

FINANCIAL POLICY PANEL

Tuesday 4 December 2018 at 6.30 pm

Committee Room 1 - Epsom Town Hall

The members listed below are summoned to attend the Financial Policy Panel 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 Richard Baker
Councillor John Beckett
Councillor Hannah Dalton

Councillor Omer Kokou-Tchri
Councillor Barry Nash
Councillor Vince Romagnuolo
Councillor Clive Smitheram

Yours sincerely



Chief Executive

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

AGENDA

1. 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

2. TREASURY MANAGEMENT INTERIM REPORT 2018/19 (Pages 3 - 8)

This report provides an update on treasury management performance for the first six months of 2018/19.

3. CAPITAL PROGRAMME 2019/20 (Pages 9 - 20)

This report summarises the proposed 2019/20 capital programme and seeks the Panel's approval for it to be submitted to Council in February 2019.

4. FINANCIAL REGULATIONS REVIEW (Pages 21 - 58)

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

5. S106 AND CIL UPDATE REPORT (Pages 59 - 64)

This report provides an update on the funds held under Section 106 (S106) planning agreements and CIL (Community Infrastructure Levy).

6. MINUTES (Pages 65 - 68)

The Panel is asked to confirm the Minutes of the Meeting of the Panel held on 11 September 2018 (attached) and to authorise the Chairman to sign them.

TREASURY MANAGEMENT – INTERIM REPORT

<u>Report of the:</u>	Chief Finance Officer
<u>Contact:</u>	Lee Duffy
<i>Urgent Decision?(yes/no)</i>	No
<i>If yes, reason urgent decision required:</i>	N/A
<u>Annexes/Appendices (attached):</u>	None
<u>Other available papers (not attached):</u>	Treasury Management Strategy 2018/19 Prudential Code Code of Practice for Treasury Management in Local Authorities (CIPFA) MHCLG Investment Guidance

REPORT SUMMARY

This report provides an update on treasury management performance for the first six months of 2018/19.

RECOMMENDATION (S)

That the Panel:

- (1) Receives the presentation from Link Asset Services – Treasury Solutions;
- (2) Notes the performance on return of investments for the first six months of 2018/19;
- (3) Notes the current investment decisions being made within the terms sets out in the Treasury Management Strategy.

Notes

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

- 1.1 The Council's Treasury Management Strategy supports the achievement of the Council's Medium Term Financial Strategy.
- 1.2 The Treasury Management Strategy for 2018/19 agreed by Council in February aims to ensure maximum return on investments for the Council within reasonable risk constraints.

2 Introduction

- 2.1 The Council's Treasury Management Policy accords with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management in the Public Services.
- 2.2 The policy requires officers to produce an interim report on investment performance to a meeting of the Financial Policy Panel. This report covers the performance of the treasury management function for the period 01 April 2018 to 30 September 2018.
- 2.3 The CIPFA Code also requires that adequate training be provided to members with responsibility for treasury management. To meet this requirement, an officer from Link Asset Services – Treasury Solutions will attend the meeting to provide a presentation to members on current treasury management issues.

3 Overview of Treasury Management

- 3.1 The treasury function deals with the management of cash funds held by the Council. The level of funds held during the year will vary but, on average, currently amounts to around £15 million (average balance of £30m at September 2017).
- 3.2 The current average balance is significantly lower than the prior year, because the Council deployed circa £20m of its cash balances in 2017/18 to reduce its borrowing requirement associated with commercial property investments. By deploying cash balances in this way, the Council has minimised its borrowing with the Public Works Loan Board, which would typically attract interest payable at circa 2.5% in the current environment.
- 3.3 The aim of treasury management is to ensure that funds are invested with institutions that balance the need to maximise investment returns with that of minimising risk on the monies invested. This means not investing in banks/building societies that are offering high investment returns but are at high risk of defaulting (for example the Icelandic Banks in 2008).
- 3.4 Before an investment decision is made, officers will investigate any proposed counterparty to ensure its financial rating makes it eligible for investment. Even if the institution meets the criteria as set out in the financial strategy, independent advice will be sought from our external financial advisors before the investment is made.

4 Security, Liquidity and Yield

- 4.1 The Council's investment strategy and practice is to put security of investment at a higher priority than rate of return/yield. The day to day practice continues to be reviewed and refined, within the boundaries of the approved policy, in response to challenging market conditions. The cornerstones of current policy/practice are:

- 4.1.1 to restrict lending to only those institutions which fit the Council's policy in terms of financial standing, credit ratings etc;
- 4.1.2 generally, to restrict lending to the short-term (typically up to one year) or to cover precept dates for the remainder of the year
- 4.1.3 to update financial limits to each institution depending the quality of their financial ratings.

5 Current Performance

- 5.1 The average return from investments for 2018/19 was budgeted at 0.8%. This amounted to total budgeted income for the year of £120,000, generated on reserves, working balances and cash flow.
- 5.2 The performance for the first six months of 2018/19 on the Council's investments were as follows;

	Average Investment (Apr-Sept) £'m	Interest Received (Apr-Sept) £'000	Average Rate of Return %
Internally Managed Funds			
Money Market Funds	3.6	12.0	0.66
Fixed Rate Deposits	1.0	5.0	1.00
Interest Bearing Account	0.0	0.0	0.00
Total Internally Managed	4.6	17.0	0.73
Externally Managed Funds			
Aberdeen Asset Management	10.4	32.4	0.62
Grand Total	15.0	49.4	0.66

- 5.3 To date, £49,400 interest has been earned as at the end of September, which is below the profiled budgeted income of £60,000 for the same period. However, following the Bank of England base rate increase from 0.5% to 0.75% in August 2018, officers anticipate higher returns in the second half of the year and are also investigating further fixed rate deposit investment opportunities, in order to achieve the budgeted income for the year.
- 5.4 The average return achieved for the first six months of 2018/19 of 0.66% compares favourably with the benchmark average seven day London Interbank Bid (LIBID) rate of 0.44%.

- 5.5 The Council has achieved this performance by following the strategy of investing the majority of its long to medium term funds with its external fund manager, Aberdeen Asset Management and investing in a one year fixed rate investment with a return of one percent. Short term funds have been invested in money market funds or in an interest bearing instant access account.

6 Internally Managed Funds

Money Market Funds

- 6.1 Money market funds are pooled investments that allow instant access to these monies. The benefit of MMFs is that the risk on the investment is very low as the money invested in the fund is spread across a range of counterparties, which limits the exposure of a significant sum being invested with a defaulting counterparty.
- 6.2 The return made on money market funds of 0.66% is higher than the benchmark of 0.44%. Investment in money market funds has been limited to short term investments from surplus funds which will need to be called back with no notice required.

Fixed Rate Term Deposits

- 6.3 As at the end of September the Council had one fixed term deposit of £3,000,000, invested at a rate of 1% with a maturity date of August 2019.
- 6.4 The current strategy and recent guidance obtained from our independent financial advisors is to limit fixed term investments to a period of one year until there is improved stability within the financial markets.

Interest Bearing Accounts

- 6.5 Interest bearing accounts offer the same instant access as the money market funds and deliver a rate of return linked to base rate set by the Bank of England.
- 6.6 Rates achievable on this account have been cut significantly in recent years and it is now only used if other investments have reached their counterparty limits. The risk on these investments is higher than the money market funds as money is deposited with one counterparty. Funds invested in this type of investment tend to be surpluses of daily cash flows which need to be called back at short notice.
- 6.7 The account was not used in the six months to 30 September 2018.

7 Externally Managed Funds

- 7.1 Aberdeen Asset Management plc, previously Scottish Widows, has been the Council's external fund manager since 31st October 2007.
- 7.2 Initially, the external fund manager produced some exceptional returns for the Council. Since October 2009 returns have fallen back as opportunities to deliver significant returns have become very limited due to difficult market conditions. However, the fund manager has still consistently produced returns above the benchmark.

- 7.3 The fund manager has advised an anticipated overall return on the fund of around 0.85% by the end of the year.
- 7.4 The Council has adopted a policy of investing the majority of our medium to long term funds with this fund manager. This has two benefits to the Council: the first is it minimises the Council's risk, as the funds invested with Aberdeen Asset Management plc are spread across a wide portfolio of financial institutions. This results in the overall exposure to a potential defaulting bank being limited to a small percentage of the overall holding; the second benefit is that Aberdeen Asset Management plc are able to attract more favourable rates due to the size of the fund and having access to detailed information regarding the various institutions.
- 7.5 Due to the performance of Aberdeen Asset Management plc over the past eleven years, officers intend to continue to use Aberdeen Asset Management plc as the external fund manager and review the position again in 12 months.

8 Treasury Management Policy

- 8.1 In previous years the Council has recognised the increased levels of risk due to the uncertainty in the financial markets and consequently restricted the number of investments held over a fixed term.
- 8.2 Officers have entered into a fixed rate one year investment and are in the process of exploring other types of investments that potentially can increase yields without significantly increasing the risk to the capital invested.
- 8.3 The Council continues to use Money Market Funds for internal investments as they minimise exposure to counterparty risk. Current returns on these funds are slightly higher than those offered from interest bearing accounts, and these funds also allow for maximising investment of short term cash surpluses during the year and also improve the efficiency of cash flow management.

9 Financial and Staffing Implications

- 9.1 The Council's budget anticipates the equivalent of £120,000 of interest to help fund services in 2018/19 calculated as follows:

	Budgeted £	Forecast £
Interest earned in year	120,000	120,000
Total Interest Available	120,000	120,000
Less Interest credited to specific provisions	63,000	63,000
Interest used to fund General Fund services	57,000	57,000

- 9.2 The forecast interest at the end of 2018/19 is anticipated to be on budget. Interest credited to specific provisions will remain close to budget at £63,000. It is therefore anticipated that no contribution will be required from the interest equalisation reserve to fund services.

10 Interest Equalisation Reserve

- 10.1 The interest equalisation reserve was established several years ago to enable variations in investment returns to be accommodated within the general fund budget without having an adverse effect on the levels of funds available for the delivery of services in year.
- 10.2 With base rates and investment returns remaining at relatively low levels, and with the Council's cash balances lower than prior years, the funds in this reserve may be needed to achieve budgeted general fund income in the coming years.
- 10.3 The balance on this reserve at the start of 2018/19 was £631,000 and there are no budgeted withdrawals or additions to the reserve during the current year.
- 10.4 The level of this reserve will be re-assessed in the 2019/20 budget report in February 2019.

11 Equalities and Other Legal Implications

- 11.1 There are no particular equalities or other legal implications for the purpose of this report.

12 Partnerships

- 12.1 There is partnership working with the fund manager and the treasury consultants.

13 Risk Assessment and Conclusions

- 13.1 Investments with our external fund manager are considered low risk as the money invested in the fund is spread across a range of counterparties, this limits the exposure of a significant sum being invested with a defaulting counterparty.
- 13.2 The Treasury Management Strategy sets out that investment decisions must be based first and foremost on security, then liquidity and finally yield, in order to minimise risk.
- 13.3 Both internal and external investments for the first six months of 2018/19 have exceeded the benchmark of 7 day LIBID rate.
- 13.4 Returns and interest rates are expected to stay at relatively low levels both for this year and next year.

WARD(S) AFFECTED:

CAPITAL PROGRAMME 2019/20

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):	Annexe 1: Capital Bids Ranked in Order of Priority and Revised Programme Annexe 2: Capital Reserves Forecast
Other available papers (not attached):	Capital bids S106 and CIL Update Report to FPP 4 December 2018

Report summary

This report summarises the proposed 2019/20 capital programme and seeks the Panel's approval for it to be submitted to Council in February 2019.

Recommendation (s)

That the Panel agrees with the advice of the Capital Member Group to submit the following 2019/20 capital programme to Council for approval in February, subject to the relevant policy committees first approving project appraisals:-

- (1) Prioritised schemes totalling £464,000, funded from capital receipts and revenue contributions**
- (2) An additional scheme totalling £650,000, subject to external funding sources**

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

1.1 The Council's Medium Term Financial Strategy includes the following in regards to investment in services:-

- Prioritise capital investment to ensure retained property is fit for purpose.**
- Maximise the use of external funding opportunities to deliver improvements to the community infrastructure, including affordable housing.**

- Maintain a minimum uncommitted level of capital reserves of £1 million at 31 March 2019.

2 Background

- 2.1 At its meeting on 26 July 2018, the Strategy and Resources Committee considered appointments to a Capital Member Group (CMG) to assist in the formulation of the new capital programme. Accordingly, the Committee appointed Councillors Eber Kington, Omer Kokou-Tchri, Barry Nash, Richard Baker and Clive Smitheram.
- 2.2 The Capital Member Group met in September and received a list of potential projects. Using the criteria set out in the report to S&R Committee in July, the Group excluded outline projects that would not qualify under the approved capital strategy.
- 2.3 Project appraisals were then updated by budget managers and full bids considered by the Leadership Team in October. The officer group suggested amendments to the bids and also advised on a prioritisation of the proposals.
- 2.4 In November the Capital Member Group met to validate the bids and to recommend the schemes that should be progressed through the policy committees in January.
- 2.5 In reviewing the capital programme, schemes were required to meet at least one of the following agreed criteria:-
 - 2.5.1 Investment required to meet statutory obligations;
 - 2.5.2 Investment essential for service delivery;
 - 2.5.3 Investment that can be funded from external funds and is classed as a high priority (section 106 agreements or grants);
 - 2.5.4 Investment that will provide net revenue savings (spend to save).
- 2.6 The Medium Term Financial Strategy also requires that the Council retains a minimum level of capital reserves of £1 million.

3 Draft Programme

- 3.1 The Capital Member Group received seventeen initial bids for 2019/20 totalling £2.112 million. Of these, six bids totalling £369k were not selected to be taken forward and the remaining eleven bids were worked into detailed submissions. After review and challenge of the detailed bids, five were not supported, and the remaining six were put forward by the Group for the proposed programme. Annexe 1 comprises a summary of the six bids recommended for inclusion in the 2019/20 capital programme by the Capital Member Group.

- 3.2 Due to extenuating circumstances, one of the six successful bids was required to be accelerated and a report to S&R Committee on 27 November 2018 requested that the scheme be added to the 2018/19 programme, funded by capital receipts, to enable the scheme to be delivered in line with the accelerated timetable. Annexe 1 comprises a summary of the capital programme recommended by the Capital Member Group.

- 3.3 The proposed programme for 2019/20 comprises:-

	£000s
Core Programme of Priority Works (funded by capital reserves and revenue*)	464
Schemes to be progressed subject to external funding being achieved	650
Total	1,114

- 3.4 The funding recommended comprises:-

	£000s
Use of Capital Reserves & Revenue* for Core Programme	464
Use of S106 developer contributions	0
Use of Community Infrastructure Levy contributions	0
Use of grants for externally funded schemes	650
Total	1,114

- 3.1 *The draft 2019/20 revenue budget includes a £100k contribution to fund capital schemes, in order to slow the depletion of capital receipts reserves. This revenue funding is subject to Council approval in February of the proposed 2019/20 budget.

4 Capital Reserves

- 4.1 The forecast of capital reserves shows that the balance as at 31 March 2019 would be £3.18 million.
- 4.2 The capital reserves forecast at Annexe 2 has been updated for the next three years using the following assumptions:-
- 4.2.1 The current approved capital programme is delivered this year;
- 4.2.2 No new capital receipts are received.

4.2.3 The proposed three year capital programme (2019-2022) proceeds, as per Appendix 1.

4.2.4 A £100k revenue contribution in 2019/20 to fund the proposed capital programme

4.2.5 External funding for Disabled Facility Grant is assumed at £650,000 per annum.

5 Community Infrastructure Levy (CIL) and S106

5.1 A number of capital schemes are funded by receipts from CIL and S106 agreements. A report to the panel on the same agenda provides an update of CIL and S106 balances. There are no projects to be funded by CIL or S106 within the proposed Capital Programme for 2019/20, and the update report highlights the limited balance of CIL and S106 funds currently available for funding capital schemes, due to existing commitments.

5.2 Uncommitted S106 balances, as detailed in the update report, stand at £830k of which £610k are restricted to Affordable Housing schemes. Uncommitted CIL balances stand at £209k within the main fund, and £497k within the community fund, and the update report details how funds have been provisionally earmarked for Wellbeing Centre expansion plans.

6 Core Programme Funded from Capital Reserves

6.1 The Capital Member Group carefully considered the bids submitted and confirmed that only prioritised schemes should be considered for funding from capital reserves or schemes where investment would generate savings. This required a pay-back within 5 years (7 years for energy initiatives).

6.2 The proposed core programme proposed for 2019/20 requiring funding from capital reserves is as follows:-

Scheme/Funding from Capital Reserves & Revenue	2019/20
	£'000s
Replacement of CRM and Data Warehouse	306
Upgrade of some parking pay & display machines	43
Bourne Hall - Refurbishment of toilets	40
Hope Lodge Extension to Car Park	75
Total	464

6.3 The CMG noted that the schemes would be considered by the policy committees in January as part of the capital programme review.

7 External Funding

- 7.1 The Council receives a fixed government grant allocation for disabled facility grants (DFG) via the Better Care Fund. The following table shows capital schemes where external funding has been identified to enable schemes to proceed in 2019/20:-

Scheme	Estimate (£000)	Funding
Mandatory Disabled Facility Grants	650	Better Care Fund DFG
Total externally funded schemes	650	

- 7.2 The amount in the table above is an estimate of the funding anticipated for 2019/20 and the exact amount is expected to be communicated in April 2019. Once the exact amount is confirmed, the budget in the capital programme will be adjusted accordingly.
- 7.3 It is proposed that this scheme be added to the capital programme, subject to support by the relevant policy committee, receipt of external funds and the identification of funding for any revenue implications within approved budgets.

8 Proposals

- 8.1 The Panel is asked to confirm the recommendations of the Capital Member Group:-
- 8.1.1 Schemes, identified in section 6, totalling £464k in 2019/20 and funded from capital reserves and revenue should be included in the capital programme, subject to the relevant policy committees receiving and approving project appraisals;
- 8.1.2 Schemes identified in section 7 totalling £650k be included in the capital programme subject to support for the project appraisals by the relevant policy committees and subject to external funding being received before expenditure is committed.

9 Financial and Manpower Implications

- 9.1 The policy committees will receive appraisals for 2019/20 projects in late January and early February, including revenue cost implications.
- 9.2 If all schemes are progressed between 2019 and 2022 the estimated level of reserves will fall from £3.18 million at 1 April 2019 to £2.82 million at 31 March 2021. This is a sufficient level of contingency, however members should note the following risks;

9.2.1 Should additional unavoidable projects arise during the period, schemes may either need to be shelved, assets disposed of to generate additional receipts or a borrowing strategy considered.

9.2.2 Interest earned on cash balances and available to help fund services may reduce as capital reserves are depleted. The projected use of reserves over the period is up to £464k; with an average medium term rate of 1% over this period it could reduce revenue funding by £4,640 per annum.

9.3 **Chief Finance Officer's comments:** All financial implications have been included within the body of this report.

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

10.1 Investment is needed in Council buildings and other assets to ensure that working environments are suitable and that health and safety standards are maintained towards users of the service.

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

11 Sustainability Policy and Community Safety Implications

11.1 There are no specific issues for the purposes of this report.

12 Partnerships

12.1 There are no specific issues for the purposes of this report.

13 Risk Assessment

13.1 The main risks are that (a) the additional investment from capital reserves will reduce the funding available to support service delivery in future years, or (b) support from government grants will reduce, affecting the ability to continue to invest in statutory services and that investment is not sufficient to meet statutory obligations or meet the highest resident priorities.

13.2 With limited capital receipts available to fund investment, the CMG's proposals try to balance the risk by measuring essential investment needs against resource limitations. Business case investment has been prioritised where it demonstrates a payback within 5 years or 7 years for renewable energy projects.

13.3 In the long term the Council will need to consider alternative funding sources to finance capital investment or the further sale of Council assets. The Medium Term Financial Strategy will aim to address this by proposing revenue contributions to fund capital expenditure from 2019/20, in order to reduce the reliance on capital receipts.

14 Conclusion and Recommendations

- 14.1 Capital Member Group recommends that the capital programme outlined in this report for 2019/20 be considered by Council in February.
- 14.2 That prioritised schemes totalling £464,000 for 2019/20 are added to the capital programme, funded from capital reserves and revenue, subject to the relevant policy committees receiving and approving project appraisals.
- 14.3 That schemes totalling £650,000 for 2019/20 are included in the capital programme, subject to external funding sources and subject to support for scheme appraisals by the relevant policy committees.

Ward(s) affected: (All Wards);

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Annexe 2 - Provisional Capital Programme Funding Summary

	Community Infrastructure Levy	Section 106	Capital Grant-DFG	Capital Receipts	Repairs and Renewals Reserves	Residential Property Fund	Other Contributions	Borrowing	Total Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Available Capital Resources at 1/4/2018	4.06	0.88	0.35	4.85	0.27	1.44	0.08	55.65	67.04
Less hospital cluster				-0.58					
	4.06	0.88	0.35	4.27	0.27	1.44	0.08	55.65	67.04
Funding the 2018/19 Capital Programme	0.00	0.00	-0.64	-0.91	0.00	0.00	-0.54	0.00	-2.09
Anticipated Receipts in 2018/19	1.04	0.00	0.64	0.21	0.00	0.00	0.54	0.00	2.43
Funding rolled forward 2017/18 Capital schemes	-1.38	-0.20	-0.35	-0.39	0.00	0.00	-0.08	0.00	-2.40
Estimated available Capital Resources at 31/3/2019	3.72	0.68	0.00	3.18	0.27	1.44	0.00	55.65	64.98
Estimated available Capital Resources at 1/4/2019	3.72	0.68	0.00	3.18	0.27	1.44	0.00	55.65	64.94
Anticipated Receipts in 2019/20	1.04	0.00	0.65	0.00	0.00	0.00	0.10	0.00	1.79
Funding the 2019/20 Capital Programme	-2.75	0.00	-0.65	-0.36	0.00	0.00	-0.10	0.00	-3.86
Estimated available Capital Resources at 31/3/2020	2.02	0.68	0.00	2.82	0.27	1.44	0.00	55.65	62.87
Estimated available Capital Resources at 1/4/2020	2.02	0.68	0.00	2.82	0.27	1.44	0.00	55.65	62.87
Anticipated Receipts in 2020/21	1.04	0.00	0.65	0.00	0.00	0.00	0.00	0.00	1.69
Proposed New Bids for 2020/21	0.00	0.00	-0.65	0.00	0.00	0.00	0.00	0.00	-0.65
Estimated available Capital Resources at 31/3/2021	3.06	0.68	0.00	2.82	0.27	1.44	0.00	55.65	63.91

Notes:

1. Bids have been initially been allocated to funding from capital receipts & revenue, however alternative funding sources could be used e.g Repairs and Renewals, CIL and Section 106.
2. The receipts forecast assumes a £100k revenue contribution to fund capital schemes in 2019/20. This contribution is subject to the budget being approved at Council in February 2019.
3. No expenditure has been entered for the residential and commercial property funds but this will occur when opportunities arise.
The timing of the expenditure cannot be forecast, therefore has been left blank at this time.
4. Borrowing is only available to fund the In-Borough Commercial Property Acquisition Fund
4. £2.245m of CIL funding was recently agreed by S&R Committee to support Plan E and up to £0.5m to fund the Stoneleigh Station Accessibility project.
This has been recorded above as part of the 2019/20 programme, however, exact timescales for incurring this expenditure are not yet confirmed.

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Annexe 1 - Capital Bids Ranked in Order of Priority and Revised Programme

Bid Number	Proposed Capital Programme 2019/20 Schemes	Scheme Capital Expenditure 2019/20	Scheme Capital Expenditure				Funding			Comments from Leadership Team - 9 October 2018	Comments from Capital Member Group - 5 September 2018
			2019/20	2020/21	2021/22	Scheme Total	Capital Reserves/Revenue	Govt Grant			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Community & Wellbeing Bid 1	Disabled Facilities Grant (DFG) Programme	650	650	650	650	1,950	-	1,950		As it is externally funded and a mandatory function this bid was awarded the highest priority.	Full Bid Required. The amount should be updated once the new allocation for 2019/20 is known.
Strategy & Resources Bid 2	Replacement of CRM and Data Warehouse	306	-	-	-	306	306	-		The full bid highlights the benefits to the business and risks of not proceeding with the project. It also notes that a bespoke system will be avoided. Given the importance of this system to the Council's operations, the bid was therefore supported.	The full bid will need to highlight the benefits to the business and detail the drawbacks of not doing it. The scheme will need a project plan with clear milestones. Members have suggested that we avoid a bespoke system as sometimes these are not maintained for extended periods by providers.
Environment & Safe Communities Bid 2	Upgrade of some parking pay & display machines	43	-	-	-	43	43	-		The full bid included a cost/benefit analysis and given the potential risk to income generation should the project not proceed, the bid was supported.	The full bid should include a cost/benefit analysis including the income generation of each of the machines set to be upgraded. It may be worth setting up a Repairs & Renewals fund for future repairs to pay and display equipment.
Community & Wellbeing Bid 9	Bourne Hall - Refurbishment of toilets	40	-	-	-	40	40	-		The revised bid offered a more basic specification, removing the retiling of the rooms, resulting in a lower cost of £40k. The reduced bid was supported by the Leadership Team.	The bid needs to specify whether additional income would be generated as a result. The specification of the works needs to be detailed and whether a more 'basic' refurb could be delivered at less than £70k? The full bid should provide options.
Environment & Safe Communities Bid 3	Hope Lodge Extension to Car Park	75	-	-	-	75	75	-		The revised bid includes fencing to secure the carpark to avoid drivers going over the kerb to avoid paying. The bid demonstrated payback over the 5 year period and was therefore supported.	The full bid will need to detail the project payback over 5 years. Also demonstrate that the works will not compromise the security of the carpark by allowing cars to drive out over the kerb without paying.
Total Potential Bids		1,114	650	650	650	2,414	464	1,950			

Bid proposed to be brought forward to 2018/19 Programme

Strategy & Resources Bid 1	Modernisation of the Epsom datacentre	220								Recent exceptional circumstances have escalated the timescales for this project therefore a report to S&R Committee on 27 November will recommend that the project is added to the 2018/19 programme.	The full bid needs to include information on the longevity of the scheme. The scheme itself will need to have a project plan with clear milestones.
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Bids Not Meeting Necessary Assessment Criteria - as assessed by Leadership Team 9 October 2018

Community & Wellbeing Bid 3	Chessington Road Rec - Replacement of defective playground	150	150			150	150			Having reviewed the ROSPA report it would appear that limited repairs would resolve any H&S issues and these and any proposed refurbishment works would be deemed revenue expenditure. Consideration could be given to making a bid under the CIL Local Fund.	The full bid needs to provide clarification on the Health & Safety implications.
Community & Wellbeing Bid 4	Various playgrounds - replacement of defective playground surface and items of equipment	65	65			65	65			Given the large number of sites requiring works, they are beneath the capital de-minimis limit and therefore considered revenue expenditure. Consideration could be given to a revenue bid for S106 funds to replace the playground equipment.	The full bid needs to include information about the current state of the equipment, the H&S implications and the cost of works at each site. It may be worth setting up a Repairs & Renewals fund for future repairs to playground equipment.
Community & Wellbeing Bid 6	Wellbeing Centre toilet refurbishment	70	70			70	70			This scheme should be deferred until a decision has been taken on the proposed enlargement of the centre, as these works could be incorporated into the larger scheme, or may be rendered obsolete.	The full bid needs to be assessed along with other planned work at the building. The specification of the works needs to be detailed and whether a more 'basic' refurb could be delivered at less than £70k? The full bid should provide options.
Community & Wellbeing Bid 7	Playhouse - Refurbishment of bar area	40	40			40	40			The alterations appear to be service enhancement rather than business continuity, therefore are not within the scope of bids being considered for the 2019/20 capital programme. As there is no business case for income generation, it does not qualify under the spend to save criteria. Given the change in Service Head responsibility for the Playhouse it was felt this project should be deferred for a year.	The full bid needs to be prepared on a spend-to-save basis with a business case including estimates of potential additional income that could be generated.
Community & Wellbeing Bid 8	Playhouse - Foyer alterations	84	84			84	84			The alterations appear to be service enhancement rather than business continuity, therefore are not within the scope of bids being considered for the 2019/20 capital programme. As there is no business case for income generation, it does not qualify under the spend to save criteria.	The full bid needs to be prepared on a spend-to-save basis with estimated savings included. The bid should provide options on the extent of works, with individual costings to allow alternatives to spending the full £84k. Are any of the items vital to business continuity?

Bids Not Progressed Following CMG 5 September 2018

Strategy & Resources Bid 3	Town Hall replacement of ground floor toilets	60	60			60	60				Until a decision is made on the future of the building these works should be deferred, however, Officers are requested to highlight any further information which would make this project a priority.
Strategy & Resources Bid 4	Town Hall flat roof replacement	145	145			145	145				Until a decision is made on the future of the building these works should be deferred, however, Officers are requested to highlight any further information which would make this project a priority.
Environment & Safe Communities Bid 1	Renovation of Borough Shrub Beds - Phase One Stoneleigh Broadway	22	22			22	22				This falls under revenue. Do we maintain these on behalf of SCC? If so, can we seek funding from the Divisional Member to cover some of these costs? Any available S106 funds?
Environment & Safe Communities Bid 4	Electrical vehicle charging points in car parks	60	60			60	60				This is still a young market, defer for at least a year.
Community & Wellbeing Bid 2	Upgrade water infrastructure and noticeboards in council managed allotments	42	42			42	42				The expenditure appears to be revenue in nature and won't be considered as part of the capital programme
Community & Wellbeing Bid 5	Unauthorised encampments protection across various parks	40	40			40	40				The expenditure appears to be revenue in nature and won't be considered as part of the capital programme. Alternative sources of revenue funding should be pursued. This should coordinate with the report to S&R in November.

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FINANCIAL REGULATIONS REVIEW

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):	Annexe 1 – Updated Financial Regulations
Other available papers (not attached):	Previous Financial Regulations (see Constitution Part 4)

Report summary

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

This report proposes amendments to the Financial Regulations.

Recommendation (s)

That the Panel:

- (1) Provide any comments on the proposed amendments to the Financial Regulations.**
- (2) Recommend the updated Financial Regulations for approval by Strategy and Resources Committee.**

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

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

2 Background

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

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

3 Proposals

- 3.1 The updated Financial Regulations are attached at Annexe 1, following consultation with the Leadership Team. Job titles have been amended to reflect the current organisational structure and references to statutory regulations have also been updated as appropriate.
- 3.2 The other main changes are summarised in the following table and are shown as tracked changes at Annexe 1:

Section	Description of Change
4. Financial Planning - Revenue Reserves	<p>New authorisation limits are proposed for the use of revenue reserves, as follows;</p> <ul style="list-style-type: none"> • Up to £20,000 – Chief Finance Officer • From £20,000 to £50,000 – Chief Finance Officer in consultation with the relevant Committee Chairman • Above £50,000 – Committee approval required <p>Previously, no authorisation limits were specified in the Financial Regulations. The introduction of limits is intended to clarify the responsibilities of officers and members.</p> <p>The limits do not apply to reserves held for accounting purposes.</p>
6. Revenue Budget Control - Virements	<p>Virement rules have been clarified and there is a proposed increase in the threshold - from £20,000 to £50,000 - for virements that require Committee approval.</p> <p>The proposed increase reflects that the previous threshold has been unchanged since the Regulations were introduced in 2001.</p>
6. Revenue Budget Control - Emergencies	<p>Regulations for emergencies have been updated to ensure consistency with the Constitution's Scheme of Delegation.</p>

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

- 3.3 The Panel are asked to provide any feedback on the updated Financial Regulations and to approve them prior to their presentation to Strategy and Resources Committee in the new year.

4 Financial and Manpower Implications

- 4.1 There are no additional cost implications to the implementation of the Financial Regulations
- 4.2 **Chief Finance Officer's comments:** *It is important that the Financial Regulations be kept up-to-date, in order for the Council to properly manage its financial affairs and discharge its duties.*

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

- 5.1 None for the purposes of this report.

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

6 Sustainability Policy and Community Safety Implications

6.1 No implications for the purposes of this report.

7 Partnerships

7.1 No implications for the purposes of this report.

8 Risk Assessment

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

9 Conclusion and Recommendations

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

9.2 The Panel are asked to provide any feedback on the updated Financial Regulations and to approve them prior to their presentation to Strategy and Resources Committee in the new year.

Ward(s) affected: (All Wards);

SECTION E - Financial Regulations

Issued: July 2002; Revised July 2013, December 2018

1 About Financial Regulations

The role and function of Financial Regulations

- 1.1 Financial Regulations are a set of rules (standing orders) that govern the financial affairs of the Council. They are approved by the Council and apply to all members and officers of the Council and anyone acting on its behalf must comply with the Regulations.
- 1.2 The Regulations identify the financial responsibilities of the full Council, Committees and Panels, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer, Heads of Service and Budget Managers.
- 1.3 Any reference to the Chief Finance Officer should be interpreted as meaning the Council's S151 Officer. The Chief Finance Officer is the Council's S151 Officer.
- 1.21.4 Where decisions have been delegated or devolved to other responsible officers, references to the relevant Head of Service in the Regulations should be read as referring to those officers.
- 1.31.5 All members and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is lawful, correctly authorised, provides value for money and achieves best value. Compliance with Financial Regulations will help discharge this responsibility.

Finance Rule Book & other procedures

- 1.41.6 The Finance Rule Book sets out in more detail some of the procedures to which staff who manage budgets or carry out financial transactions need to adhere, although we try to avoid detailed prescription wherever possible. All members and officers **must** comply with Financial Regulations.
- 1.51.7 Although the Financial Regulations and the Finance Rule Book cover all major financial systems and processes, the Council has other procedures which set out how Council funds are managed. Regard must be had to the requirements of the Council's Procurement and Capital Strategies as well as Standing Orders for Contracts.

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

What do Financial Regulations cover?

- [1.71.9](#) The Financial Regulations set out the financial management policies of the Council. The list on the "Contents" page sets out the subjects covered.
- [1.81.10](#) Financial Regulations are not detailed procedure notes. The Finance Rule Book provides greater detail, although will not necessarily cover all eventualities. Where appropriate Managers should maintain their own operating procedure notes to fit in with the needs of their own service.

What if something is not clear?

- [1.91.11](#) The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations that Members, Officers and others acting on behalf of the Council are required to follow.
- [1.101.12](#) If you are not clear what a regulation means to your work area, or how to apply it, please ask for guidance. You can ask the Chief Finance Officer, Chief Accountant, Head of Policy, Performance and Governance, or your service accountant.

What will happen if I don't comply?

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

FINANCIAL MANAGEMENT

2 Financial Management – General

Status of Financial Regulations

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

- 2.2 The Regulations also apply to services carried out under agency arrangements for any other Authority or organisation except where it has been agreed in advance by the Chief Finance Officer, to comply with another organisation's regulations. Agents acting for the Council will be expected to comply with these Regulations unless otherwise agreed by the Chief Finance Officer.
- 2.3 These Regulations also apply to arrangements with any other Authority, partnership or organisation except where it is otherwise specifically agreed by the Chief Finance Officer.
- 2.4 The Financial Regulations do not override any statutory provisions.
- 2.5 The Regulations must be read in conjunction with current schemes of delegation to Committees and Officers.

Responsibilities of the Chief Finance Officer

- 2.6 The Chief Finance Officer is the Council's S151 Officer and has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden.
- 2.7 The statutory duties arise from:
- Section 151 of the Local Government Act 1972
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Accounts and Audit Regulations 2015~~14~~
- 2.8 The Chief Finance Officer is responsible for:
- the proper administration of the authority's financial affairs
 - setting and monitoring compliance with financial management standards
 - advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - providing financial information
 - preparing the revenue budget and capital programme
 - treasury management
 - determining the Council Tax Base

- determining the Business Rates Base

- 2.9 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the full Council and the external auditor if the Authority or one of its Officers:
- (a) Has made or is about to make a decision which involves or would involve the Council incurring unlawful expenditure.
 - (b) Has taken, or is about to take, a course of action which if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency; or
 - (c) Is about to enter an item of account, which is unlawful.
- 2.10 Section 114 of the 1988 Act also requires the Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally.
- 2.11 The Chief Finance Officer is responsible for maintaining a regular review of the Financial Regulations and submitting any additions or changes necessary to the full Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, serious breaches of the Financial Regulations to the Scrutiny Committee.

Responsibilities of Heads of Service

- 2.12 Heads of Service are responsible for ensuring that Committee members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.
- 2.13 It is the responsibility of Heads of Service to consult with the Chief Finance Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.
- 2.14 Heads of Service are responsible for ensuring that all staff in their division are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. A copy of the document will be available on the Council's Internet and intranet site.
- 2.15 Heads of Service shall control expenditure and income, monitor performance, and take the necessary action to avoid exceeding any budget. The Chief Finance Officer shall provide appropriate financial information or the means by which budgets may be monitored effectively.

- 2.16 Where expenditure or income involves a contractual agreement with a third party, the Heads of Service must follow procedures laid down in the Contracts Standing Orders.
- 2.17 Heads of Service shall establish sound arrangements for the planning, appraisal, authorisation and control of their operations to ensure that economy, efficiency and effectiveness are achieved.
- 2.18 Heads of Service may nominate staff – called Budget Managers - to manage budgets on their behalf. This delegation does not in any way reduce the overall responsibilities of the Heads of Service. Budget Managers shall carry out their responsibilities in line with these Regulations and the Finance Rule Book.

Authorised Signatories

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

3 Accounting Arrangements

Accounting policies

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

Accounting records and procedures

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

The Annual Statement of Accounts

- 3.3 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).
- 3.4 The Strategy and Resources Committee is responsible for approving the Annual Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations [2015](#).

Allocation of Accounting Duties

- 3.5 The following principles shall be observed in the allocation of accounting duties:
- (a) The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;
 - (b) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

Subsidies and Grants Receivable

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

FINANCIAL PLANNING

4 Financial Planning - General

Policy Framework

- 4.1 The full Council is responsible for agreeing the Council's policy framework and budget. In terms of financial planning, the key elements are:-
- The Corporate Plan and Key Priorities
 - The Four Year Financial Plan
 - The Annual Budget
 - The Capital Strategy and Capital Programme.
 - The Treasury Management Strategy
- 4.2 The Council is responsible for approving the policy framework and budget which will be proposed by the Strategy and Resources Committee.
- 4.3 The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework.

Revenue Reserves

- 4.4 It is the responsibility of the Chief Finance Officer to advise the Strategy and Resources Committee and/or the full Council on prudent levels of reserves for the Authority.
- 4.5 The Chief Finance Officer is responsible for ensuring that reserves are used only for the purposes for which they were earmarked.
- 4.6 The Chief Finance Officer may authorise the use of reserves for their intended purpose up to the following limits:

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

- 4.1 The above limits do not apply to reserves held for accounting purposes. Reserves held for accounting purposes are used at the discretion of the Chief Finance Officer and include:
- Property Income Equalisation Reserve
 - Business Rates Equalisation Reserve
 - VAT Reserve
 - Interest Reserve
 - Insurance Reserve

Financial Plan

- 4.44.2 The Chief Finance Officer shall maintain a forward Financial Plan. The Financial Plan will show the financial implications of changes in Council policy, legislation, service levels, activity and other factors for at least three years ahead. The Chief Finance Officer will review financial projections annually. The plan will show, in summary, the estimated impact of future spending plans on the General Fund.

4.54.3 In order that the information requirements of the Financial Plan and Medium Term Financial Strategy are satisfied, reports to Committees with significant financial implications shall show the full year effect of the proposals and the implications for at least the next three financial years.

4.64.4 Budget Targets including updates of the financial projections should be presented to the Strategy and Resources Committee by the Chief Finance Officer no later than October each year.

Review and Notification to the Chief Finance Officer

4.74.5 Heads of Service and Budget Managers must regularly review the financial implications of changes in policy and other factors, and must notify the Chief Finance Officer promptly of the impact on current and future budgets.

5 Revenue Budget Preparation

Budget format

- 5.1 The general format of the budget will be approved by the Strategy and Resources Committee on the advice of the Chief Finance Officer.
- 5.2 The detailed form of the revenue estimates shall be determined by the Chief Finance Officer and must be consistent with the general directions of the Strategy and Resources Committee.

Budget preparation

- 5.3 Heads of Service shall prepare estimates of income and expenditure reflecting agreed key service priorities in consultation with the Chief Finance Officer in accordance with guidelines issued by the Strategy and Resources Committee.
- 5.4 The Chief Finance Officer shall report on the estimates to the appropriate policy committees. They shall in turn report the estimates to the Council with such recommendations as are deemed necessary.
- 5.5 The Chief Finance Officer shall advise the Strategy and Resources Committee and other committees as necessary on budget matters.
- 5.6 The Heads of Service shall supply the Chief Finance Officer with such information as is necessary to support the estimates.

Budget Timetable

- 5.7 The Chief Finance Officer will prepare a budget timetable each year. All budget submissions shall be made in accordance with the timetable.

6 Revenue Budget Control

Budget monitoring and control

- 6.1 It is the responsibility of each Head of Service to manage and direct resources to achieve the objectives of the budget. This involves the monitoring of expenditure and income and the regular review of performance. Where budgets are delegated to Budget Managers they are charged with the same responsibility.
- 6.2 Once approved by the Council, the revenue budget will give authority for expenditure to be incurred in the appropriate year unless:
- (a) It would cause the appropriate budget head to be overspent,
 - (b) It is a long-term financing agreement that will have implications for government capital controls in which case the Chief Finance Officer must be consulted.
 - (c) It is a contingency sum requiring the approval of the relevant committee before expenditure is incurred.
- 6.3 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively.
- 6.4 The Chief Finance Officer must report to all Members on the overall budget position on a regular basis.

New Services and Extension of Service Provision

- 6.5 Any proposal to incur expenditure relating to the adoption of a new policy or extension of an existing policy not already sanctioned by the Council, must be accompanied by a report to the relevant policy committee with the financial implications agreed in advance with the Chief Finance Officer.
- 6.6 Proposals which commit future budgets to a level of expenditure greater than that provided for in the current year shall be reported to the relevant policy committee and the Strategy and Resources Committee and clearly show the total level of future annual commitment.

Supplementary Estimates

- 6.7 Policy Committees are required to manage services within the overall revenue and capital budget allocations. The Council will exceptionally consider supplementary estimates for significant added expenditure that cannot be managed within the total agreed budget. Where the expenditure exceeds the budget a report will be prepared for consideration by the relevant policy committee.
- 6.8 Where it is apparent that the budget for a service may be exceeded (or there will be a shortfall of income) by a material sum, the Head of Service must prepare a written report setting out the reasons and proposing how the shortfall may be met, and submit it to the Chief Finance Officer. The Chief Finance Officer will advise on the action to be taken, which may include proposals for a report to Leadership Team and/or Policy Committee, virement or exceptionally a request for supplementary estimate.
- 6.9 Further guidance on the procedures to be followed for budget overspends is contained in the Finance Rule Book.
- 6.86.10 Expenditure may be authorised in an emergency by the Chief Finance Officer with the agreement of the Chairman of the relevant Committee and shall be reported to the next meeting of that Committee. This procedure will only be adopted if the emergency does not provide sufficient time to follow the procedure set-out at 6.25.

Virement of revenue budgets

- 6.96.11 A revenue virement is the transfer of resources from one revenue budget to another. The Financial Policy Panel is responsible for agreeing procedures for revenue virements.
- 6.106.12 The delegated approvals for virements within the same Committee are --

Value	Level of Responsibility
Up to £5,000 within Cost Centre	Budget Managers
Up to £5,000 within Service Group	Divisional Manager/ Head of Service
From £5,000 Up to £2050,000 within Committee	Relevant Head(s) of Service or and <u>Chief Finance Officer</u>
Above £ 2050 ,000	Committee approval required

~~6.116.13~~ Virements between committees require the approval of the Strategy and Resources Committee and the other relevant Committee(s).

~~6.126.14~~ Virement between revenue and capital budgets will not be permitted due to the different sources of funding.

~~6.136.15~~ All virements must be completed on approved virement documentation.

~~6.146.16~~ Virements out of cost centre will be monitored in aggregate, based on the limits specified above, during the financial year by the relevant service accountant.

~~6.156.17~~ Virement between revenue income and expenditure will be permitted only where the additional expenditure will generate the income and with the approval of the Chief Finance Officer.
~~will not be permitted, without committee approval.~~

~~6.166.18~~ Virements in or out of the salary budget must be within control totals maintained by the Chief Finance Officer.

~~6.176.19~~ The virement of training budgets for any purpose other than training requires an express recommendation of the Human Resources Panel.

~~6.186.20~~ Virements must not be made in or out of the Epsom and Walton Downs Conservators and Nonsuch Park Joint Management Committee accounts.

6.21 Where the proposed virement involves a significant issue of principle, or a significant proportion of the original budget, the approval of the Strategy and Resources Committee is required.

6.22 The above virement arrangements do not apply to adjustments to budgets that arise due to accounting or technical reasons such as correcting errors, budget restructuring due to internal reorganisation, capital and pension charges, and changes to grant regimes, provided these do not impact on the net budget of the Council.

- 6.23 Where an approved budget is a contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that its use is in accordance with the purposes for which it has been established and has been approved by the Chief Finance Officer.

Treatment of year-end balances

~~Treatment of year-end balances~~

- ~~6.19~~ For Capital Schemes not completed by the 31st March a schedule of capital budgets carried forward will be presented to the Strategy and Resources Committee by June.

- 6.24 Underspends on the revenue account will not normally be carried forward. Exceptionally such requests to allow the fulfillment of commitments will require the approval of the Strategy and Resources Committee

Emergency or Urgent Action Requests

Matters of Urgency (Procedures of the Council/Standing Order 45)

- 6.25 Where a decision cannot wait until the next Council or policy committee meeting, then under the Constitution the Chief Executive and the Chief Operating Officer are empowered to take all necessary decisions in cases of emergency or urgency (Constitution Part 3, Section 7 - Scheme of Delegation to Officers, paragraph 7.4d). The definition of emergency and urgency is set out in the Constitution at Section 7, paragraph 7.5.
- 6.26 Delegated Authority Forms should be used for such decisions and can be obtained from Democratic Services.
- ~~6.20~~ Where it is proposed to seek approval for expenditure under the “Matters of Urgency” rules in the Council’s Standing Orders or the “Matters of Urgency” proposal has any other financial implication, the appropriate Director must consult with the Director of Finance and Resources who will advise on the action to be taken. The consultation with the Director of Finance and Resources must take place prior to seeking the approval of the relevant Committee Chairman.
- ~~6.21~~ Further guidance on the Urgent Actions procedures to be followed is contained in the Finance Rule Book.

7 Capital Programme

Preparation of the capital programme

- 7.1 The Chief Finance Officer is responsible for maintaining a rolling capital programme and this is reported annually for consideration by the Financial Policy Panel who will also advise the Strategy and Resources Committee on funding implications.
- 7.2 The programme will include spending plans for the ensuing three years. The detailed form of the programme shall be determined by the Chief Finance Officer and must be consistent with the general directions of the Strategy and Resources Committee.
- 7.3 Projects that are reliant on the receipt of government or other third party funding, including central government and other grants must follow the normal capital programme procedures.

Capital Member Group and Capital Officer Group

- 7.4 The Financial Policy Panel will advise Strategy and Resources Committee on the capital programme and capital funding. The Capital Member Group has responsibility for advising on the development of the Capital Strategy for the capital programme review in consultation with the Chief Finance Officer.
- 7.5 The Capital Officer Group is responsible for the appraisal of all capital schemes submitted annually by budget managers. The assessment process will take into account key strategies including the Key Priorities and Asset Management Plan and the available capital resources. (More detail is provided in the Finance Rule Book).

New capital schemes

- 7.6 New schemes will be assessed based on the criteria within the Capital Strategy and recommended to the relevant committee within the capital funding released by the Strategy and Resources Committee, prior to approval from full Council. Each new scheme must have a capital project appraisal form completed and approved by the Capital Member Group.

Status of capital programme approval

- 7.7 Inclusion in the capital programme does not of itself confer authority to incur expenditure before:
 - (a) The relevant Committee has approved a project appraisal in accordance with the procedures set out in the Capital Strategy and the Asset Management Plan;

- (b) A tender or quotation has been received which does not exceed the amount included in the programme and any other relevant cost limits;
- (c) All necessary statutory approvals have been received;
- (d) External funding has been secured where relevant;
- (e) Spend to Save Schemes have been appraised and demonstrated pay-back of investment.

Variations to capital projects

- 7.8 The size, content or specification of a scheme shall not be significantly changed without the approval of the relevant service committee.

Virement

- 7.9 The guidance for virement of the capital programme is as follows:-

Value	Level of Responsibility
Within Cost Centre/ Capital Scheme	Relevant Budget Manager/ Project Manager
Moving budget from one scheme to another within committee up to £20,000	Director, following consultation with relevant Committee Chairman & Chairman of Strategy and Resources
Moving budgets between committees	Relevant committee and full Council approval

- 7.10 All virements must be completed on the approved virement documentation

Monitoring of progress

- 7.11 The detailed monitoring is the responsibility of the Capital Officer Group. It is the Chief Finance Officer's responsibility to report to Members on a quarterly basis and to submit any major variances of the Capital Programme to the Financial Policy Panel.

- 7.12 An officer who becomes aware that the estimated cost of a capital scheme for which he/she is responsible is likely to be exceeded should notify the Chief Finance Officer. The Chief Finance Officer can authorise additional funding per capital scheme up to the following limits:

<u>Value</u>	<u>Level of Responsibility</u>
<u>Up to £5,000</u>	<u>Chief Finance Officer</u>
<u>From £5,000 to £20,000</u>	<u>Chief Finance Officer in consultation with the Chairman of the relevant Policy Committee and the Chairman of S&R</u>
<u>Above £20,000</u>	<u>Committee approval required</u>

- 7.13 For capital schemes not completed by 31st March, a schedule of capital budgets to be carried forward will be presented to Strategy and Resources Committee by July.

- 7.14 At year-end, officers are responsible for applying the most appropriate source of capital funding to finance capital expenditure.

~~in total by 10 per cent or £20,000, whichever is the less, shall report the likelihood to the next meeting of the relevant policy committee and the Strategy and Resources Committee stating the amount of the excess anticipated and the reason.~~

RISK MANAGEMENT AND CONTROL OF RESOURCES

8 Risk Management

Introduction

- 8.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include but is not limited to the proactive participation of all those associated with planning and delivering services.

Risk management

- 8.2 The Strategy and Resources Committee is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The risk management framework is monitored and reviewed by the Audit, Crime & Disorder, & Scrutiny Committee. The Chief Finance Officer (S151), in conjunction with the Director of Finance and Resources Head of Policy, Performance and Governance is responsible for ensuring that

~~proper insurance exists where appropriate and advising the Strategy and Resources Committee on insurance arrangements.~~

- 8.3 The Chief Executive and all Heads of Service are responsible for managing the Council's risks, taking mitigating action and promoting risk management throughout the authority.

Internal control

- 8.4 The Chief Finance Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use. In addition, the Monitoring Officer has statutory responsibilities to report on prospective breaches of the law or maladministration.
- 8.5 The Accounts and Audit Regulations require every local authority to conduct a review at least once a year of the effectiveness of its system of internal control and shall include an Annual Governance Statement, prepared in accordance with proper practices. Heads of Service are responsible for ensuring effectiveness systems of internal control within their service.
- 8.6 It is the responsibility of Heads of Service to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Preventing fraud and corruption

- 8.7 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance is responsible for the development and maintenance of a policy to prevent fraud and corruption and for submitting it for approval to the Strategy and Resources Committee, prior to obtaining approval from full Council.
- 8.8 It is the responsibility of Heads of Service to make the relevant staff aware of the requirements of the protocol for addressing the issues raised by the [Proceeds of Crime Act 2002](#), [Criminal Finances Act 2017](#) and the Money Laundering Regulations [2007](#)~~2017~~ and the Terrorism Act 2006~~9~~.

Staffing

- 8.9 The Head of Paid Service is responsible for determining how officer support for committee roles within the authority will be organised.
- 8.10 The Head of Paid Service is responsible for providing overall management to staff. The Head of Paid Service is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- 8.11 The Chief Finance Officer is responsible for controlling total staff numbers by:
- advising the Strategy and Resources Committee on the budget necessary in any given year to cover estimated staffing levels;
 - adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs;
 - the proper use of appointment procedures.

Security of Assets and Information

- 8.12 Heads of Service should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.
- 8.13 Heads of Service shall be responsible for maintaining proper security and privacy of information contained in the financial and other records under their control.
- 8.14 To comply with data protection legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018, the Data Protection Officer and Chief Legal Officer shall be responsible for maintaining proper security and the appropriate degree of privacy of information held within the Council, either electronically or in other formats e.g. microfiche, paper output etc. All staff are responsible for ensuring that they keep information secure and use personal data in a manner consistent with the Council's Data Protection Act Policy, Retention Policy and ICT policy.
- 8.15 The Strategy and Resources Committee is responsible for reviewing the Data Protection Act policy.

9 Insurance

Review of Arrangements

9.1 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance is responsible for ensuring that proper insurance exists where appropriate and advising the Strategy and Resources Committee on insurance arrangements. This includes;

9.1.1 Adequate insurance to cover all assets in the organisation

9.1.2 Acceptable levels of risk are determined and insured against where appropriate

9.19.2 ~~The Council shall review its insurance arrangements at least every five years and submit its requirements to competitive tender~~ Details of insurance requirements are summarized below and provided in detail in the Finance Rule Book.

Review of Insurance Cover

9.29.3 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance, shall keep under review all insurance cover in consultation with other Heads of Service as appropriate.

Records of Insurance Cover

9.4 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance shall maintain records of all insurance placed by the Council, showing the property and/or risks covered.

Notification of Risks

9.39.5 Heads of Service must give prompt notification to the Chief Finance Officer and the Head of Policy, Performance and Governance of all new risks, properties or vehicles that require to be insured and of any alterations affecting existing insurance.

9.49.6 Heads of Service shall give prompt notification in writing to the Head of Policy, Performance and Governance of any loss, liability, damage or any event which may result in a claim against the Council, or in a claim by the Council under a policy of insurance or otherwise.

Negotiation of Claims

9.59.7 The Head of Policy, Performance and Governance shall negotiate all claims in consultation with other officers as necessary.

Partnerships and 3rd Parties

- 9.69.8 Heads of Service must ensure that the correct insurance cover is in place for any arrangements with contractor, partners or 3rd parties prior to such arrangements being entered into.

Fidelity Guarantee Policy

- 9.79.9 All appropriate employees of the Council shall be included in a suitable fidelity guarantee policy.

10 Audit

Audit requirements

- 10.1 The Accounts and Audit Regulations require every local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.
- 10.2 The ~~Audit Commission~~Council is responsible for appointing its external auditors. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by the Local Audit and Accountability Act 2014.
- 10.3 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

Provision of Internal Audit

- 10.4 The Chief Finance Officer and Head of Policy, Performance and Governance shall maintain an adequate and effective system of internal audit to satisfy the Council's responsibilities under the Accounts and Audit Regulations 2015. The audit shall be performed, as far as practicable, to the standards set out in the "Public Sector Internal Audit Standards (PSIAS)-.
- 10.5 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 40.510.6 Strategy and Resources Committee is responsible for approving the procurement of the Council's internal audit service.

Powers of Internal Auditors

~~10.6~~10.7 To assist in complying with the requirements of the Accounts and Audit Regulations 2015, the Chief Finance Officer or his authorised representative shall have authority to:

- (a) Enter at all reasonable times on any Council premises or land.
- (b) Have access at all times to all records, documents and correspondence relating to any financial and other transactions of the Council, whether held by employees of the Council or by Consultants' employees under a contract for professional services.
- (c) Require and receive such explanations as are necessary concerning any matter under examination.
- (d) Require any employee of the Council to produce cash, stores or any other Council property under his control.

Reporting of Irregularities

~~10.7~~10.8 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council or any suspected irregularity in the exercise of the functions of the Council the relevant Head of Service concerned shall immediately notify the Chief Finance Officer and the Head of Policy, Performance and Governance. The Chief Finance Officer and/or the Head of Policy, Performance and Governance shall take such steps as considered necessary by way of investigation and report. This regulation does not relieve any Head of Service from giving similar notification to the Chief Executive who may consider any legal and/or disciplinary implications.

Annual Report on Internal Audit

~~10.8~~10.9 At least once a year a report shall be presented to the Audit, Crime & Disorder & Scrutiny Committee reviewing the internal audit coverage undertaken during the previous year and the audit plan for the forthcoming year.

Chief Internal Auditor

~~10.9~~10.10 The post of Head of Internal Audit, whether internally appointed or through a contract, shall be a fully qualified member of one of the following bodies: -

- (a) An Institute that is a member of the Consultative Committee of Accounting Bodies (CCAB);
- (b) The Institute of Internal Auditors.

Internal Audit Charter

~~10.10~~10.11 The Chief Finance Officer, in conjunction with the Head of Policy, Performance and Governance shall be responsible for approving the Internal Audit Charter Section. The purpose of this document is to:

- (a) to define the internal audit activity's purpose, authority and responsibility;
- (b) Outline the scope of internal audit work; and
- (c) Obtain corporate agreement on how internal audit should operate.

Whistleblowing

~~10.11~~10.12 All officers must report any suspected cases of fraud or corruption and should have regard to the Council's Whistleblowing Policy. The purpose of this policy is to establish a means by which employees who either suspect or have identified cases of fraud, corruption or other malpractice may raise issues of concern and be confident that those issues are dealt with seriously and fairly without fear of harassment.

11 Control of Assets

Use of Council Property

- 11.1 The Council's property must only be used in accordance with the ordinary course of the Council's business. Any other use can only be made in accordance with specific directions issued by the Head of Service concerned.

Property

- 11.2 The Head of Property & Regeneration will maintain an up to date register of all properties owned by the Council. The register shall record the purpose for which held, location, extent, purchase details, particulars of nature of interest and rents payable and particulars of tenancies granted.
- 11.3 The Chief Legal Officer shall have the custody of all title deeds under secure arrangements.

Inventories

- 11.4 Heads of Service shall maintain up to date inventories of the Council's furniture, fittings and equipment, and plant and machinery that has a significant value. The care and custody of such equipment shall be the responsibility of the Managers concerned.

- 11.5 The Head of ICT shall maintain a complete and up to date inventory of all information technology equipment.

Stocks and Stores

- 11.6 Heads of Service shall be responsible for the care and custody of the stocks and stores in their division. Stocks shall be kept at the optimum level sufficient to provide an effective service.

Responsibility for Security

- 11.7 Each Head of Service is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment cash, and other assets under his control. The Chief Finance Officer must be consulted where security is thought to be defective or where it is considered that special security arrangements may be needed.

Cash Holdings

- 11.8 Maximum limits for each cash holding shall be agreed with the Chief Finance Officer and Head of Policy, Performance and Governance and shall not be exceeded without their express permission (see Finance Rule Book).

Disposal of assets

- 11.9 Each Head of Service shall be responsible for obtaining the best value for the Council when disposing of assets under their control. The Chief Finance Officer shall be responsible for issuing guidance for the disposal of assets (see Finance Rule Book).

12 Treasury Management and Trust Funds

Treasury Management Policy

- 12.1 The Council shall adopt the key recommendations contained in the CIPFA publication "Treasury Management in the Public Services; Code of Practice".
- 12.2 The Council will create and maintain, as the cornerstones for effective treasury management:
- (a) A treasury management policy statement, stating the policies and objectives of its treasury management activities
 - (b) Suitable treasury management practices, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- 12.3 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, an interim report providing analysis of current performance and a final annual report, in the form prescribed in its treasury management practices.
- 12.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Strategy and Resources Committee, subject to the advice under the terms of reference of the Financial Policy Panel, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement and treasury management practices and CIPFA's Standard of Professional Practice on Treasury Management.

Treasury Policy Statement

- 12.5 The content of Treasury Management Strategy will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Any such amendments will not result in the Council materially deviating from the Code's key recommendations.

Treasury Management Practices

- 12.6 The content of treasury management practices will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Any such amendments will not result in the Council materially deviating from the Code's key recommendations.

Reporting on Treasury Management Activities

- 12.7 Each year, the Chief Finance Officer shall report to the Council on the proposed strategy for treasury management for the forthcoming financial year.
- 12.8 The Chief Finance Officer shall report to the Strategy and Resources Committee ~~not less than twice in each financial year~~annually on the activities of the Treasury Management operation and on the exercise of Treasury Management powers delegated to him/her. ~~One such~~The report shall comprise an Annual Report on Treasury Management for presentation by the end of July of the succeeding financial year. ~~A second, Also an~~ interim report on current performance shall ~~also~~ be presented in Autumn to the Financial Policy Panel.

Trust Funds

- 12.9 All trust funds shall be in the name of the Council unless specifically approved by the Council otherwise. The Chief Executive is responsible for ensuring trust funds are operated within any relevant legislation and the specific requirements of each trust.

Investments and Borrowings Records

- 12.10 The Chief Finance Officer shall make all borrowings and investments in the name of the Council, except where and to the extent the Council has authorised its investments to be invested by an outside agent.
- 12.11 The Director of Finance and Resources shall maintain a register of loans and investments and records of all borrowings and investments made by the Council.
- 12.12 All negotiable investments, financial bonds and securities held in the name of the Council or its nominees shall be held under secure arrangements.
- 12.13 The requirements of the Council's Treasury Management Policies and Treasury Management Schedules must be followed at all times.

SYSTEMS AND PROCEDURES

13 Systems and Procedures - General

Introduction

- 13.1 Sound systems and procedures are essential to an effective framework of accountability and control.

Responsibility

- 13.2 The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by officers to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. Heads of Service are responsible for the proper operation of financial processes in their own departments.
- 13.3 Any changes to agreed procedures by Heads of Service to meet their own specific service needs should be agreed with the Chief Finance Officer.

Training

- 13.4 Heads of Service should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.

Data Protection and Freedom of Information Legislation

- 13.5 Heads of Service must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation in line with procedures agreed by the Head of Information Technology and the Council's Information Governance Officer. Divisional Managers must ensure that staff are aware of their responsibilities under the freedom of information legislation.

Schemes of Delegation

- 13.6 It is the responsibility of Heads of Service to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Head of Service's behalf in respect of payments, income collection and placing orders, together with the limits of their authority.

14 Banking Arrangements and Cheques

Banking Arrangements

- 14.1 The Council shall review its banking arrangements at least every 5 years.
- 14.2 All arrangements with the Council's bankers must be made by or under arrangements approved by the Chief Finance Officer who is authorised to operate such banking accounts as he may consider necessary. For the avoidance of doubt, the Chief Finance Officer is also authorised to make such arrangements as are necessary with custodians for the purposes of holding investments, including cash balances, managed by external fund managers.
- 14.3 Unless otherwise agreed by the Chief Finance Officer, all Council bank accounts shall stand in the name of the Epsom and Ewell Borough Council, but in any case not in the name or designation of any officer.

Bank Stationery

- 14.4 All cheques, and other debit and credit forms shall be ordered only on the authority of the Chief Finance Officer, who shall make proper arrangements for their safe custody.

Signing of Cheques

- 14.5 Cheques on the Council's banking accounts shall bear the facsimile signature of the Chief Finance Officer or be signed by the Chief Finance Officer or other officer authorised to do so.

Electronic Payment Systems

- 14.6 Where payments are to be transmitted electronically, the Chief Finance Officer shall approve the necessary arrangements to safeguard the Council against potential loss.

Authorisation of Payments

- 14.7 All payments, including BACs payments, in excess of £40,000 shall be countersigned by two authorised officers.
- 14.8 Only those Officers identified in the Council's Treasury Management Procedures are authorised to make payments from the Council's accounts or otherwise approve the transmission of funds. Treasury Management Procedures must be followed at all times.

15 Income

Income Policy

- 15.1 The Council's income policy shall be determined by the Strategy and Resources Committee as part of the Financial Plan. The Chief Finance Officer is responsible for setting targets for fees and charges within the Financial Plan.
- 15.2 The charge to be made for any service, so far as not delegated as set out in the Constitution to an officer, must be approved by the relevant service committee.

Review of Fees and Charges

- 15.3 The Heads of Service shall review charges at least once a year. Such charges shall then be submitted to the relevant Committee for approval, except where delegated authority shall otherwise provide. The financial implications of such reviews shall be reflected in the estimates for the forthcoming financial year.

Collection of Monies

- 15.4 The collection of all money due to the Council shall be under the supervision of the Chief Finance Officer or under arrangements specifically approved by the Chief Finance Officer.

Security and Controls

- 15.5 Each Divisional Manager is responsible for the regular review of their department's internal procedures for collecting and controlling income to ensure that the most effective controls are used.

Notification of Income Due

- 15.6 Each Head of Service shall inform the Chief Finance Officer promptly with such particulars of all amounts due as may be required by him to record correctly all sums due to the Council and to ensure the prompt rendering of accounts for the recovery of income due. This shall include details of all contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Chief Finance Officer shall have the right to inspect any documents or other evidence in this connection.

Money Laundering

- 15.7 The Council is required by law to establish procedures for money laundering as set out in the Anti Money Laundering Policy contained in the Finance Rule Book.
- 15.8 The Head of Policy, Performance and Governance is the designated Money Laundering Officer and is responsible for updating policies and procedures and providing advice to all staff. All staff must abide by the policy at all times and take prompt and proper action if they have any suspicions of money laundering.

Recovery of Debts

- 15.9 Heads of Service shall ensure that debts due to the Council are referred to the Chief Finance Officer for recovery without delay.
- 15.10 The Chief Finance Officer shall take all reasonable steps to recover amounts due to the Council, including the appointment of Enforcement Officers or other collection agencies.
- 15.11 The Chief Finance Officer is authorised to initiate County Court proceedings and sign the appropriate forms for the recovery of sundry debts.
- 15.12 With the exception of outstanding Council Tax and Business Rates, all outstanding debts which have been initiated in the County Court but which are being contested shall be referred to the Chief Finance Officer who shall take all reasonable steps to recover them.

Writing Off Debts

- 15.13 A debt that is properly due to the Council shall only be reduced or written off as irrecoverable on the authority of: -
- (a) The Chief Finance Officer for debts up to £5,000, and
 - (b) Over £5,000 up to £20,000, in consultation with the Chair of Strategy and Resources provided that they are satisfied that the debt is not recoverable at reasonable effort and expense.
 - (c) Write offs in excess of £20,000 should be reported to the Strategy and Resources Committee.

15.14 The above limits do not apply to the write off of business rates debts, where the liable party is subject to insolvency action as prescribed in the Insolvency Act 1986 and the Council is not legally able to continue with recovery action. The write-off of these debts can be authorised by the Head of Digital and Service Transformation, in conjunction with the Chief Finance Officer.

15.1415.15 A record of all amounts written off shall be maintained by the Chief Finance Officer and shall be kept up to date.

16 Orders for Work, Goods and Services

Key Controls

- 16.1 Orders shall only be issued for goods or services if the cost is covered by an approved revenue or capital budget.
- 16.2 All orders must comply with the Council's Standing Orders for Contracts and the guidelines set down in the Council's Procurement Strategy.
- 16.3 Official orders must be issued for all work, goods or services to be supplied to the Council except for instances listed in the Finance Rule Book and such other exceptions as the Chief Finance Officer may approve.
- 16.4 Heads of Services are responsible for ensuring that any procurement of contractors is compliant with HMRC's IR35 off-payroll working rules.

Official Orders

- 16.5 Official orders shall be in a form approved by the Chief Finance Officer and are to be signed only by staff approved by the appropriate Head of Service. They shall include any contractual requirements set out in Standing Orders for Contracts.

- 16.6 Each order shall conform to directions regarding purchasing and the standardisation of supplies and materials.
- 16.7 A copy of each order shall be retained by the responsible officer and shall show the cost or estimated cost of the work or goods and the relevant application. The copy may be kept in paper form or in an electronic form.
- 16.8 Telephone, facsimile transfer ("fax") or verbal orders shall be confirmed as soon as practicable, within 2 working days, by official orders that clearly show that they confirm instructions previously issued.
- 16.9 Official orders must only be used for legitimate Council business. They must not be used for the procurement of goods, materials or services for the personal or other use of an employee, nor must personal or private use be made of Council contracts.

Variation of Orders

- 16.10 Variations to Official Orders must be confirmed as soon as practicable in writing with a reference to the original Official Order.

Staff Benefits Scheme

- 16.11 Any procurement under the staff benefit package must be made in accordance with the regulations for that scheme.

Related Party Transactions

- 16.12 Any Officer who is in a position to influence the award of a contract or the placing of an order must inform their Head of Service if a transaction will involve an individual or company with whom they have a relationship.
- 16.13 No-one employed by the Council should enter into a contract with the Council, either as an individual or as a company, other than through their employment contract unless otherwise approved by the Chief Executive.

17 Paying for Work, Goods and Services

Separation of Duties

- 17.1 The activity of ordering/receiving goods should be separate from the authorization of payment of the account.

Method of Payment

- 17.2 The normal method of payment of money due from the Council shall be by BACS drawn on the Council's banking accounts by the Chief Finance Officer.

Certification of Invoices

- 17.3 All managers and authorised signatories are responsible for examining, verifying and certifying invoice(s) and any other payment vouchers arising from activities in their division. An authorized signatory must be satisfied that all works, goods or services received to which the account relates have been carried out, examined and approved, are within budget and are correctly coded. Such certification, by or on behalf of the Head of Service, shall be in manuscript or by an electronic method approved by a Head of Service. The names of officers authorised to sign such records shall be sent to the Chief Finance Officer by each manager together with specimen signatures and shall be amended on the occasion of any change within agreed limits specified in the Finance Rule Book.

Examination of Invoices

- 17.4 Invoices and other payment vouchers shall be passed without delay to the Chief Finance Officer who shall examine them to the extent that is considered necessary, for which purpose he shall be entitled to make such enquiries and to receive such information and explanations as may be required. Where the Chief Finance Officer is satisfied that a certified account has not fully complied with the Council's Standing Orders for Contracts or Financial Regulations, it shall be returned to the certifying officer requesting an explanation. In the event that no satisfactory explanation is forthcoming, the Chief Finance Officer shall report on the circumstances to the Leadership Team meeting and take action as necessary.

Payment Policy

- 17.5 Heads of Service shall take all reasonable steps necessary to ensure that the payment is made within 30 days wherever possible.
- 17.6 Special payment terms may only be agreed with suppliers following the prior agreement of the Chief Finance Officer.

Purchasing Cards

Nominated officers agreed by the Chief Finance Officer can have purchasing cards for the purchase of low value approved items. The nominated officers are responsible for ensuring all payments are made timely and correctly with appropriate authorization and vouchers corresponding to payments. The nominated officers are responsible for ensuring their cards are held securely at all time (further details are available in the Finance Rule Book and procedures).

18 Payments to Employees and Members

Responsibility

- 18.1 The Head of Human Resources and Organisational Development is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members.

Payment of Salaries and Wages

- 18.2 The payment of all salaries, wages, pensions, compensations and other emoluments to all employees or former employees of the Council shall be made under arrangements approved and controlled by the Chief Finance Officer.
- 18.3 The Head of Human Resources and Organisational Development shall maintain effective records affecting the payment of salaries and wages, and in particular:
- (a) Appointments, (both permanent and temporary), resignations, dismissals, suspensions, secondments, and transfers;
 - (b) Absences from duty for sickness or other reason, apart from approved leave;
 - (c) Changes in remuneration;
 - (d) Information necessary to maintain records of service for pensions, income tax and National Insurance.

Appointment of Staff

- 18.4 Appointments of all employees shall be made in accordance with the Human Resources Policies and Procedures of the Council and the approved establishments, grades and rates of pay.

Variations to the Establishment

- 18.5 Any proposal to vary the authorised establishment shall be made in accordance with the Human Resources Policies and Procedures approved by the Council.

Time Sheets and other Records

- 18.6 The format of all time records and other pay documents must be approved by the Head of HR and Organisational Development.

Claims for Staff Expenses

- 18.7 All claims for payment of car allowances, training expenses, subsistence allowances, travelling and incidental expenses shall be submitted via the HR Self Service system and duly certified by the appropriate manager, by a specified date in each month.
- 18.8 The certification by the relevant manager shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.
- 18.9 All officers must keep receipts for inspection by HMRC. These should also be submitted to the appropriate manager and stored via the HR Self Service system.

Payments to Members

- 18.10 Payment to Members shall be in accordance with the Council's Members' Allowances Scheme.
- 18.11 Payment to co-opted members entitled to claim travelling and/or other allowances will be made by the Chief Finance Officer upon receipt of the prescribed form duly completed.

19 Taxation

Responsibility

- 19.1 The Chief Finance Officer is responsible for advising Heads of Service, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- 19.2 The Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

- 19.3 The Chief Finance Officer be responsible for all communications with HM Revenue and Customs for all matters relating to taxation. The Chief Finance Officer shall maintain records and accounts sufficient to meet the obligations of the collection agencies.
- 19.4 The Chief Finance Officer shall report any significant changes relating to the Council's tax affairs to Financial Policy Panel and/or Strategy and Resources Committee.
- 19.5 The Chief Finance Officer shall be responsible for creating and maintaining an awareness of the importance of effective tax accounting across the whole organisation, and especially among those responsible for the processing of transactions.
- 19.6 The Chief Finance Officer shall issue instructions and manuals as appropriate based on up to date legislation.

Appointment of Advisors

- 19.7 The Chief Finance Officer shall appoint professional advisers where considered necessary to resolve any taxation issues.

Property Transactions

- 19.8 The Chief Finance Officer and Head of Property and Regeneration shall be informed of all proposed acquisitions, disposals, rentals and leasing of property at the planning stage and shall advise on the taxation implications accordingly.

EXTERNAL ARRANGEMENTS

20 Partnerships, External Arrangements and Work for Third Parties

- 20.1 Heads of Service are permitted to bid for external funds, provided they first inform the Chief Finance Officer and can evidence that the bid will have no negative impact on the Council's budget. Should the proposed bid involve a significant issue of policy, it should be reported to the relevant policy committee.
- 20.2 The Chief Finance Officer is responsible for issuing any required guidance on the financial aspects of contracts with third parties and external bodies.
- 20.3 Heads of Service and managers must ensure that work for 3rd parties does not have an adverse impact on any of the Council's services. Before entering into agreements, a risk management appraisal must be undertaken. All guidance issued by the Chief Finance Officer must be complied with and all agreements and arrangements must be properly documented.

- 20.4 The Chief Finance Officer in conjunction with the Head of Policy, Performance and Governance must ensure that adequate insurance arrangements are in place for all partners, 3rd parties or external arrangements. The Chief Finance Officer is responsible for advising on the tax implications of agreements with other parties.
- 20.5 The relevant Head of Service is responsible for approving partnership arrangements and informing the Chief Finance Officer of such arrangements. Where appropriate Heads of Service should seek financial and legal advice prior to entering into a partnership arrangement and that risk assessments are undertaken.
- 20.6 Heads of Service are also responsible for evaluating any long term implications of entering into such arrangements and informing the Chief Finance Officer.
- 20.7 The Heads of Service must also ensure that adequate records are maintained of any expenditure, grant or income including match funding.
- 20.8 The appropriate Head of Service and manager is responsible for ensuring that all funding notified by external bodies is received and used for the intended purpose and properly recorded in the Council's accounts. It is also the responsibility of the appropriate Head of Service to inform the Chief Finance Officer of bids for external funding with any implications such as match funding and or revenue budget implications.
- 20.9 Any contracts must comply with the Council's Contract Standing Orders

S106 AND CIL UPDATE REPORT

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):	Report to Special S & R Committee dated 24 October 2018

Report summary

This report provides an update on the funds held under Section 106 (S106) planning agreements and CIL (Community Infrastructure Levy).

Recommendation (s)

That the Panel notes:

- (1) the current position on S106 funds held by the authority.**
- (2) the current position on CIL funds held by the authority.**

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

- 1.1 Council approved the Capital Strategy Statement on 20 February 2018 as Appendix 10 to the Budget Report. Section 106 and CIL funding supports the achievement of Key Priorities in the Corporate Plan where investment can be funded from developer contributions and CIL receipts.

2 Current Position: S106 Funds

- 2.1 The Council currently holds funds from S106 agreements totalling approximately £2 million. From this balance £1 million is committed within the capital programme for such items as affordable housing or earmarked for schemes awaiting further approval. Included within this balance is £103k that will to be transferred to Surrey County Council and other organisations, as the authority responsible for utilising these funds.
- 2.2 The current position of Section 106 funds held as at the end of September 2018 is summarised below:-

	£'000	£'000
Section 106 funds held as at 1 April 2018		2,056
Section 106 Receipts received to 30 September 2018		0
Section 106 Payments made to 30 September 2018		0
Funds paid direct to SCC		(95)
Balance of S106 Funds held as 30 September 2018		1,961
Less:		
Funds held due to SCC and other organisations	(103)	
Funds committed and approved for specific schemes	(338)	
Funds held for West Park community facilities	(690)	
		(1,131)
Unallocated S106 funds as at 30 September 2018		830

2.3 The unallocated funds are held within various categories of expenditure as follows:-

Breakdown of unallocated S106 balances	£'000
Affordable Housing	610
Open Space - Children & Young people	7
Open Space - Park & Gardens	13
Open Space - Amenity Green Space	6
Open Space - Outdoor Sports Facilities	142
Environmental Improvements	50
Community Facilities	1
Miscellaneous	1
Total	830

3 Current Position: CIL

- 3.1 The Council currently holds funds from CIL totalling approximately £5.4 million. The balance is split across three funds. 5% is held to fund the administration of the scheme; 15% is reserved for a community fund, split between a civic infrastructure scheme and Borough Investment Fund; and the remaining 80% is held for infrastructure provision to support new development in the Borough and can be accessed by both the County Council and the Borough Council.
- 3.2 At a Special Meeting on 24 October 2018, Strategy and Resources Committee agreed a further £2.245m of CIL funds for Plan E works to the Market Place and Northern High Street. This is in addition to the £476k already committed to the scheme. The Committee also agreed to earmark up to £500k as match funding for a scheme to introduce step-free access to Stoneleigh Station, to support a bid to TfL for £5m grant funding. The commitment in relation to Stoneleigh Station depends upon the success of a bid to the Department of Transport by the rail operators. However, the funds are shown as earmarked for the purposes of this report.
- 3.3 The current balance of CIL across the three funds, and allocation of amounts committed to date are as follows:-

	Main Fund (80%) £'000	Community Fund (15%) £'000	Admin Fee (5%) £'000	Total £'000
CIL funds held at 1 April 2018	4,063	785	189	5,037
CIL receipts to 30 September 2018	330	62	20	412
CIL payments to 30 September 2018	0	0	0	0
CIL funds held at 30 September 2018	4,393	847	209	5,449
<i>Less commitments:</i>				
Plan E contribution	(2,721)			(2,721)
Cemetery Extension	(903)			(903)
Paving outside Playhouse	(60)			(60)
Stoneleigh Station	(500)			(500)
Civic Infrastructure Fund 18/19		(250)		(250)
Borough Investment Fund		(100)		
Monitoring CIL scheme in 2018/19			(98)	(98)
Unallocated CIL funds at 30 September 2018	209	497	111	817

- 3.4 The Civic Infrastructure Fund was launched for the first time in 2018/19. Strategy & Resources Committee in April 2018 agreed £250k CIL funding for successful bids. Bids were submitted for consideration by 15 June 2018.
- 3.5 Fourteen bids were submitted and of those, eight were successful and were awarded a total of £249,660. Four of these schemes are being led by EEBC and the other four by Surrey County Council. The schemes and the amounts awarded are as follows:-

Epsom & Ewell Led Schemes	£'s
Green Lanes Stream Clearance	15,000
Court Rec Play Equipment	21,240
Horton Country Park Path Restoration	56,000
Auriol Park Table Tennis Tables	14,845
Surrey County Council Led Schemes	£'s
Woodcote Green Bus Shelter	35,640
East Street Trees	23,000
Station Approach Street Works	30,035
West Street Lighting Extension	53,900
Total	249,660

4 Proposals for use of uncommitted S106 and CIL balances

- 4.1 The majority of uncommitted S106 balances are within the Affordable Housing category, the level of which currently stands at £610k. This funding is used to facilitate the provision of affordable housing in the Borough where the project is not financially viable without additional funding. Officers work with providers to identify schemes where the affordable housing would not be deliverable without additional support.
- 4.2 Future CIL receipts are currently forecast at a level of £1.3m each year. The Joint Infrastructure Group (JIG) considers schemes eligible for CIL funding and makes recommendations to Strategy & Resources Committee who approve the funding. Future recommendations for CIL funding may include the Community and Wellbeing Centre, which JIG have identified as a priority. The priority for allocating CIL funds will need to take into account future plans for growth across the borough, set out by the Local Plan.

5 Financial and Manpower Implications

- 5.1 Section 106 and CIL receipts provide an opportunity for additional investment. There may be no budget impact from new schemes so long as schemes funded do not result in additional on-going running costs. Some schemes may even reduce future maintenance liabilities.

- 5.2 The relevant policy committee will need to ensure that there are no additional resource implications for new schemes that would have an adverse impact on budgets for other services.
- 5.3 **Chief Finance Officer's comments:** *All financial implications are reflected in the body of this report.*

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

S106

- 6.1 Agreement under Section 106 of the Town and Country Planning Act 1990 comprises an agreement often associated with the grant of planning permission which confers a benefit to the community, e.g. where a housing development is to be permitted, the applicant or developer agrees to build or pay for a new school or additional leisure facilities for the community.
- 6.2 CIL is a local tax on new development that local authorities can choose to introduce to help fund infrastructure in their area. CIL provides a relatively straightforward mechanism for collecting contributions from new developments. This is guided by the Community Infrastructure Levy Regulations 2010 and subsequent Amending Regulations.
- 6.3 The Council maintains an Infrastructure Delivery Plan (IDP) and a draft Regulation 123 list, the latter identifying the types of community infrastructure that the Council envisages using CIL funding for. The IDP identifies the infrastructure improvements required to support growth and demonstrates that there is a sufficient 'infrastructure funding gap' to justify the need to collect CIL.
- 6.4 The establishment of CIL requires partnership working with infrastructure providers and partnership working is fundamental to the success and delivery of the objectives of the Borough.
- 6.5 Section 106 agreements will continue to be used where on-site community infrastructure is required. They will also continue to be used to secure affordable housing.
- 6.6 **Monitoring Officer's comments:** *No additional comments for the purposes of this report.*

7 Sustainability Policy and Community Safety Implications

- 7.1 There are no specific issues for the purposes of this report.

8 Partnerships

- 8.1 There are no specific issues for the purposes of this report.

9 Risk Assessment

- 9.1 This report forms part of on-going work on s106 planning agreements and CIL receipts that will lead to better management of expenditure funded from these monies.
- 9.2 The main risks at present are that investment funded from agreements is not properly prioritised, that investment is not made in a timely manner or that receipts are not claimed against agreements.

10 Conclusion and Recommendations

- 10.1 This report sets out the current S106 and CIL balances available to the Council.
- 10.2 The Panel are asked to note the current position on CIL and S106 funds held by the Council.

Ward(s) affected: (All Wards);

Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 11 September 2018

PRESENT -

Councillor Eber Kington (Chairman); Councillors Tony Axelrod (as nominated substitute for Councillor Hannah Dalton), Richard Baker, John Beckett, Omer Kokou-Tchri (Items 18-19 only), Barry Nash, Vince Romagnuolo and Clive Smitheram

Absent: Councillor Hannah Dalton

Officers present: Lee Duffy (Chief Finance Officer), Brendan Bradley (Chief Accountant) and Tim Richardson (Democratic Services Officer)

17 DECLARATIONS OF INTEREST

No declarations of interest were made by councillors regarding items on the agenda for the meeting.

18 BUDGET TARGETS 2019/20

The Panel received and considered a report that updated the financial forecast and recommended financial targets for preparing the draft budget for 2019/20.

The Panel considered the following matters:

- **Reduction in baseline funding.** The Council had experienced a 66% reduction in baseline Government funding in the past 4 years, following the removal of the Revenue Support Grant (RSG). A further comparison indicated that there would be an 89% reduction in baseline funding between 2010/11 and 2019/20 if the Government's Tariff Adjustment (Negative RSG) was introduced as anticipated.
- **Negative RSG and reduction in New Homes Bonus.** The Chief Finance Officer informed the Panel that as consultation on the Government's Negative RSG settlements and Fair Funding Review were still ongoing, the report had been produced with the assumption that the Council would face a Negative RSG of £625,000 in 2019/20. The Panel was also informed that use of funds from the New Homes Bonus Grant had been removed from the budget outlook from 2021-22, due to uncertainty as to whether 'legacy' payments to the Council would be honoured by the Government following 2020-21.

The Chief Finance Officer informed the Panel that the projected increases in Negative RSG for the period 2019/20-2021/22 were realistic in view of the likely pressure on public sector funding from other services (such as Adult Social Care), and the funding cuts experienced by the Council in the past 10 years.

- **Responses to Government consultation.** The Chief Finance Officer informed the Panel that the Council had responded to the Government's consultations on both the Fair Funding Review and Negative RSG. It was noted that the Council's responses would be circulated to members of the Panel for information.
- **Unqualified External Audit opinion – Final Accounts 2017/18.** The Panel was pleased to note that the External Auditor had again issued an unqualified opinion of the Council's final accounts, for the seventeenth year in a row.
- **Increase in income from discretionary fees and charges.** The Panel noted that the annual 3% increase in income forecast from discretionary charges from 2019/20 - 2021/22 largely related to inflation, and comprised of income generated from both increased fees/charges and increased usage of services. It did not imply that individual fees would be raised by 3% year-on-year. The increase would be reviewed during the setting of the new Medium Term Financial Strategy to be produced next year.
- **Brexit impact.** Following a question from a Panel member, the Chief Finance Officer informed the meeting that the Council was not in receipt of any European Union funding, and that as such there it was unlikely for there to be any direct impact of Brexit. It was not possible to quantify the potential indirect impact of Brexit, due to the number and scale of variables involved, and its unknown impact on the wider economy.

Following consideration, the Panel agreed to recommend to the Strategy and Resources Committee:

- (1) The following overall revenue budget target for 2019/20:-
 - a) Estimates are prepared including options to reduce organisational costs by £406,000 subject to government grant announcement, in order to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy;
 - b) That at least £200,000 additional revenue is generated from an increase in discretionary fees and charges;
 - c) That a provision for pay award is made of £280,000 that represents an increase to the staffing budget of 2.5%;
 - d) That further savings and efficiencies be identified to address the budget shortfall of £113,000 in 2019/20;

19 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 26 June 2018 were agreed as a true record and signed by the Chairman.

The meeting began at 6.30 pm and ended at 7.26 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)

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