grants to capital financing transferred to the Capital Adjustment Account			0	0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	737	(737)		
Use of the Capital Receipts Reserve to finance new capital expenditure		812		(812)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,788)			2,788
Employer's pensions contributions and direct payments to pensioners payable in the year	2,004			(2,004)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements	16			(16)
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	(212)			212
Total Adjustments	1,384	75	(1,309)	(150)

Note 10: Movements in Usable Reserves

	Balance at 31 March 2016 £'000	Transfers		Balance at 31 March 2017 £'000	Transfers		Balance at 31 March 2018 £'000
		In	Out		In	Out	
		£'000	£'000		£'000	£'000	
General Fund	(3,171)	(163)	0	(3,334)	(14)	0	(3,348)
Strategic Reserves							
Insurance	(473)	(5)	20	(458)	(8)	29	(437)
Repairs and Renewals	(448)	(7)	117	(338)	(42)	143	(237)
Interest Equalisation	(631)	0	0	(631)	0	0	(631)
VAT Reserve	(216)	0	0	(216)	(103)	0	(319)
Housing & Planning Delivery Grant	(176)	0	0	(176)	0	0	(176)
Property Maintenance	(239)	(162)	0	(401)	(118)	96	(423)
Commuted Sums	(1,965)	0	0	(1,965)	(39)	39	(1,965)
Hospital Cluster Interest	(228)	(2)	0	(230)	(1)	0	(231)
Corporate Project Reserve	(1,816)	(18)	313	(1,521)	(1,192)	138	(2,575)
Community Safety	(88)	(1)	7	(82)	(1)	1	(82)
Historic Buildings	(3)	0	0	(3)	0	0	(3)
Local Partnership Fund	(3)	(25)	0	(28)	0	0	(28)
Young People Partnership Fund	(25)	0	25	0	0	0	0
Training Reserve	(12)	0	12	0	0	0	0
Prevention, Personalisation & Partnership Fund	(260)	(61)	0	(321)	0	210	(111)
Civic Investment Fund	(15)	0	15	0	0	0	0
Business Rates Equalisation	(684)	(180)	0	(864)	(1,450)	69	(2,245)
Residential Property Acquisition Fund	0	(2,000)	0	(2,000)	0	562	(1,438)
Property Income Equalisation	0	(76)	0	(76)	(1,283)	10	(1,349)
HIA Hardship fund	(5)	(38)	0	(43)	(30)	2	(71)
Hollymoor Lane - Orbit contribution	0	0	0	0	(90)	0	(90)
Linden Homes contribution	0	0	0	0	(85)	3	(82)
Sports & Leisure Development	0	0	0	0	(104)	12	(92)
Flexible Housing Support Grant	0	0	0	0	(210)	25	(185)
Homelessness Reduction Act	0	0	0	0	(27)	8	(19)
Mortgage Rescue Funding	0	0	0	0	(18)	2	(16)
Surrey Homeless Alliance Funding	0	0	0	0	(14)	4	(10)
Basic Payments Scheme	0	0	0	0	(28)	0	(28)
Community Housing Fund	0	0	0	0	(18)	10	(8)
Subtotal Strategic Reserves	(7,287)	(2,575)	509	(9,353)	(4,861)	1,363	(12,851)
Community Infrastructure Levy	(2,526)	(1,309)	0	(3,835)	(1,397)	196	(5,036)
Capital Receipts Reserves	(4,968)	(737)	812	(4,893)	(340)	344	(4,889)
Total Usable Reserves	(17,952)	(4,784)	1,321	(21,414)	(6,612)	1,903	(26,123)

Note 11: Other Operating expenditure in CIES

2016/17 £'000		2017/18 £'000
(685)	(Gains) /Losses on the Disposal of Non-Current Assets	24
(685)	Total	24

Note 12: Financing and Investment Income and Expenditure in CIES

2016/17 £'000		2017/18 £'000
117	Interest Payable and Similar Charges	1,117
955	Net Interest on the Net Defined Benefit Liability	848
(1,324)	Movement in Investment Property Valuations	(617)
(1,344)	Investment Property Rentals Trading Account	(2,541)
(348)	Interest Receivable and Similar Income	(953)
0	Other Income from Subsidiary	(564)
(1,944)	Total	(2,710)

Note 13: Taxation and Non Specific Grant Income in CIES

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

2016/17 £'000		2017/18 £'000
(5,912)	Council Tax Income	(6,144)
(1,231)	Non Domestic Rates	(560)
(417)	Revenue Support Grant (inc Transitional Grant)	(176)
(2,120)	New Homes Bonus Grant*	(1,557)
(85)	Business Rate Collection Grants	(83)
(219)	NNDR- Small Business Rate Relief Grant	(290)
(143)	Business Rates Section 31 Grant	(414)
(464)	Capital Grants and Contributions**	(1,730)
(1)	New Burden Grants	0
(10,592)	Total	(10,954)

*New Homes Bonus received in year was £1.557m, however, only £500,000 was used to fund services in 17/18, with the remaining balance transferred to the Corporate Project Reserve. Further ring fenced grants are detailed in Note 14.

**In 2016/17, income from CIL and S106 totalling £2.435m was credited to services in the CIES, rather than to capital grant income within 'Taxation & Non Specific Grant Income'. In accordance

with the Code of Practice, CIL and S106 capital grant income totalling £1.598m and has been included within 'Taxation and Non Specific Grant Income' for 2017/18.

Note 14: Other Government Grants Credited to Services

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

2016/17 Re-stated* £'000		2017/18 £'000
(55)	Council Tax Support	(55)
(173)	Benefit Admin Grant	(164)
(20,402)	Rent Allowances- Housing Benefit and Rebate	(19,755)
(279)	Election	(196)
(219)	Personal Services	(159)
(184)	Highways and parking	(146)
(202)	Venues	(210)
(12)	Homelessness	(108)
(180)	Personalisation Prevention Partnership Funding	(210)
(213)	Other Smaller Grants	(254)
(21,919)	Total	(21,257)

*2016/17 figures have been re-stated to include £542k additional grants received from Surrey County Council.

Capital Grants and Contributions Receipts in advance

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

2016/17 £'000		2017/18 £'000
(2,381)	Other grants and Section 106 Contributions	(2,753)
(2,381)	Total	(2,753)

Note 15: Property, Plant and Equipment

Property, Plant and Equipment Valuation

The Borough Council's property portfolio was first valued as at 1 April 1994 with all properties subject to a rolling five year revaluation, with approximately one fifth of properties being revalued each year. In line with the Code of Practice the Council maintains a valuation programme that concentrates on categories of assets. Valuations are undertaken by Huggins, Edwards and Sharp, Chartered Surveyors. The properties that were revalued in 2017/18 account for £26.2 million of the gross book value of assets at 31 March 2018.

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

Properties are also revalued to take into account any potential impairment in their value and also consequent upon construction and the completion of any material improvements. There were revaluation losses/impairments on four assets in 2017/18 (three assets impaired in 2016/17).

Depreciation

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

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

Movements on Non Current Assets – Property, Plant & Equipment 2017/18

TANGIBLE NON CURRENT ASSETS	Other Land and Buildings £'000	Vehicle Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Totals £'000
Gross Book Carrying Value as at 1 April 2017	71,287	8,205	158	3,889	1,956	85,495
Additions	600	3,759	0	264	398	5,021
Revaluation Movement Recognised in the Revaluation Reserve	(1,972)	286	0	0	0	(1,686)
Revaluation movement recognised in the Surplus/Deficit on the Provision of Service	(2,434)	0	0	0	0	(2,434)
Derecognition - Disposals	0	(1,314)	0	0	0	(1,314)
Assets Reclassified	1,411	198	0	0	(1,759)	(150)
Gross Book Carrying Value at 31 March 2018	68,892	11,134	158	4,153	595	84,932
Accumulated Impairment & Depreciation as at 1 April 2017	(5,429)	(3,688)	0	(942)	0	(10,059)
Depreciation Charge for the Year	(2,524)	(602)	0	0	0	(3,126)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	(280)	0	0	0	0	(280)
Derecognition - disposals	0	1,222	0	0	0	1,222
Depreciation Written out to the Revaluation Reserve	2,069	332	0	0	0	2,401
Accumulated Impairment & Depreciation as at 31 March 2018	(6,164)	(2,736)	0	(942)	0	(9,842)
TOTAL NET CARRYING BOOK VALUE at 31 March 2018	62,728	8,398	158	3,211	595	75,090
TOTAL NET CARRYING BOOK VALUE at 1 April 2017	65,858	4,517	158	2,947	1,956	75,436
The £150k balance of Assets Reclassified relates to an asset transferred to Assets Held For Sale.						

Movements on Non Current Assets – Property, Plant & Equipment 2016/17

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

Capital Expenditure

Capital expenditure of £67.252m was incurred in 2017/18 as follows:

2016/17 £'000		2017/18 £'000
2,041	Non Current Assets - PPE	1,387
19,213	Investment Assets	5,148
0	Investment in Subsidiary	60,293
24	Intangibles	0
464	Revenue Expenditure Funded from Capital Under Statute	424
21,742	Total Capital Expenditure	67,252

Funding of capital expenditure is detailed below:

2016/17 £'000		2017/18 £'000
812	Capital Reserves	344
457	Government Grants	396
197	Revenue	626
0	Grants from Other Local Authorities	47
0	Contributions from Other Bodies	3
1,142	Section 106 Receipts	229
0	Community Infrastructure Levy Receipts	5
19,134	Long Term Borrowing	45,293
0	Internal Borrowing	20,148
0	Prior year funding	161
21,742	Total Capital Funding	67,252

A net contribution of £626k (£197k contribution in 2016/17) was set aside from revenue to finance capital expenditure in 2017/18, of which £562k was from New Homes Bonus to fund two residential properties used as temporary accommodation.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2018 amounts to £1.176m as detailed below.

2016/17 £'000		2017/18 £'000
0	Epsom Common Path Restoration	83
0	Electronic Service Delivery	293
0	Rosebery Park Pond Refurbishment	25
0	Longrove Park BMX/Skate Park	79
29	Affordable Housing	40
24	Demolition of 1-3 Blenheim Road	0
0	Epsom Cemetery Extension	649
0	Other	7
53	Total Capital Commitments	1,176

Disposals

Assets relating to Vehicles, Plant & Equipment with a net book value of £92k were disposed of in 2017/18 (£52k in 2016/17).

Assets under Construction

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

There are six Assets under Construction held in the balance sheet for 2017/18 totalling £0.594m. (£1.956m in 2016/17).

Assets Held for Sale

Assets Held For Sale are those properties which are expected to be sold within 12 months and are recorded at the lower of its carrying amount and fair value less costs to sell.

There are two Assets Held for Sale in the balance sheet for 2017/18 with a total value of £156,000. There were no Assets Held for Sale in 2016/17.

2016/17 £'000		2017/18 £'000
0	Balance at the Start of the Year	0
0	Assets reclassified from Investment Properties	6
0	Assets reclassified from Other Land & Buildings	150
0	Balance at the Year End	156

Componentisation

When valuing the assets for the five-year rolling programme, the valuer considered component accounting requirements. The only significant components revalued in 2017/18 related to the Rainbow Leisure Centre.

Revaluations

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

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

Valued at fair value as at:	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000	Total Cost or Valuation £'000
Operational Assets				
Land and Buildings	6,344	30,192	26,192	62,728

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

Note 16: Investment Properties

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

2016/17 £'000		2017/18 £'000
(1,631)	Rental Income from Investment Property	(2,679)
229	Other Net Expenditure Arising from Investment Property	138
(1,402)	Net (Income)/Expenditure	(2,541)

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

Fair Value Hierarchy

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

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

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

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2018 by the Huggins, Edwards & Sharp in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

2016/17 £'000		2017/18 £'000
20,900	Balance at the Start of the Year	41,437
19,213	Subsequent Expenditure	5,148
0	Disposals	(155)
1,324	Net gains/(losses) from Fair Value Adjustments	617
0	Transfers to Assets Held For Sale	(6)
41,437	Balance at the Year End	47,041

Note 17: Intangible Assets

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

All software is given a finite useful life of 4 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £120,000 charged to revenue in 2017/18 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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

2016/17 £'000		2017/18 £'000
	Balance at the start of the year	
585	Gross Carrying Amounts	609
(202)	Accumulated Amortisation	(348)
383	Net Carrying Amount at the Start of the Year	261
	Additions	
24	Purchases	0
(146)	Amortisation for the Period	(120)
261	Net Carrying Value at the End of the Year	141

Note 18: Financial Instruments

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

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

2016/17			2017/18	
Non-Current £'000	Current £'000		Non-Current £'000	Current £'000
		Investments		
0	28,879	Loans and Investments	24,117	12,559
0	28,879	Total Investments	24,117	12,559
		Debtors		
7	4	Loans and Receivables	36,176	10
0	2,918	Financial assets carried at contract amounts	0	3,889
7	2,922	Total included in Debtors	36,176	3,899
		Borrowings		
(19,134)	0	Financial Liabilities at amortised cost	(64,427)	0
(19,134)	0	Total included in Borrowings	(64,427)	0
		Other Long Term Liabilities		
(10)	(84)	Finance Lease Liabilities	(2,927)	(310)
(10)	84	Total included in Borrowings	(2,927)	(310)
		Creditors		
0	(1,965)	Financial Liabilities at contract amounts	0	(6,867)
0	(1,965)	Total included in Creditors	0	(6,867)

Material Soft Loans made by the Council

The Council has no material soft loans outstanding at 31 March 2018.

Employee Loans

The Council may make car loans for car purchases to employees in the Council who are in a post which requires them to drive regularly on the Council's business. The Council also provides loans for season tickets, cycles and computers. The total value of employee loans outstanding at 31 March 2018 is £10,473 (£11,451 at 31 March 2017).

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

Unquoted Equity Instruments Measured at Cost

The Council has a shareholding in Epsom & Ewell Property Investment Company Limited (representing 100% of the company's capital). The shares are carried at cost of £24,117,000 and have not been re-valued, as a fair value cannot be measured without incurring excessive expense. The company was formed in September 2017. There are no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. There is no indication that the investment may be impaired. The Council has no current intention to dispose of the shareholding.

Income, Expense, Gains and Losses

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

2016/17 Re-stated*				2017/18		
Financial Liabilities - Borrowings	Financial Assets - Loans and Investments	Total		Financial Liabilities - Borrowings	Financial Assets - Loans and Investments	Total
£'000	£'000	£'000		£'000	£'000	£'000
7	0	7	Interest expense - finance leases	124	0	124
103	0	103	Interest expense - borrowings	978	0	978
7	0	7	Fee expense	16	0	16
117	0	117	Total expense in Surplus or Deficit on the Provision of Services	1,117	0	1,117
0	(348)	(348)	Interest Income - treasury investments	0	(189)	(189)
0	0	0	Interest Income - loans to subsidiary	0	(764)	(764)
0	(348)	(348)	Total income in Surplus or Deficit on the Provision of Services	0	(953)	(953)
117	(348)	(231)	Net (Income)/Expenditure for the Year	1,117	(953)	164

*2016/17 figures restated to show interest payable on finance leases separately to interest payable on borrowings.

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

The financial assets held by the Council at 31 March 2018 are detailed below.

Financial Asset Category	Type of Financial Asset	Investment at 31 March 2018
	Cash Equivalents	
Deposits with Money Market Funds	Goldman Sachs Deutsche Bank	£ 5.000m £ 0.500m
Global Liquidity Fund	Aberdeen Liquidity Fund	£ 7.059m
	Total Cash Equivalents	£12.559m

The Authority's maximum exposure to credit risk in relation to its investments of £12.559m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities not to meet their commitments. All of the Authority's deposits are subject to a level of risk, however there is no evidence at the 31 March 2018 that any material risk would occur.

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

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

	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-18	Estimated maximum exposure to default and un-collectability at 31 March 2018	Estimated maximum exposure at 31-Mar-17
	£'000	%	%	£'000	£'000
	A	B	C	(A x C)	
Deposits with Aberdeen	7,059	0	0	0	0
Goldman Sachs	5,000	0	0	0	0
Deutsche Bank	500	0	0	0	0
Customers	3,889	3.52%	6.73%	262	608

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

The Council does not generally allow credit for customers, but of the £3.9m balance £1.5m is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-17 £'000		31-Mar-18 £'000
360	Less than three months	1,285
385	Three to Five months	78
92	More than Five Months	153
837	Total	1,516

Liquidity Risk

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

Market Risk

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

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

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

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

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	(243)
Impact on Surplus or Deficit on the Provision of Services	(243)
Decrease in fair value of fixed rate investment assets	(65)

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

There have been no changes to the method and approach for compiling the risk information for 2017/18 compared to 2016/17.

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

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

31 March 2017 Cost and Market Valuation £'000	Short Term Investments (less than 1 year)	31 March 2018 Cost and Market Valuation £'000
15,000	Balance brought forward	12,500
0	Investment during the year	0
(2,500)	Investments matured during the year	(12,500)
12,500	Balance carried forward	0

Fair Values of Financial Assets and Financial Liabilities

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

Financial Assets

31-Mar-17			31-Mar-18	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Assets		
28,890	28,890	Loans and Receivables	12,559	12,559
0	0	Unquoted Equity investment at cost	24,117	24,117
0	0	Loans to Subsidiary at cost	36,176	36,176
2,918	2,918	Financial Assets at contract amounts	3,889	3,889
31,808	31,808	Total Financial Assets	76,741	76,741

The 'Loans and Receivables' and 'Financial Assets at contract amounts' are short term in nature, and therefore the fair value is not materially different for the book value. There is no impairment implication. Short term debtors are carried at cost less any impairment, as this is a fair approximation of their value.

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

Financial Liabilities

31-Mar-17			31-Mar-18	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at amortised cost		
19,134	19,134	PWLB Loans	64,427	69,525
94	94	Finance Lease Liabilities	3,237	3,237
1,965	1,965	Financial Liabilities at contract amounts	6,867	6,867
21,193	21,193	Total Financial Liabilities	74,531	79,629

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

Note 19: Debtors

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

2016/17 £'000		2017/18 £'000
886	Central government bodies	1,289
0	Other Local Authorities	0
606	Council Tax Payers	623
109	Non Domestic Rate Payers	133
2,339	Other Entities and individuals	3,680
3,940	Total Debtors	5,725

Long term debtors (greater than 365 days):

2016/17 £'000		2017/18 £'000
7	Staff loans	0
0	Loans to Subsidiary	36,176
7	Total	36,176

Note 20: Cash and Cash Equivalents

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

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

2016/17 £'000		2017/18 £'000
872	Cash at Bank	430
16,379	Cash Equivalents	12,559
17,251	Cash and Cash Equivalents	12,989

Note 21: Creditors

A summary of Creditors is detailed below.

2016/17		2017/18
£'000		£'000
(1,020)	Central Government Bodies	(234)
(1,420)	Other Local Authorities	(1,498)
(833)	Council Tax	(727)
(43)	Non Domestic Rate	(68)
(5,735)	Other Entities and individuals	(6,867)
(9,051)	Total	(9,393)

Note 22: Provisions

A summary of Long Term Provisions is detailed below.

	NDR Appeals	Local Land Charges	Total
	£'000	£'000	£'000
Opening balance at 1 April 2017	(850)	(136)	(986)
Amounts used or written back to revenue in year	121	136	257
Additional provision made in year	(1,551)	0	(1,551)
Closing balance at 31 March 2018	(2,280)	0	(2,280)

The Council has one outstanding provision of £2.280m for its share of appeals against NDR (Business Rates) charges. During 2017/18, £0.121m was charged against the provision. An additional £1.551m was set-aside to cover future appeals, which principally relates to potential appeals from NHS properties. The total £2.280m provision reflects an estimate of the potential effects of appeals that may be settled in future years.

For local land charges, no outstanding liability remains, therefore the remaining unused provision has been written back to revenue.

Note 23: Reserves

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

Reserve	Balance 2016/17 £'000	Net Movement in year £'000	Balance 2017/18 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(3,334)	(14)	(3,348)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement (Note 10)
Strategic Reserves	(9,353)	(3,498)	(12,851)	Earmarked resources to provide funding for specific areas	Movement in Reserve Statement (Note 10)
Capital Grants Unapplied Account (CIL)	(3,835)	(1,201)	(5,036)	Community Infrastructure Levy used to fund investment in infrastructure.	Movement in Reserve Statement (Note 10)
Capital Receipts Reserve	(4,893)	4	(4,889)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total Usable Reserves	(21,414)	(4,709)	(26,123)		
Revaluation Reserve	(36,156)	(717)	(36,873)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(62,623)	3,672	(58,951)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Council Tax Adjustment Account	(136)	1	(135)	Balance held on collection fund and NNDR AC	Detailed in this note below
NNDR Adj Account	413	1,581	1,995	Balance held on collection fund and NNDR AC	Detailed in this note below
Pensions Reserve	33,293	742	34,035	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 32
Total Unusable Reserves	(65,209)	5,280	(59,928)		
Total Reserves	(86,623)	571	(86,052)		

Revaluation Reserve

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

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

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

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

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

2016/17 £'000		2017/18 £'000
(33,862)	Balance at 1 April 2017	(36,156)
(2,294)	Upward revaluation of assets	(3,034)
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,317
(2,294)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(717)
0	Amount written off to the Capital Adjustment Account	0
(36,156)	Balance at 31 March 18	(36,873)

Movements in Amounts Capital Adjustment Account to Finance Capital Investment

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

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

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

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

2016/17 £'000		2017/18 £'000
(61,492)	Balance brought forward at 1 April 2017	(62,623)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u>	
2,241	- charges for depreciation and impairment of non-current assets	3,126
0	- revaluation (gains)/losses on property, plant & equipment	2,715
146	- amortisation of intangible assets	120
52	- amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	247
2,439	Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement in 2017/18	6,208
(59,053)	Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year	(56,415)
	<u>Capital Financing Applied in the Year</u>	
(812)	- use of the Capital Receipts Reserve used to finance new expenditure	(344)
(1,126)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(256)
(110)	- statutory provision for the financing of capital investment charged against the general fund	(693)
(197)	- capital expenditure charged against the General Fund	(626)
(2,245)	Total Capital Financing Applied in 2017/18	(1,919)
(1,324)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(617)
(62,623)	Balance Carried Forward at 31 March 2018	(58,951)

Revenue Expenditure funded from Capital under Statute

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

2016/17 £'000		2017/18 £'000
464	Revenue Expenditure funded from Capital under Statute	424
(464)	External Funding (Disabled Facilities Grant)	(396)
0	Funding from S106 receipts	(28)
0	Transfer from Capital Adjustment Account	0

Usable Capital Receipts Reserve

2016/17 £'000		2017/18 £'000
(4,968)	Balance brought forward at 1 April	(4,893)
(737)	Amounts receivable in year	(223)
0	Transfer from Capital Grants Unapplied	(117)
812	Amounts applied to finance new capital investment	344
75	Total (Increase)/decrease in realised capital receipts	4
(4,893)	Balance carried forward at 31 March	(4,889)

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

Pensions Reserve

Pension costs are detailed in Note 32.

Council Tax Collection Fund Adjustment Account and NNDR Adjustment Account

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

2016/17 £'000		2017/18 £'000
81	Balance at the start of the year	278
(15)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1
212	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	1,581
278	Balance at the end of the year	1,860

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

2016/17 Re-stated £'000	Details	2017/18 £'000
(2,241)	Charges for depreciation, impairment, and revaluation of non-current assets	(5,841)
1,324	Movements in the market value of Investment Properties	617
(146)	Amortisation of intangible assets	(120)
(52)	Carrying amount of non-current assets sold or de-recognised	(247)
(784)	Movement in pension liability	(1,966)
(1,118)	Increase/(decrease) in debtors	1,778
2,254	(Increase)/decrease in creditors	(814)
(223)	Increase in provisions	(1,294)
2	Increase/(decrease) in inventories	5
(301)	Other non-cash items	0
(1,285)	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	(7,882)

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

2016/17 £'000	Details	2017/18 £'000
1,599	Capital Grants credited to surplus or deficit on the provision of services	1,016
737	Proceeds from the sale of property plant and equipment, investment property and intangible assets	223
2,336		1,239

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

2016/17 £'000	Details	2017/18 £'000
21,742	Purchase of property, plant and equipment, investment property and intangible assets	6,465
0	Investment and Loans to Subsidiary	60,293
(2,500)	Short Term Investments	(12,500)
(535)	Capital Grants Received	(1,016)
(737)	Receipts from sale of assets	(223)
17,970		53,019

Note 26: Cashflow from Financing Activities

2016/17 £'000	Details	2017/18 £'000
111	Lease rentals	497
(776)	Other financing activities (NNDR shares and Council Tax Preceptors)	169
(19,134)	Long-term Borrowing	(45,293)
(19,799)		(44,627)

Note 27: Members' Allowances

The total amount of Members' allowances paid in 2017/18 was £165,530 (£164,950 in 2016/17) and additional expenses totalled £3,802 (£1,720 in 2016/17).

Note 28: Executive Remuneration Bands and Exit Packages

The following table shows the number of staff whose total remuneration, excluding employer's pensions contribution but including gross salary, expense allowances, supplements, compensation for loss of office (i.e. redundancy) and benefits, exceed £50,000 in bands of £5,000:

No. of Staff 2016/17	Remuneration Range	No. of Staff 2017/18
6	£50,000 - £54,999	5
1	£55,000 - £59,999	2
2	£60,000 - £64,999	1
2	£65,000 - £69,999	3
2	£70,000 - £74,999	0
1	£75,000 - £79,999	2
1	£80,000 - £84,999	0
0	£85,000 - £89,999	1
1	£90,000 - £94,999	1
16	Total	15

Senior Officer Remuneration

Detailed remuneration information for senior employees is set out below.

2017/18	Chief Executive*	Chief Finance Officer	Previous Chief Legal Officer**	Current Chief Legal Officer**	Chief Operating Officer***
	£'000	£'000	£'000	£'000	£'000
Salary	100	69	42	10	23
Bonuses	0	0	0	0	0
Expenses Allowances	4	2	4	1	0
Compensation for loss of office	0	0	0	0	0
Other Benefits	8	5	4	0	0
Total remuneration excluding Pension contributions	112	76	50	11	23
Pension Contributions	15	11	7	2	4
Total remuneration including pension contributions 2017/18	127	87	57	13	27

* In 2016/17, the then Chief Executive's salary included £7k for Returning Officer duties. From 2017/18 onwards, this fee has been excluded, in line with CIPFA guidance.

** The previous Chief Legal Officer left the Council in November 2017. The new Chief Legal Officer started in February 2018.

*** The Chief Operating Officer post was created in January 2018.

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

* 2016/17 Chief Executive's salary included 7k for Returning Officer duties.

Exit Packages

In 2017/18 the Council paid four exit packages with a total cost of £99,814. There were 15 exit packages paid in 2016/17 totalling £91,360.

No. of Staff 2016/17	Exit Packages	No. of Staff 2017/18
14	£0 - £19,999	2
1	£20,000 - £49,999	2
15	Total	4

Note 29: Audit Costs

In 2017/18 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2016/17 £'000		2017/18 £'000
45	Fees payable to the external auditors with regard to external audit	45
9	Fees payable to the external audit for the certification of grant claims and returns	10
54	Balance to Income and Expenditure Account	55

Note 30: Capital Financing Requirement

2016/17 £'000		2017/18 £'000
(161)	Opening Capital Financing Requirement	18,973
	Capital investment:	
677	Property, Plant and Equipment	725
19,213	Investment Properties	5,148
0	Investment in Subsidiary	60,293
1,364	Assets under Construction	398
0	Community Assets	264
24	Intangible Assets	0
0	Assets Acquired under Finance Leases	3,634
464	Revenue Expenditure Funded from Capital under Statute	424
	Sources of finance:	
(812)	Capital receipts	(344)
(1,599)	Government grants and other contributions	(679)
	Sums set aside from revenue:	
(197)	Direct revenue contributions	(626)
0	Minimum Revenue Provision	(693)
18,973	Closing Capital Financing Requirement	87,517
19,134	Increase/(decrease) in Capital Financing Requirement	68,544

Note 31: Finance and Operating Leases

Finance Leases in (Council as Lessee):

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

2016/17 £'000		2017/18 £'000
189	Vehicles, Plant, and Equipment	3,684

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

2016/17 £'000		2017/18 £'000
84	Finance lease liabilities: Current	310
10	Finance lease liabilities: non- Current	2,927
6	Finance costs payable in future years – Interest	692
100	Minimum lease payments	3,929

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2016/17 £'000	2016/17 £'000		2017/18 £'000	2017/18 £'000
89	84	Not later than one year	445	310
11	10	Later than one year and not later than five years	1,725	1,323
0	0	Later than five years	1,759	1,604

Lease payments are apportioned between:

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

- Minimum lease payments include both finance charge (interest) and lease liability (principal).

Operating Leases in (Council as Lessee)

The Council has no material operating leases in.

Operating Leases out (Council as Lessor)

In 2017/18 the Council received £2,679,070 (note 16) in rental income from its investment properties (£1,631,000 in 2016/17), all of which was generated from operating leases.

With regard to the Council's activity as a lessor, the gross value of land and buildings assets held for use in operating leases was £46,367,000 in 2017/18 (£39,854,000 in 2016/17).

The future lease payments receivable in future years are:

Lease Income at 31 March 2017 £'000		Lease Income at 31 March 2018 £'000
1,686	Not later than one year	2,832
4,503	Later than one year and not later than five years	8,385
78,864	Later than five years	85,071
85,053	Total	96,288

£28.7 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

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

Note 32: Pension Costs

Participation in Pension Schemes

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

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

Transactions Relating to Retirement Benefits

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

2016/17 Restated* £'000		2017/18 £'000
	Comprehensive Income and Expenditure Statement	
0	Adjustment to opening liability	112
	<u>Net Cost of Services:</u>	
1,811	Current service cost*	3,089
22	Past service gain/cost*	18
	<u>Financing and Investment Income and Expenditure:</u>	
955	Net Interest Expense	847
2,788	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,066
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<u>Remeasurements</u>	
(1,245)	Changes in demographic assumptions	0
15,232	Changes in financial assumptions	(1,703)
(2,051)	Other experience	(40)
(7,486)	Return on assets excluding amounts included in net interest	518
4,450	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(1,225)
	<u>Movement in Reserves Statement</u>	
(2,788)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(4,066)
2,004	Employers' contributions payable to scheme	2,099

*2016/17 has been restated to show current and past service costs separately. These were previously presented as one combined cost.

Assets and Liabilities in Relation to Post-employment Benefits

The liabilities shown below are the underlying commitments that the authority has to pay in retirement benefits over the long-term. The total increase in liability of £0.741 million impacts the net assets of the authority as recorded in the balance sheet, resulting in an overall pension liability of £34.0 million. The pension liability is 40% of the balance sheet net value in 2017/18 compared to 38% in 2016/17.

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

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2018 are as follows:

2016/17 Restated* £'000		2017/18 £'000
(86,619)	1 April 2017	(100,284)
0	Adjustment to opening balance	(4)
(1,811)	Current service cost*	(3,089)
(22)	Past service cost*	(18)
(2,923)	Interest cost	(2,508)
(497)	Contribution from scheme participants	(506)
105	Unfunded benefits paid	99
3,419	Benefits paid	3,325
	<u>Remeasurement gains/(losses):</u>	
1,245	- actuarial gains/losses arising from changes in demographic assumptions	0
(15,232)	- actuarial gains/losses arising from changes in financial assumptions	1,703
2,051	- Other experience	40
(100,284)	Estimated scheme liabilities at 31 March 2018	(101,242)
58,560	1 April 2017	66,991
0	Adjustment to opening balance	(108)
1,968	Interest income	1,661
	<u>Remeasurement gain/(loss):</u>	
7,486	- return on plan assets, excluding the amount in net interest expense	(518)
1,899	Contributions from employer	2,099
497	Contributions from employees into the scheme	506
(3,419)	Benefits paid	(3,424)
66,991	Estimated scheme assets at 31 March 2018	67,207
(33,293)	Net asset / (liability) 31 March 2018	(34,035)

*2016/17 has been restated to show current and past service costs separately. These were previously presented as one combined cost.

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

Actual Return on Scheme Assets as per Actuaries

2016/17 £'000		2017/18 £'000
9,454	Actual return as per actuaries	1,143

The return on the fund in market value terms for the period to 31st March 2018 is estimated based on actual funds return as provided by the administering authority and Index returns where necessary.

Scheme History

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Present value of liabilities:						
Local Government Pension Scheme	(73,450)	(81,002)	(89,702)	(86,619)	(100,284)	(101,242)
Fair Value of Assets:						
Local Government Pension Scheme	50,009	52,914	58,618	58,560	66,991	67,207
Total	(23,441)	(28,088)	(31,084)	(28,059)	(33,293)	(34,035)

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

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

The Council expects to make employer's contributions totalling an estimated £2,010,000 into the Local Government Pension Scheme in the year to 31 March 2019.

Basis for Estimating Assets and Liabilities

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

2016/17		2017/18
	Longevity at 65 for current pensioners:	
22.5	Men	22.5
24.6	Women	24.6
	Longevity at 65 for future pensioners:	
24.1	Men	24.1
26.4	Women	26.4
2.4%	Rate of increase in pensions	2.4%
2.7%	Rate of increase in salaries	2.7%
2.5%	Rate for discounting scheme liabilities	2.6%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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

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

- 0.5% decrease in Real Discount Rate would result in an approximate increase in the defined benefit liability of £8.841m (9%)
- 0.5% increase in the Salary Increase Rate would result in an approximate increase in the defined benefit liability of £1.064m (1%)
- 0.5% increase in the Pension Increase Rate would result in an approximate increase in the defined benefit liability of £7.674m (8%)

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

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

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

Percentage of Fund Assets 2016/17		Percentage of Fund Assets 2017/18
68%	Equity Investments	68%
14%	Bonds	14%
6%	Property	6%
12%	Cash	12%
100%	Total	100%

Movement in net pension liability:

2016/17 £'000		2017/18 £'000
(28,059)	Opening Balance	(33,293)
	Adjustment to opening liability	(112)
(1,811)	Current Service Costs	(3,089)
(22)	Past Service gains/(Costs)	(18)
(955)	Net Interest Expense	(847)
2,004	Employer Contributions	2,099
(4,450)	Remeasurements	1,225
(33,293)	Closing Balance	(34,035)

Note 33: Contingent Liabilities & Assets

Municipal Mutual Insurance

The Council has been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd that the amount subject to levy is £83,615 which may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities as at 31 March 2018. The Council's earmarked Insurance Reserve includes an amount to cover any future claims.

Ewell Court House Insurance Claim

In 2013 a fire caused extensive damage to Ewell Court House and restoration works were undertaken funded through insurance. Our insurers are seeking damages through court action for the costs of the claim, the Council is also pursuing uninsured losses. The Council expects the claim to be settled during 2018/19. If successful, the Council would expect to recover around a maximum of £154k. Should the claim be unsuccessful, the Council could potentially incur £48k in irrecoverable court costs.

Note 34: Related Parties

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

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

Members of the Council have direct control over the Council's financials and operating policies. The net cost to Epsom and Ewell Borough Council of related party transactions was £143,000 in 2017/18 (£134,000 in 2016/17). The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

Organisation	2016/17 £'000	2017/18 £'000	Councillor(s) 2017/18
Age concern	16	16	Cllr Humphrey Reynolds
Citizen Advice Bureau	118	127	Cllr L Frost
Total	134	143	

Epsom & Ewell Property Investment Company Limited

The Council owns a subsidiary company, Epsom and Ewell Property Investment Company Limited (EEPIC). As at 31 March 2018, four Council officers served as Directors of EEPIC – the Chief Executive, Chief Finance Officer, Head of Property and Regeneration, and Head of Housing & Environmental Services. The Council's previous Chief Legal Officer was a Director of EEPIC until his resignation in November 2017.

Under EEPIC's Business Plan, approved at Council on 19 September 2017, the Council provides loans and equity to EEPIC, for it to invest in commercial property and generate a return.

During 2017/18, the Council entered into the following related party transactions with EEPIC:

2017/18 Transaction Description	2017/18 £'000
<u>Payments made by EEPIC to EEPIC</u>	
Equity investments in EEPIC	24,117
Loans to EEPIC	36,176
Subtotal	60,293
<u>Amounts received by EEPIC from EEPIC</u>	
Interest receivable from EEPIC	(764)
Support services rechargeable to EEPIC	(140)
Insurance recharges	(20)
Dividend from EEPIC	(424)
Subtotal	(1,349)

The combined financial position of the Council and EEPIC is shown in the group accounts from page 74.

Note 35: Collection Fund Income and Expenditure Account

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

2016/17				2017/18		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
0	(54,350)	(54,350)	INCOME:	0	(57,439)	(57,439)
(23,581)	0	(23,581)	Council Tax Receivable	(24,083)	0	(24,083)
6	0	6	Business Rates Receivable	(97)	0	(97)
(23,575)	(54,350)	(77,925)	Transitional Protection Payments receivable	(24,180)	(57,439)	(81,619)
			Total Income			
(151)	0	(151)	EXPENDITURE:			
(121)	74	(47)	Apportionment of Prior Year Surplus/(Deficit)			
(31)	511	480	Central Government	(171)	0	(171)
0	90	90	Epsom & Ewell Borough Council	(137)	100	(37)
12,013	0	12,013	Surrey County Council	(34)	697	663
9,610	5,829	15,439	Surrey Police Authority	0	122	122
2,402	40,602	43,004	Precepts, Demands and Shares			
0	7,049	7,049	Central Government	12,338	0	12,338
77	51	128	Epsom & Ewell Borough Council	9,870	6,045	15,915
219	0	219	Surrey County Council	2,468	43,041	45,509
85	0	85	Surrey Police Authority	0	7,259	7,259
			Charges to Collection Fund			
			Increase / (Decrease) in Bad Debt Provision	144	157	301
			Increase / (Decrease) in Provision for Appeals	3,575	0	3,575
			Cost of Collection	83	0	83
24,103	54,206	78,309	Total Expenditure	28,136	57,421	85,557
528	(144)	384	(Surplus) / Deficit arising during the year	3,956	(18)	3,938
504	(1,095)	(591)	(Surplus) / Deficit b/fwd 1 April 2017	1,032	(1,239)	(207)
1,032	(1,239)	(207)	(Surplus) / Deficit c/fwd 31 March 2018	4,988	(1,257)	3,730
516	0	516	Apportionment to Preceptors/EEBC			
413	(136)	277	Central Government	2,494	0	2,494
103	(937)	(834)	Epsom & Ewell Borough Council	1,995	(135)	1,860
0	(166)	(166)	Surrey County Council	499	(961)	(462)
			Surrey Police Authority	0	(162)	(162)
1,032	(1,239)	(207)		4,988	(1,258)	3,730

Notes to the Collection Fund Income and Expenditure Account

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

Band	Total Properties For Band	Proportion To Band D	Relevant Amount for
A	85.03	6/9 th	56.69
B	751.95	7/9 th	584.85
C	3,948.48	8/9 th	3,509.76
D	7,592.86	9/9 th	7,592.86
E	6,887.39	11/9 th	8,417.92
F	4,290.88	13/9 th	6,197.94
G	3,764.44	15/9 th	6,274.06
H	132.84	18/9 th	265.68
Aggregate of Relevant Amounts			32,899.76
Estimated Collection Rate			98.25%
Council Tax Base			32,324.01

The Council achieved a council tax collection rate of 99% in 2017/18 (99% in 2016/17).

Non-Domestic Rates Statistics

2016/17 £'000		2017/18 £'000
58,545	Total Non-Domestic Rateable Value at year end	64,919
49.7	National Non-Domestic Rate Multiplier (Standard)	47.9

Precepting Bodies

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

2016/17 £'000		2017/18 £'000
40,602	Surrey County Council	43,041
7,049	Surrey Police	7,259
5,829	Epsom and Ewell Borough Council	6,045
53,480	Total Precepts on Collection Fund	56,345

Distribution of Council Tax Surplus

2016/17 £000		2017/18 £000
511	Surrey County Council	697
90	Surrey Police Authority	122
74	Epsom & Ewell Borough Council	100
675	Balance at Year End	919

Council Tax Provision for Bad Debts

2016/17 £000		2017/18 £000
522	Opening Balance	441
(81)	Increase/(Decrease) in Bad Debt Provision	45
441	Balance at Year End	486

Group Accounts

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

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

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

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

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

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

Disclosure Notes

Group Creditors
Group Debtors
Group Investment Properties
Group Related Parties

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

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

Group Comprehensive Income & Expenditure Statement

	2017/18 EEBC			2017/18 Group CIES		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Committee						
Environment	10,782	(7,548)	3,235	10,782	(7,548)	3,235
Community and Wellbeing	14,384	(4,959)	9,425	14,384	(4,959)	9,425
Strategy and Resources	26,466	(22,973)	3,493	26,466	(22,973)	3,493
Cost of Services	51,632	(35,480)	16,153	51,632	(35,480)	16,153
Other Operating Expenditure	24	0	24	24	0	24
Financing and investment Income and Expenditure	2,264	(4,974)	(2,710)	2,382	(5,092)	(2,710)
Taxation and non-specific grant income and expenditure	0	(10,954)	(10,954)	0	(10,954)	(10,954)
(Surplus) or Deficit on Provision of Services	53,921	(51,407)	2,513	54,038	(51,525)	2,513
(Surplus)/Deficit on revaluation of property, plant, equipment assets			(717)			(717)
Remeasurement of net defined benefit liability/(asset)			(1,225)			(1,225)
Other Comprehensive Income and Expenditure			(1,942)			(1,942)
Total Comprehensive Income and Expenditure			571			571

Group Movement in Reserves Statement

	Usable Reserves				Unusable Reserves					Total Group Reserves
	General Fund Balance / Retained Earnings	Capital Receipts Reserve	Capital Grants Unapplied	Subtotal Usable Reserves	Revaluation Reserves	Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Subtotal Unusable Reserves	
2017/18	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2017	(12,687)	(4,893)	(3,835)	(21,415)	(36,156)	(62,623)	278	33,293	(65,208)	(86,623)
Movement in Reserves During 2017/18										
Total Comprehensive Income and Expenditure	2,513	0		2,513	(717)	0	0	(1,225)	(1,942)	571
Adjustments between accounting basis and funding under regulations (Note 9)	(6,023)	4	(1,202)	(7,221)	0	3,673	1,581	1,967	7,221	0
Increase or Decrease in 2017/18	(3,510)	4	(1,202)	(4,708)	(717)	3,673	1,581	742	5,279	571
Balance at 31 March 2018 carried forward	(16,197)	(4,889)	(5,037)	(26,123)	(36,873)	(58,950)	1,860	34,035	(59,928)	(86,052)
General Fund analysed over:										
Amounts earmarked (Note 10)	(12,849)									
Amounts uncommitted	(3,348)									
Total	(16,197)									

Group Balance Sheet

	2017/18 EEBC Balance Sheet £'000	2017/18 Group Balance Sheet £'000
Long-term Assets		
Property, Plant and Equipment	75,090	75,090
Investment Properties	47,041	106,979
Heritage Assets	722	722
Intangible Assets	141	141
Long Term Investments	24,117	0
Long Term Debtors	36,176	0
Total Long-term Assets	183,286	182,932
Current Assets		
Inventories	20	20
Assets Held for Sale	156	156
Short-term Debtors	5,725	5,758
Short-term Investments	0	0
Cash and Cash Equivalents	12,989	14,456
Total Current Assets	18,890	20,390
Current Liabilities		
Short-term Creditors	(9,393)	(10,509)
Lease Liability - Within One year	(310)	(310)
Total Current liabilities	(9,703)	(10,820)
Long-term Liabilities		
Long Term Borrowing	(64,427)	(64,427)
Defined Benefit Pension Liability	(34,035)	(34,035)
Capital Grants Receipts in Advance	(2,753)	(2,753)
Long-term Provisions	(2,280)	(2,309)
Deferred Liabilities	(2,927)	(2,927)
Total Long-term Liabilities	(106,422)	(106,451)
NET ASSETS	86,052	86,052
Total Reserves		
Usable Reserves	(26,123)	(26,123)
Unusable Reserves	(59,928)	(59,928)
TOTAL RESERVES	(86,052)	(86,052)

Group Cash Flow Statement

	2017/18 EEBC	2017/18 Group
	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	2,513	2,513
Adjustment for Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements	(7,882)	(8,994)
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	1,239	1,239
Net cash flows from Operating Activities	(4,129)	(5,242)
Net cash outflow / (inflow) from Investing Activities	53,019	52,665
Net cash outflow / (inflow) from Financing Activities	(44,627)	(44,627)
Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period	4,262	2,796
Cash and Cash Equivalents at the Beginning of the Period	17,251	17,251
Net Increase/(decrease) in Cash and Cash Equivalents	(4,262)	(2,796)
Cash and Cash Equivalents at the End of the Reporting Period	12,989	14,455

Accounting Policies

The group income and expenditure account, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the Council and its subsidiary on a line by line basis. The accounts of the subsidiary have been prepared in accordance with UK Accounting Standards, FRS 102 and applicable law, using similar accounting policies and practices to those of the Council. However some accounting policies and practices do differ in some respects from the Council's due to legislative requirements. Where there are differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

Group Creditors - Current

	2017/18 EEBC Creditors £'000	2017/18 Group Creditors £'000
Central Government Bodies	(234)	(303)
Other Local Authorities	(1,498)	(1,498)
Council Tax	(727)	(727)
Non Domestic Rate	(68)	(68)
Other Entities and individuals	(6,867)	(7,913)
Total	(9,393)	(10,509)

Group Debtors - Current

	2017/18 EEBC Debtors £'000	2017/18 Group Debtors £'000
Central government bodies	1,289	1,289
Other Local Authorities	0	0
Council Tax Payers	623	623
Non Domestic Rate Payers	133	133
Other Entities and individuals	3,680	3,713
Total Debtors	5,725	5,758

Group Investment Properties

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

	2017/18 EEBC £'000	2017/18 Group £'000
Rental Income from Investment Property	(2,679)	(4,146)
Other Net Expenditure Arising from Investment Property	138	155
Net (Income)/Expenditure	(2,541)	(3,991)

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

Fair Value Hierarchy

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

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

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

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

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

Valuation Process for Investment Properties

The Group's investment property has been valued as at 31 March 2018 by the Huggins, Edwards & Sharp in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

	2017/18 EEBC £'000	2017/18 Group £'000
Balance at the Start of the Year	41,437	41,437
Subsequent Expenditure	5,148	65,086
Disposals	(155)	(155)
Net gains/(losses) from Fair Value Adjustments	617	617
Transfers to Assets Held For Sale	(6)	(6)
Balance at the Year End	47,041	106,979

Group Related Parties

During 2017/18, the Council entered into the following related party transactions with EEPIC:

2017/18 Transaction Description	2017/18 £'000
<u>Payments made by EEBBC to EEPIC</u>	
Equity investments in EEPIC	24,117
Loans to EEPIC	36,176
Subtotal	60,293
<u>Amounts received by EEBBC from EEPIC</u>	
Interest receivable from EEPIC	(764)
Support services rechargeable to EEPIC	(140)
Insurance recharges	(20)
Dividend from EEPIC	(424)
Subtotal	(1,349)

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

EEPIC's total comprehensive income for the period was £0.42m, which was paid as a dividend to the Council. EEPIC also makes payments to the Council for support services and interest on the long term loans. In 2017/18, interest payments totalled £0.764m and support service recharges including insurance were £160k.

At 31 March 2018, four Council officers served as Directors of EEPIC – the Chief Executive, Chief Finance Officer, Head of Property and Regeneration, and Head of Housing & Environmental Services. The Council's previous Chief Legal Officer was a Director of EEPIC until his resignation in November 2017.

Statement of Responsibilities

Council's Responsibilities

1. The Borough Council is required to:
 - Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Chief Finance Officer.
 - Manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
 - Approve and publish the Statement of Accounts by 31 July 2018.

Chief Finance Officer's (S151) Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Draft Annual Governance Statement 2017/18

1. Introduction

- 1.1 This is the Council's Annual Governance Statement for 2017/18. It provides an opinion on the Council's governance arrangements, a review of the effectiveness of the governance statement, an update on the actions agreed in last year's statement and issues identified in 2017/18.
- 1.2 The Council adopted a code of corporate governance which reflects the principles and is consistent with the CIPFA/SOLACE Framework, "Delivering *Good Governance in Local Government*" 2016. This framework requires that local authorities are responsible for ensuring that;
- Their business is conducted in accordance with all relevant laws and regulations.
 - Public money is safeguarded and properly accounted for.
 - Resources are used economically, efficiently and effectively to achieve priorities which benefit the local authority.
- 1.3 All Councils are required to produce an Annual Governance Statement (AGS) and review their governance arrangements at least once a year.

2. Corporate Governance

- 2.1 Corporate governance is the process by which the Council directs, controls and is held to account. The Council's governance framework aims to ensure that in conducting its business it:
- Operates in a lawful, open, inclusive and transparent manner;
 - Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
 - Has effective arrangements for the management of risk and;
 - Secures continuous improvements in its governance
- 2.2 The Council approved its Code of Corporate Governance in April 2017 which is based on the seven new principles within the Chartered Institute of Public Finance (CIPFA)/ Society for Local Authority Chief Executives (SOLACE) Framework 2016. The Code summarises the Council's internal arrangements; each section looks at how the Council accounts for the principles. The Council acknowledges that it is responsible for ensuring that there is a sound system of governance and internal control compliant with its adopted principles within the local code. A high level summary is included in this document.

3. Compliance with the Principles

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

This is achieved by:

3.2 The Council's Constitution lays out compliance with legislation and includes;

- Codes of conduct which define our standards and behaviour and deals with conflicts of interest
- Whistleblowing
- Financial Procedure Rules and Contract Standing Orders
- Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy
- Rules relating to Members external interests
- Rules relating to Gifts and Hospitality
- Codes of Conduct for Members and Employees
- Scheme of Delegation to officers
- Information Security Policy
- Information Governance Policy
- Money Laundering Policy

3.3 The Monitoring Officer has specific responsibility for ensuring legality and investigating issues raised to ensure compliance with laws and regulations;

3.3 Ensuring effective arrangements are in place for the discharge of the Monitoring Officers duties

3.4 PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.

This is achieved by:

3.5 Documenting a commitment to openness and acting in the public interest.

3.6 Establishing clear channels of communication with different sectors of the community and other stakeholders, ensuring accountability and encouraging open consultation.

3.7 Ensuring an effective scrutiny function is in place.

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

This is achieved by:

3.9 Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning

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

This is achieved by:

- 3.12 Translating the vision into courses of action for the Council, its partnerships and collaborations
- 3.13 Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robust data quality.
- 3.14 Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they meet the agreed use of resources and value for money.

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

This achieved by

- 3.16 Defining and documenting the roles and responsibilities of members and management with clear protocols for effective communication in respect of the Council and partnership arrangements.
- 3.17 Ensuring effective arrangements are in place for the discharge of the Head of Paid Service.
- 3.18 Providing induction and identifying the development needs of members and senior management.

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

This is achieved by:

- 3.20 Reviewing the effectiveness of the framework for identifying and managing risks and for performance and then demonstrating clear accountability.
- 3.21 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on managing the risk of fraud and corruption (CIPFA 2015).
- 3.22 Independent review of the internal controls by Internal Audit when carrying out assessments of key activity areas.

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

This achieved by:

- 3.24 Ensuring that assurance arrangements conform to the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit (2010) and where they do not, explain why and how they deliver the same impact.
- 3.25 Undertaking the core functions of an audit committee, as defined in audit Committee, Practical Guidance for Local Authorities and Police (CIPFA 2013)
- 3.26 Ensuring that the Council provides timely support and information and responses to external auditors and properly considers audit findings and recommendations.

4. How do we know that our arrangements are working?

- 4.1 The Code of Corporate Governance requires assurance upon:

- Delivery of the Council's Corporate Plan and the Key Priorities
- Services delivered economically, efficiently and effectively
- Management of risk
- Financial planning and performances
- Effectiveness of internal controls
- Community engagement and public accountability
- Project management and project delivery
- Governance of shared services and alternative services delivery modules
- Procurement processes
- Roles and responsibilities of members and officers
- Standards of conduct and behaviour
- Training and development of members and officers
- Compliance with laws and regulations, internal policies and procedures
- Records keeping

4.2 Sources of Assurance

- Constitution and scheme of delegation
- Council Meetings and Full Council
- Corporate Plan and Service delivery plans
- Performance Management Framework
- Risk Management Framework
- Project Management methodology
- Medium Term Financial Strategy and budget monitoring
- Customer Service Strategy and Complaints Policy
- HR Policies and procedures
- Whistleblowing policies
- Organizational Development Strategy
- Training for Members and Officers
- External Audit and Internal Audit
- Role of Head of Paid Service, Chief Finance Officer and Chief Legal Officer

4.13 Assurances Received and Review of Effectiveness

- All Heads of Service are required to complete a Divisional Assurance Statement.

- The Statutory Officers were consulted on the review process and their roles and responsibilities and consulted on the outcome.
- The Chief Executive and the Chair of Strategy and Resources sign the AGS
- Frauds reported and complaints to the Ombudsman are reviewed.
- The Head of Internal Audit's Opinion for 2017/18 is taken into account, and comments made by external audit and other external reviews.
- Performance and performance indicators are reviewed.
- We have made progress in implementing the action plan from 2016/17.
- The Leadership Team is fully structured and assists with good governance in delivering key services and making corporate decisions and monitors performance.
- Key management roles are defined and are within the Leadership Team,
- The Council's finances are driven through the Medium Term Financial Strategy. The Council sets an annual budget which is regularly monitored and reviewed and the Council's financial systems and processes are regularly audited.

4.14 Opportunities to improve

This AGS builds upon previous AGS's. All the key governance mechanisms remain in place. This documents includes any changes to the key governance systems and an update of the significant governance arrangements in 2016/17

5 The Council and how it functions

- 5.1 The Council is a committee authority where policies and decisions are determined and scrutinized.
- 5.2 There are four main policy committees; Strategy & Resources, Community & Well Being, Licensing and Planning Policy and the Environment Committee.
- 5.3 The Council's Regulatory and Advisory Committees/Panels include; Licensing Hearing Panel, Planning Committee, the Appointments Panel, Financial Policy Panel, Health Liaison Panel and the Human Resources Panel.
- 5.4 In addition the joint committees and outside bodies include; Epsom and Walton Downs Conservators, Epsom & Walton Downs Consultative Committee and the Nonsuch Park Joint Management Committee.
- 5.5 The Constitution sets out the roles and responsibilities and there is a terms of reference for each committee/body
- 5.6 Meetings are open and all agenda papers, reports and decisions can be found on the Council's website and partnership risks are identified in committee reports. Details of all consultations and surveys are also available. The Council's budget and financial statements are available through the web site. The web site also highlights all completed and approaching public consultation & staff surveys.

- 5.7 The management structure is available on the Council's website. The Chief Executive is the Head of Paid Service. In 2018 the Council added a new role of Chief Operating Officer. These posts meet regularly and also as part of the Leadership Team.

6 Significant operational events in 2017/18

- 6.1 The Council has established a separate but wholly owned property company, EEPIC. The Council has agreed a Property Investment Strategy to formulate policy on investing in property including the Commercial Property Acquisition Fund.
- 6.2 The directors of the company are the Chief Executive, Chief Finance Officer, Head of Property & Regeneration, and Head of Housing & Communities. The governance arrangements are enshrined in the articles of association and the shareholders agreement and the directors are accountable. They have been trained on their director's roles and responsibilities including conflicts of interest.
- 6.2 The Council's governance arrangements for ICT have altered as a result of separation of the ICT shared service

7 Managing Risks

- 7.1 All Members and officers are responsible for ensuring that the risk implications are considered and included when making decisions and planning services. To deliver services and key priorities the Council must manage its risks and opportunities.
- 7.2 Significant risks are recorded in the Leadership Risk Register which is managed and monitored. The Leadership Team reviews this every 6 months. The risk register is used to formulate the internal audit plan. The service risks are identified from the Divisional Assurance Statements completed by the Heads of Services. The Risk Management Framework is reviewed annually.
- 7.3 The Council's IT systems are regularly audited and the Council has an IT Security & Acceptable Use Policy and IT Information Assurance Policy. Staff have received training on information governance and a number of workshops were held on maintaining information asset registers to improve how data is managed.

8 Managing Fraud

- 8.1 The Council's Whistleblowing Policy is part of the Constitution which is available on the Council's website. The Council also has an Anti-Fraud and Corruption Strategy which determines the culture of honesty and opposing fraud and corruption

9 Managing Resources

- 9.1 The Council continues to manage the effect of austerity measures through its Medium Term Financial Strategy and has introduced some new initiatives.
- 9.2 The Council is required to set a balanced budget on an annual basis. The budget sets out how much money will be spent on services, invested in projects and the level of Council tax for individual residents. The level of Council Tax also includes tax required by Surrey County Council and Surrey Police Commissioners Office although it has no control over the amount set by these bodies.

10 Responsibility of the Chief Financial Officer

- 10.1 The Chief Finance Officer is responsible for delivering and overseeing the financial management arrangements for the Council. He is part of the Council's Leadership Team and reports direct to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material business decisions to be given due weight.
- 10.2 The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The effectiveness of the control environment can be evidenced through the Council's recent history of financial outturns and the timeliness and quality of the financial statements and other financial returns.
- 10.3 The Chief Finance Officer is the Council's S.151 Officer and in accordance with the statutory requirement has the relevant accountancy qualification and significant local government experience. In the opinion of the Chief Finance Officer, the Council's finance function is adequately resourced and contains a mix of staff with the appropriate levels of professional qualifications and experience.
- 10.4 The Chief Finance Officer is involved in the preparation of the Annual Governance Statement.

11 Managing Performance

- 11.1 The Council's performance management arrangements uses a RAG system (red/amber green). Targets are set annually based on the Council's Corporate Plan. The relevant Heads of Service and Committee Chairmen are consulted on proposed targets. The Audit, Crime & Disorder and Scrutiny Committee receives and reviews all targets. Accountability rests with the relevant Head of Service. The targets are also delivered through the Service Delivery Plan and individual targets. 63% of the 2017/18 targets were achieved.

12 Stakeholder Engagement

- 12.1 The Council has changed its complaints process to a two stage procedure for recording complaints. This is clearly laid out in our procedure backed by the customer charter. The number of complaints to the Ombudsman forms part of this procedure and an annual report is received. For 2017 a total of 19 complaints were referred with a 33% upheld rate.
- 12.2 Phase 2 of the Council's website project is being implemented to improve digital transformation and accessibility by residents. Data is published on the website to meet the requirements of the Local Government Transparency Code.

13 Internal Audit and External Audit Assurance

- 13.1 Internal audit is a key element of the governance arrangements and provides an independent, risk based approach.
- 13.2 Internal Audit is delivered through a Consortium with other Surrey organizations and is provided by an external provider RSM. RSM operate to the Public Sector Internal Audit Standards which is assessed every 5 years; they report direct to the Audit, Crime & Disorder and Scrutiny Committee.
- 13.3 The Head of Internal Audit's year end opinion for 2017/18 concluded that the Council has an adequate and effective framework for risk management, governance and internal control. However their work identified some further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective
- 13.4 The Audit, Crime & Disorder and Scrutiny Committee carries out the role of an Audit Committee as identified in CIPFA's "Audit Committees – Practical Guidance for local authorities". The Committee produces an Annual Report to Council which covers the work of internal audit. This Committee meets throughout the year and monitors specific areas of governance including performance management, risk management and internal audit; it receives the Head of Internal Audit's Year end opinion. As a Scrutiny Committee, it also conducts a number of specific reviews.
- 13.5 In 2017/18, the Committee met 4 times and reviewed progress against the audit plan, progress in implementing recommendations, and risk management arrangements. The Committee annually review how effective it has been in overseeing the arrangements in their annual report to Council.
- 13.6 External Audit is provided by Grant Thornton and was appointed through the Public Sector Appointments (PSAA). The statutory accounts for 2017/18 are being audited and they should have an unqualified opinion and value for money (subject to confirmation)

14 Issues from 2016/17

- 14.1 The implementation of the actions identified in 2016/17 have been monitored and reported in detail to the Audit, Crime & Disorder and Scrutiny Committee as part of the arrangements for approving the AGS.

Issues identified for 2016/17	Action taken
Ensure the workforce has adequate resilience and also has the appropriate skills to deal with future requirements and changes to the way Council's operate.	The new Pay & Reward scheme has been introduced as part of the overarching Organisational Development Strategy
There have been a number of governance issues identified during 2016/17 within planning. The Council is currently at risk of designation by the Secretary of State to improve planning performance.	An LGA Planning Peer Review was undertaken and an improvement action plan was agreed and is currently being implemented to reduce possibility of designation
Elements of the Constitution are out of date and need to update.	The Constitution is being updated and a number of key documents agreed such as the Officer Member protocol. This will continue in 2018/19
<p>The Council has moved from debt free to external borrowing of up to £80m for property.</p> <p>This increases the Council's financial risk and there needs to be a robust approach in place when purchasing property and developing new service models.</p>	<p>The Council has approved a wholly owned company for commercial property purchases.</p> <p>Reserves are set aside for any loss of income and the accounts are independently audited.</p>
The robustness of IT governance, data recovery and disaster recovery arrangements need to be reviewed to ensure that all IT projects are properly managed and data can be recovered.	The ICT new ways of working group has set up with responsibility for governance and ensuring there are proper processes in place.

15 CONCLUSION AND SIGNIFICANT GOVERNANCE ISSUES 2017/18

- 15.1 The Council is satisfied that the appropriate governance arrangements are in place however it remains committed to maintaining and where required improving those areas. The key issues to be addressed in 2018/19 are listed below and these will be reviewed and monitored with a detailed action plan.

Issues identified for 2017/18	Planned Action
A number of codes, policies and strategies are out of date and in need of updating	A rolling programme of reviewing policies and strategies will be introduced with a checklist to ensure documents are timely and relevant
The Council has introduced alternative service methods and needs to ensure the governance arrangements are clear.	The governance arrangements of the company are being reviewed to ensure arrangements are clear and transparent and an audit will be undertaken in 18/19
The Council has received confirmation that it is at risk of designation for the quality of decision making although an improvement plan is in place resulting from the Planning Peer Review.	This will continue to be closely managed and a range of actions implemented to secure improvements

Signed:

.....

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

Glossary of Financial Terms

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

FINANCIAL TERMS

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

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

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

Support Services

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

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26 July 2018

Dear Sirs

Epsom and Ewell Borough Council
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council and its subsidiary undertaking, Epsom and Ewell Property Investment Company for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

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

Group Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the group and parent Council financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the group and parent Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements.
- xi The group and parent Council financial statements are free of material misstatements, including omissions.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiv We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the group and parent Council financial statements.
- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Strategy and Resources Committee at its meeting on 26 July 2018.

Yours faithfully,

Signed:

Name: Lee Duffy

Position: Chief Finance Officer (S151 Officer)

Date: 26 July 2018

Signed:

Name: Eber Kington

Position: Chairman of Strategy & Resources Committee

Date: 26 July 2018

Signed on behalf of the Council

Financial Outturn Report 2017/18

Report of the:	Chief Finance Officer
Contact:	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	None
Other available papers (not attached):	<ul style="list-style-type: none">• Provisional outturn reports issued to all councillors on 1 June 2018• Statement of Accounts and Audit Findings reported as a separate agenda item

Report Summary

This report summarises the Council's financial performance for 2017/18 and details the capital budgets to be carried forward for schemes where costs will be incurred in 2018/19.

Recommendation (s)

That the Committee:-

- (1) Receives the report on financial outturn for 2017/18;
- (2) Notes the carry forward £2.114 million budget for capital schemes to be added to the 2018/19 capital programme.

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

- 1.1 The Council's four year Corporate Plan includes Managing our Resources as a key priority. The revenue budget and capital programme comprise the resources available for the delivery of Council services.

2 Introduction

- 2.1 The Council's financial performance is reported to members quarterly through the budget monitoring process, and at year-end through this Financial Outturn Report. Provisional outturn was circulated via Members' Update on 01 June 2018.
- 2.2 Following the external audit (see separate agenda item), there have been no changes to the provisional figures reported on 01 June 2018.

3 General Fund Summary Position

3.1 In summary the final position for 2017/18 is: -

General Fund Summary 2017/18

	Original Budget £'000	Current Approved Budget* £'000	Actual £'000	Variance £'000
Strategy and Resources	2,402	630	305	-325
Environment	1,878	3,023	3,566	543
Community & Wellbeing	6,244	7,237	7,005	-232
Capital charges	-2,879	-3,246	-3,246	0
Total Net Expenditure	7,644	7,644	7,630	-14
Funded by:				
Collection fund precept	6,045	6,045	6,045	0
Transitional Grant	83	83	83	0
Share of Business Rates	1,527	1,527	1,527	0
Transfer from Collection Fund	-10	-10	-10	0
Total Funding (Budget Requirement)	7,644	7,644	7,644	0
Surplus for the year	0	0	-14	-14

** includes changes to employee and support services allocations, asset rental recharges and IAS 19 pension adjustments from the original budget and reflects required changes in accounting practice.*

3.2 Information on the main variations within each policy committee was circulated to all Councillors on 01 June 2018.

3.3 Net expenditure for the year is £14,000 less than the original budget. This will result in a contribution of £14,000 to the General Fund Working Balance.

3.4 The working balance was £3,348,000 at 31 March 2018, calculated as follows:-

	£'000
Working Balance b/f at 01 April 2017	3,334
Surplus on General Fund for 2017/18	14
Working Balance as at 31 March 2018	3,348

- 3.5 At Q3, a probable outturn of £21,000 over budget had been forecast and reported to Leadership Team and Members.
- 3.6 The most significant adverse variances in 2017/18 are:
- Refuse Collection (£273,000) – Employee and fleet costs had a combined adverse variance of £166k. In addition, recycling gate fees and trade waste tipping charges were £107k over budget.
 - ICT costs (£155,000) – the termination of the shared service with Elmbridge Borough Council resulted in final unbudgeted settlement payments to EBC and additional licence fees.
 - Venues (£67,000) – An overspend was incurred across the venues on staffing, the Council is currently in the process of undertaking a review of staffing resources at the venues to understand why this overspend has occurred with the aim of ensuring the most effective and efficient use of these resources and that actions are taken to mitigate this reoccurring in 2018/19.
- 3.7 The most significant favourable variances in 2017/18 are from:
- Homelessness (£345,000) – Measures implemented to manage homelessness, such as the Private Sector Leasing Scheme and the purchase of residential properties for use as temporary accommodation, have helped to reduce the Council's expenditure in this area. Homeless numbers reduced from a budgeted average of 40 households to 33 by year end.
 - Contingency for benefit reforms (£100,000) – This contingency was not drawn on in the year.
- 3.8 Most of the outturn variances were forecast at quarter three and have already been reflected in the preparation of the 2018/19 budget. The on-going impact of other variances is being considered as part of the 2018/19 budget monitoring process and where appropriate will be incorporated into budget planning for 2019/20.

4 Reserves

- 4.1 Transfers have been made to and from revenue and capital reserves in line with Council policy for the reserves and as approved for specific schemes during the year.
- 4.2 The following table shows the balances of strategic revenue reserves following preparation of the Statement of Accounts:

Strategic Revenue Reserves	Balance at 31/3/17 £000	Balance at 31/3/18 £000
Interest Equalisation	631	631
Repairs and Renewals	338	237
Historic Buildings	3	3
Insurance	458	437
Hospital Cluster Interest	230	231
Community Safety	81	83
Property Maintenance	402	424
VAT Reserve	216	319
Housing & Planning Delivery Grant	176	176
Corporate Project Reserve (a)	1,520	2,574
Personalisation, Prevention & Partnership Reserve	321	111
Business Rate Equalisation Reserve (b)	864	2,245
Partnerships	28	28
Residential Property Acquisition Fund (c)	2,000	1,438
Development Contributions (d)	0	172
HIA Hardship Fund	43	71
Sports & Leisure Development Projects Fund	0	92
Property Income Equalisation Reserve (e)	76	1,349
Commutated Sums	1,965	1,965
Flexible Housing Support Grant (f)	0	185
Homelessness Reduction Act (f)	0	19
Mortgage Rescue/Arrears Funding DCLG (f)	0	16
Surrey Homeless Alliance Funding DCLG (f)	0	10
Community Housing Fund (f)	0	8
Basic Payments Scheme (f)	0	28
Total Strategic Reserves	9,353	12,851

The major movements in reserves during the year were as follows:

- (a) Corporate Project reserve – The large increase in the Corporate Project reserve (£1.05m) is due to the unallocated New Homes Bonus Grant transfer from the general fund into the reserve.
- (b) Business Rate Equalisation Reserve – Section 31 grants and safety net contributions relating to Business Rates are transferred to this reserve as part of the year end Collection Fund process. The majority of the reserve is expected to be used to offset an anticipated shortfall in business rates income in 2019/20, due to appeals against business rate charges.
- (c) Residential Property Acquisition Fund – this fund was created in 2016/17 from New Homes Bonus funding and is used to purchase residential properties to support the Council's housing activities. In 2017/18, the reserve was used to purchase two residential properties for use as temporary accommodation.
- (d) Development Contributions – £90k was received from Orbit Homes in December 2017 to fit-out the retail unit within the Hollymoor Lane development. £85k was received from Linden Homes in June 2015. This contribution had previously been held as a creditor balance, but since it is not repayable to the developer, it has been transferred to reserves. The contribution is earmarked for the protection of the fuel pipeline on Epsom Common (see report elsewhere on this Agenda).
- (e) Property Income Equalisation Reserve – The reserve aims to hold sufficient funds to mitigate the risks associated with future rental income streams from investment properties purchased through the Commercial Property Acquisition Fund, which is supported by external borrowing. The reserve's target is to accumulate sufficient funds to cover the potential loss of one year's rental income from each property, as set out in the following table:

Property Income Equalisation (PIE) Reserve	2018/19 Budgeted Rental Income	2017/18 Contribution to PIE Reserve
	£'000	£'000
Parkside	837	222
East Street	493	176
Marlow	1,713	475
Bracknell	1,770	400
Roy Richmond Way	236	0
Target Reserve Balance	5,049	1,273

Following a contribution of £1.27m to the reserve in 2017/18, the reserve balance stands at £1.35m, £3.70m below its target balance of £5.05m. In

2018/19, the budgeted contribution to the reserve is £675k; at this rate, the target balance is expected to be achieved in 2023/24.

- (f) Various other grants, including the Flexible Housing Support Grant to support homelessness prevention measures and to offset the reduced rental income on temporary accommodation arising from benefit changes, have been transferred to reserves to support services in subsequent years. Grants held within reserves will be reviewed as part of the 2019/20 budget setting process.

5 Provisions

- 5.1 Income from the recovery of past housing benefit overpayments has been partially used to increase the bad debt provision for outstanding housing benefit overpayments, due to the impending transfer of benefits administration to central government under 'universal credit'. Outstanding debt at the end of 2017/18 stands at £2.45m. After making an additional net contribution of £356k to the provision during 2017/18, the provision balance stands at £2.39m. This means that 98% of the outstanding debt has been provided for at 31/03/2018 (84% at 31/03/2017).
- 5.2 Pensions have been treated within the accounts in accordance with recommended financial reporting standards for local authorities. The net liability at 31 March 2018 for accounting purposes is £34.0m compared to £33.3m at 31 March 2017. Additional information on pension liabilities are included within the Statement of Accounts, which is prepared in accordance with International Accounting Standard 19 (IAS19). The IAS19 accounting valuation does not comprise a full re-valuation of the fund and does not impact the Council's contributions.
- 5.3 The most recent full valuation was at 31 March 2016. The next full valuation will be carried out at 31 March 2019, and will be used to determine the Council's contributions from financial year 2020/21.

6 Capital Expenditure 2017/18

Core Capital Programme

- 6.1 A summary report of the 2017/18 capital programme was issued to all Councillors on 01 June 2018. The 2017/18 expenditure budget per Committee for the core capital programme is shown below:-

Committee	2017/18 Original Budget £'000	Carry forwards from 2016/17 £'000	Additions during 2017/18 £'000	2017/18 Current Approved Budget £'000
Strategy & Resources	291	319	0	610
Environment	267	516	0	783
Community & Wellbeing	691	1,496	237	2,424
Total	1,249	2,331	237	3,817

6.2 The original 2017/18 budget was uplifted following approval at June 2017 S&R Committee to carry forward 2016/17 budgets totalling £2.331 million for schemes that were still in progress. The additions during 2017/18 comprise £123k for the Rosebery Park Pond project, funded from S106 and an additional £114k for Disabled Facilities Grant projects funded by central government grant.

6.3 The actual expenditure on the core programme for 2017/18 is summarised below:-

Committee	2017/18 Approved Budget £000	2017/18 Outturn Expenditure £000	Variance £000
Strategy & Resources	610	175	(435)
Environment	783	273	(510)
Community & Wellbeing	2,424	801	(1,623)
Total	3,817	1,249	(2,568)

6.4 On the core capital programme, actual expenditure is £1.249 million, which is £2.568 million (or 67%) less than the £3.817 million budget.

6.5 Budgets totalling £2.114 million have been carried forward into 2018/19 for schemes not completed in 2017/8, and a balance of £454k is no longer required where projects have either been completed under-budget, or are not being progressed. The £454k budget comprises £275k of S106, £129k of capital receipts, and £50k other contributions.

Property Acquisition Funds

- 6.6 During 2016/17 and 2017/18, the Council established funds totalling £80m and £300m for the purchase of in- and out-of-Borough commercial properties respectively, which can be financed from prudential borrowing. In 2017/18, the Council purchased one investment property in the Borough for £5.1m. Through its subsidiary company, EEPIC, two investment properties were purchased out-of-Borough for a combined £60m.
- 6.7 In 2016/17, the Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. In 2017/18, two properties were purchased for a total of £562k.
- 6.8 The remaining balances on the Property Acquisition Funds are shown 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	(19,203)	0	(811)	(20,017)
Purchases during 2017/18	(5,148)	(60,293)	(562)	(66,003)
Closing fund balance at 31/03/2018	55,646	239,707	1,627	296,980

- 6.9 The financing of capital expenditure in 2017/18 is summarised below:

	2017/18 Outturn
	£'000
Expenditure	
Core Programme	1,249
Property Acquisition Funds	66,003
Total Expenditure	67,252
Financing	
Capital Receipts Reserves	505
Capital Grants-DFG	396
Other Revenue Contributions	626

External Borrowing	45,293
Internal Borrowing	20,148
Section 106 & CIL	234
Other Capital Contributions	50
Total Financing	67,252
Total	0

6.10 The figures above include three changes since Q3 monitoring. The first is a movement of £654k from capital receipts to CIL funding following agreement at S&R Committee in April 2018 to fund the cemetery extension project from CIL. The second is an increase to S106 to reflect the additional funding for Rosebery Park pond. Finally the correction of a sum of £38k which was reported as being funded from revenue contributions but which should be from capital receipts.

7 Capital Receipts 2017/18

7.1 The Council received two capital receipts totalling £223k in 2017/18; £221k for a property sold by Rosebery Housing Association, and £2k relating to a vehicle.

7.2 Capital receipts for 2017/18 are summarised below:-

Capital Receipts Reserve	£'000
Balance brought forward at 1 April 2017	4,893
Used to fund the 2017/18 capital programme	(505)
Funds returned due to substitution of CIL funding	117
Prior years receipts applied	161
Capital receipts received in 2017/18	223
Closing Balance at 31 March 2018	4,889
Planned use for 2018/19 programme	(693)
Earmarked for previous schemes not yet complete	(386)
Anticipated capital receipts in 2018/19	210
Estimated balance at 31 March 2019	4,020

7.3 The planned use of receipts to fund the 2018/19 programme has increased by £8k from the £685k agreed by Full Council in February 2018, following a delegated decision to increase the Playhouse changing room budget following the competitive tendering exercise. The level of reserves will be re-assessed by the Capital Member Group during this year's capital programme review.

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

- 8.1 There are no legal implications arising from the report.
- 8.2 **Monitoring Officer's comments:** *None arising from this report.*

9 Risk Assessment and Conclusions

- 9.1 A risk assessment was included in the 2017/18 budget report. Monitoring arrangements during the year have allowed some corrective action to be taken on a number of budget variances, either during the year or as part of the Council's longer term service and financial planning.
- 9.2 An updated risk assessment was included in the 2018/19 budget report. Overall the outturn position is broadly in line with what was anticipated when this risk assessment was completed in January. Further budget monitoring will be carried out on any specific service where the financial position was worse than anticipated.
- 9.3 Key points on the accounts for 2017/18 are as follows:-
- 9.3.1 The Council incurred increased costs on refuse collection and ICT services.
 - 9.3.2 The Council successfully managed to reduce expenditure on homelessness.
 - 9.3.3 Overall net expenditure for the Council was £14,000 less than budgeted, resulting in a transfer of the same amount to the working balance.
 - 9.3.4 The level of delivery on capital projects will be reviewed by the Capital Member Group.
- 9.4 Overall in 2017/18 the Council has maintained a prudent level of balances on revenue and capital reserves:-

	31 March 2017 £'000	31 March 2018 £'000
General Fund Working Balance	3,334	3,348
General Fund Strategic Reserves	9,353	12,851
Total Revenue Reserves	12,687	16,199
CIL	3,835	5,036
Capital Receipts	4,893	4,889
Total Capital Reserves	8,728	9,925

- 9.5 The Council faces a challenge to deliver future savings that will achieve a balanced budget with further substantial reductions in government grant funding.
- 9.6 The capital programme included a number of schemes where provision needs to be carried forward into 2018/19. Funding remains in place to allow completion of these schemes however the Capital Member Group should examine the reason for slippage on individual schemes as part of the capital programme review.
- 9.7 The Statement of Accounts and Audit Findings report are reported to this committee as a separate agenda item for approval.

WARD(S) AFFECTED: ALL

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Funding for Epsom & Ewell Masterplan

Head of Service/Contact:	Ruth Ormella, Head of Planning
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	None
Other available papers (not attached):	Report to Licensing & Planning Policy Committee 7 June 2018 (Item 8)

Report summary

The Borough Council has initiated work on a new Borough-wide Masterplan. This document will function alongside the new Local Plan to provide a supplementary planning policy framework that will facilitate the transformation of Epsom & Ewell into the 2040s. It will play a key role in responding positively to our objectively assessed housing need.

The Masterplan was the subject of a recent report to the Borough Council's Licensing & Planning Policy Committee who approved its preparation and agreed that funding be sought from the Strategy & Resources Committee. It is anticipated that this project will take twelve months to complete.

Recommendation (s)

That the Committee agrees:

- (1) The production of the Masterplan, at an estimated cost of up to £85,000;
- (2) That the £85,000 budget be funded from the Corporate Projects reserve.

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

- 1.1 The delivery and implementation of the Epsom & Ewell Local Plan contributes towards all of the Council's Key Priorities. The Local Plan also plays a key role in implementing the Sustainable Community Strategy through the planning process.
- 1.2 The Transformation Masterplan will support the emerging new Local Plan through the process of examination in public. Following the adoption of the Local Plan it is intended that the Masterplan will itself be adopted and serve to support the delivery of new housing across the Borough during the forthcoming Local Plan period and beyond.

2 Background

- 2.1 As the local planning authority we have the responsibility to demonstrate leadership and instil confidence that the Borough will positively evolve and grow over the next twenty years. We have demonstrated this responsibility through the delivery of our current housing targets.
- 2.2 The scale of our future objectively assessed housing need is such that we need to adopt a new and innovative approach towards housing delivery. A key part of our emerging housing strategy will be a new Masterplan that identifies and visualises transformation taking place as new homes, employment, retail and community uses are developed across the entire Borough. The Masterplan will provide us with the necessary tools to shape the future of the Borough. It will help ensure that we, as the local planning authority, maintain our leadership role in respect of how the Borough looks and functions into the twenty first century.
- 2.1 The Masterplan will also be used to support the emerging new Local Plan. It will form part of an evidence base for the Local Plan Inspector to demonstrate the Borough Council's vision for its area and how proposes to meet the scale of future housing need.
- 2.2 The Masterplan was the subject of a report to the Borough Council's Licensing & Planning Policy Committee on 7 June 2018. The Committee approved the production of the Masterplan and agreed that a further report be prepared for Strategy & Resources Committee, which would briefly explain the utility of the proposal and seek the release of appropriate funds to undertake the work.

3 The Transformation Masterplan

- 3.1 Work started on this project during February 2018. During this period the Borough Council has explored the scope and content of the work to be undertaken. This has resulted in the production of a project specification, which will form the basis of the proposed tender process.
- 3.2 The Transformation Masterplan will require input from a wide variety of different technical professions, including architects; urban designers; master-planners; economists and town planners. The Borough Council is seeking to secure this expertise from external consultants.
- 3.3 Visualising the transformation process will be a key output from the Masterplan. The visual content will range from basic urban design treatments illustrating intensification (at appropriate locations) – comprised of projections showing mass, bulk and scale; through to detailed treatments that identify specific new housing types that will be recognised as being distinctive to Epsom & Ewell. It is anticipated that these typologies could form the basis of a future Design Code for the Borough.

3.4 The following are the key outputs anticipated from the Masterplan –

- A clear and coherent Vision of how the Borough will be transformed as it meets its objectively assessed housing need;
- Mapping to illustrate the transformation of the Borough within a geographic context – identifying areas where housing might be appropriate and any areas that are considered inappropriate;
- A visualisation of what the transformation will look like;
- Visuals that show what the new housing types will look like- and how they will deliver a locally distinctive and legible townscape;
- Evidence that the transformation is achievable and deliverable during the local plan period;
- Evidence of how much new housing will be delivered – to inform our future Housing Land Supply Trajectory and the Housing Delivery Action Plan; and
- Additional support to the Local Plan process – specifically to evidence the submission of the Local Plan.

3.5 The Masterplan will contribute towards a number of objectives. It will help us pass through the Local Plan examination and secure a sound Local Plan. Beyond that it will provide us with a framework that we can deploy to manage how and where growth takes place across the Borough into the 2040s. It will also provide us with the necessary material to demonstrate and promote the benefits of sustainable growth – to our residents, our business communities and the development industry. In that respect it has the potential to maintain and enhance our reputation both as an organisation that responds to growth and in terms of the Borough continuing to be a great place to live, work and visit. These outcomes can only be realised through proportionate and timely investment.

3.6 Subject to the Committee's agreement to commit resources to the Masterplan process we could be in a position to appoint consultants to undertake the work during late Summer 2018. The proposed project timetable envisages that the preparation and production of the Masterplan would require twelve months from inception through to the final report – which would come before the Borough Council's Licensing & Planning Policy Committee.

3.7 The initiation stage of this project included a market testing component. That process has provided an overview of the potential cost of producing the Masterplan.

4 Financial and Manpower Implications

- 4.1 The preparation and production of the new Transformation Masterplan will require the Borough Council to allocate greater financial and staff resources than have previously been committed to a single planning policy document. This is in part due to the nature of the finished document. It will have a high visual content with associated cost implications. The production of the Masterplan will require the commitment of up to £85,000. Of that amount, £15,000 will be held as a contingency fund with the majority committed to the production of the Masterplan as outlined above.
- 4.2 The Local Plan is funded through its own separate budget. An appropriate level of funding is already in place to ensure that the key stages of the Local Plan process can be progressed in a timely manner. The Transformation Masterplan is an extraordinary project that is unlikely to be repeated within the context of the Local Plan process. It is proposed to fund the Masterplan from the corporate projects reserve – by way of a one-off allocation.
- 4.3 The management of the Transformation Masterplan proposal will require the deployment of internal staff resources. It is envisaged that this will be met through existing resources available within the Planning Policy Team.
- 4.4 **Chief Finance Officer's comments:** *The estimated £85,000 cost of the Masterplan could be met from the Corporate Projects Reserve, which at 30/06/18 holds a balance of £2,574,390.*

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

- 5.1 There are no legal implications arising from the contents of this report.
- 5.2 **Monitoring Officer's comments:** *None arising from this report.*

6 Sustainability Policy and Community Safety Implications

- 6.1 The Masterplan will contribute towards delivering the Council's objectives for maintaining and enhancing the Borough as a sustainable place to live, work and visit by providing guidance to new development proposals.

7 Partnerships

- 7.1 None for the purposes of this report.

8 Risk Assessment

- 8.1 The development of the Masterplan will provide a visualisation of how the Borough will transform over the forthcoming local plan period and beyond. It will also help to demonstrate the optimal scale of housing that can be delivered and accommodated across the Borough during that same period. This will help us demonstrate that we have a deliverable strategy

for new housing growth, which will support our case at the Local Plan examination in public. Failure to demonstrate the soundness of our strategy could result in our new Local Plan being found unsound.

9 Conclusion and Recommendations

- 9.1 The Committee is asked to agree to the commitment of £85,000 from the corporate projects reserve to for the production of a Borough-wide Masterplan that positively responds to the scale of our objectively assessed housing need through transformation.

Ward(s) affected: (All Wards);

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Hr Policy Review

Head of Service/Contact:	Head of HR & Organisational Development, Shona Mason
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	None
Other available papers (not attached):	None stated

Report summary

This report requests £30k to be released from the Corporate Project Reserves to undertake a full and comprehensive review all core HR Policies during 2018/19.

Recommendation (s)

- (1) The Members of the Strategy & Resources Committee agree to review and update all core HR Policies and Procedures during 2018/19.**
- (2) That this committee agrees to the use of £30,000 of the Corporate Projects Reserve to finance the review.**

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

- 1.1 In order for the Council to meet its key priorities it needs to employ staff to deliver services and those employees need to operate within a legally compliant and fit for purpose people framework.
- 1.2 The Council needs to adopt a people framework with HR policies which are legally compliant, clear, concise, and flexible and are reflective of the current organisational structure. Without robust HR policies the Council is exposed to risk in terms of its treatment of its staff and potential claims arising from Employment Tribunals.

2 Background

- 2.1 The Council currently has a number of core HR Policies which include:
 - Attendance Management Policy

- Capability Policy
- Grievance Policy
- Disciplinary Policy
- Work & Families Policies – Maternity, Paternity, Shared Parental Leave, Adoption, Parental Leave, Flexible Working
- Managing Workforce Change Policy
- Equality, Diversity & Inclusion Policy
- Recruitment & Selection Policy
- Performance Management Policy
- Pay Policy

- 2.2 The above list is not exhaustive but outlines the core HR policies which make up its people framework. While the Council has these policies in place, they are not all up to date i.e. reflective of the current organisational structure, in line with legislative changes or are structured in a way that provides clarity and guidance for managers and staff, who have to use the policies.
- 2.3 The focus of the HR team over the past 18 months has been on Organisational Development and delivering significant changes to the Council's Pay Structure, Performance Management scheme, Behaviour Framework and Job Evaluation all of which is ongoing. These changes are the result of planned and systematic culture change creating an organisation which is flexible, adaptable and accountable, providing the foundations of a fit for purpose people framework.
- 2.4 In order to continue to develop the organisation further and create the culture that is needed for the future, the people framework needs to have HR policies which support the organisation to achieve its objectives and create a culture of accountability and flexibility. The current HR policies do not support the current change program and are no longer aligned with the new pay structure, performance management scheme and behaviour framework.
- 2.5 Due to the project and operational workload and resource constraints, it has not been possible to update policies in a timely manner, resulting in the majority, now not being aligned to the Council's Organisational Development projects or updated legislation, and therefore are no longer fit for purpose.

- 2.6 It is good practice for the core HR policies to have a policy document, procedure, management guidance, template letters, work flow and training materials for managers and staff.
- 2.7 Each policy needs to meet legislative requirements along with ACAS codes of practice to ensure that the Council is meeting its legal obligations and to mitigate risk and any potential challenge.
- 2.8 Having robust HR policies also ensures that there is consistency across the organisation eliminating any potential discrimination or unfair treatment.
- 2.9 It is essential that the Council has a robust set of HR policies to ensure that the Council operates in a legally compliant manner. If policies are not legally compliant then the Council is not meeting its statutory obligations.
- 2.10 Robust HR policies provide clarity of expectations and guidance to ensure that managers and staff know what is expected as part of their employment with the Council. This ensures that managers have the tools required to manage their people and deal with issues quickly and efficiently within a structured framework.
- 2.11 HR policies create a fair and transparent framework for managing people related matters, minimising the opportunity for discrimination and ensuring that the Council treats its employees fairly.
- 2.12 HR policies need to be linked within a framework as some employment matters can overlap. Policies need to be structured to ensure that they are complimentary and support managers and staff when complex employment matters arise.
- 2.13 HR policies that are linked and structured within a framework to support with the delivery of the Council's people aims, most importantly, mitigates the risk of claims from an Employment Tribunal.
- 2.14 It should be noted that Employment Tribunal claims against the Council for discrimination are unlimited and therefore the additional cost to review the policies and procedures significantly outweighs the risks of not expediting the review.

3 Proposals

- 3.1 In order to ensure that the HR policies are fit for purpose and the Council can develop a strong people framework it is proposed that additional resource is brought in, to support the HR team with the delivery of reviewing the core HR policies and the production of procedures, management guidance, template letters, work flow and training materials for managers and staff, to support with the implementation of the changes required.

- 3.2 Brining in additional support will allow for dedicated attention, with the policies being reviewed in a systematic, joined up and robust way over a shorter period of time. This will reduce the risk to the organisation, without undermining the delivery of core day to day HR services and the ongoing organisational development projects.
- 3.3 From initial investigations the proposed cost associated with the delivery of a full review of HR policies is in the region of £30k. These funds will provide the HR team with the additional resource required for a six to nine month period to deliver up to date, robust and tailored HR policies which will provide the organisation with the people framework it requires.
- 3.4 The direct benefits of undertaking this work will ensure that the Council is compliant, it can meet operational needs, manage risks and take a continuous improvement approach to support the ongoing Organisational Development projects in a quick and efficient manner.

4 Financial and Manpower Implications

- 4.1 The identified cost of this review is £30k to be undertaken by an experienced consultant in collaboration with the HR team.
- 4.2 It is proposed that the cost of this work is funded from the Corporate Projects Reserve fund.
- 4.3 **Chief Finance Officer's comments:** *Prior to this committee meeting the balance on the Corporate Projects Reserve was £2,574,390. This reserve is earmarked for financing of one-off projects and 'spend to save' schemes.*

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

- 5.1 A regular review of the key management policies and procedures is essential part of ensuring processes can be implemented effectively and fairly. As a good employer the Council does to need to reflect good practice in its people framework. A root and branch review coupled with a 'people framework' approach to employment policies and procedures will ensure a holistic approach to decision making with will benefit both the employer and employees as well as mitigating any risk to the Council.
- 5.2 **Monitoring Officer's comments:** *It is critically important to ensure the Council's HR policies comply with both the law and emerging good practice.*

6 Sustainability Policy and Community Safety Implications; Partnerships

- 6.1 None

7 Risk Assessment

- 7.1 Failure to have a robust, legally compliant, complimentary and organisational focused HR policies places the Council at risk of claims from employees through Employment Tribunals.
- 7.2 There is also potential risk of increased turnover and difficulties in recruitment and retention of staff, as well as contributing to low staff morale.

8 Conclusion and Recommendations

- 8.1 The Committee is requested to agree to the additional funds of £30k to implement the proposal to undertake a comprehensive review of the core HR Policies during 2018/19.

Ward(s) affected: N/A

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Epsom Common Local Nature Reserve High Pressure Fuel Pipeline Protection

Head of Service/Contact:	Ian Dyer, Head of Operational Services
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	None
Other available papers (not attached):	None Stated

Report summary

A report requesting an additional budget of £36,000, funded from S106, for the protection of the high pressure fuel pipeline on Epsom Common Local Nature Reserve.

This follows a request by the Oil Pipeline Agencies for the pipeline to be protected, where it is crossed by paths used by vehicles, including at the entrance to Stew Ponds Car Park.

Recommendation (s)

That the committee approves the use of up to £36,000 of S106 funds to add to the existing budget for the protection of the high pressure fuel pipeline that runs across Epsom Common Local Nature Reserve.

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

- 1.1 The protection of the high pressure fuel pipeline means that vehicles can safely cross the pipeline ensuring the Council can continue to safely and effectively manage Epsom Common Local Nature Reserve, as identified in the 2016-2116 management plan agreed by the former Leisure Committee as Council policy. This also addresses the Councils' key priorities and assists in delivering a sustainable community strategy.

2 Background

- 2.1 Providing good public access on Epsom Common is central to this Council's initial motivation for purchasing Epsom Common in the 1930's to afford an area for free air and exercise and is today also an essential aspect of managing what is a nationally and internationally important site for nature.

- 2.2 During the 1970's a 4km circular hard surfaced bridleway was constructed to help cater for the access needs of pedestrians and horse riders and to reduce conflict over damage caused by horses to grass paths. The route became known as the 'Winter Horse Ride' and along with connecting wide grass summer horse rides delivers a very effective network of paths and bridleways that help protect the commons more fragile habitats and are critical in providing access to manage the site. Much of the route follows public rights of way and crosses both high pressure fuel and gas pipelines in a number of locations.
- 2.3 As part of the recent project to restore the circular bridleway in 2015, the fuel pipeline agency (CLH) were contacted and informed that whilst re-surfacing was taking place there would be heavy vehicles crossing the pipeline. Their response was to request that the pipeline required protection at all points where hard surfaced tracks carrying vehicles (including regular Council vehicles such as 4x4's and tractors) crossed the pipeline. This was unanticipated and a significant change in policy on the part of the agency as the pipeline has been in place since the Second World War with no prior requests for protection. However, if the Council chose to ignore the request it would be fully liable for any damage/repairs. The Site of Special Scientific Interest (SSSI) designation for much of Epsom Common further re-enforces the necessity of installing protection, as damage to an SSSI can result in unlimited fines being imposed by Natural England.
- 2.4 As a result of this shift in policy, there were insufficient funds in the budget for the bridleway restoration project carried out during 2015 to pay for the pipeline protection, which required the installation of buried concrete bridges over the pipeline in five locations. Consequently, during the restoration work temporary steel plates were hired and placed over the pipeline in two of the locations most frequently used by vehicles.
- 2.5 The project to restore the bridleway (c2012) attracted financial support from the West Park Hospital Developer Linden Homes. in lieu of their requirement to widen the public footway in Christchurch Road which faced innumerable hurdles e.g. the need to take common land, the commons status as a SSSI, a listed wall at Christchurch, services locations and the need to move hundreds of metres of ditch and bridleway on the common.
- 2.6 Agreement was reached, with the approval of Surrey County Council approval, with the developer to pay EEBC £85,440 for the restoration of the bridleway from Stew Pond Car Park to Christchurch with agreement to construct a new hard surface path on existing grass paths from Stamford Green Road, thus providing an alternative route for cyclists in to Epsom and providing a significant improvement to one of the busiest and wettest entrances on to Epsom Common.

- 2.7 The money from Linden Homes was separate from the budget for the bridleway restoration and consequently separate permission was sought from the Strategy and Resources Committee in 2015 to use the £85,440 to install the pipeline protection. A tendering process was carried out using the approved list of contractors provided by CLH and an order was placed.
- 2.8 Unfortunately, the project has become protracted for several reasons including a need for suitable ground conditions and most importantly an originally very low quote that we persisted with until it became clear late last year we had to retender. The work has been retendered in 2018 and the lowest quote received from a Pipeline Agency approved contractor is £96,000 not including the cost of re-instating the bridleway surfaces. The quoted cost of restoring the excavated bridleway surfaces above the pipeline is £9,750. However, a significant £9,250 contingency is also needed to cover repair of possible damage that could be caused by heavy machinery using the lengths of path required for access. An additional £3,000 is also charged by the pipeline operator for supervision of the pipeline protection works.
- 2.9 The need to install pipeline protection within an SSSI and on common land does require consent to be sought both from Natural England and also Secretary of State Permission from the Planning Inspectorate due to the sites common land status. Planning Inspectorate consent is in place during 2018 and consent from Natural England will be sought when a date for the commencement of work has been set.

Table 1 - Estimated Costs of protecting the pipeline

Contractor	Work	Estimated cost (£)
Pipeline Welding Contract services (OPA approved contractor)	Concrete protection inclusive of 10% contingency	96,000
Earthbound Services	Path Reinstatement works inclusive of contingency	19,000
CLH (OPA contractor)	Supervision of pipeline works	3,000
	Total	118,000

3 Proposals

- 3.1 That the Committee approves the use of up to £36,000 of S106 funds to pay for the protection of the fuel pipeline that runs across Epsom Common Local Nature Reserve.

4 Financial and Manpower Implications

- 4.1 The total budget requirement is £118,000, as set out in Table 1.
- 4.2 There is a remaining budget of £82,560 already allocated to the project from the original £85,440 developer contribution approved in 2015 (£2,880 has been spent on temporary protection for the pipeline). Therefore, the budget gap is £35,440.
- 4.3 It is proposed to fund the £35,440 from uncommitted and unrestricted S106 funds held for 'Open Spaces', and seven agreements have been identified which could be utilised.
- 4.4 **Chief Finance Officer's comments:** *The S106 funds identified above are currently available for use. If members approve the additional funding, this will utilise almost all remaining 'Open Space' S106 funds. The use of S106 funds is due to be reviewed at the next Capital Member Group meeting.*

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

- 5.1 Any expenditure of sec 106 monies must be in accordance with the terms of the original agreement between the parties for the expenditure of those monies.
- 5.2 **Monitoring Officer's comments:** *None for the purposes for this report.*

6 Sustainability Policy and Community Safety Implications

- 6.1 This project addresses a range of sustainability issues most importantly ensuring the ability of the Council to manage Epsom Common Local Nature Reserve effectively which requires the use of vehicles both for maintenance and safety purposes. Ensuring a well-managed open space that affords access to local countryside, improves health and wellbeing and the protection of fragile habitats. High quality open spaces have a positive effect on the local economy attracting businesses and individuals to live, work and operate in the Borough.

7 Partnerships

- 7.1 This project is being assisted by on-going partnerships with Natural England with regard to consenting the works and the Epsom Common Association and their ability to keep their membership informed.

8 Risk Assessment

- 8.1 If the Council does not provide protection for the pipeline, they have been informed by the Oil Pipeline Agency that they would become fully liable for any damage to the pipeline that could incur in future. In addition any damage to the Site of Special Scientific Interest carries the risk of unlimited fines from Natural England.

- 8.2 The use of collected Section 106 monies for unanticipated projects such as this improvement carries a degree of risk. Normally the Borough Council would seek to deploy S106 monies towards infrastructure improvements that are geographically related to the development from which they are drawn. That approach fully mitigates a potential scenario of a developer questioning the use of their monies for unrelated or distant improvements. In this case, the proposed improvements are geographically distant from contributing developments although all are within 5Km. Consequently to mitigate this risk the Borough Council must clearly set out the strategic importance of the proposed improvements. Specifically, these improvements to Epsom Common will benefit individuals and communities across a significant catchment area that extends beyond the administrative boundaries of the Borough.

9 Conclusion and Recommendations

- 9.1 Installing protection to the fuel pipeline will ensure that the Council can continue to manage Epsom Common in a cost effective manner through the use of vehicles which greatly enhances efficiency. Consequently, it is recommended that permission is given for £36,000 of S106 funds to be released and added to the already agreed budget to enable works to proceed during summer 2018.

Ward(s) affected: Stamford Ward;

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Utilisation of Section 106 Funds

Head of Service/Contact:	Mark Shephard, Head of Property and Regeneration
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	N/A
Other available papers (not attached):	S106 Update Report dated 01/02/18

Report summary

Requests additional funding from section 106 to carry out project in this year's summer period

Recommendation (s)

That the Committee approves the additional funding from S106 receipts to carry out the replacement of flood lights at Court recreation ground and Poole Road recreation ground.

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

- 1.1 This report supports the Council's Key Priorities of Supporting our Community and Managing our Resources.

2 Background

- 2.1 During the 2018/19 capital programme setting process, two bids were received to replace old defective flood lights at Court recreation ground and Poole Road recreation ground. The bids were not considered within the capital programme as they were below the de minimis for capital projects of £20,000.
- 2.2 Instead, the schemes were progressed as revenue projects following approval at this Committee to allocate £35,967 of S106 receipts to fund the schemes in February 2018.
- 2.3 The schemes are to fit LED floodlights for the running track at the Harriers centre and LED flood lights to the court recreation ground 3G pitch and tennis courts. Extensive research and investigations has been carried out prior to specifying this scheme.

- 2.4 As light pollution could be an issue, pilot LED lights were fitted at both sites to measure lux levels, with reference to guidance by Sport England regarding levels of light for football pitches and athletics tracks.
- 2.5 These pilot schemes resulted in an upfront cost of £7,036. This enabled the surveyor to measure light levels and determine if they would be adequate for the intended purpose.
- 2.6 The original scheme was based on 200 watt fittings, but the pilot soon established these would not provide required light levels as specified by Sport England. To provide adequate lighting, 400 watt fittings are required.
- 2.7 The pilot also established that bespoke brackets are required to mount the new lighting.
- 2.8 Following the pilot, the necessary specification has been revised accordingly, and works for both sites tendered together under the Council's e-procurement system.

3 Proposals

- 3.1 The lowest tender figure for the revised specification is £42,326 and includes a contingency sum of £2,500.
- 3.2 Following £7,036 expenditure on the pilot, £28,931 remains of the original £35,967 budget. A further £13,395 budget is required to meet the lowest tender.
- 3.3 Approval is sought for this additional budget to be funded from S106, as per the scheme's original funding source.
- 3.4 The original budget was based on a contractor's quotation and did not include the additional cost of bespoke brackets, as this requirement was only discovered during the pilot.

4 Financial and Manpower Implications

- 4.1 The original cost estimates for these projects were £18,000 each. This Committee agreed S106 funding of £35,967 on 1 February 2018. The pilot incurred £7,036 expenditure, leaving £28,931 in the budget.
- 4.2 In order to proceed with the lowest tender, the original budget needs to be increased by £13,395.
- 4.3 The balance of uncommitted S106 receipts available for funding outdoor sports facilities currently stands at £185,699. The original funding partially came from agreement 268, which has a remaining balance of £106,364 for outdoor sports facilities, and it is proposed that the additional funding could come from here.

- 4.4 The works will have a positive impact on revenue budgets as energy bills will be reduced, as will access and maintenance costs. The total saving across both sites has been estimated at £3,000 per annum.

- 4.5 **Chief Finance Officer's comments:** *All financial implications are reflected in the body of this report.*

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

- 5.1 There are no equality issues arising from the contents of this report. S106 monies must be spent in accordance with terms of the agreement or agreements from which money was received.

- 5.2 **Monitoring Officer's comments:** *No comments arising from the contents of this report.*

6 Sustainability Policy and Community Safety Implications

- 6.1 These works will ensure energy savings at court recreation ground as the LED lights are more energy efficient, this complies with our sustainability policy.

7 Partnerships

- 7.1 No implications for the purposes of this report.

8 Risk Assessment

- 8.1 There is a risk that if floodlights are not replaced, the facilities will not be able to be used during considerable periods during the winter when the daylight is not adequate to light the facilities, impacting rental income and reputation.
- 8.2 There is a potential health and safety risk if facilities are used with inadequate lighting and an injury is incurred as a result.

9 Conclusion and Recommendations

- 9.1 The facilities at Court recreation ground and Poole Road recreation ground support the Council's key priority to promote healthy and active lifestyles and are well utilised by the community. The replacement of the floodlights with LED lights will have benefits both for the environment in reduced energy consumption, and for the Council in terms of reduced maintenance and access requirements.
- 9.2 The uncommitted S106 balance for Outdoor Sports Facilities is £185,699 and using £13,335 for this project would leave £172,364 for further schemes. This use of these receipts meets the legal requirements of the S106 agreement and it is therefore recommended that the Committee agree to use them to fund these two projects.

Ward(s) affected: Stamford Ward; West Ewell Ward;

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Developing a Longer-Term Vision for the Borough

Head of Service/Contact:	Damian Roberts, Chief Operating Officer
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	None
Other available papers (not attached):	None

Report Summary

This report sets out a proposal for developing a longer-term vision for the borough, bringing together the views and aspirations of those that live and work in Epsom and Ewell. This would have a valuable role in:

- Further demonstrating this Council's vital community leadership and resident engagement role and that the Council is not just thinking about today, but also has a keen eye on the borough's future.
- Developing a clear evidence base of demographic, economic, social and technological drivers impacting on the future success and wellbeing of the borough and its residents.
- Positive resident engagement - listening to the views and aspirations of local people about what they enjoy most about living in Epsom and Ewell and what they want to see in the future for their children and their children's children.
- Speaking with key organisations in Epsom and Ewell to understand their emerging plans and aspirations for the future and ensuring that this contributes to and is aligned with the emerging longer term vision for the borough.

Recommendation (s)

To approve the approach set out in this report to develop a long-term vision for the Borough.

That £20,000 of Housing & Planning Delivery Grant is used to part fund the visioning work estimated to cost up to £45,000

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

- 1.1 The Council's Community Strategy, Corporate Plan, Master Planning and key corporate priorities should be shaped by the longer-term vision for the Borough.

2 Background and Context

- 2.1 In delivering positive outcomes for local residents, the Council is increasingly also having to take a longer-term perspective in its work. For example, the Council's next Local Plan will look forward over the next 15 to 20 years and acknowledges that decisions that are taken as part of the Local Plan process will fundamentally shape the future of the Borough over the next few decades and beyond. The Council's Infrastructure Development Plan in a similar way identifies the infrastructure necessary to meet both the current and future needs of the Borough.
- 2.2 The Council's Health and Wellbeing Strategy also recognises the importance of taking a longer-term perspective, aligned to long-term demographic trends in the borough such as an aging population and more people projected to be living in the community with dementia. In addition, the action that the Council takes now to successfully encourage young people to participate in regular sport and exercise, may not realise the full benefit until those people are well into their adulthood, hopefully avoiding the serious health risks associated with a sedentary lifestyle and obesity.
- 2.3 Therefore in taking decisions today, the Council is already increasingly having an eye on the future, and this is also the case for the Council's key partners such as the University of the Creative Arts, the Race Course, NESOT, Epsom Hospital, Network Rail to name a few.

3 Place Shaping

- 3.1 As well as delivering statutory services, the Council has a wider place shaping role, where it already delivers a wide range of discretionary services that help improve the quality of life of local people. These services include:
- 3.1.1 The Playhouse
 - 3.1.2 Community Buildings
 - 3.1.3 Affordable housing
 - 3.1.4 Support to the voluntary sector
 - 3.1.5 Leisure services
 - 3.1.6 Market Place

3.1.7 Meals at home, telecare, community transport etc

3.1.8 High needs day care services

3.1.9 Community Safety

3.2 Place shaping is certainly about responding positively to the needs of local people, making sure that the right services and facilities are available to meet that need. This includes finding places for the voluntary and charity sector to deliver local services and creating opportunities for local people to participate in cultural activities. However, place shaping is also about ensuring that there are jobs and affordable homes for local people, great schools, further education and higher education services and high quality health and care services.

3.3 While the Council does not have specific responsibility for many of these services, it does have a significant influencing role, working alongside other organisations to help secure the best outcomes for local people. An example of this is the Council's Health Liaison Panel and the work that the Council does with the Police and Fire Services through the East Surrey Community Safety Partnership.

4 Community Leadership

4.1 The Council has a clear democratic mandate, with 38 Councillors elected every 4 years to represent the interests and concerns of its residents. This mandate places the Borough Council in a unique and unrivalled position compared to other organisations operating in the Borough, in representing its residents in taking a lead in coordinating the development of a new longer-term vision for the whole borough that reflects the needs and aspirations of local people.

5 Listening and engaging with residents and stakeholders

5.1 Successful Councils also listen to their communities and ensure that what they deliver is aligned and relevant to the needs and aspirations of local people. This has long been a characteristic of Epsom and Ewell Borough Council. An important part of this is hearing from those in the community who in the past have been harder to reach, including younger people and young families. This is because the decisions the Council take today will shape the borough for Epsom and Ewell's children and their children's children. Therefore engaging with schools, youth groups, and parent and toddler groups, and engaging young people at key events in the borough and through social media will be key.

5.2 As part of developing a longer-term vision for the borough, it is proposed to undertake a comprehensive public engagement exercise, seeking feedback on key questions, such as:

- What makes the borough such a special place to live and work?

- What does it mean to be successful town in the 21st century and how can the borough's history help inform how it develops in the future?
- What do you see as the biggest opportunities and risks facing the borough in the longer-term and what can we do now to secure the best long term outcomes.
- How would you like to see the borough develop over the next 20 to 30 years?
- In relation to characteristics that the borough is most recognised for today, what would you want to see more of in the future and what would you want to see less of?

6 Creating a legacy

- 6.1 The Council has two important and complementary roles. First and foremost, it is to deliver day to day operational services that meet the current needs in the here and now, and secondly to be planning for the future, creating a positive longer-term legacy for future residents and generations. This is particularly relevant to how the Council utilises its own capital investment including Community Infrastructure Levy and a new longer-term vision will help the Council to prioritise such longer-term investments.

7 Self-determination and taking a positive stance on the future

- 7.1 There are inevitably many external drivers that will have an impact on the Council and the future shape of the borough. Recent examples include the new draft National Planning Policy Framework, Negative Financial Subsidy (where the Government takes funding away from local Council tax payers to fund activities in other parts of the country), Business Rates Retention Scheme, Crossrail 2 and the impact on the high street arising from the shift to on-line shopping etc. Rather than simply being a victim of those various drivers and being buffeted in different directions by emerging events and the actions of other organisations, there is an opportunity through the development of a longer-term vision to understand how best to respond to these longer-term trends and where ever possible maximise the opportunities for a positive outcome for the borough.

8 Collaborative approach to vision development

- 8.1 The challenges facing the borough – affordable homes, jobs, safety, health and wellbeing, quality of life etc are not issues that can be solved by the Borough Council acting alone. The Council has an important role to play, but so do other organisations locally. This includes Housing Associations, the Police, the County Council, Developers, land owners, local businesses, health sector, voluntary sector and the residents themselves.

- 8.2 At a time of very tight resources there are significant advantages in taking an approach that achieves close alignment between the plans of organisations operating locally. There is a clear logic that organisations pulling together can achieve far more than organisations operating in isolation or worse, pulling in opposite directions.
- 8.3 Key to developing a longer-term vision for the borough is securing close engagement and buy-in from partner organisations, many of whom will already be in the process of developing their own longer-term plans for their organisation.
- 8.4 Surrey County Council, for example, are now also talking about developing a longer-term vision for the whole County. While this is potentially a positive move, it is vital that there is clarity about Epsom and Ewell's distinct vision within this. In this way, the future needs and aspirations of the borough, as articulated through the Epsom and Ewell vision, will inform any long-term plans at a County level.

9 'Taking an evidenced based approach

- 9.1 The development of a longer-term vision needs to draw on a clear socio economic evidence base for the borough, including important demographic and economic trends and exploring how the borough's outcomes compare with other Councils in Surrey and the wider region. Capturing the most important information within a borough profile, will be an important early stage in the development of a longer-term vision for the borough and will be used to inform the engagement process with residents and stakeholders.

10 Timescale

It is proposed that the development of a new longer-term vision for the borough takes place over coming year. Initial engagement has already happened through an all Member Seminar that took place on 29 May and will be concluded by a report to Strategy and Resources Committee and full Council in the summer of 2019.

11 Partnerships

- 11.1 Developing a longer-term vision for the Borough is a partnership endeavour. It builds on the Council's positive relationships and increasing track record at partnership working. In developing a longer-term vision for the borough, the Council will engage with key organisations such as the University of the Creative Arts, NESCOT college, the Clinical Commissioning Group, the Racecourse, big business, the Chamber of Commerce and the new Business Improvement District (BID) to name a few.

12 Financial and Manpower Implications

12.1 The cost of supporting the work required to deliver a longer term vision for the Borough is likely to be in the region of £45,000. It is proposed that this one-off cost is funded by £20,000 from the Housing & planning Delivery Grant Reserve and £25,000 from the Council's contingency for corporate improvements

12.2 The costs will include:

- Resident and stakeholder engagement activities, events and surveys
- Researching and compiling the required social economic evidence base
- Events to bring together other key organisations in the borough to discuss and inform their plans for the future and secure greater alignment.
- Publicity and marketing (including use of new media)
- Analysis of the results
- Production of a final vision report and associated engagement and launch

12.3 Chief Finance Officer's comments: The funding for the visioning can be funded from the uncommitted balance of the Housing and Planning Delivery Grant reserve and the remaining £25,000 funded from within the existing revenue budget for 2018/19 by aligning with other existing activities related to Economic Development, Planning and Community Wellbeing.

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

13.1 There are no legal implications arising from the contents of this report.

13.2 ***Monitoring Officer's comments:*** *There are no comments arising from the contents of this report.*

14 Sustainability Policy and Community Safety Implications

14.1 The proposals set out in this report are designed to make a positive contribution to making Epsom and Ewell a sustainable place in both the short and longer-term.

15 Risk Assessment

15.1 There are significant potential risks of not having a long-term vision for the borough that has the buy-in of both residents and partners. These are referenced in the body of the report.

- 15.2 Having a longer-term vision would provide a valuable context for a number of important Council initiatives, including the development of a new Local Plan, and the Local Infrastructure Plan. It would also be very helpful to have a vision in place to inform the increased focus on master planning in the borough and defining the best way to take forward urban intensification in appropriate locations in the borough.

Ward(s) Affected: (All Wards):

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Update to Contract Standing Orders

Head of Service/Contact:	Gillian McTaggart, Head of Corporate Governance
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	Annex 1 Contract Standing Orders
Other available papers (not attached):	None

Report summary

The Contract Standing Orders set out the rules for letting contracts. This report outlines amendments to the Contract Standing Orders including a change to the lowest level threshold.

Recommendation (s)

That the Committee approves the amendments to the Contract Standing Orders and recommends to the Council that the Constitution be updated accordingly.

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

- 1.1 The updated Contract Standing Orders (CSOs) will support the delivery of the Council's Corporate Plan.
- 1.2 Effective procurement results in the efficient use of resources in delivering services.

2 Background

- 2.1 The CSOs form part of the Constitution and apply to all contracts entered into by the Council for the procurement of goods, works and services.
- 2.2 The purpose of the CSOs is to provide a structure within which purchasing decisions are made and implemented which ensures that the Council can meet its corporate objectives, use resources effectively, purchase quality goods and services and safeguard its reputation from any implications of dishonesty or corruption.

- 2.3 The Public Contracts Regulations 2015 (PCR) came into force in February 2015 which changed the existing procurement regulations. As a result the CSOs were rewritten to reflect the changes in legislation and also improve the governance of procurement.
- 2.4 The changes agreed in June 2016 included that contracts must be awarded to the most economically advantageous tenderer. Below EU thresholds Pre-Qualification Questionnaires (PQQs) are prohibited and above EU thresholds standard questionnaires must be used meaning that in most cases open tenders must be used and therefore all potential tenders expressing an interest must be sent an invitation
- 2.5 It is also a requirements that contracts over £25,000 should be advertised on Contracts Finder and award notices should also be recorded.
- 2.6 However the minimum threshold level was not updated at the time and was kept at £5,000 to give a period to improve controls and evaluate the new processes.
- 2.7 The Council has worked with the London Borough of Sutton to implement e-tendering which was compulsory from April 2018. The Procurement Team at the London Borough of Sutton have also provided support on developing our procurement strategy aligning it to the Corporate Plan, developing standard documentation and guidance.

3 Proposals

- 3.1 The new arrangements have been in place since June 2016 and have been reviewed using feedback from users to assess their requirements. A number of changes to the CSOs are recommended taking these into account. The changes have been shown in tracked changes in Annexe 1. The main aim is to make them easier to understand and simpler to use. Also it is recommend that there is an increase in the lowest threshold level to align with the threshold used by other boroughs and districts and reflect price increases. The CSO's have also be updated to reflect some administrative changes.
- 3.2 Previously two tables were in the CSO's showing the procurement thresholds . These have been simplified into one table. Under the guidance for the Public Contract Regulations, best practice identified two tables, table one for Services, Supplies and Works and table two for Social, Education, Recreation, Sporting and Legal. However the procurement arrangements at the Council are relatively low level with only a few procurements over OJEU levels and there is no need to have separate requirements. The changes to the threshold levels are summarised as follows.

	Old level		New level
Threshold 1	0 - £5,000	Threshold 1	Up to £10,000
Threshold 2	£10,001 to £25,000	Threshold 2	£10,001 to £25,000
Threshold 3	£25,000 - £74,999		Not required
Threshold 4	£25,001 – OJEU (was £164,176)	Threshold 3	£25,001 – OJEU (currently £181,302)
Threshold 5	EU Threshold to £750,000		Not required
Threshold 6	Over £750,000	Threshold 4	Over OJEU threshold

3.3 The number of threshold levels has reduced from six to four. In addition as detailed in annexe 1, section 5.14 ,the minimum level of quotations has been amended with 5 quotes being required for procurements over the OJEU level (Threshold 4) only and a minimum of three up to a maximum of 5 for procurements between £25,000 and £181,302 (Threshold 3) This is to take into account the difficulty in identifying five suitable suppliers for some recent procurements or suppliers not tendering when requested.

3.4 The waiver process has been altered to reflect that that a waiver will not be required for expenditure under £10,000, previously £5,000 and it is also recommended that an annual report on waivers will go to the Leadership Team rather than Audit, Crime & Disorder and Scrutiny Committee as stated in the previous CSO's.

3.5 The job titles have been updated to reflect changes

4 Financial and Manpower Implications

4.1 There are no financial implications for this report. The annual spend with suppliers is around £9 million.

4.2 **Chief Finance Officer's comments;** *The Contract Standing Orders ensure that the Council is compliant with statutory requirements and achieves value for money through effective procurement. The revised thresholds will improve the efficiency of the procurement process.*

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

5.1 Pursuant to section 135 of the Local Government Act 1972, local authorities are required to make standing orders in respect of contracts. These have been drafted to reflect current completion requirements as set out in the Public Contracts Regulations 2015.

- 5.2 ***Monitoring Officer's comments:*** As noted above, section 135 of the Local Government Act 1972 requires the council to adopt Contract Standing Orders. The proposed changes to the council's Contract Standing Orders comply with the procurement rules.

6 Sustainability Policy and Community Safety Implications

- 6.1 The policy will have no negative impact on sustainability and community safety

7 Partnerships

- 7.1 The Council will continue to work with the London Borough of Sutton but the level of support has been reduced and will focus on system support. Additional support is also available through the Surrey Procurement Officers Group.

8 Risk Assessment

- 8.1 Failure to update the Contract Standing Orders could result in officers making illegal or poor procurement decisions leading to a legal challenge and/ or increased costs.

9 Conclusion and Recommendations

- 9.1 That the Strategy & Resources Committee agree the amendments to the Contract Standing Orders.

Ward(s) affected: (All Wards);

CONTRACT STANDING ORDERS

~~Approved Draft~~ - June 2018~~6~~

1. SCOPE AND APPLICABILITY

Introduction

- 1.1 These Contract Standing Orders (CSOs) apply to all contracts entered into by the Council.
- 1.2 CSOs apply to the procurement of all works, services (including consultants), supplies and the disposal of assets.
- 1.3 The Council is required to adopt CSOs under section 135 of the Local Government Act 1972.
- 1.4 If UK or EU legislation changes in a way which affects these CSOs then that change must be observed until the CSOs can be revised. If there is a conflict between UK or EU legislation and these CSOs then the legislation will take precedence.
- 1.5 These CSOs set out the principles of how the Council will administer contract procurement and management. Officers must comply with the procedures set out in the Council's Procurement ~~Toolkit~~[Guidance notes](#), which can be found on E-Hub.
- 1.6 Any reference in these CSOs to "the Council" shall refer to a committee or person acting in accordance with delegated authority on behalf of the Council.
- 1.7 Any reference to ~~Procurement Practitioner~~[Procurement Officer](#) shall refer to any other person referred to in the Procurement ~~Toolkit~~[Guidance notes](#).

Value of Contracts

- 1.8 In these CSOs references to the value of contracts are exclusive of VAT.
- 1.9 For the purposes of these CSOs, the value of a contract is the total value of the works, supplies or services for the duration of the contract including any contract extensions, variations (including day works or additional activities) and any provision for the indexation of sums to be paid under the contract.
- 1.10 These CSOs apply to all contracts except contracts referred to in CSO 7.
- 1.11 Expenditure must not be sub-divided to avoid the provisions of these CSOs.

2. STATUTORY REQUIREMENTS

- 2.1 Every contract entered into by the Council shall comply with the EU Treaty and any relevant directives of the EU for the time being in force in the United Kingdom together with any UK law and any relevant Council policy.

- 2.2 Where the estimated value of a contract exceeds the relevant EU Procurement Directive threshold then the EU tendering requirements set out in the Public Contracts Regulations 2015 (PCR 2015) must be complied with in conjunction with and in addition to these CSOs. For the purpose of these CSOs, the EU threshold means the threshold set out within the Public Contract Directive as amended from time to time for public supply contracts, public works contracts and public service contracts awarded by local authorities. See Annex A for further details.

3. CONTRACT TERMS

- 3.1 All contracts entered into by the Council shall be in writing utilising the e-procurement system with the exception of the disposal of Council assets, land and property referred to in CSO 9.
- 3.2 Before commencing any tender process or other procurement exercise officers must consider the need to consult with ~~the~~ Procurement Practitioner Officer, their Head of Service and/or the ~~Head of Legal & Democratic Services~~ Chief Legal Officer as necessary who will advise on the conditions of the contract required and the appropriate methods and procedures to be used. The ~~Head of Legal & Democratic Services~~ Chief Legal Officer shall be consulted on any bespoke conditions of contract which might be required. Officers must have regard to all necessary legal, financial, procurement, insurance and other professional advice.
- 3.3 All contracts shall be made on the conditions of contract approved by the ~~Head of Legal & Democratic Services~~ Chief Legal Officer.
- 3.4 All contracts shall:
- (i) contain a specification of requirements and the outcomes to be achieved;
 - (ii) state the price to be paid with a statement of discounts or other deductions;
 - (iii) state the time or times within which the contract is to be performed;
 - (iv) require contractors to comply with all relevant policies of the Council;
 - (v) require a contractor to comply with the provisions of the Human Rights Act 1998 as if it were a public body within the meaning of that act;
 - (vi) require the contractor to indemnify and keep indemnified the Council against all actions, claims, demands, proceedings, damages, losses, costs, charges and expenses whatsoever in respect of any breach of CSO 3.4(v);
 - (vii) require the Council to pay all undisputed invoices within 30 days (subject to any contractual or statutory obligation to pay earlier);
 - (viii) require the Council to consider and verify all invoices submitted by a contractor in a timely fashion; and
 - (ix) require any sub-contract awarded by the contractor to include the provisions of CSOs 3.4(vii) and (viii) and that such terms are passed down the supply chain.

- 3.5 Every contract which exceeds £25,000 in value or amount and is for the provision of works, supplies or services other than at one time shall provide for adequate redress in the event of default by the contractor as agreed by the ~~Head of Legal & Democratic Services~~[Chief Legal Officer](#).
- 3.6 Every contract over £75,000 shall:
- (i) provide for liquidated damages to be paid by the contractor where the terms of the contract are not duly performed if financial loss is likely to arise from delay in performing the contract; and
 - (ii) provide that where the cost of purchasing other goods, materials or services exceed the amount which would have been payable to the contractor, this amount shall be recoverable from the contractor.
- 3.7 Every contract shall include a clause allowing the Council to immediately terminate the contract and to recover from the contractor the amount of any loss resulting from the termination of the contract if the contractor shall have offered or given or agreed to give any person any gift or consideration of any kind as an inducement or reward for doing or procuring to be done or for having done or having procured to be done any action in relation to the obtaining of the contract or any other contract with the Council or for showing, procuring to show favour or disfavour to any person in relation to the contract or any other contract with the Council or if like acts shall have been done by any person employed by the contractor or acting on his behalf (whether with or without the knowledge of the contractor) or, if in relation to any contract with the Council the contractor or any person employed by him or acting on his behalf shall have committed an offence under the Bribery Act 2010 or shall have given any fee or reward the receipt of which is an offence under section 117 of the Local Government Act 1972.
- 3.8 Every contract valued at £750,000 or more shall be sealed with the common seal of the Council.
- 3.9 For all contracts under £750,000 the awarding officer may sign the contract on behalf of the Council. See CSO 5.14 for further details.

4. QUALITY ASSURANCE

- 4.1 Requirements for quality and quality assurance shall be included in every contract entered into by the Council.
- 4.2 Where an appropriate British Standard or European Standard specification and/or code of practice issued by the British Standards Institute or equivalent European institution is current at the date of tender every contract, where such a standard is proportionate to the requirements of the specification, shall require that all goods and materials used or to be supplied and all workmanship shall be to a standard not less than the British Standard or European Standard.

5. PROCUREMENT PROCESS

- 5.1 All contracts shall be awarded following the procedures set out in these CSOs or by such other public body's CSOs as provided for in CSO 7.1(ii).
- 5.2 All supplies, services and works will be procured in accordance with the requirements and value thresholds set out in CSO 5.14 unless the procurement falls within an exempt category or a waiver is obtained.
- 5.3 Where an external person or organisation is required to supervise a contract or procurement on the Council's behalf, the relevant Head of Service shall ensure that the external person or organisation complies with the requirements of these CSOs as though that external person or organisation were a Council officer.
- 5.4 Every tender issued shall include such documents as the Procurement ~~Practitioners~~Officer and ~~Head of Finance~~Chief Finance Officer may require. Where procurements are above the EU threshold all procurement documents, including the contract, must be available at the time the contract opportunity is advertised via the Council's e-procurement system. Procurements above £25,000 must be advertised on Contracts Finder within 24 hours of the initial advertisement having been placed via the Council's e-procurement system.
- 5.5 Every tenderer shall be required to accept the specification of requirements and terms and conditions of contract including a certificate of non-collusion (except where Quick Quotes (QQ) is used) and confirm as a minimum that they have answered in good faith the questions in the tender documentation correctly, accurately, in good faith and there is no conflict of interest.
- 5.6 Officers must take such steps as may be required to confirm the identity and bona fides of any prospective contractor and in relation to the transaction generally. This may require compliance with the client identification procedures required by the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ~~Regulations 2007~~ or the Land Registry (where applicable). Any suspicions in relation to money laundering must be reported immediately to the Council's ~~Money Laundering Reporting Officer~~Head of Corporate Governance.
- 5.7 All invitations to tender, with the exception of Quick Quotes, must include the criteria and sub-criteria upon which tenders will be evaluated together with the respective weighting to be applied to each.

Framework Agreements

- 5.8 Officers must consider and, where required, use EU compliant contracts and framework agreements already tendered by the Council or those contracts and frameworks procured by other public sector bodies or consortia which are available to the Council.

- 5.9 Where the Council has a tendered contract or framework agreement for a category of supplies, services and/or works, officers must use such contracts or framework agreements for the procurement of relevant supplies, services or works unless they obtain the agreement in writing of the [Head of Finance](#)~~Chief Finance Officer~~.
- 5.10 Where supplies, services or works cannot be obtained through an existing contract or framework agreement, officers must comply with the competition requirements in CSOs 5.14.
- 5.11 Further requirements relating to framework agreements can be found at CSO 5.25 – 5.33.

Competition Requirements

- 5.12 The tables in CSO 5.14 are compiled to take account of the PCR 2015 and the EU thresholds.
- 5.13 All tendering procedures are to be carried out in accordance with the requirements and timescales set out in the Procurement [Toolkit](#)~~Guidance~~ [notes](#) which can be found on E-Hub.

5.14 Competition - Threshold Requirements

This Table provides a quick checklist and guidance for the necessary governance arrangements for authorisations when entering into contracts:

	Contract Standing Orders (revised June 2018) Procedures for Procurement - minimum requirements							
	Aggregate Value over Contract Period £	Check Budget Approval	Minimum No. of Quotations or Tender	Receipt of Quotes or Tender	Timeframe for Quotes or Tender	Audit Trail & Documentation	Contract Requirement	Evaluation/ Approval
Threshold 1	Up to £10,000 Quick Quotes - QQ	Y/N	Up to 3 Quotes	E Mail or Pro Contract	Allow 14 working days	Dedicated folder on Projects Drive	Purchase Order T&Cs	Officer with Delegated Authority
Threshold 2	£10,001 to £25,000 Request for Quotes - RFQ	Y/N	Up to 3 Quotes	Preferably Pro Contract in exceptions (Email in exceptional circumstances)*	Allow 21 Working Days	Pro Contract and folder on Projects Drive	Purchase Order T&Cs	Head of Service/ Officer
Threshold 3	£25,001 to £181,302 RFQ, Invitation to Tender - ITT	Y/N	3 Tenders_ minimum, maximum of 5 Tenders	Pro Contract	Allow 28 Working Days	Pro Contract - Instructions to Tenderers Specification and Scope of work Contract	Advertise on contracts finder JCT/NEC/ Bespoke	Head of Service and Finance
Threshold 4	Over OJEU (£181,302) Standard Selection Questionnaire SSQ ITT	Y/N	5 Tenders	Pro Contract	OJEU timescales apply	Pro Contract - Instructions to Tenderers Specification and Scope of work Contract	Advertise on contracts finder JCT/NEC/ Bespoke	Finance and Appropriate Committee

For below EU threshold procurements (£25k - £181k)

- Minimum of three tenders sought (can be Closed, Restricted or Open)
- For Works related projects Construction line should be used to select shortlist of suitable contractors
- If selecting from a 'Closed' group of suppliers (whether on Framework or not) there is no requirement to advertise on Contracts Finder
- An Open tender (above £25k) must be advertised on Contracts finder.
- All contract awards above £25k must be published on Contracts Finder regardless of whether the opportunity was advertised) or not.
- OJEU Thresholds reviewed annually.

* see CSO 5.36 for further details of requirements

TABLE 1
SERVICES, SUPPLIES AND WORKS (INCLUDING CONSULTANTS)
(EXCLUDING SERVICES SET OUT WITHIN SCHEDULE 3 OF THE PCR 2015)

Estimated value	Advertising requirement	Minimum number of organisations to be invited to tender	Tender procedure	Evaluation	Authorisation required for contract award
Under- £5,000£10,000	E-Procurement system	One (but preferably three)	QQ	Officer with delegated authority	Officer with delegated authority
£5,000£10,000 - £24,999	E-Procurement system	At least three	QQ or Request for Quotation (RFQ) if quality weighting is required for evaluation	At least two officers, one of whom not previously involved in the procurement	Head of Service
£25,000— £74,999	E-Procurement system, Contracts Finder, trade journal where appropriate	Five	RFQ	At least two officers one of whom must be a representative from the Finance department	Head of Service in conjunction with a representative from Finance
£75,000— below EU threshold	E-Procurement system, Contracts Finder, trade journal where appropriate	N/A—open procedure to be used	RFQ	At least three officers including one representative from Finance and one from Legal	Head of Service in conjunction with the Director of Finances & Resources
EU threshold— £750,000	OJEU, E-Procurement system, Contracts Finder, trade journal where appropriate	Five	EU compliant—open, restricted, others	At least three officers including one representative from Finance and one from Legal	The Director of Finances & Resources in conjunction with the relevant committee chairman
Over £750,000	OJEU, E-Procurement system, Contracts Finder, trade journal where appropriate	Five	EU compliant—open, restricted, others	At least three officers including one representative from Finance and one from Legal	The relevant committee

5.14—Competition – Threshold Requirements

TABLE 2 HEALTH, SOCIAL, EDUCATION, RECREATIONAL, CULTURAL, SPORTING, LEGAL SERVICES AND CERTAIN OTHER SERVICE CONTRACTS WITHIN SCHEDULE 3 OF THE PCR 2015					
Estimated value	Advertising requirement	Minimum number of organisations to be invited to tender	Tender procedure	Evaluation	Authorisation required for contract award
Under £5,000 £10,000	E-Procurement system	One (but preferably three)	QQ	Officer with delegated authority	Officer with delegated authority
£5,000 £10,000-£24,999	E-Procurement system	At least three	QQ or Request for Quotation (RFQ) if quality weighting required for evaluation	At least two officers, one of whom not previously involved in the procurement	Head of Service
£25,000 – £74,999	E-Procurement system, Contracts Finder, trade journal where appropriate	Five	RFQ	At least two officers one of whom must be a representative from the Finance department	Head of Service in conjunction with a representative from Finance
£75,000 – below EU threshold	E-Procurement system, Contracts Finder, trade journal where appropriate	N/A – open procedure to be used	RFQ	At least three officers including one representative from Finance and one from Legal	Head of Service in conjunction with the Director of Finances & Resources
EU threshold – £750,000	OJEU, E-Procurement system, Contracts Finder, trade journal where appropriate	Five	EU compliant – open, restricted, others	At least three officers including one representative from Finance and one from Legal	The Director of Finances & Resources in conjunction with the relevant committee chairman
Over £750,000	OJEU, E-Procurement system, Contracts Finder, trade journal where appropriate	Five	EU compliant – open, restricted, others	At least three officers including one representative from Finance and one from Legal	The relevant committee

Tender Procedures

- 5.15 All procurement processes must comply with the requirements and thresholds set out in CSO 5.14 and the procedures set out in the Procurement [Toolkit](#) [Guidance notes](#) which can be found on E-Hub.
- 5.16 The open procedure will normally be used for EU threshold procurements.
- 5.17 The restricted, competitive procedure with negotiation, competitive dialogue procedure and the innovative partnership procedure may only be used, or a dynamic purchasing system established, after officers have agreed the appropriateness of the procedure with the [Head of Legal & Democratic Services](#) [Chief Legal Officer](#).
- 5.18 Every procurement process shall be conducted in an equitable, fair, non- discriminatory and transparent manner for each contract.

Permission to Tender

- 5.19 Heads of Service have the authority to commence a tendering process provided there is a business case for the procurement and financial provision has been obtained.
- 5.20 Where the value of the contract is in excess of £750,000, the procurement must be approved by the relevant committee prior to the commencement of the procurement process.

Tendering – Selection of Tenderers

- 5.21 Where the number of organisations expressing an interest in an advertisement is fewer than the number set out in CSO 5.14 then all such organisations applying will be asked to tender subject to meeting the requirements of CSO 5.23.
- 5.22 The Head of Service with permission to tender a contract will be responsible for ensuring audit trail records are completed on the e-procurement system showing how tenderers are selected for each contract and the reasons why they were chosen.
- 5.23 Where contracts are subject to the PCR 2015 and are above the relevant EU threshold, the suitability to pursue a professional activity, the economic and financial standing and technical and professional ability of any contractor or supplier shall be assessed if relevant and proportionate to the contract being procured. Such assessment will take place prior to the contractor or supplier being invited to tender. It is not permissible to use a pre-qualification stage for contracts below the EU threshold although suitability assessment questions may be used provided those questions are relevant to the subject matter and are proportionate as advised by the [Head of Legal & Democratic Services](#) [Chief Legal Officer](#).

- 5.24 Where contracts are subject to the PCR 2015 and are above the EU threshold, in relation to economic and financial standing, the minimum annual turnover that a contractor or supplier is required to have shall not exceed twice the estimated annual contract value except in duly justified cases. Where the minimum annual turnover required exceeds twice the estimated contract value the justification must be included in the report required by PCR 2015 regulation 84(1).

Tenderers sought from Framework Agreements

- 5.25 This CSO applies where tenders are sought from either a framework agreement set up in compliance with the PCR 2015, as established by the Council, another public body, a local authority consortium, a national agency which is recognised as carrying out procurement for the benefit of public bodies or another local authority as part of a joint purchasing arrangement of which the Council is permitted to use in accordance with the PCR 2015.
- 5.26 Call offs either by mini competition and/or direct award from a framework agreement must be undertaken in accordance with the rules of the relevant framework agreement. Mini competition and/or direct awards, where required by the relevant framework agreement, must be conducted through the Council's e-procurement system.
- 5.27 Tenders will not be required where a framework agreement is with a single supplier or allows the call off of supply without competition. In such cases officers will need to demonstrate that they have obtained value for money.

Council Framework Agreements

- 5.28 Where there is a frequent occasion to go out for tender for a category of work, supply or service, a framework agreement of organisations may be compiled for the Council.
- 5.29 For a multi-supplier framework, each framework agreement must include a minimum of two suitable organisations. Where the Council has decided to enter into a single supplier framework, a single supplier must be appointed to the single supplier framework.
- 5.30 Each framework agreement shall clearly state the rules for call off by mini competition and/or direct awards of contract under the framework as applicable.
- 5.31 Each framework agreement will be compiled in accordance with the competition requirements set out in CSO 5.14.

- 5.32 The suitability of applicants will be evaluated in accordance with the criteria and sub-criteria stated in the contract documentation and upon the information provided in the applicant's submission to be included on the framework agreement.
- 5.33 Framework agreements may exist for a maximum of four years unless the subject matter of the framework agreement justifies a longer contract period as agreed by the Chief Legal Officer~~Head of Legal & Democratic Service~~.

Submission of Tenders – Electronic Submission

- 5.34 All tenders for the procurement of supplies, services and works will be submitted securely through the Council's e-procurement system. For the avoidance of doubt, the term "tenders" includes Quick Quotes (QQ) and Request for Quotation (RFQ).
- 5.35 For low value procurements (under ~~£5,000~~£10,000), officers may obtain tenders without using the QQ system where it is expedient to do so in consultation with the Head of Service. ~~Prior authorisation must be obtained from the Head of Finance to obtain low value tenders without using the QQ system.~~

- 5.36 ~~Where the contract value is between £10,001 and £25,000, officers should ordinarily use Procontract to procure. The requirement to use Procontract may be waived in exceptional circumstances. Any officer who wants to use e-mail rather than Procontract must obtain the written approval from the Head of Corporate Governance prior to obtaining any quote by e-mail. The procuring officer must provide written justification as to why the use of Procontract should be waived.~~

Submission of Tenders – Paper Submission

- 5.37 Paper tenders shall only be used in below EU level procurements where the e-procurement system is unavailable. The ~~Head of Finance~~Chief Finance Officer will set out the requirements for submitting a paper tender where this is required.

Tender Opening – Electronic and Paper Tenders

- 5.38 Tenders, QQs and RFQs ~~are will be~~ opened through the e-procurement system. ~~within an hour of the time specified in the invitation to tender documentation.~~
- 5.39 No tender, QQ or RFQ received after the time and date specified in the invitation to tender documentation will be considered.
- 5.40 For tenders with a threshold of over £750,000 opening will be carried out by a representative nominated by the Head of Finance. the Procurement Officer who will inform the Key Officers.

5.41 No person shall disclose the value, number or any other detail of the tenders received to any tenderer or anyone not involved in the tender evaluation procedure.

Tender Evaluation

5.42 For low value procurement (under ~~£5,000~~£10,000) the awarding officer shall evaluate the tenders received.

5.43 For procurement valued between ~~£5,000~~£10,000 and £25,000 tenders shall be evaluated by at least two officers one of whom must not have been directly involved in the procurement previously.

5.44 For procurement valued between £25,000 and ~~£75,000~~the OJEU limit tenders shall be evaluated by at least two officers, one of whom must be a representative from the Finance department.

i) ~~5.45~~ For procurement valued above the OJEU limit~~£75,000~~, tenders shall be evaluated by at least ~~three~~two officers including a representative from the Finance department and the relevant committee. ~~and a representative from the Legal department.~~

5.46 In all cases tender evaluation shall be carried out in an equitable, fair, non- discriminatory and transparent manner in accordance with the award criteria set out in the tender documentation and the procedures contained in the Procurement ~~Toolkit~~Guidance notes.

5.47 Where a tender contains errors or discrepancies affecting the tender sum or rates the relevant Head of Service may, during the tender evaluation providing no information is given to the tenderer regarding the effect of such action, give the tenderer the option to:

- (i) correct the prices or rate concerned;
- (ii) continue without correcting the prices or rates; or
- (iii) withdraw the tender.

5.48 If a tender is received with an abnormally low price in proportion to the contract requirement the Council officer leading the procurement shall require the tenderer to explain the costs proposed in the tender.

5.49 If, after consulting the tenderer, the officer is not satisfied that the evidence or explanation provided can satisfactorily account for the low level of price or costs proposed, the officer must discuss what action should be taken with the ~~Head of Finance~~Chief Finance Officer.

5.50 Where QQ is used, the tenderer providing the cheapest quote will

be awarded the contract and no qualitative assessment will be undertaken.

5.51 RFQ and EU procurement will be assessed using the most economically advantageous tender (MEAT) approach. MEAT uses both quality and price to evaluate tenders.

5.52 Where MEAT is to be used and prior to the tender being issued, the officer leading the procurement will, in conjunction with the ~~Procurement Practitioner~~ [Procurement Officer](#) or ~~Head of Finance~~ [Chief Finance Officer](#), agree the criteria and weighting against which tenders will be assessed.

Criteria may include:

- (iv) price;
- (v) technical merit;
- (vi) aesthetic and functional characteristics;
- (vii) environmental characteristics;
- (viii) running costs;
- (ix) cost effectiveness;
- (x) after sales service;
- (xi) technical assistance;
- (xii) delivery date, delivery period and period of completion;
- (xiii) agility and ability to respond to contingencies;
- (xiv) customer care;
- (xv) performance standards, quality monitoring and complaints;
- (xvi) accessibility; and
- (xvii) organisation, qualification and experience of staff.

5.53 This list is not exhaustive. Further details concerning MEAT can be found in the Procurement ~~Toolkit~~ [Guidance notes](#).

Post Tender Negotiations

5.54 Officers shall not enter into post tender negotiations with a tenderer in an open or restricted procurement procedure. This principle also applies to QQ and RFQs.

Acceptance of Tenders

5.55 The authority to award contracts is set out in CSO 5.14 and is subject to:

- (i)** the award being made to the cheapest tenderer where QQ is used or the most economically advantageous tender in all other cases; and
- (ii)** all tender award notifications being conducted through the Council's e- procurement system.

Contract Notification and Standstill Period

- 5.56** All successful and unsuccessful tenderers for a contract must be notified simultaneously and as soon as possible as to the outcome of the tender process via the e-procurement system.
- 5.57** For all contracts with a value exceeding the EU threshold the council will apply a standstill period for a minimum of 10 days to comply with the PCR 2015. The day of notification is considered day 0. This requirement applies to call offs from framework agreements which exceed the EU threshold.
- 5.58** For QQs and RFQs telephone debriefs, if requested by tenderers, are permissible.
- 5.59** Where the standstill period in CSO 5.56 applies, the Council will send a notification to all organisations submitting a tender stating as a minimum the following:
- ~~ii)~~i) the award criteria;
 - ~~iii)~~ii) the sub criteria weightings;
 - ~~iv)~~iii) the ranking of the tenderer in the tender evaluation; and
 - ~~v)~~iv) the name of the successful tenderer.
- 5.60** If the decision to award is challenged by an unsuccessful tenderer the contract will not be awarded and the matter shall be referred to the ~~Head of Legal & Democratic Services~~[Chief Legal Officer](#) for advice.
- 5.61** The advice of the ~~Head of Legal & Democratic Services~~[Chief Legal Officer](#) must be sought in any situation where a face to face debrief is being considered.

Commencement of Work

- 5.62** No supply of works, supplies or services is to commence until a sufficiently binding contractual arrangement is in place between the Council and the contractor to the satisfaction of the ~~Head of Legal & Democratic Services~~[Chief Legal Officer](#).

6 CONTRACT MANAGEMENT

- 6.1 The relevant Head of Service will maintain accurate and proper records of all contracts for which he/she is responsible
- 6.2 The relevant ~~H~~head of Service shall be responsible for ensuring that all contracts for which he/she is responsible are properly performed and managed.

Variations to Contracts

6.3 Where a contract is varied by addition to, omission from or amendments to, such variations must be made promptly in writing noting that any variations must fall within the scope of the original contract.

6.36.4 All variations issued must include the scope and an estimate of the value of the variation and the method by which the final value of the variation will be determined. Where tender clarifications occur between the invitation to tender and the award, all such variations must be captured on the e-procurement system.

6.46.5 Where the total value of the contract including any variation is not more than £25,000 and the Council has an approved budget for this amount, the relevant Head of Service may agree the variation. In all other circumstances the Council's s151 officer's written approval must be obtained.

6.56.6 Where contract variations generate a lower contract value and no significant change to the contract specification is envisaged, no such authorisations are necessary.

Contract Storage and Audit

6.66.7 As soon as possible, the relevant Head of Service must ensure that the original signed contract is passed to the Legal department for storage.

6.76.8 As soon as possible after completion of the procurement, the relevant Head of Service must inform the [Procurement Practitioner](#) [Procurement Officer](#) of all contracts which must be registered on the Council's contracts register.

6.86.9 The relevant Head of Service must ensure that all relevant paperwork relating to the tender, the tender opening procedure, the tender evaluation and award of contract is retained, for at least 6 months, in case of legal challenge or for audit purposes.

7 EXEMPTIONS FROM TENDERING

7.1 These CSOs apply to all procurement undertaken by the Council unless the procurement is below the EU threshold and falls within one of the following categories:

- (i) call offs from framework agreements which have been tendered in accordance with the PCR;
- (ii) where effective competition is prevented either by government control or by the supplies or services being proprietary and/or are sold only at a fixed price;

- (iii) an extension to an existing contract which contains express provisions as to the extension of that contract and provided those conditions are followed. The extension must be agreed in advance, in writing by the Head of Corporate Governance prior to the contract being extended.
- (iv) the Council is acting as an agent for another organisation and is acting in accordance with that organisation's CSOs;
- (v) employment contracts;
- (vi) disposal or acquisition of land (see CSO 9); and
- (vii) legal advice and expert witnesses.

8 WAIVER

- 8.1 The requirement for the Council to conduct a competitive procurement process for contracts in excess of ~~£5,000~~£10,000 but below the EU threshold may be waived in exceptional circumstances by the a Director or Chief Executive, Head of Corporate Governance, Chief Finance Officer, Chief Operating Officer or Chief Legal Officer.
- 8.2 All waivers from CSOs are to be:
- (i) fully documented; and
 - (ii) the subject of a written report in an approved format which is submitted in advance to the ~~Monitoring Officer~~Head of Corporate Governance and s151 officer for approval and shall include the reasons why the waiver is sought.
- 8.3 All decisions on whether or not to grant a waiver must take into account:
- (i) probity; and
 - (ii) best value for money principles.
- 8.4 Applications for waivers which are as a result of poor contract planning will rarely be considered genuinely exceptional.
- 8.5 The relevant Head of Service will inform the relevant committee when a waiver has been granted and an annual report setting out the waivers granted will be presented to the ~~Audit, Crime & Disorder and Scrutiny Committee~~Leadership Team.

9 DISPOSAL OF LAND AND OTHER ASSETS

Disposal of Land and Property

- 9.1 All land and property which is considered to be surplus to the Council's service requirements must be notified to the ~~Head of Legal & Democratic Services~~[Chief Legal Officer](#) who will be responsible for the disposal or other reallocation of such land and property in accordance with the Council's Asset Management Strategy.

Disposal of Other Council Assets

- 9.2 Assets may be declared as being surplus to requirements by a Head of Service who shall assess the value of the assets using such expert assistance as they consider necessary and to dispose of the asset in accordance with this CSO.
- 9.3 The value of an asset shall be the estimated price for which the asset might reasonably be expected to be sold to a willing purchaser in the open market. Similar assets declared surplus to requirements at or about the same time shall be aggregated in value.
- 9.4 Assets having no realisable value or where the costs of disposal is likely to likely to exceed the price received may be disposed of as waste provided that the assets shall be recycled wherever reasonably practical and financially viable.
- 9.5 Assets with a value of ~~£5,000~~[£10,000](#) or less may be sold for the best price possible.
Such assets may be advertised on internet based marketplaces (such as EBay). Where such sites are used, the ~~Head of Finance~~[Chief Finance Officer](#) will nominate a single council officer to be responsible for the disposal of assets using this method.
- 9.6 In the case of assets valued above ~~£5,000~~[£10,000](#), disposal shall be carried out by inviting bids for the assets through the open procedure or auction.
- 9.7 Council officers or members are not permitted to purchase any Council assets.
- 9.8 Assets which require secure disposal such as computers, tablets, mobile telephones and any other equipment containing personal or confidential material must be disposed of only to an approved contractor. The relevant Head of Service ~~on~~ in the case of IT equipment, the Head of ICT, must ensure that the personal information or confidential material is destroyed and documentation confirming this must be obtained from the contractor and retained by the Council.
- ~~9.8~~9.9 Where items have to be written off and disposed of the write off must be approved in accordance with the following limits:
- (i) for items valued up to ~~£5,000~~[£10,000](#) Head of Service in consultation with the ~~Director of Finance & Resources~~[Chief](#)

- [Finance Officer](#);
- (ii) for items valued between ~~£5,000~~[£10,000](#) and £20,000, ~~Director of Finance & Resources~~[Chief Finance Officer](#) in consultation with the relevant committee chairman; and
 - (iii) for items valued over ~~£1~~[£20,000](#) the relevant committee.

10 OTHER PROVISIONS

Work for Third Parties

- 10.1 The ~~Head of Legal & Democratic Services~~[Chief Legal Officer](#) must approve the contractual arrangements for any work carried out by the Council for third parties or external bodies.

Partnerships

- 10.2 Partnerships with other local, public, private, voluntary and community sector organisations will be entered into subject to the approval of the relevant committee who shall agree:
- (i) the terms of reference; and
 - (ii) where appropriate, a scheme of delegation to officers to operate within the partnership.
- 10.3 Unless specifically agreed by the relevant committee, partnership arrangements shall only be entered into in accordance with the provisions of these CSOs.
- 10.4 The heads of terms for all partnership arrangements shall be approved by the relevant committee and full terms and conditions by the relevant committee and the ~~Head of Legal & Democratic Services~~[Chief Legal Officer](#).
- 10.5 The ~~Head of Legal & Democratic Services~~[Chief Legal Officer](#) shall be responsible for ensuring that adequate arrangements for governance are set up within each partnership entered into. Such arrangements shall include provisions for arranging contracts with external bodies.

Council Members and Contracts

- 10.6 No member shall have authority to enter into any contract on behalf of the Council.
- 10.7 No member shall have authority to issue any instruction or variation to a contractor of the Council.

ANNEX A

EU THRESHOLD LEVELS

The financial thresholds are amended on a regular basis, generally every 2 years. The current thresholds set out below are valid from 1 January 2018 to 31 December 2019.

		Supplies	Services	Works
A	Local authorities	£181,302,641,76	£181,302,641,76	£4,551,413,104,394
		€21,000,000	€21,000,000	€5,548,000,225,000
B	Social and other specific services (sch 3 PCR 2015)	N/A	£589,148,615,278 €750,000	N/A

Note: The threshold for social and other specific services in row B of the table above is a higher threshold as the European Commission decided that these services are not likely to attract cross-border interest and this gives local authorities flexibility in procuring these services. Whilst in the past services were divided into Part A and Part B services this distinction no longer exists and instead there are services which are subject to the full extent of the regulations and other services which are subject to the light touch regime.

The new threshold in row B for social and other specific services applies to procurements of the following services:

Health, social and related services;
Administrative social, educational, healthcare and cultural services;
Compulsory social security services;
Benefit services;
Other community, social and personal services including services furnished by trade unions, political organisations, youth associations and other membership services; Religious services;
Hotel and restaurant services;
Some legal services;
Other administrative services and government services; Provision of services to the community;
Some prison related services, public security and rescue services;
Investigation and security services;
International services; and Postal services.

Where the officer is seeking to procure any of the above services you should contact a Procurement Practitioner Procurement Officer in order to check if the service falls within one of these areas and is therefore subject to the higher threshold set out in row B.

Corporate Plan: Key Priority Targets for 2018 to 2019

Report of the/Contact:	Gillian McTaggart, Head of Corporate Governance
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	Annex 1 – Key Priority Targets for 2018 to 2019
Other available papers (not attached):	Corporate Plan 2016 to 2020 Service Delivery Plans 2018 to 2019 Phase Two Performance Report 2017 to 2018

Report Summary

This report provides a list of all the Key Priority Targets for 2018 to 2019.

Recommendation (s)

That the Committee reviews and agrees its Key Priority Targets for 2018 to 2019 as detailed in Annex 1 of this report and outlined in paragraph 2.1.

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

- 1.1 This report covers year three of the Key Priorities for the Corporate Plan and there are no implications for the purposes of this report.

2 Background

- 2.1 The Council has a four-year Corporate Plan for the period 2016 to 2020.
- 2.2 The delivery of the Corporate Plan will be captured in the performance reports. The report details what will be done, what the Key Priority Targets are and how these will be measured. Progress against Key Priority Targets is reported directly to members through Members Update. Phase two targets for 2017/18 were reported on 12 January 2018. Phase three (yearend) was reported on 18 May 2018. All targets will continue to be reported to Audit, Crime and Disorder Committee for scrutiny.

3 Key Priority Targets for 2018/19

- 3.1 Our Key Priority Targets are linked to our Annual Service Delivery Plans for 2018 to 2019. The targets for 2018 to 2019 have been developed in consultation with the Leadership Team and Committee Chairmen. The targets are focused around our key priorities for 2018 to 2019.
- 3.2 Our performance management arrangements for year two of our Corporate Plan (2017 to 2018) has been successfully completed. At the yearend, the progress report showed that 43 targets have been achieved, which equates to approximately 68% attainment for the year, as reported in the year progress report to all Councillors.
- 3.3 Feedback received as part of year two has been fed into the target setting process for year three. We will continue to review our performance management processes to ensure performance information submitted facilitates decision making and is fit for purpose. The Strategy & Resources Committee is asked to review and agree its targets for 2018 to 2019 as outlined in **Annex 1**.

4 Financial and Manpower Implications

- 4.1 **Chief Finance Officer's comments:** *no implications for the purposes of this report*

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

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

6 Sustainability Policy and Community Safety Implications

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

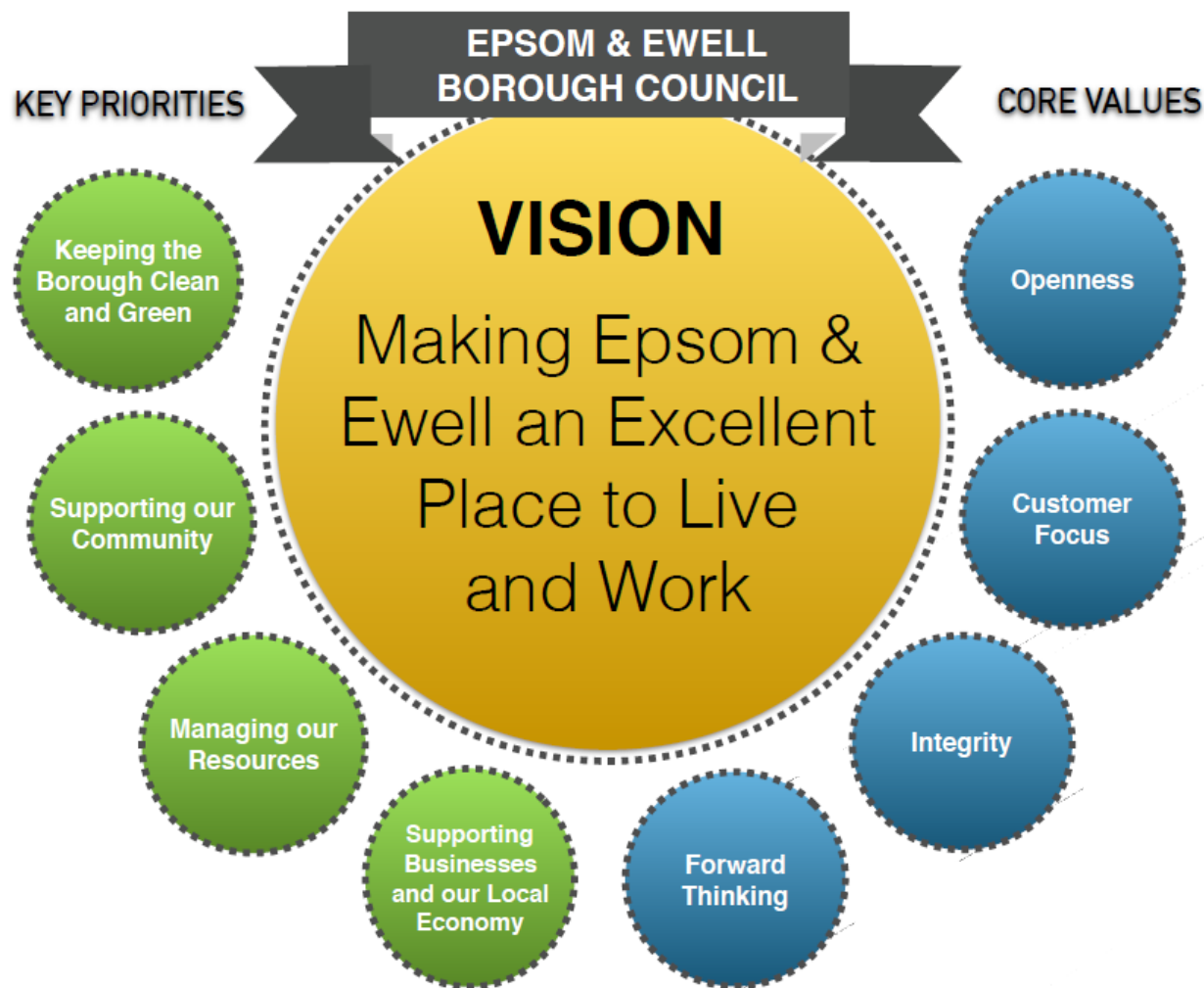
7 Risk Assessment

- 7.1 Failure to maintain performance. Continue to ensure actions are identified and implemented for targets unachieved.

8 Conclusion and Recommendations

- 8.1 The Committee is requested to approve its Key Priority Targets for 2018 to 2019.

Ward(s) Affected: (All Wards);



Corporate Plan 2016 to 2020
Strategy & Resources Committee's Provisional Targets for 2018 to 2019

Key Priority	Targets for 2018/19	Responsible officer	Targets to be achieved by
Keeping our borough clean and green	<ul style="list-style-type: none"> Establish a corporate group to evaluate the future approach to enforcement and community safety with an agreed work programme 	Damian Roberts	April 2018
	<ul style="list-style-type: none"> Refurbishment of Rosebery Park Pond 	Ian Dyer	July 2018
	<ul style="list-style-type: none"> Complete the newt survey at Stones Road Allotment and report on future options 	Mark Shephard	September 2018
Supporting our community	<ul style="list-style-type: none"> Appraise options for the development of the Wells Site and agreed community space 	Mark Shephard	September 2018
	<ul style="list-style-type: none"> Complete the transfer and support the handover of Horton Chapel to the Horton Chapel Arts & Heritage Society 	Amardip Healy	March 2019
	<ul style="list-style-type: none"> Deliver the agreed initial Community Infrastructure Levy (CIL) and Civic Investment Fund scheme (CIF) in line with timetable 	Gillian McTaggart	July 2018
	<ul style="list-style-type: none"> A report to S&R Committee to determine the options to develop two units for residential accommodation in South Street 	Mark Shephard/Rod Brown	July 2018

Key Priority	Targets for 2018/19	Responsible officer	Targets to be achieved by
Supporting our community	<ul style="list-style-type: none"> Support the delivery of the Hollymoor Lane Parade 	Mark Shephard	March 2019
	<ul style="list-style-type: none"> A review of the CCTV provision provided by the Council 	Rod Brown	March 2019
Managing our resources	<ul style="list-style-type: none"> Delivery of the Income Generation Plan and agree the Supporting a marketing action plan 	Lee Duffy Shona Mason	April 2018 September 2018
	<ul style="list-style-type: none"> Produce a 10 year Financial Projection for the Council 	Lee Duffy	September 2018
	<ul style="list-style-type: none"> Retender the Facilities Management (FM) contract to be awarded 	Mark Shephard	January 2019
	<ul style="list-style-type: none"> Improve on-line functionality to increase digital services for residents 	Judith Doney	March 2019
	<ul style="list-style-type: none"> Co-ordinate and support the Council's civic events for 2018 to commemorate: WW1, Epsom 400 and Suffragette 	Shona Mason	December 2018
	<ul style="list-style-type: none"> Report on adopting a policy on single use plastics and an action plan to Strategy & Resources 	Amardip Healy	September 2018
	<ul style="list-style-type: none"> To agree an unauthorised encampment protocol with partners 	Amardip Healy	May 2018
	<ul style="list-style-type: none"> At least 98.4% of Council Tax collected 	Judith Doney	March 2019
	<ul style="list-style-type: none"> At least 99.0% of Business Rates to be collected 	Judith Doney	March 2019

Key Priority	Targets for 2018/19	Responsible officer	Targets to be achieved by
Managing our resources	<ul style="list-style-type: none"> Process new Housing Benefit claims within an average time of 28 days 	Judith Doney	March 2019
	<ul style="list-style-type: none"> Process Housing Benefit change of circumstances within an average time 11 days 	Judith Doney	March 2019
Supporting businesses and our local economy	<ul style="list-style-type: none"> Letting availability of South Street premises ground floor as a commercial occupation 	Mark Shephard	March 2019
	<ul style="list-style-type: none"> Run an event for local businesses with the Surrey Chamber of Commerce (Economic Development Contract) 	Head of Planning/Julia Owen	August 2018
	<ul style="list-style-type: none"> Host an annual welcome event with University of the Creative Arts (UCA) business students 	Shona Mason	October 2018
	<ul style="list-style-type: none"> Work in conjunction with UCA to produce a promotional film to promote Epsom & Ewell 	Damian Roberts	March 2019
	<ul style="list-style-type: none"> Support the work of the Business Improvement District (BID) 	Damian Roberts	March 2019

Key Priority	Targets for 2018/19	Responsible officer	Targets to be achieved by
Supporting businesses and our local economy	<ul style="list-style-type: none"> Produce an economic profile of the Borough including ward profiles 	Gillian McTaggart	December 2018
	<ul style="list-style-type: none"> Report to S&R on the options to establish a joint committee 	Amardip Healy	July 2018
	<ul style="list-style-type: none"> Develop a Memorandum of Understanding for the market place 	Damian Roberts	December 2018

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Future Use of The Wells Site: Update

Head of Service/Contact:	Mark Shephard, Head of Property and Regeneration
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	Confidential Annex 1 – Budget Breakdown
Other available papers (not attached):	Report to S&R Committee 1 Feb 2018 – Future Use of The Wells Site

Report summary

This report provides an update on progress since February 2018 and details the budget to progress the redevelopment up to and including the submission of planning permission.

Recommendation (s)

That the Committee:

- (1) Approves an additional budget of £68,000 to cover all the costs in connection with the submission of a planning application for the Wells site;**
- (2) Agrees that the £68,000 be funded from the Corporate Projects Reserve;**
- (3) Agrees to a report being brought back to September 2018 Strategy & Resources Committee with an update on progress.**

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

- 1.1 This proposal supports the Council's four year Corporate Plan and Medium Term Financial Strategy specifically focusing on the Key Priority of Managing our Resources through maximising returns from properties and other investments, and identifying new sources of revenue and maximising our existing income.

2 Background

- 2.1 At its February 2018 meeting, Committee considered the future use of the Wells site and approved the following recommendations:-

- *The residential redevelopment of The Wells Site, including the provision of a community facility of up to 1,500 sq ft (to be operated and managed by the community) is undertaken by the Council or its wholly owned trading company.*
 - *PwC (PricewaterhouseCooper) be engaged to advise on how to achieve the outcome set out in recommendation 1 above at a cost of up to £15,000 to be funded from the Corporate Project Reserve.*
 - *The Head of Property and Regeneration, in consultation with the Chief Finance Officer and Chief Legal Officer, be authorised to act on the advice received from PwC.*
- 2.2 Should a final business case prove the development's viability (both financially and otherwise), PwC (Pricewaterhouse Cooper) has indicated that the most efficient structure would be for the Council to undertake the redevelopment itself and, upon completion, transfer any units for rent to a wholly owned trading company.
- 2.3 Approval to appoint the procured professional team and allocate an initial £92,000 budget was a decision taken in consultation with the Committee Chairman. The professional team consists of development consultant, architect, planning consultant and quantify surveyor (cost consultant).
- 2.4 The professional team will produce the development brief i.e. to assess the redevelopment potential of the site and appraise its financial viability.
- 2.5 It is expected the professional team will complete the working up of a draft development brief for the September 2018 meeting. If approved, it will allow officers to move forward with the consultation with residents.
- 2.6 Following consultation, the development brief will be finalised and will form the business case to support redevelopment of the Wells site. The purpose of the business case will be to demonstrate the proposals for development are financially deliverable.
- 2.7 The completed business case will underpin a subsequent Committee Report seeking approval of the final scheme and authority to submit a planning application for final scheme.

3 Proposals

- 3.1 In line with the discussions, the key criteria for the development brief are:-
- mixed use scheme comprising residential and a community facility
 - retention of a public children's playground
 - retention of a public Right of Way

- provision of sufficient parking
- 3.2 As mentioned, it is anticipated that the draft development brief will be ready for submission to September 2018 Committee. If approved this will then allow for a consultation with residents in October 2018, following which approval of the development and authority to submit a planning application will be sought at November 2018 Committee.
- 3.3 The existing approved £92,000 professional team budget includes the team's fees; third party surveys (ecological, transport, arboricultural etc); working up the development brief; undertaking consultation and concluding the business case in readiness for the submission of a planning application.
- 3.4 It is recommended that an additional budget of £68,000 be approved to cover all the costs associated with the submission of a planning application. The additional sum covers planning application fees, structural engineer advice, hydrogeologist advice, legal fees and a contingency.

4 Financial and Manpower Implications

- 4.1 A full breakdown of all the cost for submission of a planning application for the site is attached at the confidential Part II Annexe A. The individual figures are commercially sensitive due to outstanding appointments or surveys awaiting procurement
- 4.2 If planning permission is forthcoming, the Wells site will receive a net uplift in land value (i.e. after the deduction of all costs to achieve planning permission). The likely increase in value is considered in the **confidential Part II Annex 1**.
- 4.3 ***Chief Finance Officer's comments:*** *Developing the Wells site has the potential to deliver a long-term residential asset with associated income streams. However, the viability of the development and its long-term financial impacts will only be accurately established once the professional advice and full due diligence exercises have been undertaken.*
- 4.4 *The estimated £68,000 additional cost of the professional team could be met from the Corporate Projects Reserve, which at 30/06/18 holds a balance of £2,574,390.*

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

- 5.1 Under Section 123 of the Local Government Act 1972, the Council can dispose of land in any manner it wishes, subject to certain constraints, A council shall not, without the consent of the dsecretary of state dispose of land for a consideration less than the best which can reasonably be obtained. In this context, a disposal excludes a granting a lease of less than seven years.

5.2 Under section 1 of the Localism Act 2011 local authorities have a general power of competence that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation. Section 4 of the same Act directs that anything which is done for a purely commercial purpose should be done through a company.

5.3 Section 1 of the Local Government Act 2003 provides a power to the Council to borrow a) for any purpose relevant to its functions, or b) for the purposes of the prudent management of its financial affairs.

5.4 ***Monitoring Officer's comments:*** *Comments have been incorporated within the report.*

6 Sustainability Policy and Community Safety Implications; Partnerships

6.1 None for the purposes of this report.

7 Risk Assessment

7.1 The draft development brief will consider the risks to achieving planning permission and will be covered at September 2018 Committee.

8 Conclusion and Recommendations

8.1 The proposals set out in this report will enable the professional team to work up the development brief in readiness for September 2018 Committee approval to commence consultation.

Ward(s) affected: (All Wards);

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Easement across Epsom Common

Head of Service/Contact:	Mark Shephard, Head of Property and Regeneration
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	Annex 1 – Site Plan of Easement Across Epsom Common
Other available papers (not attached):	None

Report summary

This report recommends an easement across Epsom Common be granted by the Council to UK Power Networks (UKPN).

Recommendation (s)

That Committee agrees to grant authority to the Chief Legal Officer and Head of Property and Regeneration to engage with UKPN, agree the heads of terms and final form of easement and progress the matter to completion.

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

- 1.1 Managing our resources and protecting the local environment by utilising the Council's limited resources in the most efficient and effective way.

2 Background

- 2.1 UK Power Networks (UKPN) own and maintain electricity power cables and lines across London, the South East and East of England. They are responsible for maintaining, upgrading, laying and connecting electricity infrastructure across the Borough.
- 2.2 An existing underground cable that partly falls within Epsom Common connects two electricity substations serving Epsom. The connection provides reinforcement between the two substations and ensures the supply to the area is maintained and secure. A site plan is attached at Annex 1.

3 Proposal

- 3.1 As a high capacity 33,000 volts main underground cable, UKPN has requested the Council grant it a Deed of Easement. This is in contrast to a wayleave agreement that the Council would typically grant to UKPN for low voltage cables and ancillary services.
- 3.2 Unlike a wayleave agreement, an easement is an interest in land capable of being registered at the Land Registry. This ensures that the rights granted by the easement transfer with any changes in land ownership. This will provide UKPN with the appropriate level of security necessary to protect its high voltage infrastructure.
- 3.3 The easement will retrospectively grant UKPN the right to lay, use and maintain the existing electric lines under Epsom Common. This will not only dispense with the current arrangement of granting UKPN ad-hoc maintenance licences, but it will also serve to retrospectively approve the installation (originally permitted under legislation).
- 3.4 It is recommended that authority be delegated to the Chief Legal Officer and Head of Property and Regeneration to engage with UKPN and agree the final form of easement. This will ensure that the easement acts to not only protect the security of Epsom's electricity supply, but does so in a way that is compatible with the management of the Common.

4 Financial and Manpower Implications

- 4.1 As with all the Council's agreements, an appropriate fee (in this case a one off payment to regularise the position) will be agreed with UKPN to reflect the granting of the easement. The Council would also expect UKPN to meet its legal and surveyor costs in the matter.
- 4.2 **Chief Finance Officer's comments:** *None for the purposes of this report.*

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

- 5.1 In common with most other public utility providers, UKPN is defined as a "Statutory Undertaker" and has specific statutory powers to enable it to perform its public functions.
- 5.2 **Monitoring Officer's comments:** *None for the purposes of this report.*

6 Sustainability Policy and Community Safety Implications; Partnerships

- 6.1 No implications for the purposes of this report.

7 Risk Assessment

- 7.1 The high voltage electricity power lines have been in situ for many years and UKPN is reserved statutory powers to maintain them. The Deed of

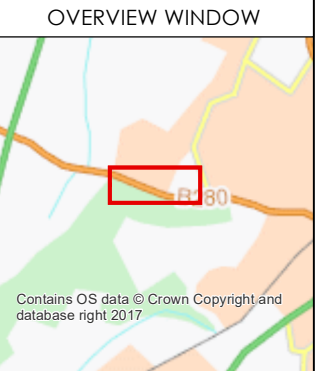
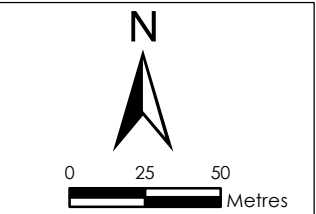
Easement will contain the necessary provisions to ensure that any risk is mitigated of UKPN adversely affecting the management of the Common.

8 Conclusion and Recommendations

- 8.1** It is clearly in the interests of both the Council and UKPN to formally document the process of maintaining the power lines under the Common. It is recommended that authority be delegated to officers to negotiate and agree the final form of easement with UKPN.

Ward(s) affected: (All Wards);

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LEGEND:
 4m Easement

REVISION: A

CLIENT: 

SCHEME:
Epsom Common
TITLE:
4m Easement Plan

SCALE: 1:2,500 @ A3
DATE: 15/08/2017

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The Estates Office
Norman Court
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Leicestershire, LE65 2UZ
Telephone 01530 412821
Fax: 01530 413896

DRAWING NO:
UKPN-EC-2017-08-JZ-EP-13
4m Easement

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Capital Member Group

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	None
Other available papers (not attached):	Capital Strategy 2018/19 Budget Book 2018/19

Report summary

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group, approve an increase in budget of the Disabled Facilities programme and to agree the capital bidding process for 2019/20 to 2021/22.

Recommendation (s)

That the Committee:

- (1) appoints Members to the Capital Member Group;
- (2) approves the increase in budget of £53,382 for the Disabled Facilities programme, in line with the allocation of central government grant funding;
- (3) confirms the criteria for considering capital bids, as set out in paragraph 9.1;
- (4) confirms the criteria for assessing 'spend to save' capital bids as set out in paragraph 9.2.

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

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

2 Background

- 2.1 The capital budget timetable requires that the Financial Policy Panel receives a report on the proposed capital programme and funding options for 2019/20 at the December meeting. Service project appraisals are then presented to the policy committees in January and schemes receiving support will be included in the Budget and Council Tax report for Council approval in February 2019.
- 2.2 The Capital Member Group (CMG) co-ordinate the preparation of the new capital programme and review funding, including capital reserves, new capital receipts, grants, Community Infrastructure Levy and Section 106 (planning gain) receipts.
- 2.3 In view of public sector funding restrictions the Capital Member Group has continued to limit schemes recommended for inclusion into the capital programme to those that were a prioritised service or for health and safety considerations or essential to keep services running. Any other schemes included within the capital programme need to be self-financing, either through external grants/contributions or through revenue savings (on a business case evaluation).

3 Capital Member Group

- 3.1 The Capital Member Group is a working group, appointed by the Strategy and Resources Committee to oversee the work of the officer capital management group (Leadership Team) and review the capital strategy to validate criteria applied to capital project appraisals.
- 3.2 Membership of the Capital Member Group is as follows:
 - 3.2.1 There be five members on CMG;
 - 3.2.2 Meetings be chaired by the Chairman of Strategy and Resources Committee;
 - 3.2.3 CMG members should be drawn from members of the Financial Policy Panel;
 - 3.2.4 CMG may include committee chairmen;
 - 3.2.5 CMG include opposition party representation.
- 3.3 Last year's membership of the Group comprised Councillors Eber Kington (Chairman), John Beckett, Barry Nash, Omer KoKou-Tchri and Clive Smitheram.

4 Capital Programme Review Timetable

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

Capital Member Group Action	Date
Review initial bids and identify which should be worked into full bids for review in November.	(Wed) 5 September 2018
Review full project appraisals, funding and draft report for Financial Policy Panel.	(Wed) 7 November 2018

- 4.2 As in previous years some of the work for the group may be during daytime working hours. It is initially proposed that meetings will be held at 4pm.

5 Overview of Existing Capital Programme and Financing

- 5.1 The current approved programme for 2018/19, as approved at Full Council in February 2018, is £1.813 million, of which £685k is funded from capital receipts, £540k from revenue contributions and £588k from central government grant.
- 5.2 Budgets totalling £2.114 million, funding projects from the 2017/18 capital programme which have not yet completed, have been rolled forward into 2018/19. The funding sources of these projects are £386k from capital receipts, £644k from S106, £649k from CIL, £353k from central government grant and £82k other contribution.
- 5.3 The balance on the capital receipts reserve is expected to be at £4.02 million after agreed funding for the 2018/19 capital programme is accounted for. This includes new receipts anticipated for 2018/19 of £210k.
- 5.4 The balance of uncommitted S106 receipts as at 1 April 2018 was £1.28 million of which £0.95 million is for affordable housing with the bulk of the £329k balance being for open spaces. The balance of uncommitted CIL receipts for strategic infrastructure projects as at 1 April 2018 was £2.88 million, the utilisation of which is determined via recommendations from the Joint Infrastructure Group, which comprises of both Borough and County Members.

6 Budget for Disabled Facilities Grant Funded Schemes

- 6.1 Each year Epsom & Ewell is allocated grant from central government to fund works to homes in the borough to enable people with disabilities to continue living in their own home. The budget set for 2018/19 was £588k and was based on the 2017/18 allocation.
- 6.2 Officers have now received confirmation of the exact amount of DFG grant funding for 2018/19 which is £641,382, £53,382 more than the estimated budget agreed by Full Council in February 2018.
- 6.3 Members are asked to approve additional budget of £53,382 for the Disabled Facilities Grant funded scheme for the 2018/19 capital programme, to match the central government allocation. Additional staffing resources have been made available to assist in the delivery of this scheme.

7 The Roles of Capital Member Group and the Leadership Team

- 7.1 The Capital Member Group's role is to review the current three year capital programme, co-ordinate the preparation of the capital programme for 2019/20 whilst reviewing funding, including capital reserves, new capital receipts, grants, CIL (Community Infrastructure Levy) and Section 106 (planning gain) receipts.
- 7.2 Leadership Team will meet to review the full bids on 9 October 2018 to ensure they meet the requirements of the member group. Each scheme will be evaluated for suitability for inclusion within the capital programme and presented to Capital Member Group in November.
- 7.3 The CMG also receives the recommendations of the Leadership Team, reviews the capital strategy and validates the criteria applied to capital project appraisals.

8 Capital Bidding Process 2019/20 to 2021/22

- 8.1 The timetable below identifies each stage of the 2019/20 capital programme:

Action	Deadline
Draft Capital Appraisal Forms returned to Financial Services and copied to Heads of Service	20 August 2018
Capital Member Group meet to discuss approach and identify which of the potential bids should be worked into full bids for review in November	5 September 2018
Capital Appraisal Forms updated & distributed	7 September 2018

Deadline for final Capital Appraisal Forms to be returned to Financial Services and copied to Heads of Service	21 September 2018
Leadership Team Workshop (to review schemes and discuss with project managers)	9 October 2018
Capital programme update reports drafted for Capital Member Group and first draft for Financial Policy Panel (FPP)	31 October 2018
Capital Member Group review of appraisals, funding and draft FPP report	7 November 2018
Dispatch for FPP	20 November 2018
Financial Policy Panel advises on capital funding and schemes to be released for 2019/20	4 December 2018
Policy committees receive revenue estimate reports and draft capital programme with appraisal forms	22 – 31 January 2019
Council Agrees Budget and Capital Programme	19 February 2019

9 Criteria for Consideration of Bids

- 9.1 With the level of capital receipts reserves just above £4.02 million after funding this year's capital programme it is proposed that potential bids should only be considered if they meet one of the following;
 - 9.1.1 Where there is a guarantee of the scheme being fully externally funded and is classed as a high priority.
 - 9.1.2 Spend to save projects (see below).
 - 9.1.3 Where it is mandatory for the Council to provide the scheme (eg Disabled Facilities Grants and Health and Safety).
 - 9.1.4 Minimum required to continue to deliver the services of Council (eg minimum level of building maintenance and IT).
- 9.2 For the purpose of appraising any of the bids funded as a 'spend to save' it is proposed that the criteria set in previous years should be applied;
 - 9.2.1 Payback of the amount capital invested within the project within 5 years (7 years for renewable energy projects).
 - 9.2.2 The return required on capital employed should be linked to the potential cost of borrowing (MRP) rather than potential loss of investment income.
 - 9.2.3 Risk of not achieving return on investment is low.
 - 9.2.4 Clear definition of financial cost/benefits of the scheme.

10 Proposals

- 10.1 The Committee is asked to appoint five Members to the Capital Member Group in line with the criteria set out in paragraph 3.2.
- 10.2 The 2018/19 budget for the Disabled Facilities programme was agreed by Full Council in February 2018 in line with the 2017/18 allocation, as the 2018/19 grant determination had not been received at that time. Approval is now sought to increase this budget in line with the 2018/19 grant allocation as advised by central government.
- 10.3 Given the limited capital resources detailed in paragraph 5.3, the Committee is asked to agree the approach set out in section 9 to determine which capital bids are successful.

11 Financial and Manpower Implications

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

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

- 12.1 There are no legal implications arising from the contents of this report.
- 12.2 ***Monitoring Officer's comments:*** *None arising from the contents of this report.*

13 Sustainability Policy and Community Safety Implications

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

14 Partnerships

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

15 Risk Assessment

- 15.1 All major projects are subject to risk assessment.

16 Conclusion and Recommendations

- 16.1 To facilitate the scrutiny and selection of capital projects to be included in the 2019/20 capital programme, it is recommended that a Capital Member Group, be appointed by this Committee. The Group will need to have consideration of the finite nature of the Council's capital resources, and it is therefore proposed that the Group limit schemes for inclusion in the capital programme to those that are a prioritised service, are essential to keep services running or which meet health and safety requirements. Any other schemes will need to be self-financing, via external contributions or revenue savings within a set timescale.

- 16.2 The Committee is asked to agree to increase the Disabled Facilities Grant programme budget for 2018/19 in line with the grant allocation determined by central government. This grant is ring-fenced for this purpose and funds not allocated to this purpose would have to be returned to central government.

Ward(s) affected: (All Wards).

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Forward Plan for Committee Items

Head of Service/Contact:	Amardip Healy, Chief Legal Officer
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	Annex 1: Forward Plan for 2018/19
Other available papers (not attached):	

Report summary

This report set out a work plan for the next Municipal Year.

Recommendation (s)

That the Committee notes the forward plan for items.

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

- 1.1 The Council's Key Priorities and Service Plans are under pinned by decisions made by relevant policy committees.

2 Background

- 2.1 The forward plan for committee items will be updated and reported to each meeting of this Committee. It is intended to support the delivery of the Key Priority Targets and provide members with an overview on upcoming reports.
- 2.2 A report elsewhere on the Agenda sets out the Strategy and Resources Committee's Key Priority Targets for 2018/19. Progress against these targets will be reported in Members' Update and monitored by the Audit, Crime & Disorder and Scrutiny Committee.

3 Proposals

- 3.1 A forward plan of anticipated reports is attached at **Annex 1**.

4 Financial and Manpower Implications

4.1 Whilst there are no direct financial or manpower implications for the purposes of the report, it should be noted that overall financial and resource implications were taken into account when developing the Key Priority Targets for the policy committees.

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

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

5.1 There are no direct implications for the purposes of this report.

5.2 **Monitoring Officer's comments:** *Having a work plan reported to each meeting is supported.*

6 Sustainability Policy and Community Safety Implications; Partnerships

6.1 There are no implications for the purposes of this report.

7 Risk Assessment

7.1 Good planning facilitates timely and effective decision-making in the achievement of the Committee's targets.

8 Conclusion and Recommendations

8.1 Not all of the Committee's Key Priority Targets require a committee report prior to implementation. However, the forward plan for committee items will assist Officers in delivering those targets that require a decision on a matter of policy prior to implementation.

8.2 The Committee is asked to note the forward plan for committee items set out in **Annex 1** which will be reported regularly to the Committee and updated as necessary.

Ward(s) affected: Wards

STRATEGY AND RESOURCES COMMITTEE

September 2018

Financial Planning – 2019/20 Budget
Wells Redevelopment Progress Update
24 South Street
FM Contract Renewal
Rosebery Redevelopment Opportunities
Empty Property Strategy
Homelessness Strategy

November 2018

Council Tax Scheme for 2020/21
CIL Bids
Council Owned Assets Review
Asset Management Plan
Regeneration Policy
Stones Road Allotments – Future Options
Health and Wellbeing Strategy

January 2019

Council Tax Scheme for 2020/21
Telecoms Masts Policy
Service Delivery Plans 2018/19
Internal Audit Re-tender with Consortium
Capital Programme
Revenue Budget/Fees and Charges

April 2019

Key Priority Targets for 2019 to 2020
Customer Services Strategy

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**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE held on
17 April 2018**

PRESENT -

Councillor Eber Kington (Chairman); Councillor Clive Smitheram (Vice-Chairman); Councillors Michael Arthur MBE (as nominated substitute for Councillor Humphrey Reynolds), Tony Axelrod, Kate Chinn, Neil Dallen, Hannah Dalton, Omer Kokou-Tchri, Mike Teasdale and Clive Woodbridge

In attendance: Ms. Sarah Ironmonger, Associate Director and Mr. Ade Oyerinde, Manager, Grant Thornton LLP (For item 53)

Absent: Councillor Humphrey Reynolds

Officers present: Kathryn Beldon (Chief Executive), Damian Roberts (Chief Operating Officer), Amardip Healy (Chief Legal Officer), Rod Brown (Head of Housing and Community), Mark Shephard (Head of Property and Regeneration), Gillian McTaggart (Head of Corporate Governance), Brendan Bradley (Chief Accountant), Sam Beak (Leisure Development Manager) (For items 51-55), Tony Foxwell (Senior Surveyor) (For items 51-55) and Fiona Cotter (Democratic Services Manager)

51 QUESTION TIME

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

52 DECLARATIONS OF INTEREST

In the interests of openness and transparency the following declaration was made by member of the Committee in respect of the following item:

Horton Country Park - Change of Use

Councillor Neil Dallen, Other Interest: Former scout leader and the scouts had used the premises.

53 EXTERNAL AUDIT PLAN FOR 2017/18

(Ms. Sarah Ironmonger, Associate Director, Mr. Ade Oyerinde, Manager, Grant Thornton UK LLP, in attendance)

The Committee received and considered a report that set out the approach to be taken by the Council's external auditors, Grant Thornton, to the audit of the accounts for 2017/18.

Ms. Ironmonger highlighted the significant risks stated on pages 5 and 6 of the audit plan. She stated that two of the risks identified were standard and prevalent across all audits conducted by the external auditor but that two of the risks had been identified for particular attention as areas that could affect the materiality of the Council's financial statements. She further highlighted that in reaching their conclusion regarding Value for Money, Grant Thornton would update their understanding of the Council's governance and financing arrangements in respect of investment acquisitions via its wholly owned company. The challenge in meeting the tight timescales in regard to the statutory deadline for the publication of the Council's audited accounts was again stressed.

The report highlighted that the Council's wholly owned subsidiary, Epsom and Ewell Property Investment Company, had a separate external auditor, the Epsom based firm Williams & Co. Elements of the financial statements of EEPIC Homes, including the PPE investment were material to the financial statements of the Council. The Committee was assured that Grant Thornton would perform sufficient work to enable them to gain assurance that the Council's group financial statements were not materially misstated. It was noted that plans were being put in place to establish a Shareholder Sub Committee.

Accordingly, the Committee endorsed the External Audit Plan Year ended 31 March 2018.

54 EPSOM CEMETERY EXTENSION

The Committee received and considered a comprehensive report that provided an update on the current position of the Epsom Cemetery extension and that sought approval for the Council to exercise its compulsory purchase making powers (CPO) to acquire land to extend the cemetery.

Officers would continue to seek a negotiated outcome for the purchase of the land but the Council was prepared to make use of compulsory purchase powers to secure the land to meet the need for burial space in the Borough for a further twenty-five years or so, if necessary.

The Committee:

- (1) Noted the progress to date;
- (2) Agreed the submission of a planning application for the proposed extension of Epsom Cemetery prior to the completion of the purchase of the land;
- (3) Approved the appointment of a specialist consultant to:
 - a) Undertake the necessary works to enable a planning application to be submitted;
 - b) Complete the tender process for the build contractor and oversee the completion of the works;

- (4) Agreed that the costs of the planning consultant are met from the current capital allocation for this project;
- (5) Authorised, if necessary, the use of compulsory purchase making powers pursuant to section 121 of the Local Government Act 1972 to acquire land shown edged on the plan attached at Annexe 1 of the report ("Order Land") for the purposes of extending Epsom Cemetery for burials ("the scheme");
- (6) Delegated to the Chief Operating Officer, in consultation with the Chief Legal Officer authority to take all necessary steps to secure the making, confirmation and implementation of the Compulsory Purchase Order ("the Order") including but not limited to, the following steps:
 - a) the publication and service of all relevant notices and to support the presentation of the Council's case at any public inquiry;
 - b) service of a new requisition for information (in accordance with section 16 of the Local Government Act 1972) on the reputed owner and other parties that may have an interest in the land as part of the preparatory steps associated with the making and promotion of a CPO;
 - c) approving terms of the acquisition of legal interests by agreement, including for the purposes of resolving any objections to the CPO;
 - d) all necessary steps to resolve any compulsory purchase compensation claims, including, if necessary, by way of making (or responding to) a reference to the Upper Tribunal (Land Chamber);
 - e) to retain an/or appoint external professional advisers and consultants to assist in facilitating the promotion, confirmation and implementation of the Order, the settlement of compensation and any other claims or disputes.

55 PLANNED MAINTENANCE 2018-19

A report was presented to the Committee that noted progress and changes to the current planned maintenance programme and sought approval for the 2018/19 programme of proposed works.

The report highlighted that the Property Maintenance Reserve stood at £402,000 as at 1 April 2017. During 2017/18, a sum of £129,000 had been released from the reserve principally to fund completion of the outstanding items from the 2016/17 programme. An underspend of £27,000 was forecast for 2017/18, giving a projected reserve balance of £300,000 as at 31 March 2018.

There was provision of £210,000 for planned maintenance within the approved 2018/19 revenue budget. The proposed schemes for 2018/19 collectively exceeded the approved 2018/19 budget by £70,000. If approved, the funding of

this shortfall from the Property Maintenance Reserve would reduce the projected reserve balance to £230,000.

The Committee:

- (1) Noted the current position/progress on the planned maintenance programme;
- (2) Noted the changes made to the programme under authority delegated to Officers;
- (3) Authorised the carry forward of unspent budget in 2017/18 to 2018/19
- (4) Authorised Officers to proceed with the 2018/19 proposed planned maintenance works;
- (5) Authorised virement from the property reserve to fund the shortfall for 2018/19.

56 INCOME GENERATION AND ENTERPRISE PLAN

The Committee received and considered a report setting out a new Generation and Enterprise Plan for the Council. The report had been prepared in the context of significant continued cuts in Government funding and the proposed approach would have a key role in enabling the Council to be more financially self-sufficient.

The Chairman highlighted that this approach would be aligned to the Council's strong public service ethos and was also about understanding the needs of residents' and providing services residents' wanted.

The report highlighted four specific workstreams that had been identified and the services that would be targeted in a phased four-year plan.

It was noted that, at the present time, this did not include the provision of building services but this was not ruled out as a possibility in the future as the Council's commercial portfolio grew. It was acknowledged that this was a challenging process in terms of resources and outcomes. It would involve cultural change and Officers would be open to opportunities that might present themselves to share best practice or work in partnership with other organisations as they presented themselves. Discussions had already taken place with Aylesbury Vale District Council to draw on their experience and the Council was currently in the process of recruiting a Marketing Manager to underpin the work needed to maximise current and future market opportunities.

The Committee approved the approach to income generation and enterprise set out in the report.

57 ALLOCATION OF LOCAL SPENDING ELEMENT OF THE COMMUNITY INFRASTRUCTURE LEVY (CIL 15%)

A report proposing a process to determine the governance system for allocating the local spending element of the Community Infrastructure Levy (CIL 15%) was considered by the Committee.

It was proposed to reactivate and expand the former Civic Investment Fund, to be renamed as the Borough Investment Fund, (to focus on smaller public realm improvements), and to introduce a new Community Infrastructure Fund, eventually enabling communities, supported by councillors to bid for funding projects in their area.

The Committee welcomed the proposals in the report regarding interim arrangements, particularly for the allocation of the Community Infrastructure Fund, as monies within this element of CIL were growing. For 2018/19, it was proposed that a Member Panel would review bids to the Community Infrastructure Fund and allocate funds on the basis of priority, scored against the proposed matrix set out in Annexe 1 to the report.

A further report would be brought back to the Committee in April 2019 with details of the permanent methodology for the allocation of funding in future years and an update on the monies spent in 2018/19.

A Briefing Evening for members had been arranged on 3 May 2018 to provide members with guidance on bidding against the £250,000 allocated to the Community Infrastructure Fund in 2018/19. It was noted that infrastructure had a broad definition in the context of CIL and the session was intended provide clarification on what bids would meet the criteria and how the bids will be evaluated.

The Committee agreed:

- (1) An interim proposal for the governance arrangements of the CIL 15% (local spend) for 2018/19 through two funds: the Community Infrastructure Fund and the Borough Investment Fund as outlined in section 3 of the report;
- (2) To the establishment of a Panel to evaluate and agree bids comprising of the Chairman of the Strategy and Resources Committee, Chairman of the Community and Wellbeing Committee, one additional member from the Strategy and Resources Committee (Councillor Hannah Dalton) and a substitute (Councillor Tony Axelrod)
- (3) That authority be delegated to the Head of Corporate Governance to agree the projects to be awarded funding from the Community Infrastructure Fund based on the recommendations of the Panel;
- (4) That a further report be brought back to the Committee by April 2019 to determine a permanent scheme for the governance arrangements of CIL 15%.

58 UTILISATION OF CIL BALANCES

The Committee received and considered a report that sought approval of the use of Community Infrastructure Levy (CIL) funding to finance two infrastructure projects: the expansion of Epsom Cemetery and extending the life of Lower Mill Weir.

It was noted that improvements to the Lower Mill Weir had been a priority project completed in 2016/17 and funded by £117K from capital receipts. It was confirmed that the Council had received external advice that retrospective application of CIL monies was acceptable and that a reasonable period to consider retrospective funding was 2 to 3 years. CIL was a relatively new source of funding and the Committee was assured that retrospective funding was likely to be in exceptional circumstances going forward.

The report highlighted that the current balance of uncommitted funds held for local infrastructure was £3.71 million and recommended the use of a total of £771K in respect of these projects. This would reduce the balance to £2.94 million. A further report on the Agenda was seeking an additional £60k of CIL funding for additional paving works to complement Plan E, which, if approved, would reduce the balance of uncommitted funds to £2.88 million.

Appropriate use of CIL would reduce the pressure on the use of capital receipts. After financing the projects in the 2018/19 Capital Programme and taking into account £250K committed to date in 2019/20, the balance of uncommitted capital receipts would stand at £2.16 million. Further projects identified as priorities in the 2019/20 Capital Programme would reduce this balance further. The Medium Term Financial Strategy required the Council to maintain a minimum balance of uncommitted capital receipts of £1 million.

Accordingly, the Committee approved the use of CIL funds to finance the Epsom Cemetery Extension and improvements to Lower Mill Weir.

59 FUNDING FOR PAVING IN FRONT OF THE PLAYHOUSE

A report was presented to Committee that sought an additional contribution of £60,000 to extend the refurbishment of paving across the Borough Council owned forecourt to The Playhouse and the adjacent footway in order to improve the quality and appearance of the public realm in this area and enhance the approach to the theatre.

The report highlighted that The Playhouse forecourt would need to be re-paved at some time in the near future in any event. This had been brought into sharper focus with the film festival set to take place at The Playhouse in October 2018. There was sense in carrying out the work whilst contractors were engaged on the adjacent highway and designing it to blend with the new refreshed public realm in the town centre. The funding for the proposal met with requirements of CIL.

The surface finish referenced in the report was questioned but it was confirmed that it was the intention that it would match that agreed for the rest of the town centre and already partly laid in South Street. It was further confirmed that the necessary consents to carry out the works would be given as part of the contract with payment upon satisfactory completion of the works.

Accordingly, the Committee approved the allocation of £60,000 of Community Infrastructure Levy funding for the paving of The Playhouse forecourt and adjacent footway (as indicated on the plan attached to the report) to a specification matching that of South Street and around the Playhouse junction.

60 COMMUNITY SAFETY AND ENFORCEMENT PLAN

The Committee received and considered a report that set out a proposal for a more effective and co-ordinated approach to the Council's community safety role, including tackling anti-social behaviour and environmental crime in the Borough.

The report highlighted the significant benefits of taking a more co-ordinated approach to enforcement and community safety and the Chairman highlighted, in particular, the important benefit in a small authority of the multi-skilled approach.

The strengthening of formal arrangements for multi-agency working to promote the priorities for Epsom and Ewell, particularly through the Community Safety Partnership and the Joint Action Group, was welcomed.

The Committee:

- (1) Approved the approach set out in the report to deliver a more effective and co-ordinated approach to the Council's community safety role;
- (2) Delegated to the Chief Operating Officer, in consultation with the Chairman of the Strategy and Resources Committee, authority to seek external funding on behalf of the Council to help underpin this work.

61 REGISTRATION OF COUNCILLORS AS DATA CONTROLLERS

A report was presented to the Committee informing members that the Information Commissioner's Office (ICO) had advised that the nature of work undertaken by councillors was such that they needed to consider whether they should be registered individually as Data Controllers. The report accordingly recommended registration of all councillors and that the Council would meet the cost of such registration as appropriate.

The report highlighted that based on an annual fee for a maximum of 38 councillors, the annual cost to the Council would be £1,520 per annum and that this could be met from within existing budgets.

There were currently four dual-hatted Borough and County Councillors and the costs and responsibility for registration were met by the County Council. Some councillors might be registered individually as data controllers in respect of their

work outside the Council. In these cases, the councillor would need to add their role as councillor to their registration. It was not proposed for the Council to meet the cost of registration in those cases as the fee was dependent on the nature of the main registration. However, should anything change such that the councillor no longer required their own registration, the Council would meet the cost of registration.

Accordingly, the Committee agreed that:

- (1) All councillors should be registered as Data Controllers;
- (2) The registration fee for individual registration should be met from Council funds if a councillor was not already registered as a Data Controller in a capacity other than as a councillor or if they cease being a dual hatted member.

62 RIPA POLICY

The Committee received and considered a report setting out changes to the Council's Policy and Guidance on Lawful Surveillance.

It was stressed that this policy related to covert surveillance and that going out-and-about to observe the night-time economy in the town centre, for example, was not covered by the requirements of the policy.

Subject to the amendment of a typo in paragraph 20, line 4, from "the" to "be", the Committee approved the amended "Policy and Guidance on Lawful Surveillance".

63 HORTON COUNTRY PARK - CHANGE OF USE

The Committee received and considered a report that considered a proposal from the Gauntlett Boxing Club (an existing Council tenant at the Harrier Centre in Poole Road Recreation Ground) to open an additional facility in Horton Country Park.

It was clarified that the necessary planning application had been approved but that, in accordance with the Council's Asset Management Plan, this Committee was required to approve any change of use to Council property.

The report highlighted a number of benefits to the proposal, not in the least investment in a Council owned property asset without risk to the Council.

Accordingly, the Committee:

- (1) Approved the proposed change of use of part of the New Room, Horton Country Park to a boxing club (Use D) (For the purpose of the avoidance of doubt, this permission was an independent requirement to the requirement for planning permission from the Council acting in its separate capacity as the Local Planning Authority);

- (2) Authorised the Head of Property and Regeneration, in consultation with the Chief Legal Officer, to conclude negotiations with the Gauntlett Boxing Club for a new commercial lease as they think fit.

64 INTERIM HOMELESSNESS STRATEGY

The Committee received and considered a report seeking approval of an Interim Homelessness Strategy.

The Strategy was intended to meet the Council's legal duty to publish a Homelessness Strategy in accordance with the Homelessness Act 2002 in the light of the fact that the new Homelessness Reduction Act 2017 was due to introduce significant changes to how local housing authorities managed homelessness with a far greater emphasis on preventing homelessness.

The Council was about to embark on a substantial review of homelessness within the Borough culminating in a further report to committee later in 2018/19 setting out a more definitive strategy for this area incorporating the requirements of the 2017 legislation.

The Committee approved the Interim Homelessness Strategy.

65 MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Strategy and Resources Committee held on 1 February 2018 were agreed as a true record and signed by the Chairman.

66 EXCLUSION OF PRESS AND PUBLIC

The Committee resolved to exclude the Press and Public from the meeting. This was in accordance with Section 100A (4) of the Local Government Act 1972. It was on the grounds that the business involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended), and, that, pursuant to paragraph 10 of Part 2 of the said Schedule 12A, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

67 RENT SETTING FRAMEWORK FOR PRIVATE SECTOR LEASING (PSL) SCHEME

The Committee approved the rent-setting framework for the Private Sector Leasing Scheme.

Note: The details are considered officially sensitive at this time and the Minute for this item will be exempt from publication.

68 PROPERTY DISPOSAL UPDATE

The Committee agreed a way forward as set out in the Minutes.

Note: The details are considered officially sensitive at this time and the Minute for this item will be exempt from publication.

The meeting began at 7.30 pm and ended at 9.10 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)

Exclusion of Press and Public

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

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