

STRATEGY AND RESOURCES COMMITTEE

Tuesday 30 July 2019 at 7.30 pm

Council Chamber - Epsom Town Hall

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

Councillor Eber Kington (Chairman)
Councillor Clive Smitheram (Vice-Chairman)
Councillor Arthur Abdulin
Councillor Steve Bridger
Councillor Kate Chinn

Councillor Nigel Collin
Councillor Hannah Dalton
Councillor David Gulland
Councillor Colin Keane
Councillor Barry Nash

Yours sincerely



Chief Executive

For further information, please contact Democratic Services, 01372 732122 or democraticservices@epsom-ewell.gov.uk

AGENDA

1. QUESTION TIME

To take any questions from members of the Public

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

2. DECLARATIONS OF INTEREST

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

3. ALLOCATION OF PLANNING DELIVERY GRANT RESERVE (Pages 5 - 8)

This report updates Members on the allocation of funds from the Planning Delivery Grant Reserve and presents an updated proposal for allocation of funds required to support the current Local Plan delivery schedule.

4. STONES ROAD ALLOTMENT SITE (Pages 9 - 20)

This report summarises a number of options considered in seeking to propose a long-term future for the former Stones Road Allotment site and ultimately recommends that an application should be made to remove the site from its statutory designation as allotment land.

5. 2018/19 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS (Pages 21 - 150)

This report covers Grant Thornton's audit findings and presents the Statement of Accounts for 2018/19 following the external audit.

6. 2018/19 FINANCIAL OUTTURN REPORT (Pages 151 - 162)

This report summarises the Council's financial performance for 2018/19 and details the capital budgets to be carried forward for schemes where costs will be incurred in 2019/20.

7. 2018-19 TREASURY MANAGEMENT YEAR-END PERFORMANCE (Pages 163 - 176)

This report reviews the performance of the council's treasury management function in 2018/19.

8. EPSOM CEMETERY EXTENSION (Pages 177 - 186)

This report provides an update on the current position of the Epsom Cemetery extension and seeks approval for an additional budget requirement of £150k.

9. EWELL COURT HOUSE (Pages 187 - 200)

This report sets out a review of actions taken by the Council to increase bookings at Ewell Court House as part of the Council's agreed approach to enterprise and income generation. The actions have led to some improvements in bookings, but not to the level needed to make the venue financially sustainable.

This report explores the opportunity and potential benefits from entering into a partnership with a specialist from the wedding and events sector to maximise the public and community use of this important and treasured building and recommends a way forward. This approach has been recommended by the Council's Community and Wellbeing Committee at its meeting on 20 June 2019.

10. FUTURE40 - DRAFT LONG-TERM VISION FOR EPSOM AND EWELL
(Pages 201 - 230)

Future40 is a Council led initiative to develop a long-term vision for Epsom and Ewell. This report sets out the outcomes from the public engagement that has taken place and sets out the next steps in bringing forward a new vision and putting in place arrangements to oversee its successful implementation.

11. MANAGEMENT OF UNREASONABLE CUSTOMER BEHAVIOUR POLICY
(Pages 231 - 244)

The policy is to protect staff and councillors from unreasonable customer behaviour which could hinder the handling of a customer's complaint or request. It also reminds customers that the Borough Council has a zero tolerance towards unacceptable behaviour.

12. APPOINTMENT OF MEMBERS AND CHAIRMAN OF THE SHAREHOLDER SUB-COMMITTEE (Pages 245 - 250)

To agree the appointment of Members and a Chairman to the Shareholder Sub Committee in accordance with the Sub Committee's Terms of Reference.

13. CAPITAL MEMBER GROUP (Pages 251 - 258)

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group, approve an increase in budget of the Disabled Facilities programme and to agree the capital bidding process for 2020/21 to 2022/23.

14. MEMBERSHIP OF THE CIL PANEL AND TERMS OF REFERENCE (Pages 259 - 264)

This report proposes the membership and the terms of reference for the CIL Panel.

15. MINUTES OF PREVIOUS MEETING (Pages 265 - 268)

The Committee is asked to confirm as a true record the Minutes of the meeting of the Strategy and Resources Committee held on 2 April 2019 and to authorise the Chairman to sign them.

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ALLOCATION OF PLANNING DELIVERY GRANT RESERVE

Head of Service/Contact:	Ruth Ormella, Head of Planning
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	
Other available papers (not attached):	Allocation of Planning Delivery Grant Service – S&R 11/11/14 Local Plan Report Update and Overview – LPP 13/06/19 Local Plan Programme 2019 – LPP 13/06/19

Report summary

This report updates Members on the allocation of funds from the Planning Delivery Grant Reserve and presents an updated proposal for allocation of funds required to support the current Local Plan delivery schedule.

Recommendation (s)

- (1) To approve the use of the balance of the Planning Delivery Grant Reserve to support the work on the Local Plan over the period 2019 – 2021, as set-out in Section 3 of this report.**

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

- 1.1 The delivery and implementation of the Epsom & Ewell Local Plan contributes towards all of the Council's Key Priorities. The new Epsom & Ewell Local Plan is critical as it will set out how sustainable growth, particularly in relation to new housing, will be delivered during the plan period.

2 Background

- 2.1 The Local Plan sets out the strategic direction for the Borough and the policies needed to ensure that the future development of the area meets the local needs. The Epsom and Ewell Core Strategy is a 2007 document in need of updating in line with current evidence and National Planning Policy. The Licensing and Planning Policy Committee considered a report on 13 June 2019 which sets out the programme for delivery of the Local Plan.
- 2.2 The Planning Delivery Grant Reserve (PDG) has historically been used to support the Council's Local Plan preparation work. A report to Strategy & Resources Committee in November 2014 set out a proposal for the use of these funds over the period 2015 to 2018. During this period, £33.9k was used and the balance currently stands at £175,788.
- 2.3 In July 2018, Strategy and Resources Committee approved the earmarking of £20k of PDG to fund the delivery of the Future 40 programme. This leaves the current available balance of funds standing at £155,788.
- 2.4 The Local Plan Report Update and Overview report which went to Licensing and Planning Policy Committee on 13 June 2019 details a number of technical studies that are required to inform the Local Plan. These studies require external professional expertise and this is identified to be funded via the PDG.

3 Proposals

- 3.1 The Planning Delivery Grant Reserve has a balance of £155,788. It is proposed that this balance be earmarked to fund the technical studies required to prepare the Local Plan. The Local Plan Update and Overview Report identifies the following studies which are being commissioned:

Table 1

Revised Strategic Housing Market Assessment	£8,000
Strategic Development Viability Assessment	£21,000
Spatial Economical Development Strategy	£25,000
Retail Needs Study & Town Centre Health Check	£27,000
Sports Facilities	£25,000
Habitats Regulations Assessment	£21,000
Professional desk top publication of the various Local Plan documents, marketing materials, and consultation materials	£3,000

	Total	£130,000
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- 3.2 In addition to the above studies the Licencing & Planning Policy Committee may seek to progress other technical studies which could for example relate to car parking standards. It is therefore recommended that all of the remaining PDG be allocated for this type of work.
- 3.3 There are a number of studies and supporting documents required for the Local Plan that are being undertaken in-house by the Policy Planners which include the Sustainability Appraisal, the Open Space technical study and the Housing Delivery Action Plan. For those documents being produced internally there is a need for professional production so as to set and maintain a high standard.
- 3.4 The figures in table 1 have been estimated and therefore the actual studies could be slightly higher or lower. It is proposed that where the actual cost of a study varies from the amounts in table 1, the Head of Planning be permitted to proceed with the procurement of these studies within the envelope of the total PDG available, £155,788, with the agreement of the Chief Finance Officer.

4 Financial and Manpower Implications

- 4.1 The Planning Delivery Grant Reserve has a current balance of £175,788 of which £25k has been earmarked for funding the Future 40 project. This leaves an available balance of £155,788 which can be earmarked for delivering the Local Plan.
- 4.2 Although there is a risk that costs could exceed the grant available (in which case additional funds would need to be identified), current estimates for the technical studies show a funding requirement of £130k - as detailed in Table 1 - which is within the available grant balance.
- 4.3 The Planning Delivery Grant is a one-off funding source. Once utilised, it will not be replenished. Therefore, the resourcing of future Local Plans will need to be determined in future years.
- 4.4 **Chief Finance Officer's comments:** All financial implications are set-out in the body of the report.

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

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

6 Sustainability Policy and Community Safety Implications

- 6.1 None for the purposes of this report.

7 Partnerships

- 7.1 None for the purposes of this report.

8 Risk Assessment

- 8.1 Having an up-to-date Local Plan Programme is a key measure in mitigating possible risk of direct intervention by the government. Ensuring that our agreed milestones towards submission and examination are met is important. If we do not fund the work streams required to inform the local plan we are likely to face criticism and the possibility of intervention.

9 Conclusion and Recommendations

- 9.1 The Committee are requested to approve the use of the PDG Reserve for the production of the Local Plan and its use in funding the work streams as set out in this report.

Ward(s) affected: (All Wards);

STONES ROAD ALLOTMENT SITE

Head of Service/Contact:	Mark Shephard, Head of Property and Regeneration
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	NA
Annexes/Appendices (attached):	Annex 1 - Plan of Stones Road Allotment Site including buffer zone and pond installed in 2013
Other available papers (not attached):	Leisure Committee 5 July 2010 Item 03: Restoration of Stones Road Allotments

Report summary

This report summarises a number of options considered in seeking to propose a long-term future for the former Stones Road Allotment site and ultimately recommends that an application should be made to remove the site from its statutory designation as allotment land.

Recommendation (s)

The Committee is asked to:

- (1) note the options that have been considered in arriving at the suggested way forward for the Stones Road Allotment site;
- (2) approve the removal of the Stones Road Allotment site from its classification as statutory allotment land by way of an application to the Secretary of State;
- (3) delegate authority to the Chief Legal Officer to take all necessary steps to secure the declassification of Stone Road Allotment as allotment land.

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

- 1.1 A key corporate priority is 'Keeping our Borough clean and green' by 'providing quality parks, nature reserves and other public spaces that are safe, pleasant and well maintained'. The proposals in this report seek to ensure that the Stones Road Allotment site is managed in a way that supports this key priority.

2 Background

- 2.1 The purpose of this report is to bring to a resolution the ongoing uncertainty over the future of the Stones Road allotment site, which has not been cultivated for almost 18 years.
- 2.2 The Stones Road allotment land was transferred to Epsom Urban District Council from the Wandsworth and District Gas Company in 1934.
- 2.3 The site is bordered by the Conifer Park gypsy site to the North, the Stones Road Pond - a Site of Special Scientific Interest to the East, Copthorne Place to the South and the railway line to the West. The allotment land can accommodate approximately 15 plots. No plots have been in active cultivation since 2001.
- 2.4 English Nature (now Natural England) designated the adjoining Stones Road Pond, as a Site of Special Scientific Interest (SSSI) in 1985 due to the presence of a significant colony of Great Crested Newts. Surrey County Council and Epsom and Ewell Borough Council own this site jointly.
- 2.5 On 5 July 2010, the Leisure Committee received a report entitled 'Restoration of Stones Road Allotment'. The Committee agreed:
- 1.) That an application is made to the Secretary of State for permission to create 1540 square metre buffer zone (as described and shown in the plan provided – see Annex 1) and
 - 2.) Negotiate an agreement with the owners of Area E on the plan, for its incorporation in to Stones Road Allotment to compensate for the loss of allotment land to the proposed buffer zone.
- 2.6 Work to create the buffer zone, separating the SSSI from the allotment site, and excavation of the new pond, to provide foraging land for the newt population was completed in 2013.
- 2.7 The Council attempted to acquire the land adjoining the allotment site, so as to replace the plots lost with the creation of the buffer zone and pond. However, these attempts did not prove successful.

- 2.8 Residential development at Copthorne Place (former Lintons Lane School site) necessitated the translocation of the resident newts on that site to the Stones Road Pond SSSI land and the newly created buffer zone. The licence granted by Natural England covered a period between 2014 and 2016.
- 2.9 The Lower Mole Partnership (a charitable organisation concerned with countryside management) have been actively managing the SSSI since 2004 and have continued to manage and maintain both the SSSI and 'new' buffer zone to date. Operational Services have continued to deal with issues of fly tipping on the allotment land.

3 Development Potential

- 3.1 Set against the backdrop of acute housing need across the Country, the Government has stipulated that a minimum number of new homes will need to be delivered to meet the national housing requirement. In the case of Epsom and Ewell this is 695 homes per annum.
- 3.2 Every site capable of delivering housing must therefore be considered for its housing development potential. An Ecology Survey was commissioned in 2018 to provide advice on the ecological significance of the allotment land and to detail any mitigation measures that could apply if development were considered.
- 3.3 The ecology survey found that the Great Crested Newt population at the Stones Road Pond SSSI is in decline. The report points to successive development on sites surrounding the SSSI having reduced the terrestrial habitat of the newt population and concludes that:

“..it is important that the remaining surrounding (non SSSI) habitat is protected and where possible managed for the benefit of the GCN population....The possible proposal to restore the adjacent abandoned allotment site would involve a loss of some of the remaining terrestrial habitat” (Sullivan, 2018)
- 3.4 The ecology report also advised that were the allotment site to be considered for development, an alternative receptor site for the newts would need to be found. It would need to be within the vicinity of the original habitat and be of a better size and quality than the existing habitat if the necessary permissions from Natural England are to be secured.
- 3.5 Advice from the Borough Council's Countryside Manager is that it is extremely unlikely that such a habitat exists, even if Natural England were minded to issue the necessary licences.

- 3.6 The SSSI designation of the adjoining land, confers a number of duties on Epsom and Ewell Borough Council, chief among which is the duty to further the conservation and enhancement of the SSSI as set out in Section 28 of the Wildlife and Countryside Act 1981 as amended by the Countryside and Rights of Way Act 2000. Development of the allotment land could be considered to be in conflict with the duties referred to.
- 3.7 The Natural Environment and Rural Communities Act also places a duty on Local Authorities to conserve biodiversity.
- 3.8 Alongside ecological duties and considerations, there are known to be significant utilities (water and gas pipelines) running underneath the allotment site. Whilst access to enable development can be negotiated, there are costs and significant risks associated.
- 3.9 Any future proposal for the development of the site would need to evaluate the planning constraints at that time, and these would include ecological matters as well as access, site area, and proximity to adjoining development.

4 Re-instating the remaining allotment plots

- 4.1 Section 23 of the Small Holdings and Allotments Act 1908 refers to an evidenced demand for allotments, which activates the mandatory obligation of provision and letting of allotment plots, on a local authority.
- 4.2 When the Stones Road site ceased operation, eight plot holders elected to remain on the waiting list and expressed a preference for a plot at Stones Road in the event that the issues leading to its closure were resolved.
- 4.3 As at April 1st 2019, there were 21 vacant allotment plots in the Borough, all of which are at the Alexandra Road allotment Site, less than $\frac{3}{4}$ of a mile from the Stones Road Allotment Site.
- 4.4 Although the Stones Road allotment site has been out of cultivation for more than 18 years, in 2013, the Council established a new allotment site at Eleanor Avenue, comprised of six plots, which partially mitigated the loss of Stones Road allotment plots to the Borough-wide supply.
- 4.5 A privately run allotment site at Noble Park has also added plots to the Borough wide supply of allotments during the period since the Stones Road site ceased operation.
- 4.6 There are two principle reasons for the Stones Road allotment site ceasing operation: the proliferation of incidents of anti-social behaviour affecting plot holders and the presence of a nationally significant population of Great Crested Newts (GCN) on the adjoining Site of Special Scientific Interest (SSSI).

- 4.7 The allotment site was blighted by anti-social behaviour for many years leading up to its eventual closure. Incidents included regular fly tipping, grazing of horses, theft of produce, foul and abusive language, missiles being thrown and regular use as a latrine.
- 4.8 The buffer zone was intended to secure the allotment site and reduce the impact of anti-social behaviour. Spoils from the excavation work allowed for the creation of a bund to provide both protection for the newt pond, but also to act as natural screening between adjoining neighbours and what was intended to become the remaining active allotment plots.
- 4.9 Natural England stipulated that any future cultivation must be on a wholly organic basis, preventing the use of any chemicals or pesticide or mechanical diggers. As the plots have been out of cultivation for some 18 years, returning them to use whilst complying with the above stipulations could prove challenging.
- 4.10 The water supply to the site was disconnected in 2001, and would cost in the region of £10,000 to re-establish.
- 4.11 Despite the added security measures, incidents of trespass continue resulting in recent incidents of fly tipping and human and canine excrement within the buffer zone. The carcasses of cockerels have also been found on the allotment land.
- 4.12 The continued incidents of trespass and anti-social behaviour on the land suggest that one of the root causes leading to the closure of the allotment site has not been addressed by the mitigation measures approved by Committee in 2010.
- 4.13 Added to the advice from the ecologist who suggests that the allotment land should be managed for the benefit of the remaining Great Crested Newt population, reestablishment as an allotment site may not therefore be feasible in light of the challenges described above.

5 Managing the land for the benefit of the Great Crested Newt population

- 5.1 The Stones Road Pond, adjoining the Allotment site, is of National importance as at the point of designation it had one of the largest colonies of Great Crested Newts in England.
- 5.2 Successive ecology surveys have confirmed that the newts rely on the adjoining allotment land as a terrestrial habitat. The latest ecology survey has re-confirmed this and also advised that the Council protect and maintain this habitat in light of the declining newt population.
- 5.3 Natural England as the government's nature conservation overseeing body, are tasked with ensuring that all SSSI are maintained in 'Favourable' condition and will act to protect a SSSI where necessary.

- 5.4 The Borough Council are also subject to a duty to 'further the conservation and enhancement of the SSSI' in accordance with the Countryside and Rights of Way Act 2000.
- 5.5 In light of the on-going issues associated with re-opening the allotment site, and more importantly the ecological concerns around the fragility of the Great Crested Newt population, it is proposed that the allotment site remains closed and is instead managed for the benefit of the Great Crested Newt population.
- 5.6 Natural England have advised that carefully managed restricted public access to the site could be possible. Restricted public access could both ensure the preservation of the land for the benefit of the newt population but also provide a valuable additional greenspace for the Borough at a time of unprecedented levels of housing development. This is a clear opportunity to deliver against the key priority 'Keeping our Borough clean and green' and to delivery of the borough wide Biodiversity Action Plan.
- 5.7 By taking action to safeguard the habitat of the newt population, the Council will be seen to be taking its duties towards this European Species seriously and will be greatly reducing the risk of any externally imposed solutions in the future.
- 5.8 Any planned change of use would need consent of the Secretary of State who will consider three mandatory criteria in arriving at a decision over whether a site shall be released from its designation as allotment land:
1. The Secretary of State is satisfied that adequate provision will be made for allotment holders displaced by the action of a local authority; or
 2. The Secretary of State is satisfied that such provision is unnecessary; or
 3. The Secretary of State is satisfied that such provision is not reasonably practicable.
- 5.9 In the case of the Stones Road site, it has not operated as an allotment site for almost 18 years, and so there are no displaced plot holders to accommodate elsewhere. It might therefore be reasonable for the Secretary of State to conclude that replacement provision is unnecessary, particularly given the 21 vacant plots on a site less than 1 mile away.
- 5.10 Surrey County Council, as an adjoining landowner, will be informed of the Council's intentions in this regard and support will be sought to accompany any subsequent application to the Secretary of State. Natural England have already set out, in writing, their advice that the former allotment land should be managed for the benefit of the Great Crested Newt population.

6 Proposal

- 6.1 Having regard for the history and site context it is proposed that the Stones Road Allotment Site remains closed indefinitely and is instead, managed as a terrestrial habitat for the benefit of the Great Crested Newt population.
- 6.2 Furthermore it is recommended that an application is made under Section 8 of the Allotments Act 1925 to the Secretary of State for permission to remove the Stones Road allotment site from its statutory designation as such.
- 6.3 Continued work of the Countryside Manager and Operational Services in partnership with the Lower Mole Partnership and local volunteers would ensure and maintain both the SSSI and the vacant allotment land.

7 Financial and Manpower Implications

- 7.1 The cost associated with managing the site for the benefit of the newt population is currently being met and can continue to be met within existing resources available to the Operations Team and through the Lower Mole Partnership.
- 7.2 In the event additional costs arise that are associated with enhanced protection of the newt population, they would be the subject of a future report to this Committee. Surrey County Council as an adjoining landowner may be asked to contribute towards the cost of meeting any additional security fencing or measures identified.
- 7.3 If the site was to be re-established as an allotment site, there would be a charge of approximately £10,000 to re-connect the water supply. As the site must be worked by hand to protect the GCN population, it might also be reasonable for potential plot holders to expect the Council to undertake at its own cost, the necessary hand-digging to prepare the plots.
- 7.4 If all 15 of the existing allotment plots were let, the annual income would be c. £570 per annum.
- 7.5 **Chief Finance Officer's comments: The costs to re-instate and manage the site as allotments would appear prohibitive when compared to the annual income that allotments would generate.**
- 7.6 **Officers should work to ensure that the proposal to manage the site as a terrestrial habitat is achievable within existing resources.**

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

- 8.1 Section 8 of the Allotments Act 1925 requires that local authorities seek the Secretary of State's consent if they propose to sell, appropriate, use or dispose of the land for any purpose other than as allotments.

- 8.2 Statutory Guidance, "Allotment disposal guidance: safeguards and alternatives" 2014, sets out the processes the Council must follow to release allotment land from such designation. The Council will need to consult with the National Allotment Society before it can apply to the Secretary of State for consent. The application process to the Secretary of State can take around 13 weeks. There can be no presumption that the Secretary of State will approve a council's application. A refusal of consent does not affect a council's right to re-apply for consent to dispose of the land.
- 8.3 **Monitoring Officer's comments: None arising from the contents of this report.**

9 Sustainability Policy and Community Safety Implications

- 9.1 The preservation of the allotment land as a terrestrial habitat for the newt population will help to safeguard the adjoining Site of Special Scientific Interest, assisting the council in fulfil its statutory duties in this regard.
- 9.2 It is evident that some incidents of anti-social behaviour are still taking place in and around the protective buffer zone that was installed in the hope of reducing such issues. This suggests that the re-establishment of the site as allotment plots may not be practical from a community safety perspective as plot holders may well still be subjected to the treatment that lead to the site closure in 2001.

10 Partnerships

- 10.1 As described above the Lower Mole Partnership are a key partner in working with Epsom and Ewell Borough Council to safeguard and maintain the SSSI and the allotment land. They would continue in this role if the allotment land were removed from its statutory designation and managed for the benefit of the newt population instead.

11 Risk Assessment

- 11.1 There is a risk that the Secretary of State may not approve the application to remove the Stones Road Allotment Site from its designation as allotment land. However, the mandatory criteria for consideration are set out at 2.39 above, and it would appear that the council can comfortably fulfil the tests applied. In the event that the application is unsuccessful, the former allotment land could still be managed for the benefit of the Great Crested Newt population, but the allotment site would still not be feasible for re-opening.

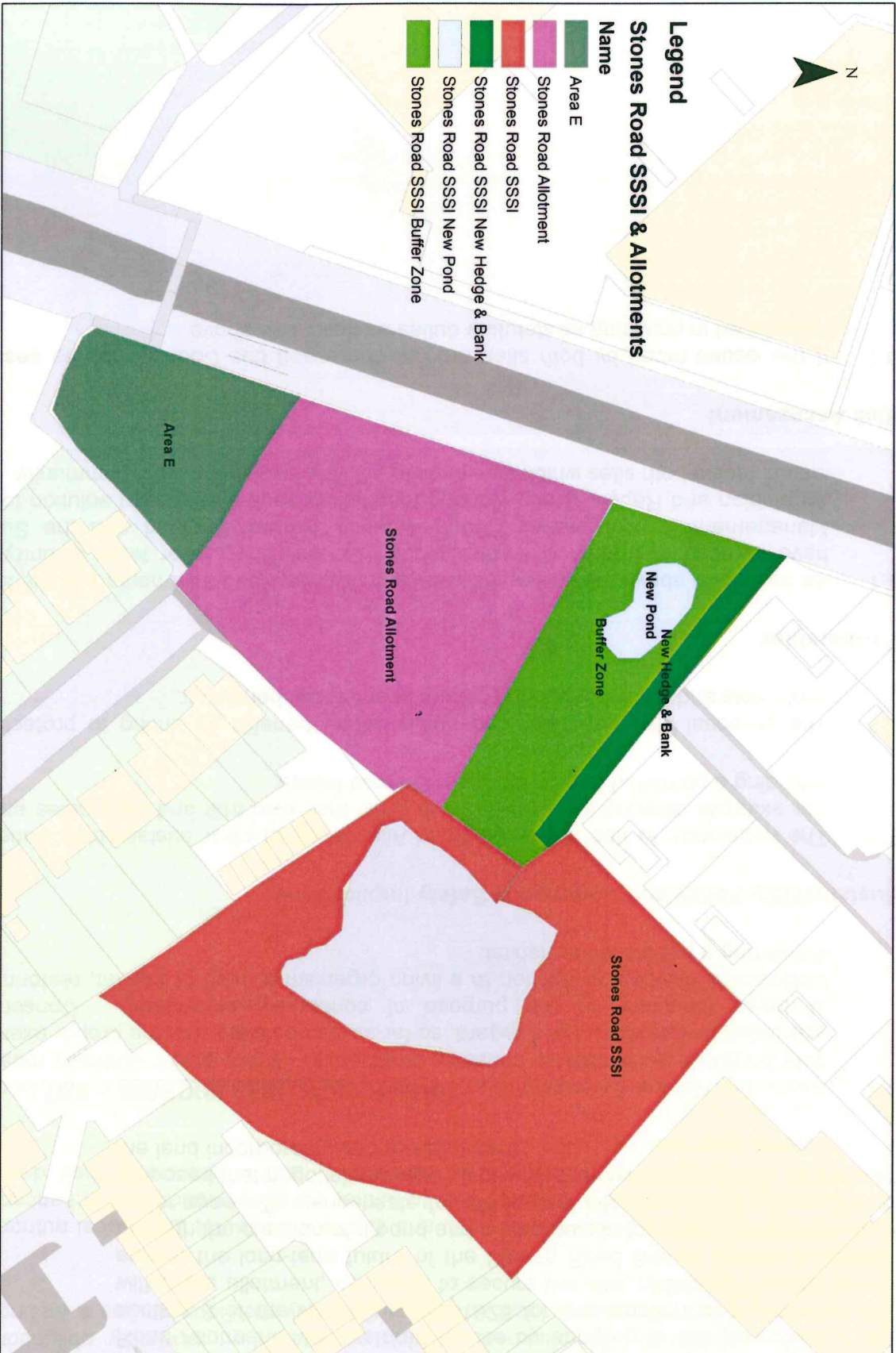
12 Conclusion and Recommendations

- 12.1 As set out above, the Great Crested Newt population is in decline at the Stones Road Pond SSSI. Any plan to re-open the Stones Road Allotment site could further erode their habitat and threaten the nationally important SSSI and the colony of newts that it plays host to.

- 12.2 A number of factors suggest that re-opening the allotment site as once intended may no longer be feasible and it is proposed that the site should be removed from its designation as statutory allotment land.
- 12.3 Having regard for the history and site context it is proposed that the Stones Road Allotment Site remains closed indefinitely and is instead, managed as a terrestrial habitat for the benefit of the Great Crested Newt population.
- 12.4 This course of action will help the council to achieve a key priority; 'Keeping our Borough clean and green' by protecting an ecological asset, whose importance is highlighted in the borough-wide Biodiversity Action Plan.
- 12.5 Furthermore it is recommended that an application is made under Section 8 of the Allotments Act 1925 to the Secretary of State for permission to remove the Stones Road allotment site from its statutory designation as such.
- 12.6 Continued work of the Countryside Manager and Operational Services in partnership with the Lower Mole Partnership and local volunteers would ensure and maintain both the SSSI and the vacant allotment land.

Ward(s) affected: (All Wards);

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Created by: Stewart Cocker
Date: 24/03/2010

Scale
1:559

Stones Road SSSI & Allotments
Buffer Zone Proposal



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2018/19 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Urgent Decision?(yes/no)	Yes
If yes, reason urgent decision required:	Statutory requirement to certify audited Statement of Accounts by 31 July 2019
Annexes/Appendices (attached):	Annex 1 - Audit Findings Report Annex 2 - 2018/19 Statement of Accounts (includes Annual Governance Statement) Annex 3 - Letter of Representation
Other available papers (not attached):	Financial Outturn reported as a separate agenda item

Report summary

This report covers Grant Thornton's audit findings and presents the Statement of Accounts for 2018/19 following the external audit.

Recommendation (s)

The Committee is asked to:-

- (1) Approve the Statement of Accounts for the year ended 31 March 2019;
- (2) Agree the Annual Governance Statement included within the Statement of Accounts
- (3) Receive the Audit Findings for 2018/19;
- (4) Agree the management action in response to audit recommendations;
- (5) Agree that the Chairman or Vice Chairman of Strategy and Resources Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;
- (6) Delegate any further amendments to the 2018/19 Statement of Accounts to the Chief Finance Officer in consultation with the Chairman or Vice Chairman of Strategy and Resources Committee.

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

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

2 Background

- 2.1 The Council's financial performance for 2018/19 is reported as a separate agenda item at this committee. A copy of the unaudited Statement of Accounts was circulated via Members Update on 14 June and placed on the Council's website on 30 May.
- 2.2 The Council's 2018/19 Statement of Accounts incorporate disclosures that show the combined financial position of the Council and Epsom & Ewell Property Investment Company. These disclosures are known as group accounts.
- 2.3 Grant Thornton, the Council's external auditor, has issued their Audit Findings following completion of the audit of the Statement of Accounts. The report is attached at **Annex 1**.
- 2.4 As part of the audit, Grant Thornton performed sufficient work to gain assurance that the group accounts are materially accurate.
- 2.5 The Audit Findings report will be presented to the committee by a senior officer from Grant Thornton, who will also answer any questions members may have on the audit.
- 2.6 The audited Statement of Accounts are included in **Annex 2** to this report. Members are invited to raise any detailed queries with the Chief Finance Officer prior to the meeting.

3 Outcome of Audit

- 3.1 The following specific points are made in the report:-
- The Auditors anticipate an unqualified opinion on the Council's Statement of Accounts.
 - Any adjustments required have been agreed and implemented and they did not affect the Council's reported outturn position or cash reserves.

- The main adjustment has been an increase in the reported pension liability following a national Supreme Court case on 27 June 2019. The Court ruling confirmed that when the Government introduced reforms to public sector pensions in 2014 and 2015, with most public sector workers moving into new pension schemes, the transitional protection offered to some older members of the judiciary and fire fighters' schemes (but not to some younger members) amounted to unlawful discrimination on the basis of age.
- As the Local Government Pension Scheme (LGPS) was restructured in 2014, with protections for those members who were active in the Scheme at 2012 and over the age of 55, the judgement is likely to extend to the LGPS, meaning a financial remedy is likely to be required for members who were not eligible for transitional protection.
- As a result, the Council had to commission an updated pension liability assessment (IAS19) report from the external actuary, Hyman Robertson. This updated IAS19 assessment has been incorporated into the audited Statement of Accounts, resulting in a £1.192m increase in the reported pension liability when compared to the unaudited accounts.
- The IAS19 assessment does not comprise a full re-valuation of the fund and does not impact the Council's contributions into the Scheme. A separate triennial funding valuation in Autumn 2019 will determine the Council's contributions into the fund from 2020/21.
- The auditor plans to issue an unqualified conclusion on Value for Money

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

4 Proposals

4.1 The Committee is asked to:-

- Receive the Audit Findings for 2018/19;
- Receive the Statement of Accounts for the year ended 31 March 2019;
- Agree the Annual Governance Statement included within the Statement of Accounts;
- Agree the management action in response to audit recommendations;
- Agree that the Vice Chairman of Strategy and Resources Committee and the Chief Finance Officer sign the letter of representation on behalf of the Council;
- Delegate any further amendments to the 2018/19 Statement of Accounts to the Chief Finance Officer in consultation with the Vice Chairman of Strategy and Resources Committee.

5 Financial and Manpower Implications

- 5.1 The external audit fee is expected to be within the budget previously reported. However, the Council has had to incur additional fees of approximately £3,000 with the external actuary for the updated IAS19 Pension Report, which will be met from the Financial Services budget.
- 5.2 The committee has received a summary of the General Fund position for 2018/19 and the financial reserves at 31 March 2019. The committee has also received details of expenditure on the capital programme.
- 5.3 **Chief Finance Officer's comments:** The Statement of Accounts are extensive and detailed so please raise any queries regarding **Annex 2** prior to the Committee meeting.

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

- 6.1 The requirements for external audit are set out in the executive summary of the Audit Findings report.
- 6.2 **Monitoring Officer's comments:** The Accounts and Audit Regulations 2015 require that the audited Statement of Accounts and Annual Governance Statement should be approved by a member committee and published on the Council's website by 31 July 2019.

7 Sustainability Policy and Community Safety Implications

- 7.1 None for the purposes of this report.

8 Partnerships

- 8.1 None for the purposes of this report.

9 Risk Assessment

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

10 Conclusion and Recommendations

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

Ward(s) affected: (All Wards);

The Audit Findings for Epsom & Ewell Borough Council

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3. Value for money	14
4. Independence and ethics	17

Appendices

- A. Follow up of prior year recommendation
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

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

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Annex 1
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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Epsom & Ewell Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<div>Page 27</div>	<div><div>Financial Statements</div><div><p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p><ul style="list-style-type: none">• give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</div><div><p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p></div></div>	<div><p>Our on-site audit work was completed during June 2019. Our findings are summarised on the following pages. We have agreed adjustments in relation to the pensions liability (see page 8) to the financial statements that has resulted in an amendment to your 'Total Comprehensive Income'. This is a material adjustment and increases the pensions liability as a result of recent court cases. The total effect on 'Total Comprehensive Income' is a £1,192k increase in expenditure.</p><p>In terms of your closedown process and key findings from the audit:</p><ul style="list-style-type: none">• you provided us with a complete set of financial statements together with supporting documents and good working papers before the agreed date• you prepared high quality draft financial statements and the volume and quality of the supporting working papers was good• your finance team was responsive, helpful and fully engaged with the audit process, and provided responses in line with agreed turnaround times which enabled us to carry out the audit efficiently in June and July.<p>A summary of your 2018/19 financial performance is as follows:</p><ul style="list-style-type: none">• your draft financial statements for the year ended 31 March 2019 recorded 'Total Comprehensive Income' of £3,427k. During the course of the audit you took the decision to liaise with the actuary to update your disclosures in light of the obligations in relation to the McCloud and Guaranteed Minimum Pension (GMP). This has resulted in a total change to 'Total Comprehensive Income' of £1,192k therefore recording a final position of £2,235k• you performed better than your planned budget making a contribution of £68k to your general fund reserve• we identified some minor disclosure amendments during the course of the audit which have no impact on your reported Total Comprehensive Income and Expenditure balance<p>Subject to the satisfactory resolution and completion of outstanding matters, we anticipate issuing an unqualified audit opinion following the Strategy and Resources Committee's anticipated approval of the financial statements on 30 July 2019. Our proposed opinion is contained in Appendix D.</p><p>The outstanding matters include the following items where we are still awaiting information as at the date of this report:</p><ul style="list-style-type: none">• review of the final set of approved financial statements and confirmation that disclosure amendments have been appropriately made• receipt from auditors of Surrey County Council Pension Fund auditors assurances over controls surrounding the validity and accuracy of membership data; contributions data and benefits data• receipt of representation on fraud, laws and regulations and going concern from Chair of Strategy and Resources Committee.</div>
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Headlines continued

Page 28	Financial Statements	<p>-continued from previous page</p>	<p>Additionally, following the decision that the Government cannot appeal the decision made in respect of the McCloud ruling on age discrimination in respect of pensions, officers have liaised with Surrey County Council as the pension fund administrator and Hymans Robertson as the actuary to obtain an updated valuation of the pension fund liability. The impact of the ruling, alongside the estimated effect of GMP and updated return on assets figures, on the pension fund liability in total is material, increasing the net liability in the balance sheet by £1,192k.</p> <p>Our work is subject to the following closing procedures which necessarily take place at the end of the audit:</p> <ul style="list-style-type: none">• final senior management and quality reviews and clearance of any queries that may arise from this final process• agreement of your management representation letter• review of post balance-sheet events. <p>Should any further matters arise during the completion of our work that we need to report to you, we will do so before we issue our opinion.</p>
	Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of your value for money arrangements. We have concluded that Epsom & Ewell Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resource.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 14 to 16.</p>
	Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and• To certify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties.</p>
Acknowledgements <p>We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.</p>			

Summary

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of your business and is risk based, and in particular included:

- An evaluation of your internal controls environment, including its IT systems and controls; and

- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our Audit Plan, as communicated to you on 31 January 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Strategy and Resources Committee meeting on 30 July 2019, as detailed in Appendix D.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality calculations remain the same as reported in our Audit Plan.

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	1,081,000	1,027,000
Performance materiality	810,000	770,000
Trivial matters	54,000	51,000

Significant findings – audit risks

Risks identified in our Audit Plan		Commentary
1	Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Auditor commentary Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, you, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk.
	Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	Auditor commentary We have: <ul style="list-style-type: none">• documented the design effectiveness of management controls over journals• analysed the journals listing and determine the criteria for selecting high risk unusual journals• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any issues in respect of management override of controls.

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Significant findings – audit risks

Risks identified in our Audit Plan		Commentary
3	Valuation of land and buildings You revalue your land and buildings on a rolling five-yearly basis.	Auditor commentary We:
	<p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£75 million of PPE in 2017-18) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management need to ensure the carrying value in your financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p>	<ul style="list-style-type: none">evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their workevaluated the competence, capabilities and objectivity of the valuation expertwrote to the valuer to confirm the basis on which the valuation was carried outchallenged the information and assumptions used by the valuer to assess completeness and consistency with our understandingtested revaluations made during the year to ensure that they have been input correctly into your asset registerevaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
	<p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>Our audit work is complete and has not identified any material issues in relation to this risk.</p>

Significant findings – audit risks

Risks identified in our Audit Plan		Commentary
4	Valuation of pension fund net liability	Auditor commentary
	<p>Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£34 million in your balance sheet in 2017-18) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of your pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We:</p> <ul style="list-style-type: none">gained an understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls;evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;assessed the accuracy and completeness of the information provided to the actuary to estimate the liability;tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; andobtained assurances from auditors of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>McCloud and GMP</p> <p>We have highlighted on page 3 amendments relating to recent court judgement on pensions. In summary, the Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. In June 2019 the Government was refused permission to appeal. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for all pension schemes where they have implemented transitional arrangements on changing benefits. As this is a sector wide issue, we have discussed this with the National Audit Office and other audit firms to understand the potential impact on this year's financial statements. You sought an additional actuarial assessment of the impact on your pension liability of this judgement and the potential effect of GMP, the updated assessment also provided updated figures for the return on the assets of the pension scheme.</p> <p>Our audit work is substantially complete. Our work to date has not identified any material issues in relation to this risk following your decision to amend the pensions disclosures for the updated actuarial information requested from Hymans Robertson. The total effect on the net pension liability of this is an increase of £1,192k.</p>

Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment
Land and Buildings – £63.3m	<p>Land and buildings (£63.3m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. You have engaged Huggins, Edwards and Sharp LLP and Siefers Harrison to complete the valuation of properties as at 31 March 2019. Land and buildings are revalued when management considers there to be a material change in the value but as a minimum every five years.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £2.5m.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2018, applying industry average indices and rental income to determine whether there has been a material change in the total value of these properties. Management’s assessment of assets not revalued has identified no material change to the property’s value.</p> <p>The total year end impairment loss on Land and buildings was £221k, a net decrease of £59k from 2017/18 (£280k).</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none">• assessment of management’s expert,• completeness and accuracy of the underlying information used to determine the estimate• impact of any changes to valuation method• consistency of estimate against Gerard Eve report• reasonableness of decrease in estimate• adequacy of disclosure of estimate in the financial statements. <p>Our work is complete, we have not identified any issues in our work to date</p>	<div><div></div><div>Green</div></div>

Assessment

● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

● We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic

● We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious

● We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

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Annex 1

	Summary of management’s policy	Audit Comments	Assessment																						
Page 34	Net pension liability – £39.5m Your net pension liability at 31 March 2019 is £39.5m (PY £34m) per the draft accounts. You use Hymans Robertson to provide actuarial valuations of your assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £3.4m net actuarial loss during 2018/19.	We considered and completed the following in the course of our testing: <ul style="list-style-type: none">assessment of management’s expertassessment of actuary’s roll forward approach taken, detail work undertaken to confirm reasonableness of approach	<div>●</div> Green																						
		<table><tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>2.4%</td><td>2.4% - 2.5%</td><td>●</td></tr><tr><td>Pension increase rate</td><td>2.5%</td><td>2.4% - 2.5%</td><td>●</td></tr><tr><td>Salary growth</td><td>2.8%</td><td>Adjusted RPI</td><td>●</td></tr><tr><td>Longevity at 65 for current pensioners: men</td><td>22.5 yrs</td><td>21.5 – 22.8 yrs</td><td>●</td></tr><tr><td>Longevity at 65 for current pensioners: women</td><td>24.6 yrs</td><td>24.1 – 25.1 yrs</td><td>●</td></tr></table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.4% - 2.5%	●	Pension increase rate	2.5%	2.4% - 2.5%	●	Salary growth	2.8%	Adjusted RPI	●	Longevity at 65 for current pensioners: men	22.5 yrs	21.5 – 22.8 yrs	●	Longevity at 65 for current pensioners: women	24.6 yrs	24.1 – 25.1 yrs
Assumption	Actuary Value	PwC range	Assessment																						
Discount rate	2.4%	2.4% - 2.5%	●																						
Pension increase rate	2.5%	2.4% - 2.5%	●																						
Salary growth	2.8%	Adjusted RPI	●																						
Longevity at 65 for current pensioners: men	22.5 yrs	21.5 – 22.8 yrs	●																						
Longevity at 65 for current pensioners: women	24.6 yrs	24.1 – 25.1 yrs	●																						
		<ul style="list-style-type: none">completeness and accuracy of the underlying information used to determine the estimatereasonableness of the your share of LPS pension assetsreasonableness of decrease in estimateassessment of the likely impact of the Guaranteed Minimum Pension benefits between males and femalesadequacy of disclosure of estimate in the financial statements.																							
		As a result of the ongoing court cases you took the decision to consult with your actuary, Hymans Robertson, to assess the impact on the pension liability of these cases. This has resulted in a material amendment to the pensions disclosures and we completed the above testing following receipt of the updated actuarial report. Following the initial amendment of £1.192m increase on the pensions liability to £39.5m our audit work has not identified any further significant issues in relation to the pensions disclosure. The actuarial assumptions made by Hymans Robertson and accepted by you were reviewed by the audit team. Our review concluded that the assumptions made by Hymans Robertson were reasonable.																							
		In respect of the assumptions, we continue to recommend that management keeps these under review for future periods in order to ensure that they remain appropriate to your circumstances.																							

Significant findings - Going concern

Our responsibility

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

Going concern commentary

Management's assessment process

The consideration and assessment of the relevance of the going concern basis of accounting is incorporated the ongoing budget planning and monitoring. This assessment was:

- consistent with the 2019/20 budget, and
- judgements and assumptions taken.

Work performed

- We
- held regular discussions with officers about the financial standing of the Council;
 - reviewed management's assessment of going concern assumptions and supporting information, including the Budget 2019/20, Medium Term Financial Strategy and Reserves Strategy; and
 - reviewed the completeness and accuracy of going concern disclosures in the financial statements.

Auditor commentary

- Management's formal assessment of the use of the going concern basis of accounting covered the period 01 April 2019 to 31 March 2020. We consider Management's process in reaching its judgements to be reasonable. There are transparent disclosures of the key risks that are likely to impact the 2019/20 financial plans.

Auditor commentary

- Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Our work has confirmed that you have set a balanced budget for the proceeding financial year, hold a level of reserves that would enable you to continue to provide services beyond 2020 and hold a good level of liquid assets compared to short term liabilities. For this reason, you continue to adopt the going concern basis in preparing the financial statements .

Concluding comments

- We have reviewed management's assessment and are satisfied that the going concern basis is appropriate for the 2018/19 financial statements.

Other communication requirements

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

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none">We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none">From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none">You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none">A standard letter of representation has been requested from you.
5	Confirmation requests from third parties	<ul style="list-style-type: none">We obtained direct confirmations from the PWLB loans and requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted and the requests sent.We have received all direct confirmations requested.
6	Disclosures	<ul style="list-style-type: none">Our review found no material omissions in the financial statements.
7	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none">All information and explanations requested from management was provided.

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Other responsibilities under the Code

Issue		Commentary
1	Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. Management have agreed to make a minor amendment to include more detail on strategy and resource allocation in the medium term to ensure compliance with the Code.</p> <p>We plan to issue an unqualified opinion in this respect – refer to appendix D.</p>
2	Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none">• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit• If we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters.</p>
3	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none">• Note that work is not required as you do not exceed the threshold.
4	Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of Epsom & Ewell Borough Council in the audit opinion, as detailed in Appendix D,</p>

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Value for Money

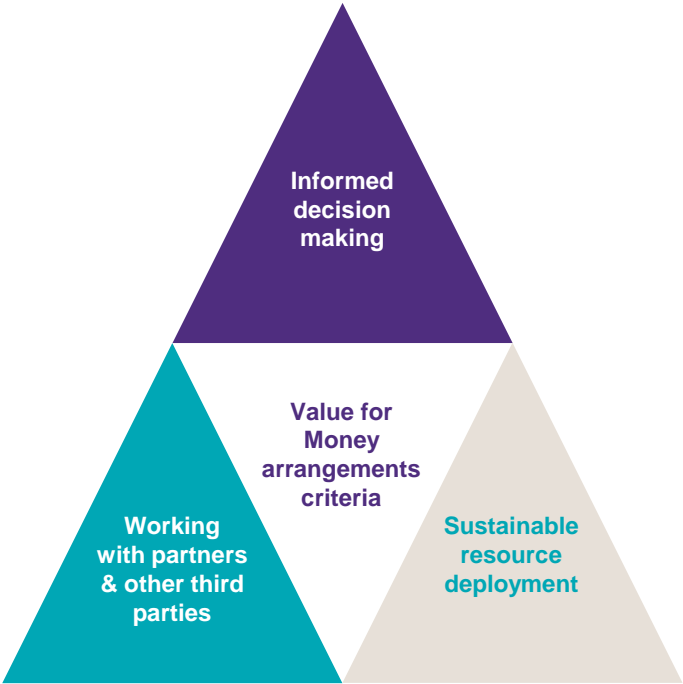
Background to our VFM approach

We are required to satisfy ourselves that you have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in January 2019 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 31 January 2019.

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

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risk determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in your arrangements. In arriving at our conclusion, our main consideration was:

- Evaluating your Medium Term Financial Strategy (MTFS) and its assumptions for reasonableness and relevance;
- Evaluating your 2019/20 budget setting process and determining the reasonableness of your plans to resolve budget gaps;
- Assessing the 2018/19 outturn position against the 2018/19 budget to determine the potential effect on medium term financial sustainability;
- Understanding your reserves policy and evaluating the actual use of reserves against planned usage.

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on page 16.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that you have proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment.

Significant risk	Findings
<div><div>1</div><div><p>Sustainable Resource Deployment – Financial Sustainability in the Medium Term</p><p>The overall Local Government sector has been facing a challenging financial outlook in recent years, which is to continue for 18/19 and for the medium term. Further pressure is expected across the sector as a result of continued increasing demand for services and falling central government funding, factors which are also affecting Epsom & Ewell Borough Council</p><p>We will update our understanding the Authority's financial arrangements. Evaluating the robustness of their medium term financial plan and budgeting to ensure that resources are deployed to achieve planned and sustainable outcomes for local tax payers</p></div></div>	<div><ul style="list-style-type: none">• You have demonstrated that you have a robust budget setting process. This process incorporates an appropriate level of challenge and scrutiny from member committees to ensure budgets are achievable operationally, a good level of support from finance to ensure budgets are achievable from a resourcing perspective and that there is ongoing budget monitoring throughout the year to ensure budgets remain relevant and any risks identified quickly.• You are able to successfully plan for the medium and long term by producing an Medium Term Financial Strategy (MTFS) incorporating a 10 year forecast based on realistic assumptions and allows you to identify and plan for savings.• You have produced a balanced budget for 2019/20 which is realistic in its assumptions and includes appropriate risks and opportunities• You have been able to fully identify and plan for savings required in 2019/20 leaving no budget gaps to identify moving into next year.• In terms of outturn position you have demonstrated control over spending in 2018/19 and recorded an underspend of £68k on your revenue account for 2018/19, which was within 1% of the agreed budget. The £68k underspend has been added to the General Fund balance at year-end. You have performed well to achieve an outturn close to the overall budget, particularly in the current challenging financial environment with continued funding cuts from central government.• During 2018/19, the financial challenges included zero revenue support grant settlement from central government, service delivery savings and additional income required of £391k in relation to Star Chamber and an increase of over £200k in budgeted income from fees and charges.• You have maintained a strong reserves increasing the level of usable reserves by £2.8m in the year to £28.9m overall. You have demonstrated robust financial planning by earmarking 52% of these reserves for specific strategic purposes which will allow you to meet your strategic objectives over the medium term. This demonstrates planned spending for specific purposes which will ensure you are able to deliver the services and developments committed to for the benefit of residents of the Borough• You have set yourself a minimum general fund balance of £2.5m which you wish to hold to ensure a minimum level of funds is available for non-specific expenditure should it be required. You have demonstrated that you have exceeded this minimum threshold for 2018/19 by holding a general fund reserve of £3.4m and have plans to maintain the minimum reserve in the medium term<p>Conclusion</p><ul style="list-style-type: none">• Accordingly, in our view, appropriate arrangements are in place to support your medium term financial position.</div>

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

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

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits grant	16,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit of £34,425 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Nil			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

Follow up of prior year recommendation

We identified the following issue in the audit of your 2017/18 financial statements, which resulted in one recommendation being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented our recommendation

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	You approved EEPIC governance arrangements in September 2017, through the creation by the Strategy and Resources Committee of a shareholder sub-committee, to which will be delegated the your functions as sole shareholder of the Company be approved. We noted that by the end of the 2017/18 audit that the shareholder sub-committee had yet to meet, therefore we recommended that the Strategy and Resources Committee assess if the present governance arrangements for EEPIC provides the level of assurance required.	In November 2018, the shareholder sub-committee met for the first time. The sub-committee received a report on EEPIC's activities. Internal audit has also conducted a review of EEPIC's governance arrangements during 2018/19, which should provided further assurance to yourselves.

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Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 McCloud and GMP adjustment			
Dr CIES	1,192		1,192
Cr Net Pension Liability		(1,192)	
Overall impact	£1,192	£1,192	£1,192

Misclassification and disclosure changes

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

Disclosure	Detail	Auditor recommendations	Adjusted?
Financial Instruments Accounting Policy 5	The accounting policies for financial instruments do not reflect the introduction of IFRS9 for 2018/19.	<ul style="list-style-type: none">We recommend that this policy be updated in order to ensure compliance with the Code and appropriate accounting standard. We have confirmed that treatment of financial instruments is appropriate as per IFRS9. <p>Management response</p> <ul style="list-style-type: none">Agreed to update the accounting policy	✓
Financial Instruments Note 18	Money Market Funds (MMF) included in cash equivalents were classified as held at amortised cost under IFRS9. MMF are an equity plus dividend instrument therefore under IFRS9 they should be classified as Fair Value Through Profit and Loss.	<ul style="list-style-type: none">We recommend that £9.4m of MMF should be reclassified as Fair Value Through Profit and Loss in the financial instruments note. We note that the fair value and amortised cost are equal for 2018/19 therefore this is only a terminology change in this year. <p>Management response</p> <ul style="list-style-type: none">Agreed to update the classification of these instruments	✓

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	34,425	TBC
Total audit fees (excluding VAT)	£34,425	TBC

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Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
• Certification of Housing Benefit Subsidy claim	16,000
Non-audit services	nil
	£16,000

Audit opinion

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

Independent auditor's report to the members of Epsom & Ewell Borough Council Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Epsom & Ewell Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Annual Financial Report, being the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Audit opinion

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained more fully in the Statement of Responsibilities set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Annual Financial Report, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Strategy and Resources Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Report on other legal and regulatory requirements - Certificate

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

Audit opinion

Use of our report

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

[Signature]

Sarah Ironmonger
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

[Date]



Statement of Accounts

2018/19

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Certificate of the Chief Finance Officer

I certify that the audited Statement of Accounts, set out on the following pages 4 to 82, presents a true and fair view of the financial position of the Council at 31 March 2019 and of its income and expenditure for the year ended 31 March 2019.

Lee Duffy (CPFA)

Chief Finance Officer (S151 Officer)

Narrative Report

1. Introduction

Welcome to Epsom and Ewell Borough Council's Statement of Accounts for 2018/19, which reports the Council's financial performance during the year.

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

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

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

EEBC's financial health has been maintained over 2018/19, despite the very challenging financial climate across the UK public sector. The Council's firm financial foundation will be essential for it to continue delivering quality services to residents over the medium term, while facing uncertainty around future Local Government funding, particularly from the Fair Funding Review and Business Rate reforms driven by the Ministry of Housing, Communities and Local Government.

2. Financial Performance

The Council's financial performance is summarised by the table below, as reported to Members in June 2019:

2017/18	Committee	2018/19		
Actual £'000		Budget £'000	Actual £'000	Variance £'000
305	Strategy and Resources Committee	1,899	1,709	(189)
3,566	Environment & Safe Communities Committee	2,332	2,479	147
7,005	Community & Wellbeing Committee	6,432	6,406	(26)
10,876	TOTAL	10,663	10,595	(68)
(3,246)	Asset Rent / Capital Charges Account	(2,879)	(2,879)	0
(7,645)	External Funding	(7,783)	(7,783)	0
(14)	Contribution to General Fund Reserves	0	(68)	(68)
0	TOTAL	0	0	0

The Council recorded an underspend of £68k on its revenue account for 2018/19, which was within 1% of the agreed budget. The £68k underspend has been added to the General Fund balance at year-end.

The Council has performed well to achieve an outturn close to the overall budget, particularly in the current challenging financial environment with continued funding cuts from central government. During 2018/19, the financial challenges included zero revenue support grant settlement from central government; star chamber service delivery savings and additional income required of £391k; and an increase of over £200k in budgeted income from fees and charges.

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

During 2018/19, EEBC participated in a Surrey-wide pilot of central government's 100% business rates retention scheme, which resulted in a one-off financial gain of £2.4m for the Council. These funds are held in reserves to support the Council's financial resilience in future years, with the Council potentially facing a reduction of future business rates income, depending on the outcome of central government's Fair Funding Review. The funds may also be required to cover future appeals from business rate payers against their business rate bills; at the reporting date, a number of appeals remain unresolved.

For 2019/20, the Council applied to the MHCLG, alongside the other Surrey districts, to remain a pilot area of the 100% scheme. However the Surrey application was unsuccessful and the Council has reverted to the national scheme from 2019/20.

3. Reserves

The Council's General Fund balance stands at £3.416m at 31 March 2019 (£3.348m at 31 March 2018). In-year net contributions to strategic earmarked reserves totalled £2.379m and are included in Committee actuals in the table above (contribution to reserves of £3.498m in 2017/18). Reserve balances are summarised by the following table; a full breakdown is shown in the notes to the Statement of Accounts.

Usable Reserves	2018/19 Opening Balance £'000	2018/19 Movement £'000	2018/19 Closing Balance £'000
General Fund Balance	(3,348)	(68)	(3,416)
Strategic Earmarked Reserves	(12,851)	(2,379)	(15,230)
Sub-Total Revenue Reserves	(16,199)	(2,447)	(18,646)
Community Infrastructure Levy	(5,036)	(353)	(5,389)
Capital Receipts Reserve	(4,889)	(58)	(4,947)
Total Usable Reserves	(26,123)	(2,858)	(28,982)

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

4. Capital Expenditure

Capital investment on the Council's core capital programme amounted to £1.775m in 2018/19 (£1.249m in 2017/18). A summary of expenditure by Committee is shown below:

2017/18	Core Capital Programme Expenditure	2018/19		
Actual £'000		Current Budget £'000	Actual £'000	Variance £'000
175	Strategy & Resources Committee	1,053	309	(744)
273	Environment & Safe Communities	3,217	284	(2,933)
801	Community & Wellbeing Committee	2,479	1,182	(1,297)
1,249	Total	6,749	1,775	(4,974)

In addition to the core capital programme, the Council purchased one residential property for £257k, to be used as temporary accommodation.

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

2017/18 £'000		2018/19 £'000
	<u>Expenditure</u>	
1,249	Core Programme	1,775
66,003	Property Acquisition Fund	257
67,252	Total Expenditure	2,032
	<u>Funding</u>	
344	Capital Reserves	149
396	Government Grants	520
626	Revenue	759
47	Grants from Other Local Authorities	0
3	Contributions from Other Bodies	82
229	Section 106 Receipts	208
5	Community Infrastructure Levy Receipts	314
45,293	Long Term Borrowing	0
20,148	Internal Borrowing	0
161	Prior year funding	0
67,252	Total Capital Funding	2,032

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

The Council generated £207,000 of net capital receipts during the year, and applied £149,000 to fund in-year capital expenditure. The balance of the Council's usable capital reserves at 31 March 2019 is £4,947,000 (compared to £4,889,000 at 31 March 2018), of which £1,741,000 is committed to funding the Council's approved capital programme in 2019/20.

5. Pension Liability

For accounting purposes, a valuation of the pension fund is carried out under IAS19 to produce an accounting surplus or deficit at the balance sheet date. The balance of the Council's pension liability increased from £34.0m to £39.5m at 31 March 2019, an adverse movement of £5.5m. The Council's actuary estimated that at 31 March 2019, future liabilities amount to £110m (£101m at 31 March 2018) with assets of £70m (£67m at 31 March 2018).

The financial assumptions used by the actuary to calculate the future liability – such as those for inflation and discount rates – are set-out in the pension liability disclosure note. The main reason for the adverse movement in 2018/19 is a reduction, from 2.6% to 2.4%, in the rate used to discount the future liability. The discount rate is linked to the market yield on high quality corporate bonds (EEBC's actuary uses the iBoxx AA corporate bond index) at the reporting date and is, therefore, impacted by short term market conditions.

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

6. Investments and Borrowings

The annual treasury management strategy, which was approved by Councillors in February 2019, is available on the Council's website.

At 31 March 2019, the Council held £24.1m long-term investments and £36.2m loans to its wholly owned subsidiary company. The Council also held £3m in short term deposits (£0m at 31 March 2018). During 2018/19, the Council generated £1.97m of interest income (£0.95m in 2017/18) and received £1.045m dividend income (£0.42m in 2017/18).

The Council has undertaken external borrowing specifically to invest in commercial properties, to generate long term income streams. Long-term borrowing at 31 March 2019 remained at £64.4m, unchanged from the prior year. The Council paid £1.63m in interest on these borrowings during 2018/19 (£0.98m in 2017/18).

7. Epsom & Ewell Property Investment Company Limited

In September 2017, the Council established a 100%-owned subsidiary, Epsom & Ewell Property Investment Company Limited, principally to invest in out-of-Borough, high quality, commercial property. The company aims to achieve rental yields from commercial property, delivering a long term income stream to the Council. This income stream will assist the Council in becoming more financially self-sufficient (independent from government grants) and sustaining high-quality services to local residents and businesses. During 2017/18, the company purchased two commercial properties, with a combined value of £60.3m. The property portfolio remained unchanged during 2018/19, with the company delivering a net £818k benefit to the Council's general fund in the year. The assets, liabilities, reserves and income and expenditure figures for the company have been consolidated into group accounts from page 74.

8. Future and Economic Outlook

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

Central Government funding also remains uncertain due to the ongoing Fair Funding Review and since 2018/19 the Council expects to receive zero Revenue Support Grant to support its General Fund budget requirement. New Homes Bonus has also been further reduced, which will impact upon budgets in future financial years.

Demographic growth and an increasing ageing population will continue to present challenges for this Council and County in years to come.

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

In 2019/20, the Council will revert to the standard national business rates retention scheme, following its participation in a Surrey-wide pilot of the 100% Business Rates Retention Scheme during 2018/19. The Council continues to monitor possible future reforms to local government finance based around business rates retention.

At a meeting of Full Council in February 2019 (report available on the Council's website), a financial forecast was presented to Members. The forecast anticipates annual savings in excess of £1.6 million will be needed by 2022/23 in order to achieve a balanced revenue budget at the end of this period. During 2019/20, the Council will develop a new Medium Term Financial Strategy for 2020-2024 which will include its plans for addressing the projected budget gap.

9. Statement of Accounts

The Statement of Accounts follow this narrative section and comprise the following:

- Comprehensive Income and Expenditure Statement (CIES)
- Movements in Reserve Statement (MIRS)
- Balance Sheet (BS)
- Cash Flow Statement (CFS)
- Notes to the Financial Statements including Accounting Policies
- Collection Fund Accounts
- Group Accounts
- Statement of Responsibilities

10. Further Information

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

Comprehensive Income and Expenditure Statement for year ended 31 March 2019

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

2017/18				2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Committee	£'000	£'000	£'000
10,782	(7,548)	3,235	Environment & Safe Communities	11,333	(7,877)	3,456
14,384	(4,959)	9,425	Community and Wellbeing	12,355	(5,342)	7,013
26,466	(22,973)	3,493	Strategy and Resources	25,082	(21,731)	3,351
51,632	(35,480)	16,153	Cost of Services	48,770	(34,949)	13,821
24	0	24	Other Operating Expenditure (Note 11)	178	(210)	(32)
2,264	(4,974)	(2,710)	Financing and investment Income and Expenditure (Note 12)	3,286	(8,241)	(4,955)
0	(10,954)	(10,954)	Taxation and non-specific grant income and expenditure (Note 13)	0	(11,996)	(11,996)
53,921	(51,407)	2,513	(Surplus) or Deficit on Provision of Services	52,234	(55,396)	(3,161)
		(717)	(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			(2,352)
		(1,225)	Remeasurement of net defined benefit liability/(asset) (Note 32)			3,278
		(1,942)	Other Comprehensive (Income) and Expenditure			926
		571	Total Comprehensive (Income) and Expenditure			(2,235)

Movement in Reserves Statement for the year ended 31 March 2019

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

	Usable Reserves				Unusable Reserves					Total Reserves
	General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Subtotal Usable Reserves	Revaluation Reserves	Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Subtotal Unusable Reserves	
2018/19	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2018	(16,197)	(4,889)	(5,037)	(26,123)	(36,873)	(58,950)	1,860	34,035	(59,928)	(86,052)
Movement in Reserves During 2018/19										
Total Comprehensive Income and Expenditure	(3,161)	0	0	(3,161)	(2,352)	0	0	3,278	926	(2,235)
Adjustments between accounting basis and funding under regulations (Note 9)	713	(58)	(353)	302	0	(1,056)	(1,467)	2,221	(302)	0
Increase or Decrease in 2018/19	(2,449)	(58)	(353)	(2,859)	(2,352)	(1,056)	(1,467)	5,499	624	(2,235)
Balance at 31 March 2019 carried forward	(18,646)	(4,947)	(5,390)	(28,982)	(39,224)	(60,006)	392	39,534	(59,305)	(88,287)
General Fund analysed over:										
Amounts earmarked (Note 10)	(15,230)									
Amounts uncommitted	(3,416)									
Total	(18,646)									
2017/18										
Balance at 01 April 2017	(12,687)	(4,893)	(3,835)	(21,415)	(36,156)	(62,623)	278	33,293	(65,208)	(86,623)
Movement in Reserves During 2017/18										
Total Comprehensive Income and Expenditure	2,513	0		2,513	(717)	0	0	(1,225)	(1,942)	571
Adjustments between accounting basis and funding under regulations (Note 9)	(6,023)	4	(1,202)	(7,221)	0	3,673	1,581	1,967	7,221	0
Increase or Decrease in 2017/18	(3,510)	4	(1,202)	(4,708)	(717)	3,673	1,581	742	5,279	571
Balance at 31 March 2018 carried forward	(16,197)	(4,889)	(5,037)	(26,123)	(36,873)	(58,950)	1,860	34,035	(59,928)	(86,052)
General Fund analysed over:										
Amounts earmarked (Note 10)	(12,849)									
Amounts uncommitted	(3,348)									
Total	(16,197)									

Balance Sheet as at 31 March 2019

The Balance Sheet shows the value of assets and liabilities recognised by the Council. The Council's net assets are matched by its reserves. Reserves are reported in two categories. The first category are usable reserves, which the Council may use to provide services or capital investment, subject to the need to maintain a prudent level of reserves and any statutory limitations. The second category is those that cannot be used to provide services. This category includes reserves holding unrealised gains/losses (e.g. the Revaluation Reserve), where amounts only become available if assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement.

2017/18 £'000		Note	2018/19 £'000
	Long-term Assets		
75,090	Property, Plant and Equipment	15	75,371
47,041	Investment Properties	16	49,383
722	Heritage Assets		722
141	Intangible Assets	17	307
0	Surplus Assets	15	65
24,117	Long Term Investments	18	24,117
36,176	Long Term Debtors	18	36,176
183,286	Total Long-term Assets		186,141
	Current Assets		
20	Inventories		80
156	Assets Held for Sale	15	0
5,725	Short-term Debtors	19	6,986
0	Short-term Investments	18	3,000
12,989	Cash and Cash Equivalents	20	10,580
18,890	Total Current Assets		20,646
	Current Liabilities		
(9,393)	Short-term Creditors	21	(8,463)
(310)	Lease Liability - Within One year	31	(355)
(9,703)	Total Current liabilities		(8,818)
	Long-term Liabilities		
(64,427)	Long Term Borrowing	18	(64,427)
(34,035)	Defined Benefit Pension Liability	32	(39,534)
(2,753)	Capital Grants Receipts in Advance	14	(2,370)
(2,280)	Long-term Provisions	22	(305)
(2,927)	Deferred Liabilities	31	(3,046)
(106,422)	Total Long-term Liabilities		(109,682)
86,052	NET ASSETS		88,287
	Total Reserves		
(26,123)	Usable Reserves	23	(28,982)
(59,928)	Unusable Reserves	23	(59,305)
(86,052)	TOTAL RESERVES		(88,287)

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 30 May 2019.

Cash Flow Statement as at 31 March 2019

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

2017/18			2018/19
£'000		Note	£'000
2,513	Net (Surplus) or Deficit on the Provision of Services	CIES	(3,161)
(7,882)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	24	146
1,239	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	24	1,310
(4,129)	Net cash flows from Operating Activities		(1,705)
53,019	Net cash outflow / (inflow) from Investing Activities	25	3,086
(44,627)	Net cash outflow / (inflow) from Financing Activities	26	1,028
4,262	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period		2,409
17,251	Cash and Cash Equivalents at the Beginning of the Period		12,989
(4,262)	Net Increase/(decrease) in Cash and Cash Equivalents		(2,409)
12,989	Cash and Cash Equivalents at the End of the Reporting Period	20	10,580

Notes to the Core Statement of Accounts

Note 1: Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future. The going concern assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies, with limits on their revenue-raising powers arising only at the discretion of central government.

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue (incl NNDR, Council Tax and Grants) and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Employee leave/overtime carried forward from previous year is not accrued unless material.

3. Employee Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

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

4. Events after the Balance Sheet Date

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

5. Financial Instruments

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

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

Financial Assets: The Council holds financial assets that are classified into two types:

1. Amortised cost
2. Fair value through profit or loss (FVPL)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

Expected Credit Loss Model

The Council assesses expected credit losses on all of its financial assets held at amortised cost. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured

and carried at fair value. Any material fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on market prices wherever possible.

The only such financial assets in this category held by the Council are Money Market Fund and Global Liquidity Fund investments, as detailed in Note 18. The Council has assessed that the fair value of these assets is not materially different to amortised cost.

6. Intangible Assets

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

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

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

7. Interest in Subsidiary Company

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

8. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participant's perspective. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. An exception is made for properties valued under the Council's de minimis threshold of £20,000. These properties are instead valued every 5 years in line with operational properties, as any annual movement would not be material to presenting a true and fair view of the accounts. Any material change in Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

9. Leases

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

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

The Authority as Lessee

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

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

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

The Authority as Lessor

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

10. Overheads and Support Services

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

11. Property, Plant and Equipment

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

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

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

Measurement: Assets are initially measured at cost, comprising:

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

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

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

- Land and operational properties are valued at current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where this cannot be assessed because there is no open market for the asset because of the specialist nature of an asset, the depreciated replacement cost (DRC) is used as an estimate of current value. The exception are new buildings included at the cost of construction and re-valued at the end of the year in which they become fully operational
- Infrastructure and community assets are not revalued but included in the balance sheet at historic cost
- Vehicle, plant and equipment, where not integral to the fabric of the building, are shown separately at depreciated historic cost.
- Assets under construction are valued on the basis of those costs incurred up to 31 March and are held as non-operational assets until the asset becomes available for use. At that point it is transferred to the appropriate asset class on the Balance Sheet depending on its use or nature.
- Non-operational assets (investment properties) are valued on open market value.

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other

Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

12. Charges to Revenue for Non-Current Assets

Charges to Revenue for Non-Current Assets

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

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

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

13. Heritage Assets

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

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

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

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

14. Provisions

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

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

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

15. Reserves

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

16. VAT

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

17. Collection Fund

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

- In its capacity as a billing authority an authority acts as an agent. The Council collects and distributes council tax income on behalf of the major preceptors (Surrey County Council and Surrey Police) and itself. Also, the Council collects and distributes NDR on behalf of the major preceptors (Surrey County Council, itself and central government).
- While the council tax and NDR income for the year credited to the Comprehensive Income and Expenditure Statement and Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Council. The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the Council's share of any surplus or deficit on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with code, although in practice the difference would usually be small.
- The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
- The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

18. Government Grants and Contributions

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

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

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

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

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

reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once applied.

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

Community Infrastructure Levy

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

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

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

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

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

20. Fair Value Measurement

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

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

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

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

There are no accounting standards due to come into force in 2019/20 that would have a material effect on the Council's transactions for 2018/19 and balances at 31 March 2019.

Note 3: Critical Judgements in Applying Accounting Policies

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

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

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

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

The Council has assessed its investment portfolio for signs of impairment, in accordance with the requirements of IFRS 9. All treasury investments are held in low risk funds and/or with low risk counterparties. As such, any impairment to the investment portfolio has been judged as immaterial and has not been recognised in the CIES.

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment £75.4 million	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets and valuation assumptions, including estimates of remaining useful life. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
		The depreciation charge for PPE in 2018/19 was £3.8m. A movement of 1% would result in a change in the depreciation charge of approximately £380k.
Pension Liability £39.53 million	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The assumptions interact in complex ways – the pension disclosure note contains a sensitivity analysis of the impact of changes to individual assumptions.
NNDR Appeals £0.31 million	Appeals notified by the Valuation Office Agency still include a large number of appeals lodged when the government changed the appeal rules. The VOA does not provide sufficient information, all possible appeals are included for NNDR collection fund purposes. A new list came into effect on 1 April 2017 and further estimates have been made to include an appeals provision pertaining to the new list.	The total £0.305m provision reflects an estimate of the potential effects of the Council's share of appeals that may be settled in future years. If the actual proportion of successful appeals is different to the expected proportion, the current provision would need to be adjusted and any change would feed through the collection fund calculation in future years.
General Bad Debt Provision £0.27 million	The current economic climate makes it uncertain that all the monies will be collected and an adequate allowance needs to be made for this in the measurement of these debtors. Council impair the debt wherever using a methodology and regularly write off the irrecoverable debts after all reasonable steps have been taken.	Council debt does not tend to fluctuate heavily. We assess the bad debts annually and will if necessary increase the impairments and write off to CIES. For example, a 1% increase in the provision would result in an increase of £2,700.

Note 5: Material Items of Income and Expenditure

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

Note 6: Events after the Balance Sheet Date

There have been no material post balance sheet events.

Note 7: Expenditure and Funding Analysis

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

2017/18				Committee	2018/19			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal and statutory reporting	Net Expenditure in the CIES		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal and statutory reporting	Net Expenditure in the CIES
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
3,566	1,390	(1,722)	3,235	Environment & Safe Communities	2,479	1,953	(976)	3,456
7,005	4,280	(1,861)	9,425	Community & Wellbeing	6,406	2,193	(1,585)	7,013
305	(753)	3,941	3,493	Strategy & Resources	1,709	(1,236)	2,878	3,351
10,876	4,918	358	16,153	Net Cost of Services	10,595	2,910	317	13,821
(10,891)	1,105	(3,854)	(13,640)	Other Income and Expenditure	(10,663)	(3,623)	(2,697)	(16,983)
(14)	6,023	(3,496)	2,513	(Surplus) or Deficit	(68)	(713)	(2,380)	(3,161)
(3,334)	Opening General Fund balance				(3,348)			
(3,348)	Closing General Fund balance				(3,416)			

Note to the Expenditure & Funding Analysis 2018/19

Committee	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Adjustments for Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal & statutory reporting	Net Expenditure in the CIES
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment & Safe Communities	2,479	1,046	907	0	1,953	(976)	3,456
Community & Wellbeing	6,406	1,453	739	0	2,193	(1,585)	7,013
Strategy & Resources	1,709	(909)	(327)	0	(1,236)	2,878	3,351
Net Cost of Services	10,595	1,590	1,320	0	2,910	317	13,821
Other Income and Expenditure	(10,663)	(3,057)	901	(1,467)	(3,623)	(2,697)	(16,983)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(68)	(1,467)	2,221	(1,467)	(713)	(2,380)	(3,161)
Opening General Fund at 1 April 2018	£'000 (3,348)						
(Surplus)/Deficit	(68)						
Closing General Fund balance at 31 March 2019	(3,416)						

Note to the Expenditure & Funding Analysis 2017/18

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

Note 1. Adjustments for Capital Purposes

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

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

Note 2. Adjustments for Pension Benefits

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

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- **For Financing and investment income and expenditure** — the net interest on the defined benefit liability is charged to the CIES.

Note 3. Other Differences

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

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Note 8: Expenditure and Income analysed by Nature.

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

2017/18 £'000	Expenditure/Income	2018/19 £'000
	Expenditure	
13,794	Employee benefits expenses	14,415
32,120	Other services expenses	31,141
(444)	Support Services recharges	(449)
5,961	Depreciation, amortisation, impairment, & revaluation	3,677
1,965	Interest payments	2,717
500	Precepts and Levies	555
24	Losses on the disposal of assets	178
53,921	Total expenditure	52,234
	Income	
(18,994)	Fees, charges and other service income	(16,990)
(1,517)	Interest and investment income	(3,118)
(7,289)	Income from Council tax, non-domestic rates, district rates, district rate income	(10,260)
(22,990)	Government grants and contributions	(22,465)
(617)	Movement in Investment Properties	(2,353)
0	Gain on the disposal of assets	(210)
(51,407)	Total Income	(55,396)
2,513	(Surplus) or Deficit on the Provision of Services	(3,161)

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2018/19	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants Unapplied (CIL)	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the CIES</u>				
Charges for depreciation and impairment of non current assets	(3,810)			3,810
Revaluation losses on Property Plant and Equipment	(41)			41
Reversal of movements in the market value of Investment Properties	2,353			(2,353)
Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year	262			(262)
Amortisation of intangible assets	(88)			88
Revenue expenditure funded from capital under statute	(684)			684
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(169)			169
<u>Insertion of items not debited or credited to the CIES</u>				
Statutory provision for the financing of capital investment	1,200			(1,200)
Capital expenditure charged against the General Fund balance	759			(759)
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	667		(667)	
Application of grants to capital financing transferred to the Capital Adjustment Account	810		314	(1,124)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	207	(207)		
Use of the Capital Receipts Reserve to finance new capital expenditure		149		(149)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(4,411)			4,411
Employer's pensions contributions and direct payments to pensioners payable in the year	2,190			(2,190)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements	(104)			104
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	1,572			(1,572)
Total Adjustments	713	(58)	(353)	(302)

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

Note 10: Movements in Usable Reserves

	Balance at 31 March 2017 £'000	Transfers		Balance at 31 March 2018 £'000	Transfers		Balance at 31 March 2019 £'000
		In	Out		In	Out	
		£'000	£'000		£'000	£'000	
General Fund	(3,334)	(14)	0	(3,348)	(68)	0	(3,416)
Strategic Reserves							
Insurance	(458)	(8)	29	(437)	(29)	0	(466)
Repairs and Renewals	(338)	(42)	143	(237)	(40)	2	(275)
Interest Equalisation	(631)	0	0	(631)	0	0	(631)
VAT Reserve	(216)	(103)	0	(319)	0	0	(319)
Housing & Planning Delivery Grant	(176)	0	0	(176)	0	0	(176)
Property Maintenance	(401)	(118)	96	(423)	(235)	85	(573)
Commuted Sums	(1,965)	(39)	39	(1,965)	0	24	(1,941)
Hospital Cluster Interest	(230)	(1)	0	(231)	(2)	0	(233)
Corporate Project Reserve	(1,521)	(1,192)	138	(2,575)	(745)	71	(3,249)
Community Safety	(82)	(1)	1	(82)	(28)	0	(110)
Historic Buildings	(3)	0	0	(3)	0	0	(3)
Local Partnership Fund	(28)	0	0	(28)	0	0	(28)
Prevention, Personalisation & Partnership Fund	(321)	0	210	(111)	0	38	(73)
Business Rates Equalisation	(864)	(1,450)	69	(2,245)	(992)	171	(3,066)
Residential Property Acquisition Fund	(2,000)	0	562	(1,438)	0	257	(1,181)
Property Income Equalisation	(76)	(1,283)	10	(1,349)	(879)	48	(2,180)
HIA Hardship fund	(43)	(30)	2	(71)	(4)	0	(75)
Hollymoor Lane - Orbit contribution	0	(90)	0	(90)	0	90	0
Linden Homes contribution	0	(85)	3	(82)	0	82	0
Sports & Leisure Development	0	(104)	12	(92)	0	5	(87)
Flexible Housing Support Grant	0	(210)	25	(185)	(307)	0	(492)
Homelessness Reduction Act	0	(27)	8	(19)	0	0	(19)
Mortgage Rescue Funding	0	(18)	2	(16)	0	5	(11)
Surrey Homeless Alliance Funding	0	(14)	4	(10)	0	5	(5)
Basic Payments Scheme	0	(28)	0	(28)	(3)	0	(31)
Community Housing Fund	0	(18)	10	(8)	0	0	(8)
Subtotal Strategic Reserves	(9,353)	(4,861)	1,363	(12,851)	(3,263)	884	(15,230)
Community Infrastructure Levy	(3,835)	(1,397)	196	(5,036)	(761)	408	(5,389)
Capital Receipts Reserves	(4,893)	(340)	344	(4,889)	(207)	149	(4,947)
Total Usable Reserves	(21,414)	(6,612)	1,903	(26,123)	(4,299)	1,441	(28,982)

The Council has budgeted to use £1.844m of the Business Rates Equalisation Reserve in 2019/20.

Note 11: Other Operating Expenditure in CIES

2017/18 £'000		2018/19 £'000
24	(Gains) /Losses on the Disposal of Non-Current Assets	(32)
24	Total	(32)

Note 12: Financing and Investment Income and Expenditure in CIES

2017/18 £'000		2018/19 £'000
1,117	Interest Payable and Similar Charges	1,816
848	Net Interest on the Net Defined Benefit Liability	901
(617)	Movement in Investment Property Valuations	(2,353)
(2,541)	Investment Property Rentals Trading Account	(2,202)
(953)	Interest Receivable and Similar Income	(1,969)
(564)	Other Income from Subsidiary	(1,149)
(2,710)	Total	(4,955)

Note 13: Taxation and Non Specific Grant Income in CIES

The Council recognised the following taxation and non-specific grant income in the year:

2017/18 £'000		2018/19 £'000
(6,144)	Council Tax Income	(6,327)
(560)	Non Domestic Rates	(3,370)
(290)	NDR- Small Business Rate Relief Grant	(388)
(497)	NDR Other Section 31 Grants	(175)
(1,557)	New Homes Bonus Grant*	(834)
(1,730)	Capital Grants and Contributions	(902)
(176)	Revenue Support Grant (inc Transitional Grant)	0
(10,954)	Total	(11,996)

*New Homes Bonus received in 2018/19 was £0.834m, however, only £500,000 was used to fund services, with the remaining balance transferred to the Corporate Project Reserve. Further grants credited to services are detailed in Note 14.

Note 14: Other Government Grants Credited to Services

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

2017/18 Re-stated* £'000		2018/19 £'000
(55)	Council Tax Support	(51)
(164)	Benefit Admin Grant	(149)
(19,755)	Rent Allowances- Housing Benefit and Rebate	(19,867)
(196)	Election	(15)
(159)	Personal Services	(156)
(146)	Highways and parking	(77)
(210)	Venues	(121)
(108)	Homelessness	(452)
(396)	Disabled Facilities Grant	(520)
(254)	Other Smaller Grants	(224)
(21,443)	Total	(21,631)

*2017/18 figures have been re-stated to include £396k additional Disabled Facilities Grant received from MHCLG, and to remove £210k of Personalisation, Prevention and Partnership Funding, which had been received prior to 2017/18.

Capital Grants and Contributions Receipts in advance

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

2017/18 £'000		2018/19 £'000
(2,753)	Other grants and Section 106 Contributions	(2,370)
(2,753)	Total	(2,370)

Note 15: Property, Plant and Equipment

Property, Plant and Equipment Valuation

The Borough Council's property portfolio was first valued as at 1 April 1994 with all properties subject to a rolling five year revaluation, with approximately one fifth of properties being revalued each year. In line with the Code of Practice the Council maintains a valuation programme that concentrates on categories of assets. Valuations are undertaken by Huggins, Edwards and Sharp, Chartered Surveyors. The properties that were revalued in 2018/19 account for £19.3 million of the gross book value of assets at 31 March 2019.

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

Properties are also revalued to take into account any potential impairment in their value and also consequently upon construction and the completion of any material improvements.

Depreciation

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

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

Movements on Non Current Assets – Property, Plant & Equipment 2018/19

TANGIBLE NON CURRENT ASSETS	Other Land and Buildings	Vehicle Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Totals
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Carrying Value as at 1 April 2018	68,892	11,134	158	4,153	595	0	84,932
Additions	376	540	0	152	675	0	1,743
Revaluation Movement Recognised in the Revaluation Reserve	1,511	0	0	0	0	(75)	1,436
Revaluation movement recognised in the Surplus/Deficit on the Provision of Service	(52)	0	0	0	0	0	(52)
Derecognition - Disposals	0	(813)	0	0	0	0	(813)
Assets Reclassified	136	0	0	0	(435)	140	(159)
Other Movements	0	0	2	0	0	0	2
Gross Book Carrying Value at 31 March 2019	70,863	10,861	160	4,305	835	65	87,089
Accumulated Impairment & Depreciation as at 1 April 2018	(6,164)	(2,736)	0	(942)	0	0	(9,842)
Depreciation Charge for the Year	(2,523)	(1,272)	(11)	0	0	(4)	(3,810)
Depreciation written out to the Surplus/Deficit on the Provision of Service	52	0	0	0	0	0	52
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	221	0	0	0	0	0	221
Derecognition - disposals	0	799	0	0	0	0	799
Depreciation Written out to the Revaluation Reserve	912	0	0	0	0	4	916
Other Movements	0	0	11	0	0	0	11
Accumulated Impairment & Depreciation as at 31 March 2019	(7,502)	(3,209)	0	(942)	0	0	(11,653)
TOTAL NET CARRYING BOOK VALUE at 31 March 2019	63,361	7,652	160	3,363	835	65	75,436

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

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

Capital Expenditure

Capital expenditure and revenue expenditure funded from capital under statute (REFCUS) of £2.032m was incurred in 2018/19 as follows:

2017/18 £'000		2018/19 £'000
1,387	Non Current Assets - PPE	1,253
5,148	Investment Assets	0
60,293	Investment in Subsidiary	0
0	Intangibles	95
424	Revenue Expenditure Funded from Capital Under Statute	684
67,252	Total Capital Expenditure	2,032

Funding of capital expenditure is detailed below:

2017/18 £'000		2018/19 £'000
344	Capital Reserves	149
396	Government Grants	520
626	Revenue	759
47	Grants from Other Local Authorities	0
3	Contributions from Other Bodies	82
229	Section 106 Receipts	208
5	Community Infrastructure Levy Receipts	314
45,293	Long Term Borrowing	0
20,148	Internal Borrowing	0
161	Prior year funding	0
67,252	Total Capital Funding	2,032

A net contribution of £759k (£626k contribution in 2017/18) was set aside from revenue to finance capital expenditure in 2018/19, of which £257k was from New Homes Bonus to fund a residential property purchase for use as temporary accommodation.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2019 amounts to £3.944m as detailed below.

2017/18 £'000		2018/19 £'000
83	Epsom Common Path Restoration	0
293	Electronic Service Delivery	265
0	Epsom Datacentre	103
25	Rosebery Park Pond Refurbishment	0
79	Longrove Park BMX/Skate Park	0
40	Affordable Housing	0
649	Epsom Cemetery Extension	687
0	Plan E Town Centre works	2,579
0	Ashley Centre Carpark improvements	247
0	Poole Rd Pavilion Heating System	63
7	Other	0
1,176	Total Capital Commitments	3,944

Disposals

Assets relating to Vehicles, Plant & Equipment with a net book value of £13k were disposed of in 2018/19 (£92k in 2017/18).

Assets under Construction

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

There are eight Assets under Construction held in the balance sheet for 2018/19 totalling £0.835m. (£0.594m in 2017/18).

Assets Held for Sale

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

There are no Assets Held for Sale in the balance sheet for 2018/19. The two properties held for sale at 31 March 2018 were both sold during the 2018/19 financial year.

2017/18 £'000		2018/19 £'000
0	Balance at the Start of the Year	156
6	Assets reclassified from Investment Properties	0
150	Assets reclassified from Other Land & Buildings	0
0	Disposals	(156)
156	Balance at the Year End	0

Componentisation

When valuing the assets for the five-year rolling programme, the valuer considered component accounting requirements. The only significant components revalued in 2018/19 related to the Rainbow Leisure Centre.

Revaluations

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

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

Valued at fair value as at:	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2019 £'000	Total Cost or Valuation £'000
Operational Assets					
Land and Buildings	1,517	28,982	19,345	13,518	63,362

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

Note 16: Investment Properties

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

2017/18 £'000		2018/19 £'000
(2,679)	Rental Income from Investment Property	(2,739)
138	Other Net Expenditure Arising from Investment Property	537
(2,541)	Net (Income)/Expenditure	(2,202)

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

Fair Value Hierarchy

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

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

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

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2019 by Huggins, Edwards & Sharp in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

2017/18 £'000		2018/19 £'000
41,437	Balance at the Start of the Year	47,041
5,148	Purchases	0
(155)	Disposals	0
617	Net gains/(losses) from Fair Value Adjustments	2,353
(6)	Transfers to Assets Held For Sale/Other adjustments	(11)
47,041	Balance at the Year End	49,383

Note 17: Intangible Assets

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

All software is given a finite useful life of 4 years. The carrying amount of intangible assets is amortised on a straight-line basis.

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

2017/18 £'000		2018/19 £'000
	Balance at the start of the year	
609	Gross Carrying Amounts	609
(348)	Accumulated Amortisation	(468)
261	Net Carrying Amount at the Start of the Year	141
0	Additions	95
0	Assets under construction brought into use	159
(120)	Amortisation for the Period	(88)
141	Net Carrying Value at the End of the Year	307

Note 18: Financial Instruments

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

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

2017/18			2018/19	
Non-Current £'000	Current £'000		Non-Current £'000	Current £'000
		Financial Assets - Loans and Investments		
60,293	0	Loans and Investments (Amortised Cost)	60,293	3,000
0	12,559	Loans and Investments (FVPL)	0	9,439
60,293	12,559	Total Loans and Investments	60,293	12,439
		Financial Assets - Debtors		
0	3,889	Other Debtors (Amortised Cost)	0	1,077
0	10	Trade Debtors (Amortised Cost)	0	12
0	3,899	Total included in Debtors	0	1,089
		Financial Liabilities - Borrowings		
(64,427)	0	Borrowings (Amortised Cost)	(64,427)	0
(64,427)	0	Total included in Borrowings	(64,427)	0
		Other Financial Liabilities		
(2,927)	(310)	Finance Lease (Amortised Cost)	(3,046)	(355)
(2,927)	(310)	Total included Other Financial Liabilities	(3,046)	(355)
		Financial Liabilities - Creditors		
0	(6,867)	Creditors (Amortised Cost)	0	(4,035)
0	(6,867)	Total included in Creditors	0	(4,035)

Cash is also a financial asset and is disclosed separately in Note 20.

Material Soft Loans made by the Council

The Council has no material soft loans outstanding at 31 March 2019.

Employee Loans

The Council may make car loans for car purchases to employees in the Council who are in a post which requires them to drive regularly on the Council's business. The Council also provides loans for season tickets, cycles and computers. The total value of employee loans outstanding at 31 March 2019 is £12,403 (£10,473 at 31 March 2018).

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

Unquoted Equity Instruments Measured at Cost

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

Income, Expense, Gains and Losses

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

2017/18				2018/19		
Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000		Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000
124	0	124	Interest expense - finance leases	191	0	191
978	0	978	Interest expense - borrowings	1,625	0	1,625
16	0	16	Fee expense	0	0	0
1,117	0	1,117	Total expense in Surplus or Deficit on the Provision of Services	1,816	0	1,816
0	(189)	(189)	Interest Income - treasury investments		(160)	(160)
0	(764)	(764)	Interest Income - loans to subsidiary		(1,809)	(1,809)
0	(953)	(953)	Total Income in Surplus or Deficit on the Provision of Services	0	(1,969)	(1,969)
1,117	(953)	164	Net (Income)/Expenditure for the Year	1,816	(1,969)	(153)

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

The financial assets held by the Council at 31 March 2019 are detailed below.

Financial Asset Category	Counterparty	Investment at 31 March 2019
Cash Equivalents - Fair Value Through Profit & Loss		
Deposits with Money	Goldman Sachs	£ 5.000m
Market Funds	Deutsche Bank	£ 0.300m
Global Liquidity Fund	Aberdeen Liquidity Fund	£ 4.139m
Total Cash Equivalents		£ 9.439m
Short Term Investments - Amortised Cost		
Fixed Term Deposit with Building Societies and bank	Lloyds Bank	£ 3.000m
Total Short Term Investments		£ 3.000m

The Authority's maximum exposure to credit risk in relation to its investments is £12.439m. The Council has assessed its investment portfolio for signs of impairment, in accordance with the requirements of IFRS 9. All treasury investments are held in low risk funds and/or with low risk

counterparties. As such, any impairment to the investment portfolio is immaterial and has not been recognised in the CIES.

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

The following analysis summarises the Council's potential maximum exposure to credit risk, based upon experience of default over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2019 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31-Mar-19 %	Estimated maximum exposure to default and un-collectability at 31 March 2019 £'000	Estimated maximum exposure at 31-Mar-18 £'000
	A	B	C	(A x C)	
Deposits with Aberdeen	4,139	0	0	0	0
Goldman Sachs	5,000	0	0	0	0
Deutsche Bank	300	0	0	0	0
Customers	1,077	3.73%	22.61%	244	262

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

The Council does not generally allow credit for customers, but of the £1.1m balance £0.5m is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-18 £'000		31-Mar-19 £'000
1,285	Less than three months	183
78	Three to Five months	45
153	More than Five Months	321
1,516	Total	549

Liquidity Risk

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

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

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

However, interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

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

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	(168)
Impact on Surplus or Deficit on the Provision of Services	(168)
Decrease in fair value of fixed rate investment assets	20

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

There have been no changes to the method and approach for compiling the risk information for 2018/19 compared to 2017/18.

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

These investments are included in the balance sheet at amortised cost less any expected credit loss (if material) and distinguished between those due for maturity within the next financial year (current asset investments) and those not due within the next year (long term investments).

Fair Values of Financial Assets and Financial Liabilities

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

Financial Assets

The Other Investments and Trade Debtors are short term in nature, and therefore the fair value is not materially different for the book value. There is no impairment implication for investments. Short term debtors are carried at cost less any impairment, as this is a fair approximation of their value.

31-Mar-18			31-Mar-19	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Assets		
24,117	24,117	Unquoted Equity Investment (Amortised Cost)	24,117	24,117
36,176	36,176	Loans to Subsidiary (Amortised Cost)	36,176	66,485
0	0	Other Investments (Amortised Cost)	3,000	3,020
12,559	12,559	Other Investments (FVPL)	9,439	9,439
3,889	3,889	Trade Debtors (Amortised Cost)	1,077	1,077
76,741	76,741	Total Financial Assets	73,809	104,138

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

Financial Liabilities

31-Mar-18			31-Mar-19	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at amortised cost		
64,427	69,525	PWLB Loans	64,427	70,758
3,237	3,237	Finance Lease Liabilities	3,401	3,401
6,867	6,867	Creditors	4,035	4,035
74,531	79,629	Total Financial Liabilities	71,863	78,194

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

Note 19: Debtors

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

2017/18 £'000		2018/19 £'000
1,289	Central government bodies	4,826
623	Council Tax Payers	514
133	Non Domestic Rate Payers	143
3,680	Other Entities and individuals	1,503
5,725	Total Debtors	6,986

Long term debtors (greater than 365 days):

2017/18 £'000		2018/19 £'000
36,176	Loans to Subsidiary	36,176
36,176	Total	36,176

Note 20: Cash and Cash Equivalents

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

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

2017/18 £'000		2018/19 £'000
430	Cash at Bank	1,141
12,559	Cash Equivalents	9,439
12,989	Cash and Cash Equivalents	10,580

Note 21: Creditors

A summary of Creditors is detailed below.

2017/18		2018/19
£'000		£'000
(234)	Central Government Bodies	(211)
(1,498)	Other Local Authorities	(3,392)
(727)	Council Tax	(780)
(68)	Non Domestic Rate	(45)
(6,867)	Other Entities and individuals	(4,035)
(9,393)	Total	(8,463)

Note 22: Provisions

A summary of Long Term Provisions is detailed below.

	NDR Appeals	Local Land Charges	Total
	£'000	£'000	£'000
2017/18			
Opening balance at 1 April 2017	(850)	(136)	(986)
Amounts used or written back to revenue in year	121	136	257
Additional provision made in year	(1,551)	0	(1,551)
Balance at 31 March 2018	(2,280)	0	(2,280)
2018/19			
Opening balance at 1 April 2018	(2,280)	0	(2,280)
Adjustment to opening balance due to 100% Business Rates Pilot	570	0	570
Amounts used or written back to revenue in year	1,405	0	1,405
Balance at 31 March 2019	(305)	0	(305)

The Council has one outstanding provision of £0.305m for its share of appeals against NDR (Business Rates) charges. During 2018/19, £1.405m was used or written back from the provision; this was principally because the Council has assessed that the probability of successful appeals from NHS properties no longer meets the accounting criteria for a provision. The total £0.305m provision reflects an estimate of the potential effects of appeals that may be settled in future years.

Note 23: Reserves

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

Reserve	Balance 2017/18 £'000	Net Movement in year £'000	Balance 2018/19 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(3,348)	(68)	(3,416)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement (Note 10)
Strategic Reserves	(12,851)	(2,379)	(15,230)	Earmarked resources to provide funding for specific areas	Movement in Reserve Statement (Note 10)
Capital Grants Unapplied Account (CIL)	(5,036)	(353)	(5,389)	Community Infrastructure Levy used to fund investment in infrastructure.	Movement in Reserve Statement (Note 10)
Capital Receipts Reserve	(4,889)	(58)	(4,947)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total Usable Reserves	(26,123)	(2,858)	(28,982)		
Revaluation Reserve	(36,873)	(2,352)	(39,225)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(58,950)	(1,056)	(60,006)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Council Tax Adjustment Account	(135)	104	(31)	Balance held on collection fund and NNDR AC	Detailed in this note below
NNDR Adj Account	1,995	(1,571)	424	Balance held on collection fund and NNDR AC	Detailed in this note below
Pensions Reserve	34,035	5,499	39,534	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 32
Total Unusable Reserves	(59,928)	624	(59,305)		
Total Reserves	(86,052)	(2,234)	(88,287)		

Revaluation Reserve

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

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

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

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

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

2017/18 £'000		2018/19 £'000
(36,156)	Balance at 1 April	(36,873)
(3,034)	Upward revaluation of assets	(2,420)
2,317	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	68
(717)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,352)
0	Amount written off to the Capital Adjustment Account	0
(36,873)	Balance at 31 March	(39,225)

Movements in Amounts Capital Adjustment Account to Finance Capital Investment

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

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

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

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

2017/18 Re-stated* £'000		2018/19 £'000
(62,623)	Balance brought forward at 1 April	(58,951)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u>	
3,126	- charges for depreciation and impairment of non-current assets	3,810
2,715	- revaluation (gains)/losses on property, plant & equipment	(221)
120	- amortisation of intangible assets	88
424	- revenue expenditure funded from capital under statute	684
247	- amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	169
6,632	Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement	4,530
(55,991)	Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year	(54,421)
	<u>Capital Financing Applied in the Year</u>	
(344)	- use of the Capital Receipts Reserve used to finance new expenditure	(149)
(680)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,124)
(693)	- statutory provision for the financing of capital investment charged against the general fund	(1,200)
(626)	- capital expenditure charged against the General Fund	(759)
(2,343)	Total Capital Financing Applied	(3,232)
(617)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,353)
(58,951)	Balance Carried Forward at 31 March	(60,006)

*2017/18 Figures have been re-stated to include Revenue Expenditure Funded from Capital Under Statute, which had previously been reported in a separate table.

Usable Capital Receipts Reserve

2017/18 £'000		2018/19 £'000
(4,893)	Balance brought forward at 1 April	(4,889)
(223)	Amounts receivable in year	(207)
(117)	Transfer from Capital Grants Unapplied	0
344	Amounts applied to finance new capital investment	149
4	Total (Increase)/decrease in realised capital receipts	(58)
(4,889)	Balance carried forward at 31 March	(4,947)

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

Pensions Reserve

Pension costs are detailed in Note 32.

Council Tax Collection Fund Adjustment Account and NNDR Adjustment Account

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

2017/18 £'000		2018/19 £'000
278	Balance at the start of the year	1,860
1	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	104
1,581	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	(1,572)
1,860	Balance at the end of the year	393

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

2017/18 £'000	Details	2018/19 £'000
(5,841)	Charges for depreciation, impairment, and revaluation of non-current assets	(3,589)
617	Movements in the market value of Investment Properties	2,353
(120)	Amortisation of intangible assets	(88)
(247)	Carrying amount of non-current assets sold or de-recognised	(169)
(1,966)	Movement in pension liability	(2,221)
1,778	Increase/(decrease) in debtors	1,261
(814)	(Increase)/decrease in creditors	564
(1,294)	(Increase)/decrease in provisions	1,975
5	Increase/(decrease) in inventories	60
(7,882)	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	146

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

2017/18 £'000	Details	2018/19 £'000
1,016	Capital Grants credited to surplus or deficit on the provision of services	1,103
223	Proceeds from the sale of property plant and equipment, investment property and intangible assets	207
1,239	Total	1,310

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

2017/18 £'000	Details	2018/19 £'000
6,465	Purchase of property, plant and equipment, investment property and intangible assets	1,395
60,293	Investment and Loans to Subsidiary	0
(12,500)	Short Term Investments	3,000
(1,016)	Capital Grants Received	(1,103)
(223)	Receipts from sale of assets	(207)
53,019	Total	3,086

Note 26: Cashflow from Financing Activities

2017/18 £'000	Details	2018/19 £'000
497	Lease rentals	327
169	Other financing activities (NNDR shares and Council Tax Preceptors)	701
(45,293)	Long-term Borrowing	0
(44,627)	Total	1,028

The changes in the Council's liabilities arising from financing activities can be classified as follows:

	Borrowings £'000	Lease Liabilities £'000	Total £'000
01-Apr-18	(45,293)	(3,237)	(48,530)
<u>Cash Flows</u>			
Repayment	0	327	327
<u>Non-Cash</u>			
Acquisition	0	491	491
31-Mar-19	(45,293)	(2,419)	(47,712)

Note 27: Members' Allowances

The authority paid the following amounts to members of the council during the year:

Payments made	2017/18 £'000	2018/19 £'000
Salaries	0	0
Allowances	166	164
Expenses	4	5
Total	169	169

Note 28: Executive Remuneration Bands and Exit Packages

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

No. of Staff 2017/18	Remuneration Range	No. of Staff 2018/19
5	£50,000 - £54,999	4
2	£55,000 - £59,999	4
1	£60,000 - £64,999	0
3	£65,000 - £69,999	5
0	£70,000 - £74,999	1
2	£75,000 - £79,999	0
0	£95,000 - £99,999	1
0	£100,000 - £104,999	1
1	£110,000 - £114,999	1
1	£115,000 - £119,999	0
15	Total	17

Senior Officer Remuneration

Detailed remuneration information for senior employees is set out below.

2018/19	Chief Executive £'000	Chief Finance Officer £'000	Chief Legal Officer £'000	Chief Operating Officer £'000
Salary	102	68	69	92
Expenses Allowances	4	0	0	4
Other Benefits	8	0	0	7
Total remuneration excluding Pension contributions	114	68	69	103
Pension Contributions	16	11	11	14
Total remuneration including pension contributions 2018/19	129	79	80	118

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

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

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

Exit Packages

In 2018/19 the Council paid two exit packages with a total cost of £56,341. There were four exit packages paid in 2017/18 totalling £99,814.

No. of Staff 2017/18	Exit Packages	No. of Staff 2018/19
2	£0 - £19,999	1
2	£20,000 - £49,999	1
4	Total	2

Note 29: Audit Costs

In 2018/19 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2017/18 £'000		2018/19 £'000
45	Fees payable to the external auditors with regard to external audit	37
10	Fees payable to the external audit for the certification of grant claims and returns	9
55	Total	46

Note 30: Capital Financing Requirement

2017/18 £'000		2018/19 £'000
18,973	Opening Capital Financing Requirement	87,517
	Capital investment:	
725	Property, Plant and Equipment	425
5,148	Investment Properties	0
60,293	Investment in Subsidiary	0
398	Assets under Construction	676
264	Community Assets	152
0	Intangible Assets	95
3,634	Assets Acquired under Finance Leases	491
424	Revenue Expenditure Funded from Capital under Statute	684
	Sources of finance:	
(344)	Capital receipts	(149)
(679)	Government grants and other contributions	(1,124)
	Sums set aside from revenue:	
(626)	Direct revenue contributions	(759)
(693)	Minimum Revenue Provision	(1,200)
87,517	Closing Capital Financing Requirement	86,808
68,544	Increase/(decrease) in Capital Financing Requirement	(709)

Note 31: Finance and Operating Leases

Finance Leases in (Council as Lessee):

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

2017/18 £'000		2018/19 £'000
3,684	Vehicles, Plant, and Equipment	3,755

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

2017/18 £'000		2018/19 £'000
310	Finance lease liabilities: Current	355
2,927	Finance lease liabilities: non-Current	3,046
692	Finance costs payable in future years – Interest	1,058
3,929	Minimum lease payments	4,459

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
445	310	Not later than one year	588	355
1,725	1,323	Later than one year and not later than five years	2,254	1,600
1,759	1,604	Later than five years	1,617	1,446

Lease payments are apportioned between:

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

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

Operating Leases in (Council as Lessee)

The Council has no material operating leases in.

Operating Leases out (Council as Lessor)

In 2018/19 the Council received £2.739m (note 16) in rental income from its investment properties (£2.679m in 2017/18), all of which was generated from operating leases.

With regard to the Council's activity as a lessor, the gross value of land and buildings assets held for use in operating leases was £48.7m in 2018/19 (£46.4m in 2017/18).

The future lease payments receivable in future years are:

Lease Income at 31 March 2018 £'000		Lease Income at 31 March 2019 £'000
2,832	Not later than one year	2,834
8,385	Later than one year and not later than five years	8,244
85,071	Later than five years	81,701
96,288	Total	92,779

£28.8 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

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

Note 32: Pension Costs

Participation in Pension Schemes

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

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Surrey County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Transactions Relating to Retirement Benefits

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

2017/18 £'000		2018/19 £'000
	Comprehensive Income and Expenditure Statement	
112	Adjustment to opening liability	0
	<u>Net Cost of Services:</u>	
3,089	Current service cost	3,162
18	Past service gain/cost	348
	<u>Financing and Investment Income and Expenditure:</u>	
847	Net Interest Expense	901
4,066	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,411
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<u>Remeasurements</u>	
0	Changes in demographic assumptions	0
(1,703)	Changes in financial assumptions	5,518
(40)	Other experience	0
518	Return on assets excluding amounts included in net interest	(2,240)
(1,225)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	3,278
	<u>Movement in Reserves Statement</u>	
(4,066)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(4,411)
2,099	Employers' contributions payable to scheme	2,190

Assets and Liabilities in Relation to Post-employment Benefits

The liabilities shown below are the underlying commitments that the authority has to pay in retirement benefits over the long-term. The total increase in liability of £5.497m impacts the net assets of the authority as recorded in the balance sheet, resulting in an overall pension liability of £39.53m. The pension liability is 45% of the balance sheet net value in 2018/19 compared to 40% in 2017/18.

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

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2019 are as follows:

2017/18 £'000		2018/19 £'000
(100,284)	1 April 2018	(101,242)
(4)	Adjustment to opening balance	0
(3,089)	Current service cost*	(3,162)
(18)	Past service cost	(348)
(2,508)	Interest cost	(2,637)
(506)	Contribution from scheme participants	(558)
99	Unfunded benefits paid	96
3,325	Benefits paid	3,442
	<u>Remeasurement gains/(losses):</u>	
0	- actuarial gains/losses arising from changes in demographic assumptions	0
1,703	- actuarial gains/losses arising from changes in financial assumptions	(5,518)
40	- Other experience	0
(101,242)	Estimated scheme liabilities at 31 March 2019	(109,928)
66,991	1 April 2018	67,207
(108)	Adjustment to opening balance	0
1,661	Interest income	1,736
	<u>Remeasurement gain/(loss):</u>	
(518)	- return on plan assets, excluding the amount in net interest expense	2,240
2,099	Contributions from employer	2,192
506	Contributions from employees into the scheme	558
(3,424)	Benefits paid	(3,538)
67,207	Estimated scheme assets at 31 March 2019	70,394
(34,035)	Net asset / (liability) 31 March 2019	(39,534)

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

Nationally there are currently two court cases ongoing that have been incorporated into the scheme liabilities as follows:

1. Pensions Transition Arrangements Age Discrimination – McCloud Judgment

In 2014 and 2015 the Government introduced reforms to public sector pensions, with most public sector workers moving into new pension schemes.

In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judiciary and fire fighters’ schemes as part of the reforms amounted to unlawful discrimination. This ruling was upheld at the Supreme Court in June 2019. As the Local Government Pension Scheme was restructured in 2014, with protections for those members who were active in

the Scheme at 2012 and over the age of 55, the judgement is likely to extend to the scheme. On the presumption that the financial impact of any remedy will fall on the Council, the Council's actuaries have estimated that the ruling will result in an increase in scheme liabilities of £182,000, which has been incorporated into the Past Service Cost in the table above.

2. Guaranteed Minimum Pension

Guaranteed Minimum Pension (GMP) requirements relate to situations where a pension scheme was 'contracted out' of additional state pension arrangements such as SERPs or S2P. If the contracted out pensions benefits are less than the pensioner would have received if the contracting out had not applied the pension scheme would be required to increase the pension paid to reach the GMP.

The UK government website states that: "Defined benefit pensions schemes that were Contracted-out Salary Related (COSR) schemes before contracting-out ended on 6 April 2016 need to provide a Guaranteed Minimum Pension (GMP) to members for contracted-out service between 6 April 1978 and 5 April 1997. The GMP is payable at age 60 for a woman and at age 65 for a man."

The Council's actuary has estimated that the case will result in an increase in scheme liabilities of £166,000, which has been incorporated into the Past Service Cost in the table above.

Actual Return on Scheme Assets as per Actuaries

2017/18 £'000		2018/19 £'000
1,143	Actual return as per actuaries	3,976

The return on the fund in market value terms for the period to 31 March 2019 is estimated based on actual funds return as provided by the administering authority and index returns where necessary.

Scheme History

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Present value of liabilities:						
Local Government Pension Scheme	(81,002)	(89,702)	(86,619)	(100,284)	(101,242)	(109,928)
Fair Value of Assets:						
Local Government Pension Scheme	52,914	58,618	58,560	66,991	67,207	70,394
Total	(28,088)	(31,084)	(28,059)	(33,293)	(34,035)	(39,534)

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

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

The Council expects to make employer's contributions totalling an estimated £2,074,000 into the Local Government Pension Scheme in the year to 31 March 2020.

Basis for Estimating Assets and Liabilities

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

2017/18		2018/19
	Longevity at 65 for current pensioners:	
22.5	Men	22.5
24.6	Women	24.6
	Longevity at 65 for future pensioners:	
24.1	Men	24.1
26.4	Women	26.4
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate of increase in salaries	2.8%
2.6%	Rate for discounting scheme liabilities	2.4%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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

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

- 0.5% decrease in Real Discount Rate would result in an approximate increase in the defined benefit liability of £9.994m (9%)
- 0.5% increase in the Salary Increase Rate would result in an approximate increase in the defined benefit liability of £1.139m (1%)
- 0.5% increase in the Pension Increase Rate would result in an approximate increase in the defined benefit liability of £8.713m (8%)

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

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

The weighted average duration of the defined benefit obligation for scheme members is 15.8 years.

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

Percentage of Fund Assets 2017/18		Percentage of Fund Assets 2018/19
68%	Equity Investments	73%
14%	Bonds	17%
6%	Property	7%
12%	Cash	3%
100%	Total	100%

Movement in net pension liability:

2017/18 £'000		2018/19 £'000
(33,293)	Opening Balance	(34,035)
(112)	Adjustment to opening liability	0
(3,089)	Current Service Costs	(3,162)
(18)	Past Service gains/(Costs)	(348)
(847)	Net Interest Expense	(901)
2,099	Employer Contributions	2,192
1,225	Remeasurements	(3,278)
(34,035)	Closing Balance	(39,534)

Note 33: Contingent Liabilities & Assets

Contingent Liability

Municipal Mutual Insurance

The Council has been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd that the amount subject to levy is £83,615 which may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities as at 31 March 2019. The Council's earmarked Insurance Reserve includes an amount to cover any future claims.

Contingent Asset – Rent Reviews

The Council is carrying out a number of rent reviews at a number of industrial estates within the Borough which could possibly lead to higher back-dated rental income. Due to the uncertainty and commercial sensitivity around the negotiations, it is not possible to provide an accurate estimate of the contingent asset.

Note 34: Related Parties

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

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

Members of the Council have direct control over the Council's financials and operating policies. The net cost to Epsom and Ewell Borough Council of related party transactions was £194,000 in 2018/19 (£143,000 in 2017/18). The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

Organisation	2017/18 £'000	2018/19 £'000
Age concern	16	18
Citizen Advice Bureau	127	127
Epsom Common Association	0	1
Unison	0	7
Reed Employment	0	17
Epsom Symphony Orchestra	0	11
The Jockey Club (TGMB)	0	3
Local Government Association	0	9
Total	143	194

Epsom & Ewell Property Investment Company Limited

The Council owns a subsidiary company, Epsom and Ewell Property Investment Company Limited (EEPIC). As at 31 March 2019, four Council officers served as Directors of EEPIC – the Chief Executive, Chief Finance Officer, Head of Property and Regeneration, and Head of Housing & Environmental Services.

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

During 2018/19, the Council entered into the following related party transactions with EEPIC:

Transaction Description	2017/18 £'000	2018/19 £'000
<u>Payments made by EEBC to EEPIC</u>		
Equity investments in EEPIC	24,117	0
Loans to EEPIC	36,176	0
Subtotal	60,293	0
<u>Amounts received by EEBC from EEPIC</u>		
Interest receivable from EEPIC	(764)	(1,809)
Support services rechargeable to EEPIC	(140)	(131)
Insurance recharges	(20)	0
Dividend from EEPIC	(424)	(1,045)
Subtotal	(1,349)	(2,985)

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

Note 35: Collection Fund Income and Expenditure Account

This account reflects the statutory requirements for the Epsom and Ewell Borough Council, as the billing Authority, to maintain a separate Collection Fund. The Fund shows the transactions in relation to the Council Tax and Non-Domestic Rates, and sets out the way in which these have been distributed between the General Fund, Surrey County Council and Surrey Police Authority (the preceptors). Council Tax is the means of raising income from local residents to pay for council services. Under the new Business Rate Retention Pilot Scheme local authorities retain 30% of income collected on local Business Rates. The remaining 70% is passed over to the County, who pool Business Rates for those in the pilot scheme and pay over an amount to Central Government. County then return a share of the gain to the local authorities involved in this scheme. This account sets out the income and the shares between the preceptors.

2017/18				2018/19		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
0	(57,439)	(57,439)	INCOME:			
(24,083)	0	(24,083)	Council Tax Receivable		(60,658)	(60,658)
(97)	0	(97)	Business Rates Receivable	(24,590)	0	(24,590)
			Transitional Protection Payments receivable	(407)	0	(407)
(24,180)	(57,439)	(81,619)	Total Income	(24,997)	(60,658)	(85,655)
			EXPENDITURE:			
			Apportionment of Prior Year Surplus/(Deficit)			
(171)	0	(171)	Central Government	(225)	0	(225)
(137)	100	(37)	Epsom & Ewell Borough Council	(180)	141	(39)
(34)	697	663	Surrey County Council	(45)	1,004	959
0	122	122	Surrey Police Authority		169	169
			Precepts, Demands and Shares			
12,338	0	12,338	Central Government	0	0	0
9,870	6,045	15,915	Epsom & Ewell Borough Council	7,477	6,290	13,767
2,468	43,041	45,509	Surrey County Council	17,446	46,090	63,536
0	7,259	7,259	Surrey Police Authority	0	7,726	7,726
			Charges to Collection Fund			
144	157	301	Increase / (Decrease) in Bad Debt Provision	33	202	235
3,575	0	3,575	Increase / (Decrease) in Provision for Appeals	(4,682)	0	(4,682)
83	0	83	Cost of Collection	85	0	85
28,136	57,421	85,557	Total Expenditure	19,909	61,622	81,531
3,956	(18)	3,938	(Surplus) / Deficit arising during the year	(5,088)	964	(4,124)
1,032	(1,239)	(207)	(Surplus) / Deficit b/fwd 1 April	4,988	(1,258)	3,730
4,988	(1,258)	3,730	(Surplus) / Deficit c/fwd 31 March	(100)	(294)	(395)
			Apportionment to Preceptors/EEBC			
2,494	0	2,494	Central Government	2,268	0	2,268
1,995	(135)	1,860	Epsom & Ewell Borough Council	424	(31)	393
499	(961)	(462)	Surrey County Council	(2,793)	(225)	(3,018)
0	(162)	(162)	Surrey Police Authority	0	(38)	(38)
4,988	(1,258)	3,730		(100)	(294)	(395)

Notes to the Collection Fund Income and Expenditure Account

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

	Band	Total Properties For Band	Proportion To Band D	Relevant Amount for
	A	92.05	6/9 th	61.36
	B	731.12	7/9 th	568.65
	C	4,047.70	8/9 th	3,597.95
	D	7,642.17	9/9 th	7,642.17
	E	6,942.42	11/9 th	8,485.18
	F	4,329.55	13/9 th	6,253.79
	G	3,823.37	15/9 th	6,372.28
	H	129.19	18/9 th	258.38
Aggregate of Relevant Amounts				33,239.76
Estimated Collection Rate				98.25%
Council Tax Base				32,658.06

The Council achieved a council tax collection rate of 99% in 2018/19 (99% in 2017/18).

Non-Domestic Rates Statistics

2017/18 £'000		2018/19 £'000
64,919	Total Non-Domestic Rateable Value at year end	64,637
47.9	National Non-Domestic Rate Multiplier (Standard)	49.3

Precepting Bodies

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

2017/18 £'000		2018/19 £'000
43,041	Surrey County Council	46,090
7,259	Surrey Police	7,726
6,045	Epsom and Ewell Borough Council	6,290
53,480	Total Precepts on Collection Fund	60,106

Distribution of Council Tax Surplus

2017/18 £000		2018/19 £000
697	Surrey County Council	1,004
122	Surrey Police Authority	169
100	Epsom & Ewell Borough Council	141
919	Balance at Year End	1,314

Council Tax Provision for Bad Debts

2017/18 £000		2018/19 £000
441	Opening Balance	486
45	Increase/(Decrease) in Bad Debt Provision	102
486	Balance at Year End	588

Group Accounts

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

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

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

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

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

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

Disclosure Notes

Group Creditors
Group Debtors
Group Investment Properties
Group Related Parties

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

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

Group Comprehensive Income & Expenditure Statement

2017/18 Group CIES				2018/19 Group CIES		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Committee	£'000	£'000	£'000
10,782	(7,548)	3,235	Environment & Safe Communities	11,333	(7,877)	3,456
14,384	(4,959)	9,425	Community and Wellbeing	12,355	(5,342)	7,013
26,466	(22,973)	3,493	Strategy and Resources	25,082	(21,731)	3,351
51,632	(35,480)	16,153	Cost of Services	48,770	(34,949)	13,821
24	0	24	Other Operating Expenditure (Note 11)	178	(210)	(32)
2,382	(5,092)	(2,710)	Financing and investment Income and Expenditure (Note 12)	5,830	(8,850)	(3,020)
0	(10,954)	(10,954)	Taxation and non-specific grant income and expenditure (Note 13)	0	(11,996)	(11,996)
54,038	(51,525)	2,513	(Surplus) or Deficit on Provision of Services	54,778	(56,005)	(1,226)
		(717)	(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			(2,352)
		(1,225)	Remeasurement of net defined benefit liability/(asset) (Note 32)			3,278
		(1,942)	Other Comprehensive (Income) and Expenditure			926
		571	Total Comprehensive (Income) and Expenditure			(300)

Group Movement in Reserves Statement

Group Movement in Reserves Statement	EEBC Usable Reserves	EEBC Unusable Reserves	EEPIC Retained Earnings	EEPIC Revaluation Reserve	Total Group Reserves
2018/19	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2018	(26,123)	(59,928)	0	0	(86,052)
Movement in Reserves During 2018/19					
Total Comprehensive Income, Expenditure and Dividends	(3,161)	926	(203)	2,138	(300)
Adjustments between accounting basis and funding under regulations (Note 9)	302	(302)	0	0	0
Increase or Decrease in 2018/19	(2,859)	624	(203)	2,138	(300)
Balance at 31 March 2019 carried forward	(28,982)	(59,304)	(203)	2,138	(86,351)
2017/18					
Balance at 01 April 2017	(21,415)	(65,208)	0	0	(86,623)
Movement in Reserves During 2017/18					
Total Comprehensive Income, Expenditure and Dividends	2,513	(1,942)	0	0	571
Adjustments between accounting basis and funding under regulations (Note 9)	(7,221)	7,221	0	0	0
Increase or Decrease in 2017/18	(4,708)	5,279	0	0	571
Balance at 31 March 2018 carried forward	(26,123)	(59,928)	0	0	(86,052)

Group Balance Sheet

2017/18 Group £'000		2018/19 Group £'000
	Long-term Assets	
75,090	Property, Plant and Equipment	75,371
106,979	Investment Properties	107,183
722	Heritage Assets	722
141	Intangible Assets	307
0	Surplus Assets	65
0	Long Term Investments	0
0	Long Term Debtors	0
182,932	Total Long-term Assets	183,648
	Current Assets	
20	Inventories	80
156	Assets Held for Sale	0
5,758	Short-term Debtors	7,004
0	Short-term Investments	3,000
14,456	Cash and Cash Equivalents	12,415
20,390	Total Current Assets	22,499
	Current Liabilities	
(10,509)	Short-term Creditors	(9,712)
(310)	Lease Liability - Within One year	(355)
(10,820)	Total Current liabilities	(10,067)
	Long-term Liabilities	
(64,427)	Long Term Borrowing	(64,427)
(34,035)	Defined Benefit Pension Liability	(39,534)
(2,753)	Capital Grants Receipts in Advance	(2,370)
(2,309)	Long-term Provisions	(352)
(2,927)	Deferred Liabilities	(3,046)
(106,451)	Total Long-term Liabilities	(109,729)
86,052	NET ASSETS	86,351
	Total Reserves	
(26,123)	Usable Reserves	(29,185)
(59,928)	Unusable Reserves	(57,166)
(86,052)	TOTAL RESERVES	(86,351)

Group Cash Flow Statement

2017/18 Group		2018/19 Group
£'000		£'000
2,513	Net (Surplus) or Deficit on the Provision of Services	(1,226)
(8,994)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	(2,158)
1,239	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	1,310
(5,241)	Net cash flows from Operating Activities	(2,075)
52,665	Net cash outflow / (inflow) from Investing Activities	3,086
(44,627)	Net cash outflow / (inflow) from Financing Activities	1,028
2,796	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period	2,040
17,251	Cash and Cash Equivalents at the Beginning of the Period	14,455
(2,796)	Net Increase/(decrease) in Cash and Cash Equivalents	(2,040)
14,455	Cash and Cash Equivalents at the End of the Reporting Period	12,415

Accounting Policies

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

Group Creditors - Current

2017/18 Group Creditors £'000		2018/19 Group Creditors £'000
(303)	Central Government Bodies	(629)
(1,498)	Other Local Authorities	(3,392)
(727)	Council Tax	(780)
(68)	Non Domestic Rate	(45)
(7,913)	Other Entities and individuals	(4,866)
(10,509)	Total	(9,712)

Group Debtors - Current

2017/18 Group Debtors £'000		2018/19 Group Debtors £'000
1,289	Central government bodies	4,826
623	Council Tax Payers	514
133	Non Domestic Rate Payers	143
3,713	Other Entities and individuals	1,520
5,758	Total Debtors	7,004

Group Investment Properties

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

2017/18 Group £'000		2018/19 Group £'000
(4,146)	Rental Income from Investment Property	(6,332)
155	Other Net Expenditure Arising from Investment Property	646
(3,991)	Net (Income)/Expenditure	(5,686)

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

Fair Value Hierarchy

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

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

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

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

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

Valuation Process for Investment Properties

The Group's investment property has been valued as at 31 March 2019 by the Huggins, Edwards & Sharp in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

2017/18 Group £'000		2018/19 Group £'000
41,437	Balance at the Start of the Year	106,979
65,086	Purchases	0
(155)	Disposals	0
617	Net gains/(losses) from Fair Value Adjustments	215
(6)	Transfers to Assets Held For Sale/Other adjustments	(11)
106,979	Balance at the Year End	107,183

Group Related Parties

During 2018/19, the Council entered into the following related party transactions with EEPIC:

Transaction Description	2017/18 £'000	2018/19 £'000
<u>Payments made by EEBBC to EEPIC</u>		
Equity investments in EEPIC	24,117	0
Loans to EEPIC	36,176	0
Subtotal	60,293	0
<u>Amounts received by EEBBC from EEPIC</u>		
Interest receivable from EEPIC	(764)	(1,809)
Support services rechargeable to EEPIC	(140)	(131)
Insurance recharges	(20)	0
Dividend from EEPIC	(424)	(1,045)
Subtotal	(1,349)	(2,985)

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

EEPIC made a full-year profit before tax (excluding property revaluations) of £1.53m in 2018/19, paying a dividend of £1.045m to the Council. EEPIC's underlying property valuations have increased by £1.3m since acquisition, however, EEPIC's statutory final accounts show a downward revaluation of £2.1m, because previously capitalised stamp duty and other acquisition costs totalling £3.4m have been written off from the balance sheet. EEPIC's statutory final accounts therefore show a loss after tax of £0.890m for the 2018/19 year.

At 31 March 2019, four Council officers served as Directors of EEPIC – the Chief Executive, Chief Finance Officer, Head of Property and Regeneration, and Head of Housing & Environmental Services.

Statement of Responsibilities

Council's Responsibilities

1. The Borough Council is required to:
 - Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Chief Finance Officer.
 - Manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
 - Approve and publish the Statement of Accounts by 31 July 2019.

Chief Finance Officer's (S151) Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Annual Governance Statement 2018/19

1.0 Introduction

- 1.1 This is the Council's Annual Governance Statement for 2018/19. It provides an opinion on the Council's governance arrangements, a review of the effectiveness of the governance statement, an update on the actions agreed in last year's statement and issues identified in 2018/19.
- 1.2 The Council adopted a code of corporate governance which reflects the principles and is consistent with the CIPFA/SOLACE Framework, "Delivering *Good Governance in Local Government*" 2016. This framework requires that local authorities are responsible for ensuring that;
- Their business is conducted in accordance with all relevant laws and regulations.
 - Public money is safeguarded and properly accounted for.
 - Resources are used economically, efficiently and effectively to achieve priorities which benefit the local authority.
- 1.3 All Councils are required to produce an Annual Governance Statement (AGS) and review their governance arrangements at least once a year.

2 Corporate Governance

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

3 Compliance with the Principles

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

This is achieved by:

- 3.2 The Council's Constitution lays out compliance with legislation and includes;
- Codes of conduct which define our standards and behaviour and deals with Conflicts of interest
 - Whistleblowing procedures
 - Financial Regulations and Contract Standing Orders
 - Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy
 - Rules relating to Members external interests
 - Rules relating to Gifts and Hospitality
 - Codes of Conduct for Members and Officers
 - Scheme of Delegation to officers
 - Information Security Policy
 - Information Governance Policy
 - Money Laundering Policy

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

3.4 **PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.**

This is achieved by:

- 3.5 Documenting a commitment to openness and acting in the public interest.
- 3.6 Establishing clear channels of communication with different sectors of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- 3.7 Ensuring an effective scrutiny function is in place.

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

This is achieved by:

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

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

This is achieved by:

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

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

This achieved by

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

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

This is achieved by:

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

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

This achieved by:

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

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

4.1 The Code of Corporate Governance requires assurance upon:

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

4.2 Sources of Assurance

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

4.13 Assurances Received and Review of Effectiveness

- All Heads of Service are required to complete a Divisional Assurance Statement.
- The Statutory Officers were consulted on the review process and their roles and responsibilities and consulted on the outcome.
- The Chief Executive and the Chair of Strategy and Resources sign the AGS
- Any frauds reported and complaints to the Ombudsman are reviewed.
- The Head of Internal Audit's Opinion for 2018/19 is taken into account, and comments made by external audit and other external reviews.
- Performance and performance indicators are reviewed.
- We have made progress in implementing the action plan from 2017/18.
- The Leadership Team is fully structured and assists with good governance in delivering key services and making corporate decisions and monitors performance.
- Key management roles are defined and are within the Leadership Team,
- The Council's finances are driven through the Medium Term Financial Strategy. The Council sets an annual budget which is regularly monitored and reviewed and the Council's financial systems and processes are regularly audited.
- A new Member Officer Protocol was introduced in 18/19 with training to all staff and Members

4.14 Opportunities to improve

This AGS builds upon previous AGS's. All the key governance mechanisms remain in place. This documents includes any changes to the key governance systems and an update of the significant governance arrangements in 2017/18

5 The Council and how it functions

- 5.1 The Council is a committee authority where policies and decisions are determined and scrutinized.
- 5.2 The Council has the following committees in place; Audit, Crime & Disorder and Scrutiny, Community & Wellbeing, Environment and Safe Communities. Strategy & Resources, Planning. And Standards.
- 5.3 The Council's Regulatory and Advisory Committees/Panels include; Licensing Hearing Panel, the Appointments Panel, Financial Policy Panel, Health Liaison Panel and the Human Resources Panel.
- 5.4 In addition the joint committees and outside bodies include; Epsom and Walton Downs Conservators, Epsom & Walton Downs Consultative Committee and the Nonsuch Park Joint Management Committee.
- 5.5 The Constitution sets out the roles and responsibilities and there is a terms of reference for each committee/body.

- 5.6 Meetings are open and all agenda papers, reports and decisions can be found on the Council's website and partnership risks are identified in committee reports. Details of all consultations and surveys are also available. The Council's budget and financial statements are available through the web site. The web site also highlights all completed and approaching public consultation.
- 5.7 The management structure is available on the Council's website. The Chief Executive is the Head of Paid Service. In 2018 the Council added the role of Chief Operating Officer. These posts meet regularly and also are part of the Leadership Team.

6 Significant operational events in 2018/19

- 6.1 The Leadership Team were restructured in 2018/19, reducing from 11 officers to 9. This has resulted in a number of functions changing their reporting structure. This has been in place since November and continues to be embedded. A number of functions were amalgamated; the most significant being ICT, Revenues & Benefits and Customer Services are now all within the newly formed service for Digital Service & Transformation. The Venues Team are now within Property & Regeneration and have been subject to a separate restructure.
- 6.2 The Council's ICT arrangements have been strengthened during 2018/19 with additional resources. In addition the new equipment from the previously shared Datacentre was returned which enhances overall resilience and stability with our infrastructure and will support an in house Datacentre
- 6.3 The Council's planning service has been streamlined to improve the service and support the delivery of the Local Plan although remains at risk of possible designation for the quality of decision making.
- 6.4 The Council introduced an updated financial module in 2018/19 which resulted in issues with recording value added tax and bank reconciliations. An interim solution was put in place for the 2018/19 accounts and officers are working with the supplier Civica to find a permanent solution.

7 Managing Risks

- 7.1 All Members and officers are responsible for ensuring that the risk implications are considered and included when making decisions and planning services. To deliver services and key priorities the Council must manage its risks and opportunities.
- 7.2 Significant risks are recorded in the Leadership Risk Register which is managed and monitored. The Leadership Team reviews this every 6 months. The risk register is used to formulate the internal audit plan. The service risks are identified from the Divisional Assurance Statements completed by the Heads of Services. The Risk Management Framework is reviewed annually.

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

8 Managing Fraud

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

9 Managing Resources

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

10 Responsibility of the Chief Financial Officer

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

- 10.4 The Chief Finance Officer is involved in the preparation of the Annual Governance Statement.

11 Managing Performance

- 11.1 The Council's performance management arrangements use a RAG system (red/amber green). Targets are set annually based on the Council's Corporate Plan. The relevant Heads of Service and Committee Chairmen are consulted on proposed targets. The Audit, Crime & Disorder and Scrutiny Committee receives and reviews all key priority targets, although accountability rests with the relevant Head of Service. For 2018/19; 77% of key priority targets were achieved and 78% of the targets contained within the Service Delivery Plans were either achieved or partly achieved (green and amber status)..

12 Stakeholder Engagement

- 12.1 The Council has changed its complaints process to a two stage procedure for recording complaints. This is clearly laid out in our procedure backed by the customer charter. In 2018/19, 484 complaints were received, of these 70% were resolved within 15 days. 38 complaints escalated to Stage 2 and of these 59% were resolved within 15 days. The number of complaints to the Ombudsman forms part of this procedure and an annual report is received. For 2018 the Ombudsman reported that a total of 15 complaints were referred to the Ombudsman with one complaint upheld.
- 12.2 Data is published on the website to meet the requirements of the Local Government Transparency Code.
- 12.3 During 2018/19 the Council has engaged with residents, visitors and local businesses on Future 40 to develop a long term vision for the Borough through a series of events, consultations and forums.

13 Internal Audit and External Audit Assurance

- 13.1 Internal audit is a key element of the governance arrangements and provides an independent, risk based approach.
- 13.2 Internal Audit is delivered through a Consortium with other Surrey organizations and was provided in 18/19 by an external provider RSM. RSM operate to the Public Sector Internal Audit Standards which is assessed every 5 years; they report direct to the Audit, Crime & Disorder and Scrutiny Committee. This is the final year of the contract with RSM and arrangements have been agreed going forward. However during 2018/19 the contract was re-procured and there has been an on boarding/

handover to the new providers for 2019/20 - the Southern Internal Audit Partnership.

- 13.3 Due to the changes in the contract the Head of Internal Audit's provided a draft year end opinion for 2018/19 and concluded that the Council has an adequate and effective framework for risk management, governance and internal control. However their work identified some further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.
- 13.4 The Audit, Crime & Disorder and Scrutiny Committee carries out the role of an Audit Committee as identified in CIPFA's "Audit Committees – Practical Guidance for local authorities". The Committee produces an Annual Report to Council which covers the work of internal audit. This Committee meets throughout the year and monitors specific areas of governance including performance management, risk management and internal audit; it receives the Head of Internal Audit's Year end opinion. As a Scrutiny Committee, it also conducts a number of specific reviews.
- 13.5 In 2018/19, the Committee met 4 times and reviewed progress against the audit plan, progress in implementing recommendations, and risk management arrangements. The Committee annually reviews how effective it has been in overseeing the arrangements in their annual report to Council.
- 13.6 External Audit is provided by Grant Thornton, who were appointed through Public Sector Audit Appointments Ltd (PSAA). The statutory accounts have been audited and Grant Thornton have issued an unqualified opinion and value for money.

14 Issues from 2017/18

- 14.1 The implementation of the actions identified in 2017/18 have been monitored and reported in detail to the Audit, Crime & Disorder and Scrutiny Committee as part of the arrangements for approving the AGS.

Issues identified for 2017/18	Action taken
A number of codes, policies and strategies are out of date and in need of updating	<p>A number of policies have been updated during 2018/19 although there is further work to ensure they are all updated.</p> <p>The Constitution is being updated on a rolling in February 2019.</p> <p>A corporate template for policies has been agreed to provide a standardised approach</p>

	<p>with improved version control.</p> <p>The HR policies have been revised and updated and are being coordinated by external consultants. .</p>
The Council has introduced alternative service methods and needs to ensure the governance arrangements are clear.	The Sub-Committee for the governance of the Council's wholly owned company EEPIC has been established and will receive updates and the business plan moving forward.
The Council has received confirmation that it is at risk of designation for the quality of decision making although an improvement plan is in place resulting from the Planning Peer Review.	The Council is monitoring the decision making of the Planning Committee very closely and performance has improved. However the risk of designation remains a concern as it is based on a 24 month rolling programme and will continue to be closely monitored.

15 CONCLUSION AND SIGNIFICANT GOVERNANCE ISSUES 2018/19

- 15.1 The Council is satisfied that the appropriate governance arrangements are in place however it remains committed to maintaining and where required improving those areas. The key issues to be addressed in 2019/20 are listed below and these will be reviewed and monitored with a detailed action plan.

Issues identified for 2018/19	Planned Action
As a result of the restructure, staff changes and legacy IT issues there is a need to review and align business continuity plans and the arrangements for disaster recover	<p>A review of Service Business Continuity Plans will be undertaken in 19/20 which will link into a review of Corporate Business Continuity Plans.</p> <p>There is also a clear road for IT service improvements that includes disaster recovery.</p>
Although elements of the Constitution have been revised and a number policies and procedures have been updated, several remain out of date including fraud	Continue to revise the Constitution on a rolling programme and update all policies and ensure they are fit for purpose and communicated to relevant officers and

polices and HR policies	Members
Implement the Members Induction programme for 2019/20 as a result of the May 2019 elections	A detailed induction programme for new and existing members has been developed and will be implemented during 2019/20 with Members Briefings and specific sessions on key areas to improve governance.
The Council remains under financial pressure, implementing its Income Generation Plan and carrying external debt following acquisition of investment property	Monitor the potential loss of further funding and the associated implications. Agree and implement the new Medium Term Financial Strategy for 2020/21 to 2023/24 including the identification of additional sources of funding and income.
Some areas are unclear on the decision making process to ensure the correct authorities are obtained either through committee reports or delegated authority	Further training will be provided to ensure that the correct authority is obtained when making decisions

Signed:

.....

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

30 July 2019

Glossary of Financial Terms

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

FINANCIAL TERMS

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

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

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

Support Services

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

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30 July 2019

Epsom & Ewell Borough Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Epsom & Ewell Borough Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 30th July 2019

Yours faithfully

Signed:.....

Name: Lee Duffy

Position: Chief Finance Officer

Date: 30 July 2019

Signed:.....

Name: Clive Smitheram

Position: Vice Chairman of Strategy & Resources Committee

Date: 30 July 2019

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2018/19 FINANCIAL OUTTURN 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):	<ul style="list-style-type: none">• Provisional outturn reports issued to all councillors on 14 June 2019• Statement of Accounts and Audit Findings reported as a separate agenda item

Report summary

This report summarises the Council's financial performance for 2018/19 and details the capital budgets to be carried forward for schemes where costs will be incurred in 2019/20.

Recommendation (s)

That the Committee:-

- (1) Receives the report on financial outturn for 2018/19;
- (2) Notes the carry forward £4.910 million budget for capital schemes to be added to the 2019/20 capital programme.
- (3) Agrees that the one-off gain, generated in 2018/19 from the 100% Business Rates Pilot, should be set-aside to mitigate the potential future impact of both business rates appeals and the Fair Funding Review on the Council's funding, as detailed in section 4.

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

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

2 Background

- 2.1 The Council's financial performance is reported to members quarterly through the budget monitoring process, and at year-end through this Financial Outturn Report. Provisional outturn was circulated via Members' Update on 14 June 2019.
- 2.2 Following the external audit (see separate agenda item), there have been no changes to the provisional figures reported on 14 June 2019.

3 General Fund Summary Position

- 3.1 In summary the final position for 2018/19 is shown in the following Table 1: -

Table 1 - General Fund Summary	Original Budget £'000	Current Approved Budget* £'000	Actual £'000	Variance £'000
Strategy and Resources	2,697	1,899	1,709	-189
Environment & Safe Communities	1,948	2,332	2,479	147
Community & Wellbeing	6,017	6,432	6,406	-26
Capital charges	-2,879	-2,879	-2,879	0
Total Net Expenditure	7,783	7,783	7,715	-68
Funded by:				
Collection fund precept	6,290	6,290	6,290	0
Revenue Support Grant	0	0	0	0
Share of Business Rates	1,532	1,532	1,532	0
Transfer from Collection Fund	-39	-39	-39	0
Total Funding (Budget Requirement)	7,783	7,783	7,783	0
Surplus for the year	0	0	-68	-68

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

- 3.2 Net expenditure for the year is £68,000 less than the original budget. This will result in a contribution of £68,000 to the General Fund Working Balance, bringing the balance to £3,416,000 at 31 March 2019, calculated as follows:-

Table 2 - General Fund Working Balance	£'000
Working Balance b/f at 01 April 2018	3,348
Surplus on General Fund for 2018/19	68
Working Balance as at 31 March 2019	3,416

- 3.3 At Q3, a probable outturn of £46,000 over budget had been forecast and reported to Leadership Team and Members.
- 3.4 Information on the main variations within each policy committee was circulated to all Councillors on 14 June 2019. In summary, the most significant adverse variances in 2018/19 are:
- 3.5 Domestic Refuse Collection (£108,000) - The net adverse variance is mainly as a result of the significant increase in comingled recycling gate fees. A report taken to Environment & Safe Communities Committee in October 2018 informed members of the situation. From April 2019, Surrey County Council have taken over domestic recycling and the associated budgetary risk with recycling gate fees.
- 3.6 Car Parking (£86,000) - The final adverse variance within car parks has improved to £86k (previously £119k at Q3), due to underachievement of income at the Ashley Centre, offset by a net favourable variance across all other car parks. Income from car parks will continue to be monitored and should adverse variances persist beyond Plan E's completion, options for addressing the budget gap will be considered as part of the budget setting process.
- 3.7 Venues (£81,000) – the Council's delayed exit from the Ebbisham Centre in May 2018 and the subsequent realignment of staffing resources resulted in an overspend across the venues of £145,000. This was partially offset by additional income and other sundry favourable variances totalling £64,000. The 2019 venues restructure has re-aligned staff resources with operational requirements, to ensure the venues are managed within the agreed budget going forward.
- 3.8 The most significant favourable variances in 2018/19 are from:
- 3.9 Investment Property (£168,000) – the commercial property, purchased on Roy Richmond Way (Longmead Business Park) in March 2018, generated net additional income of £168k in 2018/19. Due to the timing of the purchase, no associated rental income had been included in 2018/19's budget.

- 3.10 Housing Benefits (£480,000) – the Council achieved a 99.4% recovery rate on housing benefits, compared to a budgeted recovery rate of 98.4%. Coupled with a favourable variance on recovery of past overpayments, this resulted in a £480k underspend within Housing Benefits for the year. Housing benefit budgets will be reviewed as part of the 2020/21 budget process to assess whether the favourable variance represents an underlying trend that could be factored into the budget going forward.
- 3.11 Housing/Temporary Accommodation (£149,000) - Net expenditure on temporary accommodation was under budget, principally due to the Council's successful homelessness cost reduction initiatives (which include property acquisitions and private landlord schemes) and additional rental income.
- 3.12 ICT (£155,000) – The ICT budget underspent owing to vacant posts in year and an underspend on software licences following an over-accrual from 2017/18.
- 3.13 Most of the outturn variances were forecast at quarter three and have already been reflected in the preparation of the 2019/20 budget. The on-going impact of other variances, particularly within Housing Benefits, is being considered as part of the 2019/20 budget monitoring process and where appropriate will be incorporated into budget planning for 2020/21.

4 100% Business Rates Pilot

- 4.1 In 2018/19, the Council participated in a Surrey-wide pilot of central government's 100% business rates retention scheme. The pilot was successful in generating additional business rates retention across the county, with EEBC recognising £3.9m of business rates income for the year, compared to budgeted income of £1.5m.
- 4.2 This resulted in a one-off gain for the year of £2.4m, of which £1.6m relates principally to a partial unwinding of the business rates appeals provision, which had been set-aside in a prior year to cover potential future appeals against business rate bills, most notably from NHS properties.
- 4.3 Business rate regulations require this £1.6m to be retained in the collection fund until 2020/21, when it will become accessible by the Council. However, it must be noted that a number of business rates appeals, including the NHS claim, are still unresolved, meaning these funds may still be required in future to cover appeals should they be successful.
- 4.4 The remaining £0.8m from the gain is receivable by the Council immediately and has provisionally been transferred to the Business Rates Equalisation Reserve, with the majority of the reserve expected to be needed to offset potential future reductions in business rates income, which may arise from central government's ongoing Fair Funding Review.

- 4.5 For 2019/20, the Council applied to the MHCLG, alongside the other Surrey districts, to remain a pilot area of the 100% scheme. However the Surrey application was unsuccessful and the Council has reverted to the national scheme from 2019/20.

5 Reserves

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

Table 3 - Strategic Revenue Reserves	Balance at 31/3/18	Balance at 31/3/19
	£'000	£'000
Interest Equalisation	631	631
Repairs and Renewals	237	274
Historic Buildings	3	3
Insurance	437	466
Hospital Cluster Interest	231	233
Community Safety	83	110
Property Maintenance	423	573
VAT Reserve	320	320
Housing & Planning Delivery Grant	176	176
Corporate Project Reserve (a)	2,574	3,249
Personalisation, Prevention & Partnership	111	73
Business Rate Equalisation Reserve (b)	2,244	3,066
Partnerships	28	28
Residential Property Acquisition Fund (c)	1,438	1,181
Development Contributions (d)	172	0
HIA Hardship Fund	71	75
Sports & Leisure Development Projects Fund	92	87
Property Income Equalisation Reserve (e)	1,349	2,180
Commuted Sums	1,965	1,941
Flexible Housing Support Grant (f)	185	492
Homelessness Reduction Act	19	19
Mortgage Rescue/Arrears Funding DCLG	15	11
Surrey Homeless Alliance Funding DCLG	9	5
Community Housing Fund	8	8
Basic Payments Scheme	28	31
Total Strategic Reserves	12,851	15,230

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

- 5.3.1 (a) Corporate Project reserve – The increase in the Corporate Project reserve (£675k) is principally due to the budgeted New Homes Bonus Grant transfer from the general fund into the reserve along with unused contingencies transferred at year-end.
- 5.3.2 (b) Business Rate Equalisation Reserve – Section 31 grants and a proportion of the gain from the 100% Business Rates Pilot are transferred to this reserve as part of the year end Collection Fund process, as detailed in section 7. The majority of the reserve is expected to be used to offset potential reductions in business rates income following central government's Fair Funding Review from 2020/21. The reserve may also be used to offset any significant, future successful appeals against business rate bills.
- 5.3.3 (c) Residential Property Acquisition Fund – this fund was created in 2016/17 from New Homes Bonus funding and is used to purchase residential properties to support the Council's housing activities. In 2018/19, the reserve was used to purchase one residential property for use as temporary accommodation.
- 5.3.4 (d) Developer Contributions – two funds were created in 2017/18 from contributions made by developers towards the Hollymoor Lane works and upgrades to paths on Epsom Common. The works were undertaken in 2018/19 with the contributions fully utilised.
- 5.3.5 (e) Property Income Equalisation Reserve – The reserve aims to hold sufficient funds to mitigate the risks associated with future rental income streams from investment properties purchased through the Commercial Property Acquisition Fund, which is supported by external borrowing. The reserve's target is to accumulate sufficient funds to cover the potential loss of one year's rental income from each property, as set out in the following table:

Table 4 - Property Income Equalisation (PIE) Reserve	Opening Reserve Balance	2018/19 Contribution to Reserve	Closing Reserve Balance	2019/20 Budgeted Rental Income
	£'000	£'000	£'000	£'000
Parkside	189	109	298	852
East Street	285	61	346	367
Marlow	475	219	694	1,755
Bracknell	400	274	674	1,770
Roy Richmond Way	0	168	168	225
Target Reserve Balance	1,349	831	2,180	4,969

Following a contribution to the reserve of £0.83m in 2018/19, the reserve balance stands at £2.18m, £2.79m below its target balance of £4.97m. Next year, the budgeted contribution to the reserve is £0.66m; at this rate, the target balance is on track to be achieved in 2023/24.

- 5.3.6 (f) The Flexible Housing Support Grant, used to support homelessness prevention measures and to offset reduced rental income on temporary accommodation arising from benefit changes, has been transferred to reserves to support services in subsequent years. Grants held within reserves will be reviewed as part of the 2020/21 budget setting process.

6 Provisions

- 6.1 Income from the recovery of past housing benefit overpayments has previously been used to increase the bad debt provision for outstanding housing benefit overpayments debts, due to the impending transfer of benefits administration to central government. Outstanding debt at the end of 2018/19 totals £2.09 million. The balance of the provision now stands at £2.07m, meaning that 99% of the outstanding debt has been provided for at 31/03/2019 (98% at 31/03/2018).
- 6.2 Pensions have been treated within the accounts in accordance with recommended financial reporting standards for local authorities. The net liability at 31 March 2019 for accounting purposes is £39.5m compared to £34.0m at 31 March 2018. Full details on pension liabilities are included within the Statement of Accounts, which is prepared in accordance with Financial Reporting Standard 102 (FRS102) and International Accounting Standard 19 (IAS19). A key assumption used in the FRS102/IAS19 calculation is the discount rate - also known as the assumed investment return - which is set with reference to high quality corporate bond yields on the accounting date. The FRS102/IAS19 accounting valuation does not comprise a full re-valuation of the fund and does not impact the Council's contributions.
- 6.3 A separate triennial funding valuation determines the Council's contributions into the fund. The next triennial valuation will be as at 31 March 2019, with the outcome expected in the Autumn. The triennial funding valuation uses a specific discount rate, set by the Fund to reflect a prudent expectation of future investment returns on the actual assets held; this represents a key difference to the FRS102/IAS19 calculation.

7 Capital Expenditure 2018/19

Core Capital Programme

- 7.1 A summary report of the 2018/19 capital programme was issued to all Councillors on 14 June 2019. The 2018/19 expenditure per Committee for the core capital programme is shown below:-

Table 5 - Committee	2018/19 Approved Budget £'000	2018/19 Outturn Expenditure £'000	Variance £'000
Strategy & Resources	1,053	309	(744)
Environment	3,217	284	(2,933)
Community & Wellbeing	2,479	1,182	(1,297)
Total Core Programme	6,749	1,775	(4,974)

- 7.2 On the core capital programme, actual expenditure was £1.775 million, which is £4.974 million (or 74%) less than the current approved budget. Just over half of the underspend, £2.579 million, relates to Plan E works which are being delivered by Surrey County Council.
- 7.3 Budgets totalling £4.910 million are required to be carried forward into 2019/20 for schemes not completed in 2018/19, and a balance of £64,000 is no longer required where projects have either been completed under-budget, or are not being progressed.
- Property Acquisition Funds
- 7.4 During 2016/17 and 2017/18, the Council established funds totalling £80m and £300m for the purchase of in- and out-of-Borough commercial properties respectively, which can be financed from prudential borrowing. Table 6 below details the purchases made since the funds were established.
- 7.5 In April 2018, MHCLG issued updated local government investment guidelines, which restricts the ability of Councils to borrow to invest in commercial property. As such, at its meeting on 25 September 2018, Strategy and Resources Committee noted the suspension of further out-of-Borough investment property acquisitions, where the main purpose is purely to profit, until further guidance or case law is published that clarifies the Council's related vires. Consequently no commercial property acquisitions were made in 2018/19.
- 7.6 In 2016/17, the Council also established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. In 2018/19, one property was purchased for a total of £257k.
- 7.7 The remaining balances on the Property Acquisition Funds are shown in the following Table 6:

Table 6 - Property Acquisition Funds	Commercial Property		Residential Property	Total
	In-Borough	Out-of Borough		
	£000	£000	£000	£000
Opening fund balance	80,000	300,000	3,000	383,000
Purchases during 2016/17	(19,206)	0	(811)	(20,017)
Purchases during 2017/18	(5,148)	(60,293)	(562)	(66,003)
Purchases during 2018/19	0	0	(257)	(257)
Closing fund balances at 31/03/2019	55,646	239,707	1,370	296,723

7.1 The financing of capital expenditure in 2018/19 is summarised below:

Table 7 – Capital Financing	2018/19
	Outturn £'000
Expenditure	
Core Programme	1,775
Property Acquisition Funds	257
Total Expenditure	2,032
Financing	
Capital Receipts Reserves	149
Capital Grants-DFG	520
Other Revenue Contributions	759
Section 106 & CIL	522
Other Capital Contributions	82
Total Financing	2,032
Total	0

8 Capital Receipts

8.1 The Council received two capital receipts totalling £207k in 2018/19; £149k for the disposal of its interest in the Ebbisham Centre, and £58k relating to the disposal of its interest in the Star Inn, Ewell.

8.2 The capital receipts reserve balance is shown in the following table:

Table 8 - Capital Receipts Reserve	Capital Receipts Reserve £'000
Balance brought forward at 1 April 2018	4,889
Used to fund the 2018/19 capital programme	(149)
Capital receipts received in 2018/19	207
Closing Balance at 31 March 2019	4,947
Planned use for 2019/20 programme	(464)
Earmarked for previous schemes not yet complete (balance rolled forward to be agreed by S&R Committee in July 2019)	(1,088)
Earmarked for Residential Property Programme	(189)
Earmarked for Horton Chapel	(580)
Estimated balance at 31 March 2020	2,626

9 Financial and Manpower Implications

9.1 **Chief Finance Officer's comments:** All financial implications are set-out in the body of the report.

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

10.1 There are no legal implications arising from the report.

10.2 **Monitoring Officer's comments:** None arising from this report.

11 Sustainability Policy and Community Safety Implications

11.1 No implications arising from this report.

12 Partnerships

12.1 No implications arising from this report.

13 Risk Assessment

13.1 A risk assessment was included in the 2018/19 budget report. Monitoring arrangements during the year have allowed some corrective action to be taken on a number of budget variances, either during the year or as part of the Council's longer term service and financial planning.

- 13.2 An updated risk assessment was included in the 2019/20 budget report. Overall the outturn position is broadly in line with what was anticipated when this risk assessment was completed in January. Further budget monitoring will be carried out on any specific service where the financial position was worse than anticipated.

14 Conclusion and Recommendations

- 14.1 Key points on the accounts for 2018/19 are as follows:-

14.1.1 The Council incurred increased costs on refuse collection and within the Venues, and car parking income underachieved the budget.

14.1.2 The Council successfully managed to reduce net expenditure within temporary accommodation, ICT, housing benefits and achieved additional income from investment property.

14.1.3 Overall net expenditure for the Council was £68,000 less than budgeted, resulting in a transfer of the same amount to the working balance.

14.1.4 The level of delivery on capital projects will be reviewed by the Capital Member Group.

- 14.2 Overall in 2018/19 the Council has maintained a prudent level of balances on revenue and capital reserves:-

Table 9 – Revenue and Capital Reserves	31 March 2018 £'000	31 March 2019 £'000
General Fund Working Balance	3,348	3,416
General Fund Strategic Reserves	12,851	15,230
Total Revenue Reserves	16,199	18,646
CIL	5,036	5,389
Capital Receipts	4,889	4,947
Total Capital Reserves	9,925	10,336

- 14.3 The Council faces a challenge to deliver future savings that will achieve a balanced budget, subject to the government's ongoing Fair Funding Review.

- 14.4 The capital programme included a number of schemes where provision needs to be carried forward into 2019/20. Funding remains in place to allow completion of these schemes however the Capital Member Group should examine the reason for slippage on individual schemes as part of the capital programme review.

- 14.5 The Statement of Accounts and Audit Findings report are reported to this committee as a separate agenda item for approval.

Ward(s) affected: (All Wards);

2018-19 TREASURY MANAGEMENT YEAR-END PERFORMANCE

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):	Annex 1 – Treasury Management Review Annex 2 – Prudential Indicators
Other available papers (not attached):	Fund Manager Performance Reports and Final Accounts Working Papers 2018/19

Report summary

This report reviews the performance of the council's treasury management function in 2018/19.

Recommendation (s)

That the Committee:-

- (1) receives the report on the Council's treasury management performance 2018/19;**
- (2) approves the actual 2018/19 prudential indicators.**

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

- 1.1 Income earned from investments is used to help finance Council's services and contributes to the key priority "Managing Our Resources".

2 Background

- 2.1 The Treasury Management Strategy, approved annually by Council in February, sets out the strategy and procedures that are adopted to manage the investment of reserves, provisions and cash flow.

- 2.2 A review of treasury management performance and activity is prepared on an annual basis. This is completed in line with Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Sector and the Treasury Management Strategy approved by Council.
- 2.3 The reporting requirements of the annual performance review meet the requirements of the CIPFA Prudential Code.
- 2.4 The Council, as part of its financial strategy, maintains revenue reserves, provisions and capital reserves. For several years the main part of the Council's cash balances has typically been invested with external fund managers who use their expertise to invest in secure money markets to achieve maximum returns within defined risk parameters. The Council currently uses one external fund manager, Aberdeen Asset Management. At the end of March 2019 the Council had £4.1 million invested with this fund manager.
- 2.5 Internally managed balances can be invested in long term gilts or deposits with a balance retained to meet short term cash flows invested in temporary loans or money market funds. At the end of March 2019 the Council held £5.3 million in money market funds and a £3.0m fixed term deposit with Lloyds Bank.
- 2.6 In total at 31 March 2019, the Council's treasury investments were £12.4m (£12.6m March 2018).
- 2.7 At the same reporting date, the Council had external debt with the Public Works Loans Board of £64.4m (£64.4m March 2018).
- 2.8 The Committee will note that the Pension Fund does not form part of the Council's investments and is managed on our behalf by Surrey County Council.
- 2.9 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/institutions that offer high investment returns but are at high risk of defaulting.

3 Performance Review

- 3.1 A report on Treasury Management performance for 2018/19 is attached to this report at **Annex 1**.
- 3.2 No temporary borrowings were required in 2018/19 except occasional use of the Council's bank overdraft facility.

- 3.3 The average gross return achieved for 2018/19 of 0.84% compares favourably with the benchmark seven day London Interbank Bid (LIBID) rate of 0.51%. This amounted to total income for the year of £162,642, generated on reserves, working balances and cash flow.
- 3.4 The final outturn position shows an increase in income by £42,642 compared to the forecast reported in the half year report to Financial Policy Panel in December 2018, when it was anticipated that income from investments would be £120,000 at the end of the year.
- 3.5 The performance for 2018/19 on the Council's investments were as follows;

	Average Investment	Interest Received	Average Rate of Return
Internally Managed Funds	£'m	£'000	%
Money Market Funds	6.3	46	0.73
Interest Bearing Account	0.1	1	0.36
Fixed Rate Deposit	2.0	20	1.00

Externally Managed Funds			
Aberdeen Asset Management	10.8	96	0.89
Total	19.3	163	0.84

- 3.6 Gross returns on investments for 2018/19 were £42,642 higher than the budgeted income for the year and the average annualised return on investments was 0.84%.
- 3.7 Epsom and Ewell Borough Council has achieved this performance by following the strategy of investing its long to medium term funds in 1 year fixed term deposits and with its external fund manager, Aberdeen Asset Management and keeping short term funds mainly in money market funds or in an interest bearing instant access account.

4 Internally Managed Funds

Money Market Funds

- 4.1 Money market funds are pooled investments that allow instant access to withdraw monies. The benefit of MMFs is that the risk on the investment is very low as the money invested in the fund is spread across a range of counterparties, which limits the exposure of a significant sum being invested with a defaulting counterparty.
- 4.2 The return made on money market funds of 0.73% compared favourably to the benchmark of 0.51%. Investment in money market funds has been limited to short term investments from surplus funds which can be called back with no notice required.

Interest Bearing Accounts

- 4.3 Interest bearing accounts offer the same instant access as the money market funds and deliver a rate of return linked to base rate set by the Bank of England.
- 4.4 The risk on these investments may be 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.
- 4.5 The return made on interest bearing accounts of 0.36% compared unfavourably to the benchmark of 0.51%. As such, the interest bearing account was utilised only rarely in the year, typically when limits with other counter parties were reached.

Fixed Interest Investments

- 4.6 The Council had one fixed term deposit at the end of March 2019. During the 2018/19 year, the amount invested in fixed term deposits averaged £2.0m. The average return made on these investments was 1.00% compared to the benchmark of 0.51%.
- 4.7 The current strategy and guidance obtained from our independent advisors is to limit fixed term investments to a period of one year.

5 Externally Managed Funds

- 5.1 In continuing difficult market conditions our external fund manager delivered returns of 0.89% for 2018/19 which compares to 0.59% for 2017/18. During 2018/19, the Bank of England base rate was 0.5% until August 2018, when it increased to 0.75% and remained at that level to the year-end. Returns have remained at historically low levels since October 2009 and opportunities for delivering significant returns remain limited.

- 5.2 The Council continues to invest a significant element of its medium to long term funds with Aberdeen Asset Management (formerly known as Scottish Widows).
- 5.3 The main benefit to the Council of using external fund managers is to minimise the Council's risk, as the funds invested with Aberdeen Asset Management are spread across a wide portfolio of financial institutions. This results in the overall exposure to a potential defaulting bank being limited to a small percentage of the overall holding.

6 Financial and Manpower Implications

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

	£'000	Purpose
General Fund Revenue Account	91	Used to maintain low Council Tax and finance services
Hospital Cluster Interest Reserve	2	Contingency for funding Hospital Cluster works
Repair and Renewals Fund	2	Used to fund the replacement of equipment
Insurance Reserve	3	Used to finance self-insured losses (e.g. sums below excess limits)
Hospital Cluster Commuted Sums	39	Used to fund maintenance costs
Property Maintenance Reserve	3	Used to fund backlog property repairs
Corporate Project Reserve	17	Provision for any high priority projects
Community Safety Partnership Fund	1	Used to finance community safety projects
Other Reserves/Accounts	5	Nonsuch Park Joint Management Committee and Epsom, Walton Downs Conservators, trust funds and bonds held
Total Interest Applied	163	
Funded by:		
Interest from Investments	(163)	

7 Interest Equalisation Reserve

- 7.1 The interest equalisation reserve was set up to enable variations in investment returns to be accommodated within the general fund budget without having an adverse effect on the levels of funds available for the delivery of services in year.

- 7.2 The overall balance on this reserve as at the end of the financial year remains at £631,000. The level of this reserve will be reviewed by Financial Policy Panel in September 2019.

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

- 8.1 The legal issues around treasury management have been picked up in the body of the report. The key issue is to appropriately manage the risks around investment, and to ensure that all decisions are taken in accordance with the established governance arrangements.

9 *Monitoring Officer's comments:* none arising from the contents of this report.

10 Risk Assessment and Conclusion

- 10.1 Investment performance exceeded the benchmark level in 2018/19. The external fund manager, Aberdeen Asset Management, performed well against the benchmark.
- 10.2 The Council approved the Treasury Management Strategy for 2018/19, which includes a risk management approach to investment of funds and returns.
- 10.3 At 0.75%, the Bank of England base interest rate is marginally above the historic low levels seen since 2009. However, any further increases in interest rates are expected to be gradual and slow. The Council follows a policy of restricting the length of investments, which reduces the risks of loss of capital invested and investments being tied in at lower rates when interest rates do rise. However, this also reduces the level of return that can be achieved on investments.
- 10.4 The Council's externally managed investments of approximately £4.1m million (at 31/03/2019) are held within a pooled fund, valued at around £5.5 billion. This spreads the risk across a much wider number of holdings and reduces the level of fluctuation of the fund throughout the year.
- 10.5 It is currently envisaged that the fund manager will be able to achieve investment returns between 0.95% and 1.05% for 2019/20; this compares to an anticipated return built into the budget of 0.80%.
- 10.6 Any Councillors who have any questions on the treasury management performance for 2018/19 are requested to contact the Chief Finance Officer prior to the meeting.

WARD(S) AFFECTED: (All Wards)

1. Internally Managed Funds

The internally managed fund for 2018/19 was:

	Balance at 31 March 19 £'000	Balance at 31 March 18 £'000	Difference £'000
Short Term Investments (less than 1 year)	3,000	0	3,000

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

	Average balance held in fund £'000	Fund Performance	
		% annual gross return	% annual return net of fees
Goldman Sachs	4,487	0.74	0.59
Deutsche Bank	1,847	0.69	0.54
RBS Special Interest Bearing Account (SIBA)	146	0.36	0.21
Total	6,480	0.72	0.57

The total interest received on internal temporary investments in 2018/19 was as follows:

	Average Value of Funds Invested £'000	Interest Earned £'000	% Return Gross of Fees	% Return Net of Fees
Internal Funds	1.997	20	1.00 %	0.85 %

The average gross rate of return achieved on money market funds and temporary internally managed funds (0.79%) exceeds the average seven day deposit rate of 0.51% by 0.28%. This compares to performance of 0.49% above the average seven day rate in 2017/18.

2. Externally Managed Funds

A summary of external fund balances 2017/18 is as follows:-

Aberdeen Asset Management	Value £'000
Fund Value at 1 April 2018	7,059
Net interest and profit for the year	80

Net withdrawals from the fund in year	(3,000)
Fund value at 31 March 2019	4,139

Fund managers performance is assessed on the rate of return excluding prior year adjustments for unrealised profits and losses against the benchmark of the 7 day LIBID rate. Performance against benchmark for 2018/19 was:

Aberdeen Asset Management	Value £'000
Average Value of Funds held during 2018/19	10.821
Net interest and profit for the year	80
Percentage return for 2018/19 net of fees	0.74 %
Benchmark Return (7 day LIBID)	0.51 %
Variance 2018/19 to 7 day LIBID rate	+0.23 %
Variance 2017/18 to 7 day LIBID rate	+0.23 %

1. Introduction

The Local Government Act 2003 introduced a new system of capital controls for Local Authorities. The key principle of the system of controls is that local authorities have the freedom to borrow for capital investment purposes providing that they can demonstrate that borrowing is affordable, sustainable and prudent.

The Act requires all local authorities to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. The Code is a professional code that sets out a framework for self-regulation of capital spending. It sets out the approach that all authorities must take in undertaking integrated medium term revenue and capital budget planning and a set of indicators that must be considered and/or approved in order to demonstrate that annual capital investment and treasury management decisions are affordable, sustainable and prudent.

Members' involvement through the process is essential in order that the Council can demonstrate that capital expenditure plans are affordable, external borrowing is prudent and sustainable and that treasury decisions are taken in accordance with good practice. The structure and content of the treasury management report complies with the requirements of the Code for 2018/19.

To facilitate the decision making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators. These indicators are mandatory, but can be supplemented with local indicators if this aids interpretation and many will cover three years forward. The indicators cover affordability, prudence, capital expenditure, external debt and treasury management. These indicators will also form the basis of in year monitoring and reporting.

The indicators are purely for internal use by the Council and are not to be used as comparators between councils, as any comparisons will not take account of local factors and so will be meaningless. In addition the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and the year on year changes.

This annexe provides a commentary on each prudential indicator relevant to the Council and sets out the actual 2018/19 prudential indicators for approval as part of the Council's requirement to comply with the Prudential Code.

2. Affordability Prudential Indicator

Prudential indicators are required to assess the affordability of the capital investment plans. These indicators provide an indication of the impact of the capital investment plans on the overall Council finances.

Actual and Estimates of the Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of capital expenditure by identifying the proportion of the net revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Streams	2017/18 Actual %	2018/19 Estimated %	2018/19 Actual %
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General Fund	11	13	10
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The actual ratios above reflect the net cost of borrowing after allowing for investment income. The difference between the estimated and actual figure for 2018/19 arises mainly due to one-off additional NNDR income received through participation in the 100% business rates retention pilot. In practice, the financing costs are fully funded by further income generated from both the Council's and Epsom & Ewell Property Investment Company's investment property acquisitions.

3. Capital Expenditure and the Capital Financing Requirement

The Prudential Code requires the calculation of the Council's Capital Financing Requirement (CFR). This figure represents the Council's underlying need to borrow for capital purposes. The year on year change in CFR is influenced by the capital expenditure incurred and how it is financed. The expected movement in the CFR over the next three years is dependent on the level of supported and unsupported capital expenditure decisions taken during the budgeting cycle.

The CFR forms one of the required prudential indicators. It includes the related capital expenditure and financing figures for each year, and the external debt for each year, which are mandatory prudential indicators.

In 2016/17 the Council agreed to borrow up to £80m to finance the acquisition of commercial properties within the Borough. In 2017/18, the Council agreed to borrow up to a further £300m to finance property investments through Epsom & Ewell Property Investment Company Limited. To date, the Council has acquired three investment properties for a combined £25m in-borough and two investment properties for a combined £60m out-of-Borough, all funded from borrowing. As a result, the CFR has increased substantially since 2015/16, when it had been nil.

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

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

	2017/18 Actual £'000	2018/19 Estimated £'000	2018/19 Actual £'000
<u>Capital Expenditure:</u>			
Capital programme expenditure	67,252	4,278	2,032
Assets acquired under finance leases	3,634	0	491
Total Capital Expenditure	70,886	4,278	2,523
<u>Capital Financing:</u>			
Capital receipts	344	1,078	149
Capital grants	396	994	1,124
Capital reserves	284	1,666	0
Revenue	626	540	759
Total Capital Financing	1,650	4,278	2,032
Minimum revenue provision	693	1,182	1,200
Capital Financing Requirement at 31 March	87,517	86,335	86,808
<u>External Debt:</u>			
External borrowing	64,427	64,427	64,427
Other long term liabilities	3,237	3,237	3,401
Total External Debt at 31 March	67,664	67,664	67,828
Internal borrowing	19,853	18,671	18,980
Capital Financing Requirement at 31 March	87,517	86,335	86,808

4. External Debt

A key control over the Council's activity is to ensure that over the medium term net borrowing will only be for a capital purpose. The Council needs to ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of additional capital financing requirement for 2018/19 and next two financial years.

The following table sets out the actual levels of borrowing and investment for 2018/19.

	2017/18 Actual £'000	2018/19 Estimated £'000	2018/19 Actual £'000
Gross Borrowing at 31 March	67,664	67,664	67,828
Investments at 31 March	12,559	12,972	12,439
Net Borrowing at 31 March	55,105	54,692	55,389
Capital Financing Requirement Movement	68,544	(1,182)	(709)

The Chief Finance Officer reports that the Council complied with the requirement to keep net borrowing below the CFR in 2018/19, and no difficulties are envisaged for the current or future years. This view takes into account current commitments and plans in the budget report.

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

The Authorised Limit

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

The Operational Boundary

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

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

	2017/18 Actual £'000	2018/19 Estimated £'000	2018/19 Actual £'000
<u>Authorised Limit for External Debt</u>			
Borrowing for commercial properties	64,427	84,575	64,427
Other long term liabilities (finance leases)	3,237	3,634	3,401
Total Authorised Limit for External Debt	67,664	88,209	67,828
<u>Operational Boundary for External Debt</u>			
Borrowing for commercial properties	64,427	84,575	64,427
Other long term liabilities (finance leases)	3,237	3,634	3,401
Total Operational Boundary for External Debt	67,664	88,209	67,828

5. Treasury Management Indicators

The purpose of the treasury management prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or maximise investment income.

The treasury management service is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. It covers the borrowing and investment activities and the effective management of associated risks. Its activities are strictly regulated by statutory requirements and a professional code of practice, the CIPFA Code of Practice for Treasury Management in Local Authorities.

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice at its meeting in April 2012 and Council approved the latest treasury management strategy and procedures in February 2019.

The treasury management policy requires an annual strategy to be reported to Members outlining the expected treasury activity for the forthcoming year. A further report is produced after the year end to report on actual activity for the year.

The treasury management strategy identifies four prudential indicators in respect of treasury management:

Upper Limits on Fixed Rate Exposure

This indicator identifies a maximum limit for the Council's exposure to fixed interest rates for borrowing based upon the debt position net of investments.

Upper Limits on Variable Rate Exposure

This indicator identifies a maximum limit for the Council's exposure to variable interest rates for borrowing based upon the debt position net of investments. The Council has no plans to enter into any variable rate borrowing arrangements.

Maturity Structures of Borrowing

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

Total Principal Funds Invested for Periods Longer Than 364 Days

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

	Figures are for the financial year unless otherwise titled in italics	2017/18 Actual £'000	2018/19 Estimated £'000	2018/19 Actual £'000
1	Capital Expenditure	70,886	4,278	2,523
2	Capital Financing Requirement (CFR) at 31 March	87,517	86,335	86,808
3	Treasury Position at 31 March			
	External borrowing	64,427	64,427	64,427
	Other long term liabilities	3,237	3,237	3,401
	Total Debt	67,664	67,664	67,828
	Investments	12,559	12,972	12,439
	Net Borrowing	55,105	54,692	55,389
4	Maximum Debt (Actual) compared to Authorised Limit (Original Indicator)	67,664	67,664	67,828
5	Average Debt compared to Operational Boundary (Original Indicator)	67,664	67,664	67,828
6	Ratio of financing costs to net revenue stream	11%	13%	10%
7	Upper limits on fixed interest rates (<i>against maximum position</i>) as above	67,664	67,664	67,828
8	Upper limits on variable interest rates (<i>against maximum position</i>) as above	0	0	0
9	Maturity structure fixed rate borrowing (%)	2017/18 Actual	2018/19 Estimated	2018/19 Actual
	Under 12 months	0%	0%	0%
	12 months to 2 years	0%	0%	0%
	2 years to 5 years	0%	0%	0%
	5 years to 10 years	8%	8%	8%
	10 years and above	92%	92%	92%
10	Maximum principal funds invested over 364 days (<i>against maximum position</i>)	0	£10m	0

EPSOM CEMETERY EXTENSION

Head of Service/Contact:	Mark Shephard, Head of Property and Regeneration
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Annexes/Appendices (attached):	Confidential Annex A – Value Engineering Exercise
Other available papers (not attached):	Epsom Cemetery Extension reported to Strategy and Resources Committee on 17 April 2018 and 26 July 2018

Report summary

This report provides an update on the current position of the Epsom Cemetery extension and seeks approval for an additional budget requirement of £150k.

Recommendation (s)

- (1) Note the progress to date;**
- (2) Agrees to fund the increased works cost of £150,000 from the Corporate Projects Reserve.**

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

- 1.1 Managing our Resources – identifying new sources of revenue and maximising our existing income.
- 1.2 The expansion of Epsom Cemetery is essential to maintaining the current burial service and will ensure current revenue receipts are continued.

2 Background

- 2.1 At its 17 April 2018 meeting, Committee approved the following recommendations to progress the extension of the Council owned Epsom cemetery between Ashley Road and Downs Road:-

- Agree the submission of a planning application for the proposed Cemetery extension.
 - Approve the appointment of a specialist consultant to prepare the planning application, procure the contractor and oversee completion of the works.
 - If negotiations fail, to authorise the use of compulsory purchase making powers to acquire the required land.
- 2.2 Following a tender exercise, The Environment Partnership (TEP) were appointed the Council's specialist consultant. TEP provide independent environment planning and design advice with the benefit of direct experience of cemetery operations.
- 2.3 Following successful negotiations between the Council and landowner, Committee approved the acquisition of the extension land at its 26 July 2018 meeting.
- 2.4 TEP submitted the planning application on 21 September 2018 and planning permission (subject to conditions) was granted on 31 December 2018. The conditions (which include the specific treatment of boundaries and landscaping proposals) are necessary to preserve the setting and character of Epsom Cemetery. The Cemetery has been in existence since c1870, and comprises various Grade II Listed structures including the Chapel, War Memorial, Gate Piers and Cemetery Lodge.

3 Current Position

- 3.1 The contractor tender documentation was sent out on 25 February 2019 to a select number of specialist contractors. This method of procurement (as distinct from an open, full market exercise) is often utilised where projects are specialist in nature. These works are deemed specialist with a relatively small number of contractors with experience of cemetery development.
- 3.2 Tender returns were due 25 March 2019 with an anticipated work commencement date of 23 April 2019 and completion by Christmas 2019.
- 3.3 Based on comparable schemes, TEP were confident the tenders would reflect the £650k approved capital budget.
- 3.4 However, all received tenders exceeded the approved capital budget available with the highest tender almost £330k over budget.
- 3.5 The tender analysis undertaken by TEP revealed specific works items were responsible for the extremely high variances between the contractors. By way of example, the boundary Random Rubble Wall and the general landscaping works (both conditions of the planning permission) returned the highest variances between the contractors.

- 3.6 It was noted that if the lowest price for each individual item from each contractor were used to cost the full works contract, then the cost of the works would have been below the approved budget. This would suggest that the comparable cost evidence used by TEP to estimate the contract value was undertaken in good faith.
- 3.7 TEP offered the explanation that the contractors were competitive for their core specialisms but were pricing in disproportionate risk costs for any items they would need to sub-contract. This reflected the uncertainty and likely higher labour costs that would result from a no deal Brexit. The risk cost premium reflected the loss of control the main contractor would have over future unknown labour costs.

4 Proposal

- 4.1 A value engineering exercise has been undertaken, that is, the works contract has been carefully reviewed to reduce cost where possible. This has been achieved by seeking to remove lower priority items and reducing the specification where no significant adverse implications would arise.
- 4.2 In compliance with the Council's procurement procedures, each contractor has re-submitted tenders to take account of the value engineering exercise.
- 4.3 Cost savings per contractor of up to £42k have been achieved and TEP has advised that a further cost saving may be achievable if the landscaping works are omitted from the main contract and separately undertaken by a landscaping contractor.
- 4.4 However, the lowest contractor tender already includes a landscaping cost below TEP's cost estimation. Whilst this option is being investigated, it is therefore considered unlikely that the most competitive tender will be reduced.
- 4.5 The value engineering spreadsheet is attached as a confidential Annex A.
- 4.6 It is recommended that Committee approve an additional budget of £150k to enable the works to proceed with the Epsom Cemetery extension.

5 Financial and Manpower Implications

- 5.1 The Capital Programme originally included a budget of £654,000 for the extension of the cemetery, agreed by Members in February 2016. This budget was subsequently increased to £908,000 at Strategy & Resources Committee in September 2018, with the increase based on the best information available at the time.
- 5.2 Following procurement and subsequent value engineering exercises, the costs to complete the project are now expected to exceed the current budget by a further £150,000.

- 5.3 The on-going Grounds maintenance of the new area (once it has been established) will need to be considered. This could be achieved by understanding the level of service needed in each area of the cemetery so that the current resource can be spread, or by employing an additional member of staff to keep the whole cemetery to the existing standard. This matter will be considered by the Community and Wellbeing Committee which will include details on how any increase in resources can be funded.
- 5.4 The additional cemetery space will ensure the continuation of burials and the receipt of associated cemetery income.
- 5.5 **Chief Finance Officer's comments:** The Council's 2018/19 revenue budget includes £465,000 expected annual income from the cemetery. The extension is thus an important project to safeguard this level of income for future years.
- 5.6 The existing £908,000 budget for the extension is funded from Community Infrastructure Levy. The requested additional £150,000 would be funded from the Corporate Projects Reserve, which holds an unallocated balance of £2.96m.

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

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

7 Sustainability Policy and Community Safety Implications

- 7.1 None for the purposes of this report.

8 Partnerships

- 8.1 None for the purposes of this report.

9 Risk Assessment

- 9.1 The existing cemetery for Lawn Graves is close to capacity and once full, people will be unable to be buried with their families.
- 9.2 The reduction in burial capacity will have a significant impact on future revenue income for the Council.
- 9.3 The inability to continue to provide a burial service is likely to cause adverse negative publicity towards the Council.

10 Conclusion and Recommendations

- 10.1 It is recommended that Committee approve an additional budget of £150k to proceed with the Epsom Cemetery extension works.

Ward(s) affected: (All Wards);

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Value Engineering Options

Savings Categories

A = Recommended for acceptance / B = Recommended if required / C = For discussion but not recommended unless necessary / D = Highly undesirable

Ref	Item	Idverde Potential Saving	Millgrove Potential Saving	C J Thorne Potential Saving	Item Description	Impact of VE	EEBC VE Preference Category	EEBC Comments (VE Workshop comments & subsequent Tony Foxwell comments)	Idverde Confirmed Savings	Millgrove Confirmed Savings	C J Thorne Confirmed Savings
VE1	Hedgerow facing	£ 1,392	£ 2,750	£ 1,360	Face up existing vegetation/hedgerows by up to 1m to allow for works and works access	High rate submitted in Tender. If required, these works could be undertaken by the cemetery team? (Item 2.1.3)	A	If required to come out of contingency or be completed by Cemetery	£ 1,391.50	£ 2,750.00	£ 1,359.71
VE2	Downs Road boundary wall	£ 85,368	£ 47,520	£ 144,471	Supply and install random rubble stone wall to match that of the original cemetery	The wall is part of the planning permission requirements so would need to be delivered in some approved form. Tender costs are high. Could look to either omit the boundary wall works now and commission separately, or omit and redesign for a value engineered wall (add a provisional sum to a value to be discussed with the Contractor). The boundary with Downs Road would also need to be secured in the interim (Item 5.1.1). Millgrove cost included updated cost of 21.05.19	B	Only omit if required. If omitted the value of works would need to come under the contract sufficiently to be undertaken by another contractor & come within budget	£ -	£ -	£ -
VE3	Downs Road boundary piers	£ 59,324	£ 13,500	£ 67,190	Supply and install stone piers to match that of the original cemetery	The piers are part of the planning permission requirements so would need to be delivered in some approved form. Tender costs are high. Could look to either omit the pier works now and commission separately, or omit and redesign for a value engineered version implemented by the Contractor (add a provisional sum to a value to be discussed with the Contractor). Would need to get a cost for steel posts to hang the gate on (saving would be reduced). (Item 5.1.2)	B	Retain wall and all 3nr piers	£ -	£ -	£ -
VE4	Attenuation tanks	£ 4,061	£ 3,600	£ 4,270	Supply and install permavoids(300mm depth) wrapped in permafilter geotextile to form infiltration tanks	Substitute permavoid attenuation tanks for an equivalent product. Would need to discuss with the contractor the proposed alternative and the actual cost saving - Suggested 20% saving, although this may not be fulfilled (Item 4.1.5)	B	If required , consult with lowest tenderer to see if savings are achievable	£ -	£ -	£ -
VE5	Internal road edgings (Option A)	£ 6,185	£ -	£ 3,303	Supply and install bullnose kerbs to internal roads	Reduce the size of the bullnose kerbs (255mm to a 150mm) where required for a 50mm upstand. No visual impact (Items 5.2.3 & 5.2.4)	C	Preference for VE 5 over VE6	£ -	£ -	£ -
VE6	Internal road edgings (Option B)	£ 17,987	£ 10,721	£ 10,031	Supply and install bullnose kerbs to internal roads	Replace all bullnose kerbs (255mm & 150mm depth) with 150x50mm concrete edgings. The kerbs would be thinner and less robust, but would be in keeping with the rest of the cemetery (Items 5.2.3 to 5.2.6)	B	Acceptable if required. Retain kerbs as drawn	£ -	£ -	£ -
VE7	Highway access road	£ 117	£ -	£ -	Supply and install 6f2 capping fill	Replace 6f2 with Type 1. No above ground visual variation. This may be a saving in any case if ground is solid enough & capping is not required. Not relevant to Millgrove & Thorne (Item 5.3.3)	A	Accepted if idverde the winning contractor	£ -	£ -	£ -
VE8	Internal roads - Porous subbase	£ 6,467	£ 4,499	£ 8,604	Supply & install sub-base granular filling modified open graded porous (min 30% porosity) compacted	High tendered rate. Work with contractor to find an alternative product that fulfils the drainage requirements - Suggested 8% saving, although this may not be fulfilled (Item 5.3.2)	B	If required , consult with lowest tenderer to see if savings are achievable	£ -	£ -	£ -
VE9	Concrete rafts	£ 2,908	£ 2,787	£ 3,871	Supply and install concrete rafts, 150mm depth reinforced C30 concrete	Work with contractor & cemetery to reduce the specification - say 100mm depth rather than 150mm depth? - Suggested 20% saving, although this may not be fulfilled (Item 5.4.1)	D	This is a standard specification and needs to be as designed	£ -	£ -	£ -
VE10	Storage bays	£ 1,433	£ 720	£ 941	Supply and install 152mm x 152mm x 37 universal columns (12 nr 2.25m length, 4nr at 1.75m length) with 2600mm x 250mm x 125mm and 2400 x 250mm x 125mm treated hardwood timber sleepers	Work with contractor to reduce the specification - Suggested 15% saving, although this may not be fulfilled (Item 5.6.2)	B	If required , consult with lowest tenderer to see if savings are achievable	£ -	£ -	£ -
VE11	M&E Installations	£ 10,900	£ 42,410	£ 11,880	Supply & install 4nr standpipes with water connections	Could look to omit. Impact is that the only water points would be in the existing cemetery. The planned works have the potential to increase in cost depending on the location of the existing water main (Items 6.1.1 to 6.1.7)	A	Omit connection to water main. Provide connections from standpipes to the south of the site (within the cemetery) and provide on the northern side of the southern hedge (3nr standpipes & say 20m of pipe each with sterilisation)	£ 8,015.12	£ 34,988.00	£ 8,508.00
VE12	Topsoil	£ 10,768	£ 10,750	£ 12,378	Import and spread topsoil to BS 3882:2015	This is a provisional item but it is likely that topsoil will be required. Could omit this item and any ground raising would be undertaken by the cemetery during grave excavations (Item 7.1.2)	A	Accepted	£ 10,767.50	£ 10,750.00	£ 12,377.50
VE13	Turfing	£ 4,644	£ 5,581	£ 6,055	Supply and lay low maintenance turf	Lay turf to the lawn area for only the first 75nr graves (408m2) and seed the remainder of the lawn (Item 7.2.4)	A	Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -
VE14	External planting - Trees	£ 20,032	£ 44,029	£ 49,167	Supply and plant trees	Planting required to satisfy planning requirements. The tendered rates are quite high. Could omit and see if the cemetery team could plant the trees. Materials would need to be provided. Alternatively, the trees could be paid through sponsorship by loved ones - The price would need to be increased and include a memorial plaque (Items 7.3.10 to 7.3.19)	A	Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -
VE15	External planting - Hedgerows	£ 1,177	£ 4,708	£ 3,034	Supply and plant hedgerows	Planting required to satisfy planning requirements. Could omit and see if the cemetery team (or local volunteer group) could plant the hedgerows. Materials would need to be provided (Items 7.3.2 to 7.3.9 & 7.3.44 to 7.3.46)	A	Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -
VE16	External planting - Ornamental planting	£ 1,655	£ 3,247	£ 3,597	Supply and plant ornamental plants	Planting required to satisfy planning requirements. Could omit and see if the cemetery team (or local volunteer group) could plant the ornamental planting. Materials would need to be provided. (Item 7.3.20 to 7.3.43)	A	Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -

Value Engineering Options

Savings Categories

A = Recommended for acceptance / B = Recommended if required / C = For discussion but not recommended unless necessary / D = Highly undesirable

Ref	Item	Idverde Potential Saving	Millgrove Potential Saving	C J Thorne Potential Saving	Item Description	Impact of VE	EEBC VE Preference Category	EEBC Comments (VE Workshop comments & subsequent Tony Foxwell comments)	Idverde Confirmed Savings	Millgrove Confirmed Savings	C J Thorne Confirmed Savings
VE17	Bark mulch	£ 1,127	£ 566	£ 2,293	Supply and install bark mulch to all ornamental beds and individual trees	Could omit bark mulch and beds would subsequently need to be weeded by the cemetery team <i>(Item 7.3.47)</i>	A	Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -
VE18	Provisional sums - Vegetation clearance	£ 2,000	£ 2,000	£ 2,000	Cutting back branches and facing hedgerows to facilitate works	If required, this work could be undertaken by the cemetery team? <i>(Item 110)</i>	A	Accepted	£ 2,000.00	£ 2,000.00	£ 2,000.00
VE19	Provisional sums - Signage	£ 5,000	£ 5,000	£ 5,000	Supply and fix traffic signage	If required, this work could be undertaken by the cemetery team? <i>(Item 110A)</i>	A	Accepted	£ 5,000.00	£ 5,000.00	£ 5,000.00
VE20	Provisional sums - Litter bins	£ 3,000	£ 3,000	£ 3,000	Supply and install new litter bins	If required, this work could be undertaken by the cemetery team? <i>(Item 110B)</i>	A	Accepted	£ 3,000.00	£ 3,000.00	£ 3,000.00
VE21	Seating	£ 9,558	£ 9,600	£ 10,056	Supply and install Furnitubes STL RB 104 Stirling benches (2 benches forming 180 degree half circle)	Omit all benches apart from those in the first lawn. This was as per the drawings but quantity error in the schedule of works <i>(Item 5.7.1)</i>	A	Accepted. Seating could possibly be paid for by sponsors	£ 9,557.52	£ 9,600.00	£ 10,055.76
VE22	Internal roads - Western N/S road	£ 26,390	£ 23,824	£ 27,263	Supply & install porous tarmac road with kerbs and drainage - Western north-south road	Omit western north-south road (saving currently excludes drainage items). This would be a change to approved planning information if never built, but could be constructed when funds allowed <i>(Items 3.1.3 to 3.1.4, 3.1.13 to 3.1.14, 5.2.3 to 5.3.6, 5.3.2 & 5.5.1)</i>	D	Road would be required in the long-term and would subsequently be more expensive. Install now	£ -	£ -	£ -
VE23	Internal roads - excavation depth	£ 8,599	£ 9,396	£ 9,088	Excavate internal roads to 460mm (based on roads set approx 40mm above existing levels)	Remove 50mm kerb upstands to road to say 6mm for drainage (road and grass areas to be set approx 90mm above existing levels) to reduce excavation of clay and subsequent disposal of material <i>(Items 3.1.4 & 3.1.13)</i>	B	It is undesirable to have flush kerbs as vehicles would traverse over grass margins/graves. Although some vehicles bump up the kerbs at least they provide a bit of a deterrent	£ -	£ -	£ -
VE24	Porous tarmac	£ 7,603	£ 6,430	£ 6,893	Supply and install 150mm depth of SuperDrain asphalt	Discuss with contractors alternative products or reducing the depth of tarmac - Suggested 5% saving, although this may not be fulfilled <i>(Item 5.5.1)</i>	C	If required, consult with lowest tenderer to see if savings are achievable	£ -	£ -	£ -
VE25	Preparation of planting areas	£ 755	£ 450	£ 190	Carry out cultivation for planting areas	High prices returned by two contractors. If the planting is undertaken by the Cemetery then this item can be omitted <i>(Item 7.3.1)</i>	B	Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -
VE26	Reduced programme - Planting	£ -	£ 8,000	£ -	Preliminaries based on 20-week programme	Potential to reduce programme by omitting items. Idverde & Thorne suggest little scope for programme savings based on soft landscaping. Millgrove programme suggest the programme could be reduced by up to 6 weeks by omitting some of the soft landscaping - savings based on a 4 week saving <i>(Item A10 to A55)</i> . Based on Millgrove prelims pro rata would be saving of £5,660/week, but Millgrove confirmed <i>(21.05.19)</i> only £2,000/week	B	Accepted. Would need agreement with the contractor that preliminary costs would be reduced in alignment with the reduced programme (15 weeks based on VE26 & VE31)	£ -	£ -	£ -
VE27	Preparation of seeding areas	£ 2,359	£ 18,461	£ 2,974	Carry out cultivation for all proposed grass areas	Seeding required to satisfy planning requirements. Could omit and see if the cemetery team could prepare & seed the soiled areas <i>(Item 7.2.1)</i>		Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -
VE28	Amenity grass seeding	£ 1,187	£ 4,452	£ 4,219	Supply and seed amenity grass	Seeding required to satisfy planning requirements. Could omit and see if the cemetery team could seed the soiled areas. Materials would need to be provided <i>(Item 7.2.2)</i>		Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -
VE29	Meadow grass seeding	£ 3,138	£ 14,022	£ 12,486	Supply and seed meadow grass	Seeding required to satisfy planning requirements. Could omit and see if the cemetery team could seed the soiled areas. Materials would need to be provided <i>(Item 7.2.3)</i>		Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -
VE30	Amenity grass turfing	£ 2,256	£ 3,876	£ 3,970	Supply and lay low maintenance turf	Seeding required to satisfy planning requirements. Could omit turf laying and see if it could be completed by the cemetery? Saving based on the remaining 408m2 after VE13 has been taken <i>(Item 7.2.4)</i>		Retender all soft landscape works as a separate contract to run following completion of this main contract (see VE32)	£ -	£ -	£ -
VE31	Reduced programme - Seeding	£ -	£ 2,000	£ -	Preliminaries based on 20-week programme	Potential to reduce programme by omitting items. Idverde & Thorne suggest little scope for programme savings based on soft landscaping. Millgrove programme suggest the programme could be reduced by up to 6 weeks by omitting some of the soft landscaping - savings based on a further week saving from VE27 <i>(Item A10 to A55)</i> . Based on Millgrove prelims pro rata would be saving of £5,660/week, but Millgrove confirmed <i>(21.05.19)</i> only £2,000/week		Accepted. Would need agreement with the contractor that preliminary costs would be reduced in alignment with the reduced programme (15 weeks based on VE26 & VE31)	£ -	£ -	£ -
VE32	All soft landscape works	£ 38,691	£ 100,745	£ 89,268	Supply and implement all landscape works	Retender all soft landscape works as a separate contract to run following completion of this main contract <i>(Item 7.2.1 to 7.3.47)</i> . This would only create a saving on the main contract value as costs would need to cover the subsequent contract		Retender all soft landscape works as a separate contract to run following completion of this main contract	£ -	£ -	£ -

Contractor confirmed additional costs

5.1.1 - Revised cost for natural stone wall (no design change)	£ -	-£ 21,600.00	£ -
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Value Engineering Options

Savings Categories

A = Recommended for acceptance / B = Recommended if required / C = For discussion but not recommended unless necessary / D = Highly undesirable

Ref	Item	Idverde Potential Saving	Millgrove Potential Saving	C J Thorne Potential Saving	Item Description	Impact of VE	EEBC VE Preference Category	EEBC Comments (VE Workshop comments & subsequent Tony Foxwell comments)	Idverde Confirmed Savings	Millgrove Confirmed Savings	C J Thorne Confirmed Savings
								5.5.1 - Revised cost for porous asphalt surface (no design change)	£ -	-£ 34,700.00	£ -
								Total Accepted Savings	£ 39,732	£ 11,788	£ 42,301
								Updated Tender Sum	£ 802,037.38	£ 865,329.66	£ 938,464.03

Potential Savings Total	£ 346,079	£ 408,643	£ 508,850	Note: Potential savings total includes double counting
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Remaining contingencies £ 77,069.60 £ 74,199.00 £ 75,165.00

KEY

Option accepted
Option accepted, if required
Option not accepted unless absolutely necessary
Option rejected

NOTES

1. All potential savings are approximate only
2. Any accepted saving opportunities are subject to drawing amendments and subsequent recalculation of the Bills of Quantities
3. Changes to the final scheme may be subject to further planning approval
4. Costs do not allow for the supply of the grave markers and studs, or the supply and installation of the storage container. These items are to be provided by EEBC
5. Costs do not allow for application fees associated with mini Section 278 agreement

Cost if soft landscaping works carried out by another (excludes cost of soft landscaping works) : £763,346.34 £ 754,584.52 £849,195.98

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EWELL COURT HOUSE

Head of Service/Contact: Damian Roberts, Chief Operating Officer
Mark Shephard, Head of Property and Regeneration

Urgent Decision?(yes/no)

If yes, reason urgent decision required:

Annexes/Appendices (attached): **Annex 1** – Plan of Ewell Court House
Annex 2 – Pictures of Ewell Court House

Other available papers (not attached):

Report summary

This report sets out a review of actions taken by the Council to increase bookings at Ewell Court House as part of the Council's agreed approach to enterprise and income generation. The actions have led to some improvements in bookings, but not to the level needed to make the venue financially sustainable.

This report explores the opportunity and potential benefits from entering into a partnership with a specialist from the wedding and events sector to maximise the public and community use of this important and treasured building and recommends a way forward. This approach has been recommended by the Council's Community and Wellbeing Committee at its meeting on 20 June 2019.

Recommendation (s)

- (1) Agree the approach set out in this report to increase bookings at Ewell Court House and put the building on a more financially sustainable footing.**
- (2) Agree that officers seek to appoint, through a competitive selection process, a suitable specialist partner to manage bookings and events at Ewell Court House as well as day to day maintenance through a leasehold agreement.**
- (3) Agree that subject to the successful outcome of the selection process, to delegate the decision to agree terms and enter into an agreement with the specialist partner organisation for a period of no more than 15 years to the Chief Operating Officer and the Chief Finance Officer, in consultation with the Chairman of Strategy and Resources Committee**

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

- 1.1 This report contributes to the priorities in the Council's Corporate Plan, namely, "Supporting our Community" and "Managing our Resources". The report also contributes directly to the Council's Enterprise and Income Generation Plan approved in 2018.

2 Background and history of the building

- 2.1 Ewell Court House is a Grade II listed building owned by the Council and dating back to the late 1730s. In 1892 it was remodelled by the then owner to make it more suitable for grand Victorian entertaining. The building is licenced for wedding and civil ceremonies.
- 2.2 It is an imposing and characterful building with a grand reception area, decorative ceilings, wood panelling, polished wooden floors, stained glass windows and the tegula paved terrace overlooking the lake. **Annex 1** includes some relevant pictures. The building is set in the beautiful historic grounds of Ewell Court Park, which held the prestigious Green Flag status from 2012 with fountains, cascades, rock pools and its own secret grotto.
- 2.3 It is widely acknowledged that Ewell Court House has great potential as a venue for weddings and other important occasions as well as being a valued place for local community groups to meet. The building can accommodate 90 guests for a wedding breakfast and 120 guests for an evening party. It can also seat 100 for a wedding ceremony.
- 2.4 The building was refurbished and partly rebuilt by the Borough Council following a serious fire in December 2013 which destroyed 50% of the roof and various parts of the upper structure and resulted in severe water damage to ceilings, ornate plaster work and floors. Following the reconstruction works, the building reopened for bookings in November 2015.
- 2.5 The Council works closely with a local community group, Ewell Court House Organisation (ECHO), and they have also helped to promote the importance of the building and encourage its use.

3 The Council's Enterprise and Income Generation Plan

- 3.1 In April 2018 the Strategy and Resources Committee agreed the Council's Enterprise and Income Generation Plan. This built on the positive thinking and practice that already exists within the Council along-side reinforcing the strong public service ethos that characterises the borough and which continues to put the borough's residents first.
- 3.2 Four specific work streams were identified in the plan:
- identify market opportunities in both the short and medium term

- provide services that customers are prepared to pay for, which generates revenue that can be reinvested into Council services
- enable services to respond more quickly and efficiently to market opportunities.

3.3 In relation to venues such as Ewell Court House, the plan included a focus on increasing wedding bookings and other events at Ewell Court House and identified, effective marketing, sales and web site development as well as “exploring more partnership opportunities with local industry specialists”.

4 Efforts to improve bookings at Ewell Court House

- 4.1 Since the reopening of Ewell Court House in November 2015 bookings have not reached expected levels. As a result in recent months the Borough Council has taken positive steps to encourage more events to be booked at Ewell Court House through improved marketing. This has included a new dedicated website <http://www.ewellcourthouse.org/> and the production of a new marketing brochure. Some of the pictures from this brochure are included in the Annex 2.
- 4.2 As a result of the Council’s additional marketing activities, bookings and income levels have increased at Ewell Court House. However, there continues to be significant times when the building is unoccupied or partially unoccupied. This includes a number of Friday and Saturday evenings when larger celebration events would usually be expected to take place.
- 4.3 During the 2018/19 financial year, the Council took 49 booking for higher value celebration type events including engagement parties, wedding anniversaries, Christmas parties, birthdays and weddings, generating some £45,000 in income. This falls short of the potential of 92 events of this type that could have been accommodated at Ewell Court House on a Friday or Saturday evening alone. This would have generated closer to £85,000 in annual income in addition to the £22,000 from regular or ad hoc smaller hires that take place at other times of the week.

5 Options appraisal

- 5.1 Three key options for the Council are set out below. All options considered are based on the Council retaining ownership of Ewell Court House as the long-term custodian of this important community building.

Option	Description	Potential implications
Option 1 – Continue as is	Continue to utilise the in-house knowledge and expertise to try and increase bookings at Ewell Court House	Benefit Stability created by no change. Disadvantages - The building will remain underutilised, Local Tax payers will continue to subsidise the costs of bookings in the building offering no long-term financial sustainability.
Option 2 – Additional staff and marketing budget	Employ additional staff with experience and marketing expertise from the wedding sector and secure a larger budget for marketing and promotion.	Benefit - More marketing effort will lead to increased interest, some of which will convert into bookings Disadvantages.- Additional costs to the Council with the risk that insufficient additional bookings can be achieved to fully cover these costs.
Option 3 – Enter into a partnership with a specialist wedding and events company	The full range of services associated with booking and supporting events at Ewell Court House would be undertaken on the Council's behalf by a partner with the expertise and track record in weddings and events.	Benefit - Some risk transfer Increased bookings and income to the Council Reduced running costs to the Council Higher levels of customer service and satisfaction More community use Disadvantages – It may not be possible to find an organisation that meets the Council's expectations.

- 5.2 The above options appraisal would suggest that the greatest potential benefit could be derived from Option 3 – to enter into a partnership with a specialist wedding and events company for the day to day operation of bookings and services at Ewell Court House.

6 What could be achieved by working with a specialist partner

- 6.1 For illustrative purposes, the type of outcomes the Council would seek to achieve by working with a specialist partner, say through a lease/ agreement of up to 15 years, could be as follows:

- A strong wedding and events offer for Ewell Court House, with effective marketing and end to end customer service
- Higher levels of bookings being taken with associated improvement in overall building utilisation resulting from higher levels of customer satisfaction
- Discounted community use of the building on certain days/times compared to what the community currently pay
- Reduction in the staffing, running expenses and maintenance costs incurred by the Council
- Capital investment by the partner organisation in the maintenance and further enhancement of the building (this would be subject to the Council's agreement and Planning permission where appropriate)
- A guaranteed income to the Council that could enable the building to be put on a more sustainable financial footing

6.2 Through these arrangements, the Council would be transferring the operational financial risk to the partner organisation for the period of the agreement, with the partner then taking responsibility for the future pricing structure. In contrast, the subsidised rates for use of the building by local community groups would be agreed by the Council at the start of the partnership and could only be amended with the agreement of the Council. This is similar to the partnership arrangements that exists for the day to day operation of the Council's Rainbow Leisure Centre although on a much more modest scale, or more closely reflects the successful partnership type arrangement that operates at Nonsuch Mansion.

6.3 The Council would only enter into an agreement with a partner organisation if it offered an improved outcome in the net position on running costs and income and an improved subsidy/outcome for the local community groups that use the building.

7 What type of specialist partner would the Council seek to work with

7.1 There are a number of criteria that could be used to select the best organisation for the Council to partner with and this would be tested through a formal procurement process in line with Council policy. This could include some or all of the following:

- A successful track record in the wedding and celebration events sector
- A successful track record as a custodian of historic community buildings
- A successful track record of building and maintaining positive relations with local community groups and public sector organisations
- Ability to offer a comprehensive wedding service package including catering.
- Established strengths in marketing, end-to-end customer service, and the delivery of high quality digital communications (web sites, social media, etc).

8 Financial and Staffing Implications

- 8.1 The total direct costs associated with operating Ewell Court House as a venue is almost £131,000 and this is partially offset by £68,000 in income from bookings.

Staffing costs	76,580
Direct running expenses (excl central overheads)	54,211
Total Costs	130,791
Income from bookings	68,392
Shortfall	-62,399

- 8.2 In addition to the income from room lettings the site also generates in excess of £77,000 from commercial leases. The leases relate to the attached library, the café, Bambinis Nursery and the second floor space occupied by the company "Four Seasons".
- 8.3 Other costs of £95,271 currently charged to Ewell Court House, for works to the fabric of the building, apportionment of central overheads and capital charges are excluded as these costs are likely to be retained by the Council.
- 8.4 If it is agreed that events at Ewell Court House should be undertaken on the Council's behalf by a partner organisation then any implications as a result of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will be explored as part of the tender process and, if applicable, could result in the Council working with the partner organisation to progress a consultation process with the member(s) of EEBC staff to whom TUPE regulations apply.
- 8.5 **Chief Finance Officer's comments:** The operating of Ewell Court House as a venue costs this Council in the region of £62,000 per annum. Any reduction in this subsidy can be used to mitigate the impact of future funding reductions for this Council.

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

- 9.1 The legal implications are considered in the body of this report. If this proposal is agreed then preparation of the documentation for the tender process, consideration of TUPE implications and preparation of any resulting lease and or agreement would need to be undertaken.
- 9.2 **Monitoring Officer's comments:** None arising from the contents of this report.

10 Sustainability Policy and Community Safety Implications

- 10.1 Securing greater use of the building will help Ewell Court House to be more financially sustainable, and will help deter anti social behaviour that can sometimes arise in and around unoccupied or underutilised buildings.

11 Partnerships

- 11.1 The Council has a long and positive track record of working in partnership with specialist organisations to secure best value for the Council and for local residents. This recognises that as a relatively small Borough Council, with a modest workforce, it is not possible to build up or sustain high level of technical or specialist expertise in all areas.
- 11.2 The Council has entered into successful partnerships for the day to day operation of the Council's Rainbow Leisure Centre and the day to day management of Nonsuch House.

12 Risk Assessment

- 12.1 As with any change it is important to understand the potential risks and to address these were possible through actions that will mitigate those risks.
- 12.2 While there is a risk that the Council may be unable to find a suitable partner with the required expertise and track record to partner with, if one is found, the table explores the main risks associated with entering into a partnership and how these can be mitigated.

	Risk Area	Mitigation	Risk
1	Insufficient additional booking and associated income is generated	This risk would be transferred to the Council's partner, with the Council seeking a guaranteed level of income	Low
2	The partner may not have the necessary expertise to make this arrangement a success	The Council will only enter into a partnership with an organisation that has a clear track record of success in this area.	Low
3	The day to day condition of the building may not be maintained to the required standard	Responsibility for the day to day maintenance of the building would transfer to the partner organisation and compliance will be closely monitored by the Council. There would also be a built in incentive for the partner to maintain the building to a very high standard in order to secure bookings.	Low

4	The community use of the building may suffer as a result of the increased booking for events	The level of subsidised community use would be formally agreed in advance and the subsidised prices fixed providing certainty to local community groups. This may mean that community use will need to be focused on the quieter times of the week (ie those times that would be less popular for weddings or big occasions)	Low
5	The partner may not be successful and run into financial trouble and need to withdraw from the partnership	The building would remain in Council ownership and the day to day operations would return to the Council if for any reason the partner was unable to continue.	Low
6	The partner organisation may be more successful than expected and as a result generate more income for themselves	There has to be a commercial incentive a partner organisation to come on board and to achieve positive outcomes. However, the Council would seek to put in place a mechanism to share in the benefit of any operating surpluses above a certain level alongside open book accounting to ensure there is complete transparency.	Low
7	Local Community Groups who use Ewell Court House may be concerned.	Early and open communication with relevant local community groups will take place before any partnership is entered into This will explore the significant community benefit of the approach as well as to the overall sustainability of the building and seek their input into defining the selection criteria for a new partner.	Low / Medium
8	Bookings at other Council venues in the borough may suffer if bookings at Ewell Court House increases	The character, location, size, and condition of Ewell Court House means that it provides a specific niche offer which can be seen as different and complementary to the offer at other Council owned venues such as the Town Hall,	Low / Medium

		Nonsuch Mansion, Community and Wellbeing Centre, Rainbow Leisure Centre and Bourne Hall	
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13 Conclusion and Recommendations

- 13.1 Entering into a partnership with a specialist wedding and event management organisation would enable the Council to increase bookings, put Ewell Court House on a more sustainable footing, and secure on-going subsidised access to the building at agreed times for local community groups.
- 13.2 This has been carefully considered by the Council's Community and Wellbeing Committee at its meeting on the 20 June 2019 and they have recommended to this Committee that the Council seek to enter into a partnership with a a specialist wedding venue company to increase bookings at Ewell Court House and put the building on a more sustainable footing.

Ward(s) Affected: Ewell Court Ward;

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Pictures from Ewell Court House



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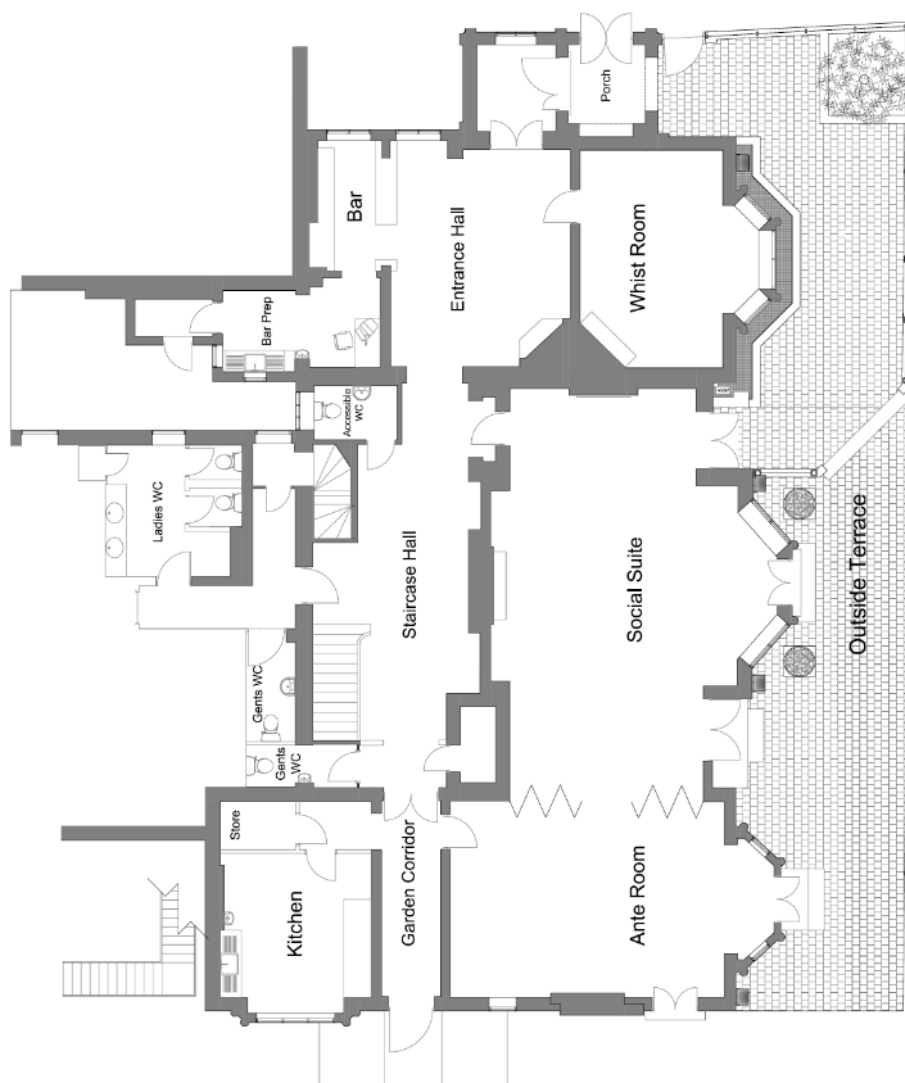
Floor Plan for Ewell Court House

Agenda Item 9
Annex 2

Annex 2



First Floor



Ground Floor

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FUTURE40 - DRAFT LONG-TERM VISION FOR EPSOM AND EWELL

Head of Service/Contact: Damian Roberts, Chief Operating Officer

Urgent Decision?(yes/no) No

If yes, reason urgent decision required:

Annexes/Appendices (attached): **Annex 1** - Borough Profile
Annex 2 - Public engagement images

Other available papers (not attached):

Report summary

Future40 is a Council led initiative to develop a long-term vision for Epsom and Ewell.

Rather than imposing a top down view on what Epsom and Ewell's vision should be (an approach adopted in other places), the Borough Council embarked on the largest consultation and engagement exercise ever undertaken in the borough, to engage and listen to residents, businesses, community groups, faith organisations and other public sector organisations about what their priorities and aspirations are for the future of the borough.

This report sets out the outcomes from the public engagement that has taken place and sets out the next steps in bringing forward a new vision and putting in place arrangements to oversee its successful implementation.

Recommendation (s)

- (1) To agree the draft long-term vision for Epsom and Ewell set out in paragraphs 6.5 and 6.6 of this report for further stakeholder engagement.**
- (2) Note that the Committee is due to consider the Council's new draft Corporate Plan 2020-2024 at its 26 November meeting.**

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

- 1.1 Epsom and Ewell's new long-term vision will help set the direction of the Council's new Corporate Plan 2020-2024.

2 Background

- 2.1 Just over a year ago on the 26 July 2018, the Strategy and Resources Committee agreed to develop a new long-term vision for the borough and the type of engagement process that would be fundamental to that process.
- 2.2 The approach agreed by Members reflects the Council's vital community leadership and resident engagement role. It demonstrates that the Council is listening to its local community, is not just focused on the actions it is taking today, but also has a keen eye on the borough's future. This is important as decisions taken today can have a significant bearing



on future including the environmental, social and economic outcomes for Epsom and Ewell. It is also the case that improving outcomes in these and other important areas often requires a sustained focus over the short, medium and longer-term and relies on the support and coordination of other key stakeholders (Health, Police, Business, Voluntary Groups etc) working alongside the local authority.

- 2.3 The approach agreed by this Council also reflects the need for a clear evidence base of the drivers impacting on the borough and the analysis of the quantitative and qualitative data on the views and aspirations that local people have for Epsom and Ewell.

3 Key quantitative characteristics of Epsom and Ewell

- 3.1 Epsom and Ewell's long-term vision is informed by the demographic and socio economic drivers as well as key characteristics of the borough. This is summarised below with further details attached at **Annex 1** in the form of a borough profile.

3.2 Community

- The population has been growing faster than any other place in Surrey over the past 16 years
- Over the next 16 years, the population will age significantly with the over 85 year old population increasing by over 80%

- While there is a projected increase in births over the same period, the core working age population is projected to decline
- Epsom and Ewell is the least affordable place to live in Surrey when comparing household income to property prices.
- 91.9% of properties in the borough are privately owned - higher than Surrey and Nationally.
- One of the highest rates of homelessness in Surrey
- While Epsom and Ewell is a relatively safe place, 2016/17 and 2017/18 drug offences increased by 35.2%, domestic burglary increased by 29.3%.

3.3 Environment

- About 42% of the borough is formally designated as green belt with almost 40% of this being publically accessible open space
- Four of the Borough's Parks have been awarded the prestigious Green Flag Award - Epsom Common Local Nature Reserve, Ewell Court Park, Alexandra Recreation Ground, Rosebery Park
- Compared with the rest of Surrey, Epsom and Ewell is also the most urban and densely populated borough.
- While air quality in Epsom and Ewell has improved year on year, it still has one declared air quality management area (AQMA) along a section of Ewell High Street where pollution levels, Nitrogen Oxide (NOx), just exceed national targets. The biggest contributor to this problem is non electric vehicles.
- Fantastic Parks and Open spaces including Horton Country Park Nature Reserve, Auriol Park, Ewell Court Park, Nonsuch Park, Hogsmill Park, Bourne Hall Park, and the Epsom Common - the largest local nature reserve in Surrey.

3.4 Location and connectivity

- Epsom and Ewell is the Smallest borough in Surrey with everything within easy reach, for example this is the closest Borough in Surrey to the City of London and the West End.
- Easy rail access within and on the borders of Epsom and Ewell and Epsom Station being the 3rd busiest in Surrey
- Located equidistant from the two busiest airports in the UK and easy reach of the M25 and 45 miles to the South Coast

- Overall rated as the most well connected Borough in Surrey

3.5 Opportunity and Attainment

- Epsom and Ewell is the top performing place in the County for attainment at GCSE level with Surrey being the highest performing County in England. 17 local schools are rated outstanding by OFSTED
- Epsom and Ewell is rated top overall in Surrey for “Social mobility” and in the top 20 nationally. This means that it is a great place for opportunity where anyone can build a good life for themselves regardless of their background.
- The highly regarded University of the Creative Arts, including the only international Business School for the Creative Industries in the county.
- North East Surrey College of Technology (NESCOT) is the highest performing FE College in Surrey and number one for apprenticeship achievement in UK.
- 52% of residents of working age hold a qualification at level NVQ4 or above. This is higher than both the Surrey average of 50% and significantly higher than the national average of 38%.

3.6 Culture

- Epsom Downs Racecourse, home of the world famous Derby, and one of only six Grade 1 Racecourses in England
- University of the Creative Arts – a leading university in the creative industries.
- Laine Theatre Arts, a leader in turning out top talent for the West End and the national performing arts sector.
- Home of Epsom Playhouse Theatre and The Horton Chapel – new arts centre is currently in development
- Bourne Hall Community Centre and Bourne Hall Museum
- NESCOT – highly regarded Performing Arts and Art and Design schools
- The new Market Place and performance area
- Arts and cultural events held throughout the year
- 8 Screen Odeon Cinema

- Grand places such as Nonsuch Mansion, Royal Automobile Club and Ewell Court House and landmarks such as the Clock Tower, and from the Epsom Downs vantage points over London

3.7 Health and Wellbeing

- The history of being a spa town, with invigorating waters and clean air
- Epsom General Hospital– providing an extensive range of inpatient, day and outpatient services, and a busy accident and emergency (A&E) service
- The previous long-stay hospital clusters
- The Borough Council's Community and Wellbeing Centre
- The Borough Council's award winning Rainbow Leisure Centre
- 54.4% of the adult population of the Borough is classified as overweight or obese which is similar to the figure for Surrey as a whole
- However, the prevalence of obese children aged 4 - 5 years is only 4.7%, compared to Surrey's 6.1%. At aged 10-11 years the rate in Epsom and Ewell is 9.1%, compared to Surrey's 13.4%.
- Despite the Borough being relatively prosperous, life expectancy varies up to 10 years between the poorest wards and those that are most affluent
- Despite being a relatively affluent borough, some parts are among the top 5 most deprived places in Surrey

3.8 Business and Economy

- In the top 20 most affluent (and least deprived) local authority areas in the country
- The median gross weekly pay for employees living in the borough is £723.60. This is higher than the Surrey equivalent at £702 and much higher than the South East equivalent at £614.50.
- Epsom and Ewell was ranked 45 out of 379 on the business competitive index where 1 is the most competitive.
- The total number of enterprises (VAT Traders and PAYE employers) in the borough in 2018 is 3,725, an increase of 40 from the previous year.
- The home or UK headquarters for a number of national and international companies such as Nuffield Health, Atkins and of Toyota on the borough boundary,

- Third largest horse training facilities in England

4 Future 40 Engagement that has taken place

4.1 The Future40 engagement process took place between August 2018 to June 2019, a period of eleven months. Following the creation of dedicated Future40 branding (for banners, posters, leaflets, etc), website www.future40.org and an on-line and social media presence, a wide ranging engagement programme was rolled out. This included:

- Detailed on-line and paper based questionnaires
- Post cards “from the future” and promotional video
- Large Citizen’s Panel workshops at Bourne Hall
- Front page and main feature in Borough Insight sent to every household in the borough and information sent to all subscribers to the Epsom Playhouse Magazine
- Front page and main feature in the Epsom Comet newspaper
- Large stakeholder events held at Epsom Downs Racecourse drawing in local leaders from the business, public and voluntary sectors
- Meeting with existing professional network groups (eg the Business Leader’s breakfast, the local Property Agents Network etc)
- Meetings with local community and faith organisations
- Attendance (stands or exhibition trailer) at high footfall locations including the Ashley Centre, the Playhouse, and in supermarkets and at regular events (eg Farmers Market, Book Fairs etc)
- Attendance at high profile events (Surrey Youth Games Awards, Film Festival, the annual Jobs Fair, Herald of Spring etc)
- Engagement workshops with each of the main five political parties
- Engagement with local schools and colleges, including through the borough wide children’s Art Competition
- Meetings with stakeholder organisations (The BID Board, Nescot, Toyota, etc)

5 A high level of engagement achieved

- 5.1** The Council received a very positive response to its engagement on Future40 which reached out to every household in the Borough over the past year. Over 3,300 local people engaging directly with Future40. In addition, over 4,600 have engaged through the Council's dedicated website, over 15,000 through social media. Over 1,800 people have completed detailed questionnaires, and over 1,100 have been part of one to one or group engagement such as Future40 workshops. Some images from this engagement are included in **Annex 2**.
- 5.2** There was very strong support from those that the Council engaged with, for the need for a long term vision for the borough, and great appreciation of the efforts made and the collaborative approach taken by the Borough Council.
- 5.3** There was also strong consensus about what made Epsom and Ewell the very special place it is today and what the priorities should be for the future.

6 The findings

- 6.1** The following word cloud provides a visual indication of the words that most people would use to describe the borough today. The bigger the word the more people included that word in their description of the borough



6.2 What people consider to be the Borough's key strengths:

- ✓ The great parks and open spaces
- ✓ Location and connectivity
- ✓ Excellent education offer
- ✓ Rich history and heritage
- ✓ The Racecourse and racing industry
- ✓ Creative Industries (UCA, Laine Theatre Arts etc)
- ✓ Retail centre and being a Market Town
- ✓ Long association with health and wellbeing

6.3 What people are most concerned about:

- × Traffic, congestion and the dominance of motor vehicles
- × Declining / unkempt/ unwelcoming/ old fashioned / uninspiring
- × Risks to the high street with changing shopping habits
- × Lacking a coherent identity for the borough
- × Lack of affordable housing for local people & workers
- × Lack of affordable work spaces for new business
- × Lack of safe cycle routes and adequate bus services
- × Growing anti social behaviour
- × Not enough facilities for young people
- × Not able to retain talented young people & young professionals
- × Protecting the environment including biodiversity and clean air quality

6.4 What local people have identified as their priorities for the future:

- Green
- Prosperous, enterprising, and vibrant
- Safe
- Healthy
- Attractive and clean
- Creative and Cultural
- Affordable homes and affordable places to start a business
- Making more of the borough's history and heritage
- Connected (transport, digital, communities etc)
- Attractive for young professionals and families
- A clear and unique identity

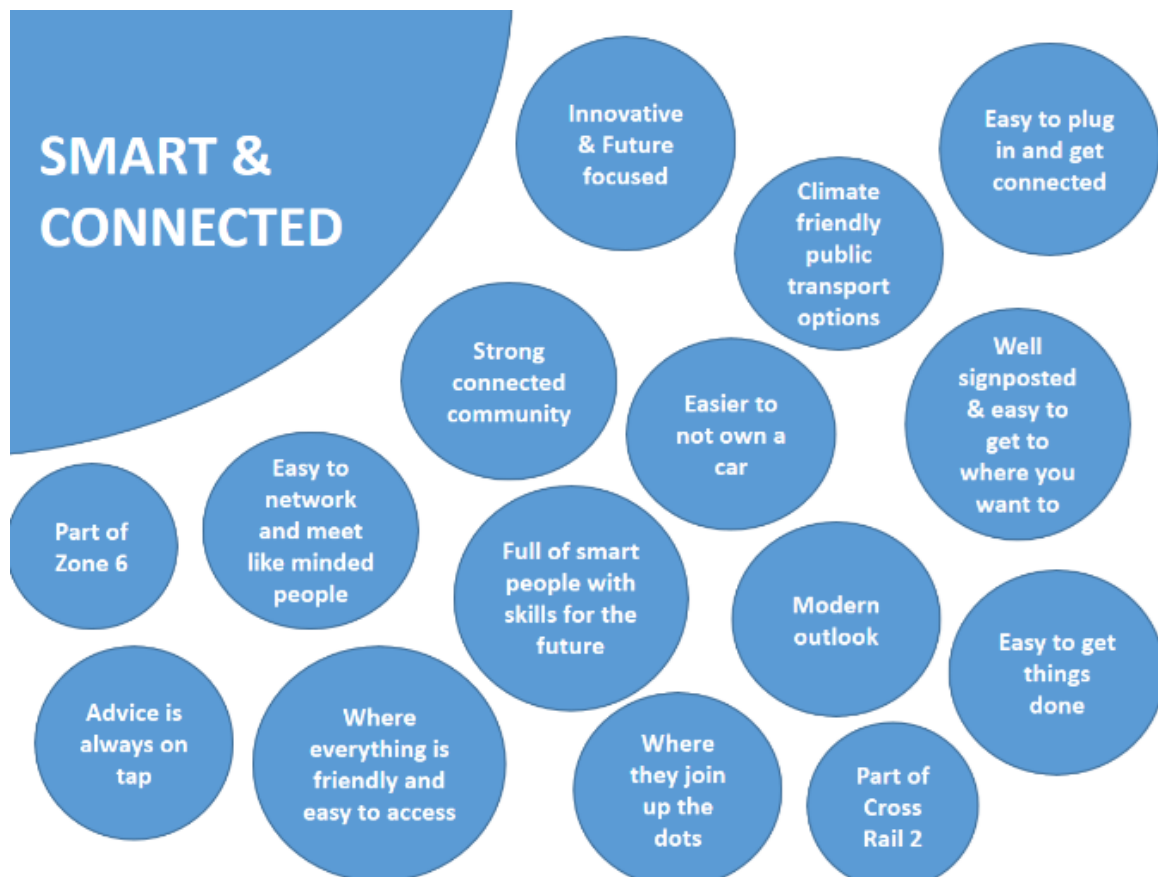
- 6.5 The emerging issues from the consultation were also subsequently consulted on during the later stages, and the outcome has helped draw out five overall themes that best reflect the views and priorities of local residents and stakeholders for the future of the borough. These are:



- 6.6 As well helping to identify the five themes of: Green and Vibrant; Opportunity and Prosperity; Safe and Well; Cultural and Creative and Smart and Connected, the latter stages of the consultation has also assisted with the identifying the nature of the outcomes that local residents and other stakeholders want to see. These are set out below under each theme.







7 Delivery arrangements

- 7.1 However well founded and articulated a vision can be on paper, its real value is derived from the actions and outcomes that are delivered as a result. It is therefore important to consider how this long-term vision will start to shape and drive positive change in the Borough.
- 7.2 There are a number of opportunities over the coming year for the new vision for Epsom and Ewell to inform the direction of the Council's work, setting the context and direction for a number of important work streams. This includes the development of the Council's new Corporate Plan 2020-2024.

New Corporate Plan 2020-2024

- 7.3 The Council's new Corporate Plan will be an important opportunity for the new Council to set out its delivery priorities for the next four years, reflecting Member aspirations and informed by the new Vision for Epsom and Ewell including the significant resident and stakeholder engagement that has taken place in recent months through Future40. The focus will be on deliverability, carefully balancing ambition with available resources and making the most of opportunities to work in partnership with others.
- 7.4 As well as the new Corporate Plan, other key plans and work programmes will be informed by the new vision for Epsom and Ewell, this includes:
- The new Local Plan for Epsom and Ewell
 - The new Transformation Master Plan
 - The Council's future approach to regeneration
 - Asset Management Plan
 - The investment in and expanded use of the Market Place
 - Health and wellbeing Strategy
 - Community Safety and Enforcement Plan
 - Future Community Infrastructure Levy (CIL) Priorities
- 7.5 The new vision will also give increased weight and context to the Council's existing work such as Enterprise and Income Generation, and Economic Development and Business Support, etc.

8 Financial and Manpower Implications

- 8.1 The work on Future40 has been supported by an agreed budget of £45,000 which has been used to meet the costs of all the resident and stakeholder engagement and communication activities, events, surveys and research that has taken place over the past year including design and fund the design and print costs associated with the final vision.
- 8.2 **Chief Finance Officer's comments:** The funding for the visioning has been funded from the uncommitted balance of the Housing and Planning Delivery Grant reserve and the remaining £25,000 funded from within the revenue budget for 2018/19 by aligning with other existing activities related to Economic Development, Planning and Community Wellbeing.

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

9.1 The Local Government Act 2000 gave local authorities the power to act to promote the economic, social and environmental wellbeing of their area. More than a decade later, this power was updated and further extended by the Localism Act 2011, which introduces a general power of competence, ie “a local authority has power to do anything that individuals generally may do”. The Council therefore has the power to develop a new long-term vision for the Borough and helps secure the long-term success of the local area.

9.2 **Monitoring Officer’s comments:** none arising from the contents of this report.

10 Sustainability Policy and Community Safety Implications

10.1 The proposals set out in this report are designed to make a positive contribution to making Epsom and Ewell a more sustainable place in both the shorter and longer-term. In particular, the emerging theme of Green and Vibrant recognises the importance of the boroughs’ green infrastructure, sustainable building design, clean air and bio diversity.

11 Partnerships

11.1 Developing a longer-term vision for the Borough is a partnership endeavour. It builds on the Council’s positive relationships and increasing track record at partnership working. In developing a longer-term vision for the borough, the Council will engage with the key organisations in the borough from the private, public and voluntary sectors. .

12 Risk Assessment

12.1 There are significant potential risks of not having a long-term vision for the Borough that has the buy-in of both residents and partners. The Council’s actions to develop a long-term vision for Epsom and Ewell and the comprehensive approach taken to the community and stakeholder engagement through Future40, can be seen to have substantially addressed this risk.

13 Conclusion and Recommendations

13.1 Following a thorough resident and stakeholder engagement process the Council now has a draft vision that reflects the clear views of local people and stakeholders about their priorities for the future of their borough. Once agreed, the Council will need to put into place, with relevant partners, arrangements to ensure that the vision is delivered on the ground.

Ward(s) affected: (All Wards);

Epsom and Ewell

Borough Profile 2018-19

December 2018

Note: The data included in this borough profile was accurate at the time of compilation - December 2018. Due to the constant update and refresh of data, which occurs at varying intervals, when using this document reference should always be made to the corresponding source and date included in the references section at the end of this document.

Some data variations may occur dependant on source, independent rounding and/or date of collection. Comparisons between areas must be undertaken with caution as some data estimates are provided from a sample survey.

Links to datasets correct as at 01 December 2018.





Epsom and Ewell is a small borough in Surrey, home to approximately 80,000 people.

Situated on Surrey's northern border, its nearest neighbours are the London Boroughs of Kingston and Sutton, and the two Surrey districts of Mole Valley and Reigate & Banstead.

The borough is extremely well connected, due, in part, to its prime location. It has excellent road and rail links. The M25 and A3 trunk roads are easily accessible, plus central London is less than 30 minutes by train. Both London Heathrow and Gatwick airports are located close by.

Despite being adjacent to London, acclaimed open green spaces are plentiful. To the south of the borough is Epsom & Walton Downs, home to Epsom Downs Race Course and the world famous Derby. An Area of Outstanding Natural Beauty, its chalk grassland is of international importance. Also located towards the south of the borough is Epsom Common, the largest local nature

reserve in Surrey; its wildlife is of great international significance. To the north of the borough is Nonsuch Park with links to King Henry VIII and his once elaborate palace and the Hogsmill Local Nature Reserve.

Epsom and Ewell has three main urban areas, the main town of Epsom, the village-like Ewell and the 1930s development of Stoneleigh.

***"A friendly safe borough with lots going on in the community."
(quote taken from Future40 Consultation 2018)***

Although small in size, the borough is home to a number of major national and international headquarters through to small independent enterprises. It is home to a couple of renowned educational establishments, namely the University for the Creative Arts and Laines Theatre Arts.

Epsom and Ewell is a affluent area where people benefit from an excellent quality of life. Residents enjoy good health, long life expectancy, first class education, and positive levels of employment.

However, this picture does mask pockets of deprivation across the borough, for example, Court Ward is the 4th most deprived ward in Surrey.

The borough experiences other challenges as well. The borough is the most densely populated in Surrey. Just over 1,200 children are living in poverty. Despite housing expansion, housing pressures remain due to high

prices and low affordability. Rates of homelessness are an on-going concern.

The borough is, however, looking forwards. Future40, an ambitious project facilitated by the Council and which draws on the views and aspirations of residents and partners, will see development of a long term vision for the Borough. The project will help steer Epsom and Ewell's continual growth and create a bright positive future that works for everyone.



Population

Number

- The latest population estimate (mid-2017) for the borough is 79,451 (51% female; 49% male).

Density

- Epsom and Ewell is the most densely populated borough in Surrey. Comprising an area just over 3,400 hectares (the smallest in Surrey) it has 23.32 persons per hectare. In comparison, Mole Valley, the least densely populated borough, comprises just 3.37 persons per hectare.
- Within Epsom and Ewell, Town Ward is the most densely populated with 56.74 persons per hectare. Woodcote Ward is the least densely populated with 8.50 persons per hectare.

Age Groups

- The percentage breakdown across three broad age groups closely reflects the county's position: 20.4% are children aged 0-15 years (Surrey 19.6%); 61.4% are aged 16-64 years (Surrey 61.6%); and 18.2% are older people aged 65+ years (Surrey 18.7%).

Ethnicity

- The percentage of people from an ethnic minority group is approximately 14%.
- Epsom and Ewell ethnic

breakdown shows that the two largest ethnic groups are White (86%) and Asian/Asian British (8.6%). Other representation includes 1.5% Black/African/Caribbean/Black British.

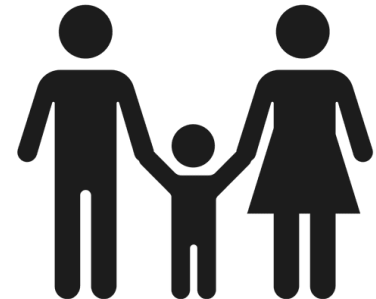
Religion

- In relation to religion the borough is 61.5% Christian and 24.3 % of no religion. 3% of the borough population is Muslim and 2.5% Hindu. Other religions include Buddhist (0.6%), Jewish (0.3%) and Sikh (0.2%).

Projected Growth 2016 to 2041

- The borough's population is projected to grow by 16.2%. This is the second biggest percentage increase in Surrey, being closely behind Reigate and Banstead at 16.3%. Surrey's population is projected to grow by 10.9%.
- In line with the national picture, the borough's population is predicted to age. Whereas the number of under 50s will increase by 4.8%, the number of over 50s will increase by 34.2%.
- Notable changes include a 76.2% increase in the number of people aged 85+ years. The number of under 10s will increase by 3.9%, but will decrease across Surrey as a whole by 3.8%.

- The number of residents aged between 35 and 44 will decrease by 7.8%.



79,451
population of
Epsom and
Ewell



16.2%
population
increase
by 2041



Personal Well-being

- Although evidencing some dips between years, overall average life satisfaction ratings improved from a rating of 7.11 in 2011 to 7.85 in 2018. This is higher than the Surrey rating of 7.73 - where 0 is 'not at all satisfied' and 10 is 'completely satisfied'.
- Average anxiety ratings for 2018 have been at their highest level for the last 5 years. We are the second most anxious borough in Surrey with a rating of 3.2. The Surrey average is 3.0 - where 0 is 'not at all anxious' and 10 is 'completely anxious'.

Social Mobility Index

- Epsom and Ewell is ranked 18th out of 324 local authorities on the Social Mobility Index, the highest of all the Surrey districts.
- The Social Mobility Commission defines social mobility as the link between a person's occupation or income and the occupation or income of their parents. Where there is a strong link, there is a lower level of social mobility. Where there is a weak link, there is a higher level of social mobility. The index uses a range of 16 indicators for every life stage - from the early years through to adulthood.

Household Composition

- 25.5% of Epsom and Ewell

households comprise people aged 65+ only. This is slightly higher than the Surrey average of 24.4% and higher than the national average of 23.7%.

Volunteering

- Volunteering opportunities exist across many areas supported by the Voluntary Sector including children and young people; older people; disability; sport and the environment.
- In 2017/18 Central Surrey Voluntary Action recruited 347 new volunteers; this equates to approximately £433k of new resource directed to the communities of Epsom and Ewell. (Based on the average volunteer spending two hours per week volunteering.)
- In 2017/18, 1500 volunteers were placed through the Volunteer Centres in Surrey.

Deprivation

- Epsom and Ewell is one of the 10% least deprived areas in England. Out of 326 areas in the UK, Epsom and Ewell is ranked 310, where 1 is the most deprived.
- The three most deprived wards in Epsom and Ewell are Court, Ruxley and Town. Out of 193 wards in Surrey, Court is ranked 4th, Ruxley 22nd and Town 52nd.
- The three least deprived wards in the borough are Stoneleigh, Auriol and Cuddington. These

are ranked 185th, 179th and 175th respectively.

Citizens' Advice Epsom and Ewell

- The four biggest areas of work in 2017/18 comprised welfare benefits; money advice and debt; housing; and employment.

Children living in poverty

- There are 1,280 children living in poverty in Epsom and Ewell. Some areas of Court and Ruxley wards have the highest number of children in out-of-work families benefiting from tax credits or child benefits.

Fuel Poverty

- 7.5% (2,336) of households are estimated to experience fuel poverty. This is less than the Surrey and national averages of 9.7% and 11% respectively.

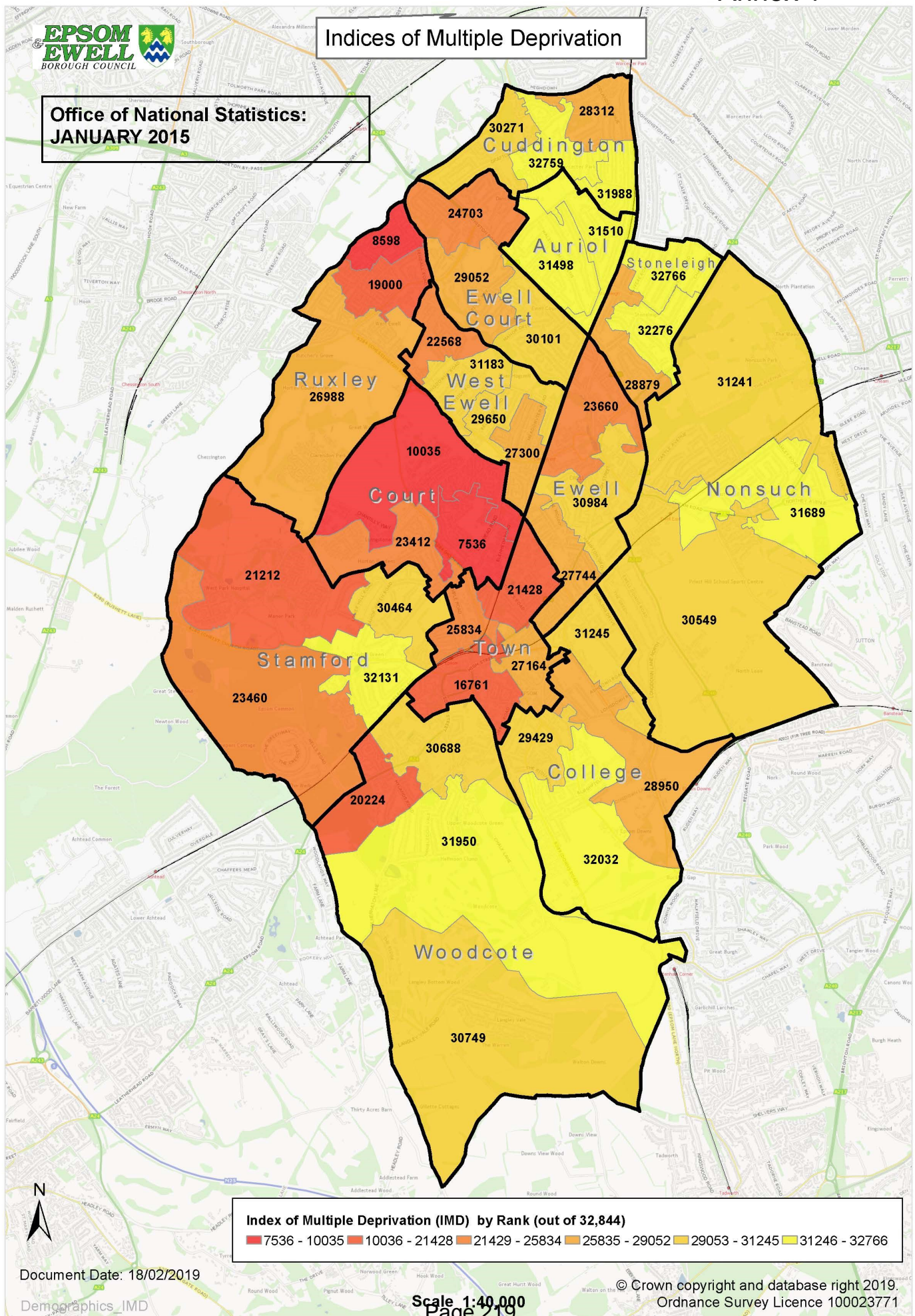
Crime and Safety

- 5,126 crimes were recorded in 2017/18. This equates to an average of 427 crimes per month, an increase of approximately 10% on 2016/17 or 458 crimes.
- Between 2016/17 and 2017/18 drug offences increased by 35.2%, domestic burglary increased by 29.3%, violence with injury increased by 22.8% and vehicle crime increased by 18.7%. Theft offences decreased by 6.9%.



Areas of Deprivation in Epsom and Ewell Indices of Multiple Deprivation

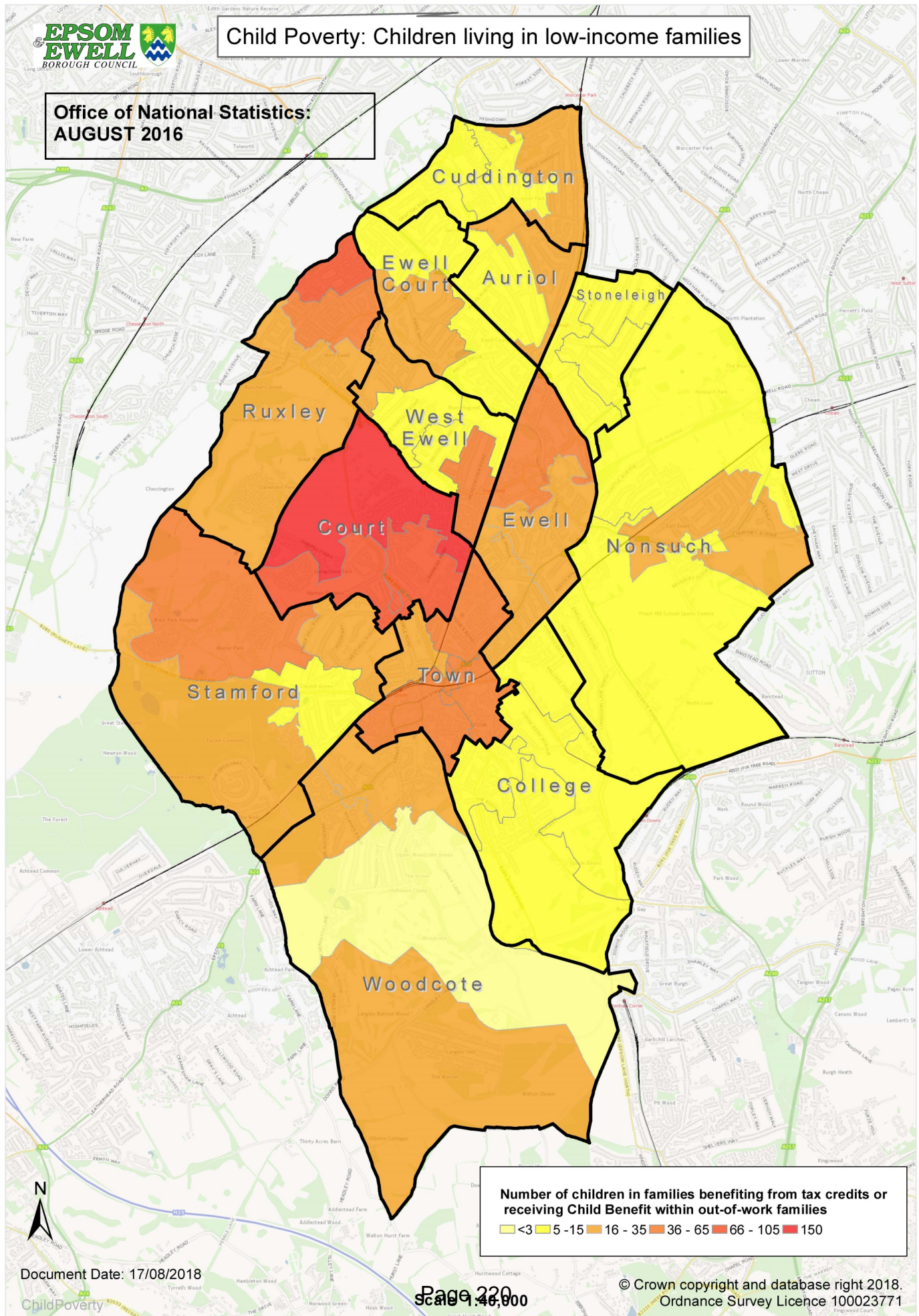
Agenda Item 10
Annex 1



Areas of Deprivation in Epsom and Ewell

Child Poverty: Children living in low-income families

Agenda Item 10
Annex 1



Health and Wellbeing

Life Expectancy

- Between 2014 and 2016 life expectancy at birth for men was 81.6 years and 85.3 years for women. This is slightly higher than the figures for Surrey of 81.4 years and 84.6 years respectively.
- Life expectancy at birth in the UK for the same period is lower at 79.5 years for men and 83.1 years for women.
- By the year 2040, life expectancy at birth for men is expected to rise to 84.5 years and women to 87.7 years.

Healthy Life Expectancy

- Men living in Surrey can expect 68.9 years of living in good health. Women can expect 68.1 years. Both figures are higher than the national averages of 63.3 years and 63.9 years respectively.

Health Inequality

- The inequalities gap in life expectancy between the most and least deprived is 7 years for men and 2.9 years for women. In Surrey the difference is 5.7 years and 4.4 years respectively. The national inequality range is 9.3 years for men and 7.3 years for women.

Physical Activity

- 69.6% of adults are physically active, that is, exercising more than 150 minutes a week. This

is higher than the Surrey average of 66.9% and significantly higher than the national average of 61.8%.

Excess Weight in Adults

- 54.4% of the adult population of the borough is classified as overweight or obese (Public Health England). This is similar to the Surrey average of 55.9% but better than the national average of 61.3%.

Childhood Obesity

- The prevalence of obese children aged 4 - 5 years is 4.7%, for Surrey it is 6.1%.
- The prevalence of obese children aged 10-11 years is 9.1%, for Surrey it is 13.4%.

Smoking

- Approximately 9.2% of the population aged 18 years and over are smokers. This is slightly less than the Surrey average of 11%.

Alcohol Related Conditions

- 1.64% of the population was admitted to hospital with an alcohol related condition in 2016/17. This is just slightly less than the Surrey average of 1.76%

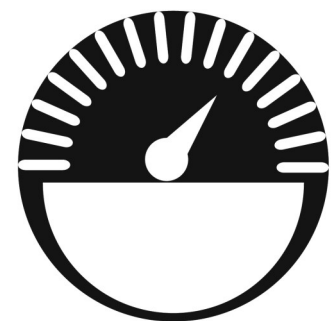
Early Deaths

- The borough has a lower premature mortality rate (255 per 100k persons) than the South East (295 per 100k) and nationally (334 per 100k).

Mental Health

- 11.2% report having depression or anxiety. (South East 12.5%, nationally 13.7%)
- In 2017, the local charity Love Me Love My Mind, which supports people experiencing depression and anxiety, celebrated its 10th anniversary of Epsom Mental Health and Well-Being Festival with over 70 different events.

69.6%
of adults are
physically
active



54.4%
of adult
population is
overweight
or obese



Education

Agenda Item 10
Annex 1

Early Years Foundation Stage

- The percentage of pupils in Surrey that achieved a good level of development in 2017 was 77.3%. This is higher than the national average of 70.7%.
- Between 2013 and 2017, the percentage of pupils that achieved a good level of development in Surrey improved by 25.4%.

Key Stage 2

- In 2018, the percentage of Surrey pupils reaching the expected standards was 81% in Reading; 82% in Grammar, punctuation and spelling; and 80% in Mathematics. These scores are higher than the equivalent South East and national averages. (National averages are 75%, 78% and 76% respectively.)

Key Stage 4 Attainment 8

(Attainment 8 measures pupils' attainment across eight qualifications.)

- The average Attainment 8 score per pupil in Surrey for 2017 is 50.0. This is higher than both the South East and national averages of 47.4 and 44.6 respectively.

Progress 8

(Progress 8 measures a pupil's progress made between the end of primary school and the end of Key Stage 4 at secondary school.)

- In 2016/17 Surrey pupils had a Progress 8 score of 0.13. Girls have a score of 0.35 and Boys a score of -0.07.

English and Maths GCSE

- 51.6% of Surrey pupils achieved a strong 9-5 pass in English and Maths whilst 73% of pupils achieved a standard 9-4 pass. This is higher than the equivalent percentages for the South East (45.8% and 66.5% respectively) and nationally (39.6% and 59.1% respectively).

NEETs

- 4.3% of 16-17 year olds living in Surrey were not in education, employment or training (NEET). This is better than the average figures for the South East of 6.4% and nationally of 6.0%.

16—18 Study Level 3 Attainment

- 77.2% of Surrey students achieved at least 2 A' levels (2016/17).

Education and Skills

- 52.2% of residents in Epsom and Ewell aged between 16 and 64 years hold a qualification at level NVQ4+. This is higher than the Surrey average of 50.1% and the national average of 38.3%.

No Qualifications

- 4.5% of Epsom and Ewell

residents aged between 16 and 64 years have no qualifications. This is slightly higher than the Surrey average of 4.3%, but much lower than the national average of 7.6%.

**52.2%
of adult
population
hold a
qualification
at NVQ4+**



**51.6% of
Surrey pupils
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strong 9-5
pass in
English and
Maths**



Housing

Agenda Item 10
Annex 1

Properties

- There are approximately 32,240 dwellings in Epsom and Ewell.

Tenure

- 91.9% are private sector owned, 8.1% private registered provided and 0.1% are local authority owned (includes those owned by other local authorities).
- The percentage of private sector properties owned in the borough is higher than the equivalent average for Surrey (88.4%) and nationally (82.6%).

Accommodation Type

- The majority of households (35.6%) live in a semi-detached house or bungalow. This is followed by 27.2% of households living in a detached house or bungalow, 19.3% living in a purpose built block of flats or tenement, and 14.1% living in a terraced house or bungalow (including end terrace). 3.8% live in other types of accommodation.

Number of Bedrooms

- The majority of homes (39.2%) comprise three bedrooms. 25.3% have two bedrooms and 20% have four bedrooms. Lower percentages exist for properties with one bedroom (8.9%), five bedrooms or more, (6.4%) and no bedrooms (0.2%). This is reflective of the

Surrey and national picture.

House Prices

- For the year ending December 2017, the median property price for a home in Epsom and Ewell was £470,000. This is £15,000 more than the previous year and £40,000 higher than the median property price in Surrey.
- Epsom and Ewell ranks the third most expensive borough in Surrey, with median house prices in Elmbridge being the highest at £570,000, and then Mole Valley at £500,000.

Affordability

- If you work in Epsom and Ewell it is the least affordable place in Surrey to afford property. In 2017 local people could expect to pay 17.8 times their annual workplace-based earnings on purchasing a home.
- Those who work out of borough but live in Epsom and Ewell could expect to pay 13.07 times their annual salary to afford property. This affordability ratio is higher than the Surrey average of 11.86 and significantly higher when compared to the English (National) average 7.91

Car Ownership

- 84.6% of Epsom and Ewell households own a car or van. 44.1% households own one car/van, 31.8% own two cars/vans, 6.7% three cars/

vans, and 2.2% own four or more cars/vans. This is slightly lower than the overall ownership level across Surrey (86%), but much higher than the national average 73.2%.

**32,240
dwellings in
Epsom and
Ewell**



**£470,000
median
property
price**

**3rd
most
expensive
borough in
Surrey**



Working Age Population

- In 2017 the population of Epsom and Ewell aged 16 - 64 years comprised 48,805 people which is equivalent to 61.4% of the borough's total population. This is comparable to Surrey's working age population comprising 61.6%.

Employment

- 83.2% of the borough's population aged 16 - 64 years were economically active between July 2017 and June 2018. This is slightly higher than the equivalent percentage for Surrey at 80.4% and the South East at 81.1%.
- 86.1% and 80.4% of all males and females respectively aged 16 to 64 years were economically active.
- Between July 2017 and June 2018, 80.0% of the population aged 16 - 64 years were in employment. This is higher than the equivalent for Surrey at 78.3%.
- 3% of the population aged 16 to 64 years were unemployed.

Occupation

- The majority of those in employment between July 2017 and June 2018 worked within Occupational Groups 1 to 3* (60.8%). This is slightly greater than the equivalent percentages for Surrey and the South East which are 58.4%

and 50.6% respectively.

Earnings

- The median gross weekly pay for employees (all full time workers) living in the borough is £723.60. This is higher than the Surrey equivalent at £702 and much higher than the South East equivalent at £614.50.
- The median gross weekly pay for employees (all full time workers) working in the borough is £541.70. This is lower than the equivalent figure for Surrey at £627.50 and the South East at £589.20.

Out of Work Benefits

- In October 2018 the percentage of claimants aged 16+ was 0.8%. The equivalent for Surrey was 0.7% and 1.4% for the South East.

Employee Jobs by Industry

- The largest proportion of employees in the borough work within 'Human Health and Social Work Activities' (16.7%). This is closely followed by the Wholesale and Retail Trade, including the Repair of Motor Vehicles and Motorcycles which employs 15% of all employees.

Productivity

- The contribution made by Epsom and Ewell to the economy remained fairly steady between 2015 and 2016

at about £1.99bn.

UK Competitiveness Index 2016

- Epsom and Ewell's ranking on the 2016 UK Index improved between 2013 and 2016. In 2013 Epsom and Ewell was ranked 58 out of 379 localities and in 2016 Epsom and Ewell was ranked 45 out of 379 localities (where one is the most competitive).

Business Count

- The total number of enterprises (VAT Traders and PAYE employers) in the borough in 2018 is 3,725, an increase from 2017 of 40.
- The total number of local units (comprising micro, small, medium and large businesses) in the borough in 2018 is 4,205. An increase from 2017 of 25 units.

Weekly pay:

- Work out of borough £723.60
- Work in borough £541.71

Note:

- *Occupational Groups 1 to 3 include:
1. Managers, directors and senior officials
 2. Professional occupations
 3. Associate professional & technical



References

NOTE: Some data variations may occur dependant on source, independent rounding and/or date of collection. Comparisons between areas must be done so with caution as some data estimates are provided from a sample survey. Links to datasets correct as at 01 December 2018.

Population

Number and Age

Source: ONS Population estimates for the UK, England and Wales, Scotland and Northern Ireland: Mid- 2017

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwales/scotlandandnorthernireland>

Density

Source: ONS Area and population density, via Surrey
<https://www.surreyi.gov.uk/dataset/area-and-population-density>

Ethnicity

Source: ONS Census data 2011
<http://www.ons.gov.uk/census>

Religion

Source: ONS Census data 2011: Key Statistics for local authorities in England and Wales

Published 11 December 2012.
Census: Religion (Detailed), local authorities in Surrey
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Projected Growth 2016 to 2041

Source: ONS Population projections for local authorities, via Surrey

<https://www.surreyi.gov.uk/dataset/population-projections-2016-2041>

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Personal Wellbeing

Source: ONS Personal Well-being estimates April 2017 to March 2018

<https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/datasets/headlineestimatesofpersonalwellbeing>

Social mobility Index

Source: Social Mobility Commission Social Mobility Index 2017 data, via GOV.UK

<https://www.gov.uk/government/publications/social-mobility-index-2017-data>

Household Composition

Source: ONS: Census: Household characteristics - selected household composition (Census data 2011), via Surrey

<https://www.surreyi.gov.uk/dataset/census-household-characteristics-selected-household-composition>

Volunteering

Source: Central Surrey Voluntary Action, November 2018.

Source: Summary of State of the Voluntary Sector (2017—2018),

Surrey's Councils for Voluntary Services

<https://www.surreycc.gov.uk/people-and-community/voluntary-community-and-faith-sector/voluntary-service-performance-scorecards>

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Source: Department for Communities and Local Government: Index of Multiple Deprivation 2015, via Surrey-i

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Source: HM Revenue & Customs: Number of children in families benefiting from tax credits or receiving Child Benefit by LSOA (Children within out-of-work families): August 2016

<https://www.gov.uk/government/statistics/personal-tax-credits-finalised-award-statistics-small-area-data-lsoa-and-data-zone-2016-to-2017>

Fuel Poverty

Source: Public Health England: Public Health Profiles: Fuel poverty – 2015

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[par/E12000008/ati/101/are/E10000030/iid/90356/age/1/sex/4](https://www.surreyi.gov.uk/dataset/surrey-crime-by-qualifier-ward)

Crime and Safety

Source: Surrey Police: Surrey - Crime by Qualifier (Ward), via Surrey

<https://www.surreyi.gov.uk/dataset/surrey-crime-by-qualifier-ward>

Source: Surrey Police: Surrey - Crime by Category (Ward), via Surrey

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Life Expectancy

Source: Government Office for Science: Future of ageing: life expectancy and healthy life expectancy trends – Published September 2015

<https://www.gov.uk/government/publications/future-of-ageing-life-expectancy-and-healthy-life-expectancy-trends>

Healthy Life Expectancy

Source: Public Health England: Public Health Profiles – 2015/16

<https://fingertips.phe.org.uk/search/healthy%20life%20expectancy#page/0/gid/1/pat/6/par/E12000008/ati/102/are/E07000208>

Health Inequality

Source: Public Health England: Public Health Profiles – 2015/16

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Excess Weight in Adults

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<https://www.surreyi.gov.uk/dataset/excess-weight-in-adults>

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Source: NHS Digital National Child Measurement Programme - 2016/17 data

<https://www.surreyi.gov.uk/dataset/obesity-children>

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Source: Public Health England - Smoking Prevalence 2017 - 2017 data

<https://www.surreyi.gov.uk/dataset/smoking-prevalence-2017>

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Source: Public Health England: Admissions Episodes for Alcohol-Related Conditions - 2016/17 data

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Source: Public Health England - Health England - Public Health Profiles – Period 2014-16

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<https://www.gov.uk/government/statistics/early-years-foundation-stage-profile-results-2016-to-2017>

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Source: Department for Education - National curriculum assessments: key stage 2, 2018



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(provisional)

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Key Stage 4 Attainment 8 and Progress 8

Note: Progress 8 measures a pupil's progress made between the end of primary school and the end of Key Stage 4 at secondary school.

Note: Attainment 8 measures pupils' attainment across eight qualifications.

Further information can be found at the Department for Education, via GOV.UK :

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Revised GCSE and equivalent results in England: 2016 to 2017

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Education continued

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Source: ONS: Annual Population Survey – qualifications (2017 data), via Surrey

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Qualifications

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<https://www.surreyi.gov.uk/dataset/annual-population-survey-qualifications>

Housing

Properties and Tenure

Source: Department for Communities and Local Government - Number of

Dwellings by Tenure and district (2017), via Surrey

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Accommodation Type

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Source: ONS: Housing market, yearly data. House prices and sales - Year ending Dec 2017, via Surrey

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Car Ownership

Source: ONS: Census 2011: Household characteristics – Car availability



<https://www.surreyi.gov.uk/dataset/census-household-characteristics-amenities-cars-and>

Economy and Employment

Working Age Population

Source: ONS Population Estimates Mid-2017

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Labour market statistics: Local authority profile—Epsom and Ewell:

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Source: ONS Annual Population Survey, Employment and unemployment (July 2017—June 2018), via Nomis

<https://www.nomisweb.co.uk/reports/lmp/la/1946157329/report.aspx?c1=1941962887&c2=2013265928#tabidbr>

Occupation

Note: Soc 2010 Major Group 1-3 comprises:

1. Managers, Directors And Senior Officials
2. Professional Occupations
3. Associate Professional & Technical

Source: ONS Annual Population Survey, Employment by occupation (July 2017—June

2018), via Nomis

<https://www.nomisweb.co.uk/reports/lmp/la/1946157329/report.aspx?c1=1941962887&c2=2013265928#tabidbr>

Earnings

Earnings by place of residence (2018) Source: ONS Annual Survey of hours and earnings—resident analysis, via Nomis

<https://www.nomisweb.co.uk/reports/lmp/la/1946157329/report.aspx?c1=1941962887&c2=2013265928#tabidbr>

Earnings by place of work (2018) Source: ONS Annual Survey of hours and earnings—workplace analysis, via Nomis

<https://www.nomisweb.co.uk/reports/lmp/la/1946157329/report.aspx?c1=1941962887&c2=2013265928#tabidbr>

Out of Work Benefits

Claimant count by sex—not seasonally adjusted (October 2018)

Source: ONS Claimant count by sex and age, via Nomis

<https://www.nomisweb.co.uk/reports/lmp/la/1946157329/report.aspx?c1=1941962887&c2=2013265928#tabidbr>

Employee Jobs by Industry

Source: ONS Business Register and Employment Survey: open access (Employee jobs excludes self-employed, government-supported trainees and HM Forces.) Data excludes farm-

based agriculture, via Nomis

<https://www.nomisweb.co.uk/reports/lmp/la/1946157329/report.aspx?c1=1941962887&c2=2013265928#tabidbr>

Productivity

Note: Gross Value Added (GVA) is the contribution made by Epsom & Ewell to the economy in 2016.

Source: ONS Regional gross value added (balanced) by local authority in the UK.

<https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedbalancedbylocalauthorityintheuk>

UK Competitiveness Index 2016

Source: Centre for International Competitiveness, Robert Huggins, Piers Thompson Cardiff University, Nottingham Business School, Nottingham Trent University.

<http://cforic.org/competitiveness-index-reports/>

Business Count

Source: ONS, Inter Departmental Business Register, UK Business Counts (2018), via Nomis

<https://www.nomisweb.co.uk/reports/lmp/la/1946157329/report.aspx?c1=1941962887&c2=2013265928#tabidbr>





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MANAGEMENT OF UNREASONABLE CUSTOMER BEHAVIOUR POLICY

Head of Service/Contact: Amardip Healy, Chief Legal Officer
Urgent Decision?(yes/no) No
If yes, reason urgent decision required:
Annexes/Appendices (attached): **Annex 1** - Draft Management of Unreasonable Customer Behaviour Policy
Other available papers (not attached):

Report summary

The policy is to protect staff and councillors from unreasonable customer behaviour which could hinder the handling of a customer's complaint or request. It also reminds customers that the Borough Council has a zero tolerance towards unacceptable behaviour.

Recommendation (s)

The Committee is:

- (1) requested to resolve that the Management of Unreasonable Customer Behaviour Policy (attached at Annex 1) be agreed with immediate effect;**
- (2) to delegate to the Chief Legal Officer in consultation with the Chairman and Vice Chairman of the Committee to any updating of the Policy which may be necessary to reflect good practice.**

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

- 1.1 The policy supports the cross cutting theme of supporting our communities and managing our resources as residents are required to behave in an acceptable way in order to access services and information.

2 Background

- 2.1 The Council has a corporate complaints policy and process. Unfortunately a small number of customers sometimes behave in an unacceptable way when they make a complaint including making frequent contact on the same issue, treating staff in a disrespectful and potentially threatening way.
- 2.2 Currently the Council does not log the number of incidents of unreasonable customer behaviour across the organisation. However, the trend over the last 18 months has been of increase in unacceptable customer behaviour towards staff. This has taken the form of abusive and threatening at one end of the scale, to persistent and constant complaints following a refusal to accept final decisions on matters, at the other. The effect on organisational time and resources has been substantial and is no longer sustainable.
- 2.3 It is standard for the public sector to have clear policies in terms of approach to unreasonable customer behaviour. Such a policy sits within a framework of dealing with customer complaints, and allows a process of referral by the Council to the Local Government Ombudsman, on those cases where it would be in the best interests to refer the matter early to the LGO. It is important to ensure all those who represent and or work for the Borough Council are protected from poor behaviour.
- 2.4 Currently the process for managing corporate complaints and vexatious customers is set out across various documents available to staff, not within a single written policy document.
- 2.5 The purpose of this report is to address this lack of a written policy thereby mitigating the risk of a lack of clarity around what action can or cannot be taken.

3 Proposals

- 3.1 It is important to ensure that the ability of staff or councillors to conduct business is not adversely affected by those few individuals who behave in an unreasonable manner.
- 3.2 It is also important to ensure staff and councillors have a safe working environment and are not exposed to unnecessary stress due to the unacceptable behaviour of others.
- 3.3 Bringing forward a Policy dealing with unreasonable behaviour allows both staff and councillors to deal confidently and effectively with unreasonable behaviour.
- 3.4 The new Management of Unreasonable Customer Behaviour Policy has been developed to support both officers and Councillors to ensure they are able to conduct their work free from unreasonable and or unacceptable behaviour.

- 3.5 The draft Policy has been the subject of wide consultation and consideration by Leadership Team, by service departments and also by the Staff Consultative Group. The draft Policy has received overwhelming support from officers across the Council. A clear statement from the Council on what is and is not acceptable and how the Council will deal with issues, is central to the support it has received from staff. Comments made have been taken into account in the drafting of the policy.
- 3.6 The policy will be supported by a practice guidance note and signage at all Council buildings will be updated to reflect the new policy. Training for managing unreasonable customer behaviour will be provided to all staff and Members to ensure both awareness of the policy and support in how to operate the policy proportionately.

4 Financial and Manpower Implications

- 4.1 There are no financial implications of proposed action.
- 4.2 **Chief Finance Officer's comments:** None for the purposes of this report.

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

- 5.1 The policy helps to minimise the risk to staff and councillors of abusive behaviour by customers. The particular needs of customer groups will be taken into consideration when dealing with unreasonable customer behaviour.
- 5.2 **Monitoring Officer's comments:** none arising from the contents of this report.

6 Sustainability Policy and Community Safety Implications

- 6.1 None

7 Partnerships

- 7.1 None

8 Risk Assessment

- 8.1 By having a dedicated policy will help to manage the risk to both staff and councillors.

9 Conclusion and Recommendations

- 9.1 In cases of bad or poor behaviour, it is important for an organisation to be able to point to a policy document to support the course of actions it may wish to take. Limiting access to services or even withdrawing services must be a measured and proportionate response to the behaviour engaging a corporate reaction. Having a clear policy which sets this out is a key step in ensuring duties of care are discharged carefully and considerately.

Ward(s) affected: (All Wards);



Managing unreasonable customer behaviour

Draft XXXJuly 2019 v2

Tracking

Policy Title	Managing unreasonable customer behaviour		
LT sign off	Xx/xx/20xx		
Committee	Strategy & Resources Committee	Date approved	Xx/xx/20xx
Review due date	2 years	Review completed	Xx/xx/20xx
Service	Legal		

Revision History

Revision Date	Revisor	Previous Version	Description of Revision

Document Approvals

Each revision requires the following approvals:

Sponsor Approval		Name	Date
Chief Legal Officer			

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We are committed to providing excellent customer service. We know that we do not always get things right and we use the complaint procedures¹ to help customers who are unhappy with our services.

Unfortunately, in a minority of cases people pursue their complaints, requests for information or for service support in a way that is unreasonable. Sometimes this can have a negative impact on the handling of their complaint or request. It can also have a significant impact on our resources and on our ability to provide services or support to our other customers.

Where a customer's behaviour is so extreme that it threatens the immediate health, safety and welfare of Council employees, Councillors, or our contractors working on the Council's behalf, the Council will consider other options, for example reporting the matter to the police or taking legal action. In such cases, we may not give the customer prior warning of that action.

Purpose

The purpose of this policy is to:

- Define unreasonable customer behaviour
- Define vexatious requests
- Explain the process we will follow when dealing with customers who behave in an unreasonable way so that everyone knows what they can expect
- Explain the process we will follow when dealing with vexatious requests so that we are open and transparent about how we will deal with such requests

What is unreasonable customer behaviour?

Unreasonable behaviour may include one or two isolated incidents; as well as unreasonably persistent behaviour, which is usually an accumulation of incidents or behaviour over a longer period. In defining unreasonable behaviour, we have taken into account the Local Government Ombudsman's (LGO) definition of unreasonable behaviour. Namely,

“... unreasonable and unreasonably persistent complainants are those complainants who, because of the nature or frequency of their contacts with an organisation, hinder the organisation's consideration of their, or other people's, complaints”.

Some customers may have justified complaints or requests but may pursue them in inappropriate ways e.g. lengthy phone calls, emails expecting immediate responses, detailed letters or emails every few days, or constantly making complaints when they do not achieve their outcome. Others may pursue complaints or requests which have no substance, or which have already been considered and dealt with. Their contacts with us may be amicable, but still

¹ Corporate Complaint 2 Stage

place very heavy demands on staff. Situations can escalate, and in a few cases complainants become vexatious, abusive, offensive, threatening or otherwise behave unacceptably.

The effect of the unreasonable behaviour of a customer is sometimes to cause harassment or alarm and other times it undermines our ability to deliver a fair service to others. We have a duty to protect our staff, Councillors and our contractors and our service provision to all customers.

Examples of unreasonable behaviour

Examples of what we might consider to be unreasonable behaviour are shown below. The list is not exhaustive, nor does one single feature on its own necessarily imply that the person will be considered as being in this category:

- Raising numerous, detailed but unimportant questions; insisting they are all answered
- Use of hostile, abusive or offensive language causing distress to staff or Councillors
- An unreasonable fixation on an individual member of staff or Councillors
- Making unjustified complaints about staff who are trying to deal with the issue
- Refusing to specify the grounds of a complaint, despite offers of assistance
- Submitting falsified documents from themselves or others
- Seeking an outcome which the Council has already explained is unrealistic for policy, legal or other appropriate reasons
- Sending detailed correspondence every few days and expecting immediate responses
- Covertly recording meetings and conversations with staff or Councillors
- Making excessive demands on the time and resources of staff with lengthy phone calls, emails to Council staff or Councillors
- Refusing to accept the decision; repeatedly arguing points with no new evidence.
- Insisting on the complaint being dealt with in ways which are incompatible with the adopted complaints procedure or with good practice
- Raising numerous, detailed but unimportant questions; insisting they are all answered
- Adopting a 'scatter gun' approach: pursuing parallel complaints on the same issue with a variety of Council services
- Refusing to accept the decision; repeatedly arguing points with no new evidence, complaining about outcome and or denying that an adequate response has been given
- Posting on, or using social media to do any of the matters listed above;
- Not accepting matter is within EEBC remit.

What is a vexatious request?

We define a vexatious request as:

“A request that is likely to cause distress, disruption or irritation, without any proper or justified cause” or something that is “manifestly unjustified, inappropriate or improper use of a formal procedure”².

A vexatious request may include one or two individual requests for information, or may form part of a wider pattern of vexatious behaviour. In defining unreasonable behaviour, the Council has also adopted the Information Commissioner Office’s guidance on “vexatious and repeated request”. Namely,

“Deciding whether a request is vexatious is a flexible balancing exercise, taking into account all the circumstances of the case. There is no rigid test or definition, and it will often be easy to recognise. The key question is whether the request is likely to cause distress, disruption or irritation, without any proper or justified cause”.

We will use this definition for all requests made of the Council or its Councillors.

We will consider each request for information on its own merits, and we will not automatically refuse a request because the individual may have caused problems in the past. We will ensure that we consider whether the request (and not the requester) is vexatious, with our focus being on the request itself. If a request is vexatious or repeated, we do not have to provide any information, or confirm or deny whether we hold it (however we will issue a refusal notice).

Examples of vexatious requests

The list below is not exhaustive, and for a request to be considered as vexatious it is likely that more than one of the examples is relevant:

- Submitting repeat complaints with minor additions/ variations that the complainant insists make these ‘new’ complaints.
- The request is obsessive in nature e.g. a high volume of requests, using requests to open matters that have already been dealt with such as complaints and appeals.
- Requests for information the requester has already seen, or clear intention to reopen issues that have already been considered
- Where complying with the request would impose significant burden on the Council in terms of expense, and negatively impact the Council’s ability to provide service to others. In this situation the Council will consider section 12 (exemption where cost exceeds the appropriate limit) of the Freedom of Information Act.

² Information Commissioner vs Devon County Council & Dransfield [2012] UKUT440 (AAC), (28 Jan 2013)

- The request has the effect of harassing the Council or distressing staff e.g. use of derogatory language, using a request with complaints and accusations.

Violent or abusive behaviour

There may be circumstances where a customer's behaviour exceeds the definition for unreasonable and becomes threatening, violent or abusive. The following definition applies to the term violent or abusive behaviour:

Any incident, in which an officer or member of the Council who in the course of their Council activity, is verbally abused, intimidated, threatened or assaulted by a member of the public. This includes racially or sexually abusive language, threatening behaviour and any written or any other form of communication which contains abusive or discriminatory language or threats of violence.

This Policy will be applied to all persons, who display aggression including physical attacks that may or may not result in pain or injury; verbal abuse or threats either face to face, over the telephone or within written communications; threatening behaviour or any action that causes anxiety, fear or concern and physical attacks on property.

In any case of violent or abusive behaviour, the Council will consider and take all action need to protect its staff and Members. This may include the immediate step of suspending all contact if necessary, this may occur without prior warning

Considerations before action

We recognise that the decision to classify someone's behaviour as unreasonable, or to classify a request for information as vexatious, could have serious consequences for the individual, including restricting their access to services. We will, therefore, seek to ensure we are appropriate and proportionate in the application of this Policy. If Staff/Councillors feel threatened by a customer they are required to report their concerns. The Council operates a zero tolerance approach towards violence or threatening. We will always report such incidents to the Police.

Before deciding to apply any restrictions, we will ensure that:

- The behaviour, original complaint or request for information, has been dealt with properly and in line with the relevant procedures and statutory guidelines
 - We have made every effort to satisfy the request or resolve the issue/ complaint
 - There is not another, more specific path for the complainant to follow, for example an appeal process if they are complaining about a decision taken that directly affects them
- Any vulnerability or disability which causes or affects behaviour (in such circumstances it is not likely to be appropriate to restrict the customer's access to services but, depending on the nature of the contact and any concerns about the customer, it may be possible suggest an advocate might be helpful to both parties)

However, where our efforts to resolve matters with the customer have not been successful, we may close the case or matter. Where appropriate we will advise the customer to contact the Local Government Ombudsman or in the case of FOIS/EIRs, SARs, the Information Commissioners Office. We will advise the customer that we will no longer enter into any correspondence about such cases, unless material new information becomes available.

Each case will be considered on an individual basis. The decision to classify a customer as unreasonable or to classify the request as vexatious, will be made by the Head of Service of the relevant service area.

When new issues are raised, these will be treated on their merits. The Council will consider whether any restrictions previously applied are still appropriate and necessary.

Options for action

A customer whose behaviour has been judged to be unreasonable will have restrictions imposed on their contact with the Council. The Council will ensure that the personal details about the customer and their matter will be managed and stored appropriately in line with data protection and records management policies and procedures.

Any actions that may be imposed on such a customer's contact with the Council, will be appropriate and proportionate. When a decision has been taken to apply this Policy, the Council will contact the customer to:

- detail the action we have taken and why
- explain what it means for the customer
- advise how long the restrictions will last and when the decision will be reviewed
- enclose a copy of this Policy for the customer's information

Where the customer continues to behave in a way which is unacceptable, the Council may decide to refuse all contact with them, other than to provide any essential services. In extreme cases, involving threats or actual violence to a member of staff or visitor to our offices, a decision may be taken to ban the customer from the site or utilise other Council procedures which manages customer behaviour.

Restrictions will be tailored to deal with the individual circumstances and may include one or more of the following (the list is not exhaustive):

- Placing limits on the number and duration of contacts with staff per week or month
- Refusing the customer access to any Council building except by arrangement
- Offering a restricted time slot for telephone calls

- Limiting the customer to one method of contact (telephone, letter, email, etc)
- Requiring the customer to communicate only with one named member of staff
- Requiring any personal contacts to take place in the presence of a witness and in a suitable location
- Refusing to register and process further complaints/ requests about the same matter
- Requiring the customer to make contact by telephone only through a third party e.g. solicitor/ Councillor / friend acting on their behalf
- Limiting or regulating the customer's use of Council's services.
- Informing the customer that further contact on the matter of the complaint/ request will not be acknowledged or replied to

These options are not exhaustive and often local or other factors will be relevant in deciding what might be appropriate action. Any restrictions will take into account the customer's individual circumstances.

Review

When imposing a restriction on access, the Council will have specified a review date. Restrictions will be lifted and relationships returned to normal unless there are good grounds to extend the restrictions. The review will be undertaken at Head of Service level.

We will inform the customer of the outcome of any review. If restrictions are to continue, we will explain our reasons and state when the restrictions will next be reviewed.

Recording

There will be an audit trail of events and decisions made by staff if the Council are concerned about a customer's behaviour.

New matters, complaints or requests for information

Where a decision on an issue has been made, the Council will inform the customer that future correspondence will be read and placed on the file but not acknowledged, unless it contains new information. The Head of Service of the relevant service area will decide whether any restrictions which have been applied before are still appropriate and necessary in relation to the new matter, complaint or request.

Referring cases to the Local Government Ombudsman and the Information Commissioners' Office

There may be exceptional circumstances, where the relationship between us and a customer has broken down to a point where a resolution is not possible. In these cases we may seek to close the case without completing all stages of our complaints policy, or we may expedite the case to a final stage. If this becomes necessary, we will advise the customer of the reasons for this and the options open to them.

Similarly, we may also liaise with the Local Government Ombudsman (LGO) or Information Commission (IC) and ask them to consider a case before it has exhausted our complaints/ FOI process. It will be entirely at the discretion of the LGO or IC whether or not they accept the referral.

A customer who has been treated as behaving unreasonably may make a complaint to the LGO about it. The LGO is unlikely to be critical of the organisation's action if it can show that it acted proportionately and in accordance with its adopted policy.

APPOINTMENT OF MEMBERS AND CHAIRMAN OF THE SHAREHOLDER SUB-COMMITTEE

Head of Service/Contact: Amardip Healy, Chief Legal Officer
Urgent Decision?(yes/no) No
If yes, reason urgent decision required:
Annexes/Appendices (attached): **Annex 1** - Shareholder Sub-Committee Terms of Reference
Other available papers (not attached):

Report summary

To agree the appointment of Members and a Chairman to the Shareholder Sub Committee in accordance with the Sub Committee's Terms of Reference.

Recommendation (s)

- (1) That the Committee appoints Members and a Chairman for the Shareholder Sub Committee as required by its Terms of Reference.**

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

- 1.1 This report supports the Council's Key Priority Managing Resources.

2 Background

- 2.1 The Council established a Local Authority Property Investment Company (EEPIC) at an Extraordinary Meeting on 19 September 2018.
- 2.2 At that meeting, Council ratified Strategy and Resources Committee's decision to establish a Shareholder Sub-Committee to discharge the functions of the Council as the Shareholder in the Company.

3 Proposals

- 3.1 The Terms of Reference of the Sub-Committee are attached at **Annex 1**.

- 3.2 The Sub-Committee comprises five members, and is required to comply with the Political Balance Rules in Section 15 of the Local Government and Housing Act 1989. Accordingly, four members of the Sub-Committee are to be appointed by the Residents' Association Group and one member appointed by one of the Minority Groups. The proportionality calculation allocates the seat to Labour however, neither group has expressed a preference for the seat.
- 3.3 The Committee is asked to appoint the Membership of the Sub-Committee. It is proposed that the following nominated Members are appointed:
- Councillor Eber Kington (RA)
 - Councillor Clive Smitheram (RA)
 - Councillor Barry Nash (RA)
 - Councillor Neil Dallen (RA)
 - One member nominated by a Minority Group
- 3.4 The Committee is asked to appoint the Chairman of the Sub-Committee from amongst the Sub-Committee's Membership, in accordance with the Terms of Reference of the Sub-Committee.

4 Financial and Manpower Implications

- 4.1 There are no specific financial implications for the purposes of this report
- 4.2 **Chief Finance Officer's comments:** None for the purposes of this report.

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

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

6 Sustainability Policy and Community Safety Implications

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

7 Partnerships

- 7.1 None for the purposes of this report.

8 Risk Assessment

- 8.1 The setup of the Shareholder Sub Committee was agreed so as to provide oversight of the EEPIIC and its activities as well as to take or guide certain key decisions which fell within the remit of members.

9 Conclusion and Recommendations

- 9.1 The Shareholder Sub-Committee will meet on a scheduled basis at least once a year to receive an annual report and annual accounts from the Company; otherwise meetings will be called on an “as and when required” basis to deal with Company business.

Ward(s) affected: (All Wards);

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The Shareholder Committee – Delegation and Terms of Reference

1. The Strategy & Resources Committee will establish and maintain a Shareholder Sub-Committee to act in accordance with the terms of reference so far as they relate to any company established as a wholly owned company of the Council.

Membership

2. The Sub-Committee will comprise five Members and will comply with the Political Balance Rules in Section 15 of the Local Government and Housing Act 1989.

Meetings of the Committee

3. Scheduled Meetings will take place at least once per annum.
4. Additional meetings will be arranged as required to consider exceptional items.

Chairman

5. The Strategy & Resources Committee shall appoint the Chairman of the Shareholder Sub-Committee at its first meeting in the municipal year, who shall hold office until the next such meeting.
6. If the Chairman resigns by giving written notice of resignation to the Chief Executive, the sub-committee shall, as the first item of business at its next meeting, elect a successor, to hold office until a replacement can be appointed by the Strategy & Resources Committee.
7. The Chairman, if present, shall preside.
8. If the Chairman is absent Sub-Committee shall elect one of the members present as Chairman of the meeting.

Delegation and Terms of Reference

9. The authority and terms of reference of the Shareholder Sub-Committee are as follows:-
 - a. Power to remove and appoint company directors.
 - b. Approve the annual company business plan, ensuring that it aligns with the corporate objectives of the Council.
 - c. Periodically evaluate financial performance of a company, and performance against the current business plan

- d. Consider any recommendations to cease trading by a company
- e. Monitor compliance with relevant legislation.
- f. Approve any Shareholder Agreement with the company, or any variation to such agreement.
- g. Consider such other matters, as require prior consultation with shareholders or as are reserved to the Shareholders in general meeting, and make such decision on those matters as they think fit.

CAPITAL MEMBER GROUP

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	None
Other available papers (not attached):	Capital Strategy 2019/20 Budget Book 2019/20

Report summary

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group, approve an increase in budget of the Disabled Facilities programme and to agree the capital bidding process for 2020/21 to 2022/23.

Recommendation (s)

That the Committee:

- (1) Appoints Members to the Capital Member Group;**
- (2) Approves the increase in budget of £42,090 for the Disabled Facilities programme, in line with the allocation of central government grant funding;**
- (3) Confirms the criteria for considering capital bids as set out in paragraph 9.1;**
- (4) Confirms the criteria for assessing 'spend to save' capital bids as set out in paragraph 9.2.**

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

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

2 Background

- 2.1 The capital budget timetable requires that the Financial Policy Panel receives a report on the proposed capital programme and funding options for 2020/21 at the December meeting. Service project appraisals are then presented to the policy committees in January and schemes receiving support will be included in the Budget and Council Tax report for Council approval in February 2020.
- 2.2 The Capital Member Group (CMG) co-ordinate the preparation of the new capital programme and review funding, including capital reserves, new capital receipts, grants, Community Infrastructure Levy and Section 106 (planning gain) receipts.
- 2.3 In view of public sector funding restrictions the Capital Member Group has continued to limit schemes recommended for inclusion into the capital programme to those that were a prioritised service or for health and safety considerations or essential to keep services running. Any other schemes included within the capital programme need to be self-financing, either through external grants/contributions or through revenue savings (on a business case evaluation).

3 Capital Member Group

- 3.1 The Capital Member Group is a working group, appointed by the Strategy and Resources Committee to oversee the work of the officer capital management group (Leadership Team) and review the capital strategy to validate criteria applied to capital project appraisals.
- 3.2 Membership criteria for the Capital Member Group is as follows:
 - 3.2.1 There should be five members on CMG;
 - 3.2.2 Meetings should be chaired by the Chair of Strategy and Resources Committee;
 - 3.2.3 CMG members should be drawn from members of the Financial Policy Panel;
 - 3.2.4 CMG may include committee chairs;
 - 3.2.5 CMG should include opposition party representation.
- 3.3 Last year's membership of the Group comprised Councillors Eber Kington (Chair), Barry Nash, Omer KoKou-Tchri, Clive Smitheram and Richard Baker.

4 Capital Programme Review Timetable

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

Capital Member Group Action	Date
Review initial bids and identify which should be worked into full bids for review in November.	Wednesday 4 September 2019
Review full project appraisals, funding and draft report for Financial Policy Panel.	Wednesday 13 November 2019

- 4.2 As in previous years some of the work for the group may be during daytime working hours. It is initially proposed that meetings will be held at 4pm.

5 Overview of Existing Capital Programme and Financing

- 5.1 The current approved programme for 2019/20, as approved at Full Council in February 2019, is £1.114 million, of which £364k is funded from capital receipts, £100k from revenue contributions and £650k from central government grant.
- 5.2 Budgets totalling £4.91 million, funding projects from the 2018/19 capital programme which have not yet completed, have provisionally been rolled forward into 2019/20 (subject to this Committee's approval within the Financial Outturn report). The funding sources of these projects are £1.088 million from capital receipts, £63k from S106, £3.265 million from CIL, £475k from central government grant and £19k Residential Property reserve.
- 5.3 The balance on the capital receipts reserve is expected to be at £2.6 million after agreed funding for the 2019/20 capital programme is accounted for. No new capital receipts are currently anticipated for 2019/20.
- 5.4 The balance of uncommitted S106 receipts as at 1 April 2019 was £931k of which £726k is for affordable housing with the bulk of the £205k balance being for open spaces. The balance of uncommitted CIL receipts for strategic infrastructure projects as at 1 April 2019 was £685k, the utilisation of which is determined by Strategy & Resources Committee after receiving recommendations from the Joint Infrastructure Group, which comprises of both Borough and County Members.

6 Budget for Disabled Facilities Grant Funded Schemes

- 6.1 Each year Epsom & Ewell is allocated grant from central government to fund works to homes in the borough to enable people with disabilities to continue living in their own home. The budget set for 2019/20 was £650k and was based on the 2018/19 allocation.
- 6.2 Officers have now received confirmation of the exact amount of DFG grant funding for 2019/20 which is £692,090, £42,090 more than the estimated budget agreed by Full Council in February 2019.
- 6.3 Members are asked to approve additional budget of £42,090 for the Disabled Facilities Grant funded scheme for the 2019/20 capital programme, to match the central government allocation. Additional staffing resources have been made available to assist in the delivery of this scheme.

7 The Roles of the Capital Member Group and the Leadership Team

- 7.1 The Capital Member Group's role is to review the current three year capital programme, co-ordinate the preparation of the capital programme for 2020/21 whilst reviewing funding, including capital reserves, new capital receipts, grants, CIL (Community Infrastructure Levy) and Section 106 (planning gain) receipts.
- 7.2 Leadership Team will meet to review the full bids on 8 October 2019 to ensure they meet the requirements of the member group. Each scheme will be evaluated for suitability for inclusion within the capital programme and presented to Capital Member Group in November.
- 7.3 The CMG also receives the recommendations of the Leadership Team, reviews the capital strategy and validates the criteria applied to capital project appraisals.

8 Capital Bidding Process 2020/21 to 2022/23

- 8.1 The timetable below identifies each stage of the 2020/21 capital programme:

Action	Deadline
Initial Capital Appraisal Forms returned to Financial Services and copied to Heads of Service	26 July 2019
Capital Member Group meet to discuss approach and identify which of the potential bids should be worked into full bids for review in November	4 September 2019
Full Bid Capital Appraisal Forms updated and distributed	6 September 2019

Deadline for final Capital Appraisal Forms to be returned to Financial Services and copied to Heads of Service	27 September 2019
Leadership Team Workshop (to review schemes and discuss with project managers)	8 October 2019
Capital programme update reports drafted for Capital Member Group and first draft for Financial Policy Panel (FPP)	6 November 2019
Capital Member Group review of appraisals, funding and draft FPP report	13 November 2019
Dispatch for FPP	25 November 2019
Financial Policy Panel advises on capital funding and schemes to be released for 2020/21	3 December 2019
Policy committees receive revenue estimate reports and draft capital programme with appraisal forms	21 – 30 January 2020
Council Agrees Budget and Capital Programme	13 February 2020

9 Criteria for Consideration of Bids

- 9.1 With the level of capital receipts reserves just above £2.6 million after funding this year's capital programme it is proposed that potential bids should only be considered if they meet one of the following;
 - 9.1.1 Where there is a guarantee of the scheme being fully externally funded and is classed as a high priority.
 - 9.1.2 Spend to save projects (see below).
 - 9.1.3 Where it is mandatory for the Council to provide the scheme (e.g. Disabled Facilities Grant and Health and Safety).
 - 9.1.4 Minimum required to continue to deliver the services of the Council (e.g. minimum level of building maintenance and IT).
- 9.2 For the purpose of appraising any of the bids funded as a 'spend to save' it is proposed that the criteria set in previous years should be applied;
 - 9.2.1 Payback of the amount capital invested within the project within 5 years (7 years for renewable energy projects).
 - 9.2.2 The return required on capital employed should be linked to the potential cost of borrowing (MRP) rather than potential loss of investment income.
 - 9.2.3 Risk of not achieving return on investment is low.
 - 9.2.4 Clear definition of financial cost/benefits of the scheme.

10 Proposals

10.1 The Committee is asked to appoint five Members to the Capital Member Group in line with the criteria set out in paragraph 3.2. It is proposed that the following nominated Members are appointed:

- Councillor Eber Kington (Chairman) (RA)
- Councillor Neil Dallen (RA)
- Councillor Colin Keane (RA)
- Councillor Barry Nash (RA)
- 1 opposition party representative

10.2 The 2019/20 budget for the Disabled Facilities programme was agreed by Full Council in February 2019 in line with the 2018/19 allocation, as the 2019/20 grant determination had not been received at that time. Approval is now sought to increase this budget in line with the 2019/20 grant allocation as advised by central government.

10.3 Given the limited capital resources detailed in paragraph 5.3, the Committee is asked to agree the approach set out in section 9 to determine which capital bids are successful.

11 Financial and Manpower Implications

11.1 All implications are included in the body of the report.

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

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

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

13 Sustainability Policy and Community Safety Implications

13.1 There are no implications for the purpose of this report.

14 Partnerships

14.1 There are no implications for the purpose of this report.

15 Risk Assessment

15.1 All major projects are subject to risk assessment.

16 Conclusion and Recommendations

- 16.1 To facilitate the scrutiny and selection of capital projects to be included in the 2019/20 capital programme, it is recommended that a Capital Member Group, be appointed by this Committee. The Group will need to have consideration of the finite nature of the Council's capital resources, and it is therefore proposed that the Group limit schemes for inclusion in the capital programme to those that are a prioritised service, are essential to keep services running or which meet health and safety requirements. Any other schemes will need to be self-financing, via external contributions or revenue savings within a set timescale.
- 16.2 The Committee is asked to agree to increase the Disabled Facilities Grant programme budget for 2019/20 in line with the grant allocation determined by central government. This grant is ring-fenced for this purpose and funds not allocated to this purpose would have to be returned to central government.

Ward(s) affected: (All Wards);

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MEMBERSHIP OF THE CIL PANEL AND TERMS OF REFERENCE

Head of Service/Contact:	Gillian McTaggart, Head of Policy, Performance & Governance
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Annexes/Appendices (attached):	Annex 1 - CIL Panel Terms of Reference
Other available papers (not attached):	Allocation of the Local Spending element of the Community Infrastructure Levy Strategy & Resources 17 April 2018 Scheme for the Allocation of the CIL 15% (Community Infrastructure Levy)

Report summary

This report proposes the membership and the terms of reference for the CIL Panel.

Recommendation (s)

The Committee are asked to approve :-

- (1) The membership of the Panel being: the Chairman of Strategy & Resources Committee, the Chair of Community & Wellbeing Committee and a nominated member from the Strategy & Resources Committee;
- (2) The following substitutes for the Panel, the Vice Chairman of Strategy & Resources; the Vice Chair of Community & Wellbeing Committees and one additional member of Strategy & Resources Committee;
- (3) The terms of reference for the CIL Panel;
- (4) To delegate to the Chairman of Strategy & Resources Committee who in conjunction with the Chair of Community & Wellbeing can agree any changes to the nominated member from Strategy & Resources Committee or substitutes;
- (5) To delegate to the Chief Finance Officer, who in conjunction with the Chairman of Strategy & Resources Committee agree the annual allocation for CIL 15% funded projects.

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

- 1.1 The monies collected from the Community Infrastructure Level supports the delivery of infrastructure across the Borough to support the delivery of all targets and the Local Plan.

2 Background

- 2.1 The Committee approved a pilot scheme for determining the allocation of the local element of the Community Infrastructure, known as the CIL 15% in April 2018.
- 2.2 A report was subsequently brought to the Committee in April 2019 identifying lessons to be learnt for the pilot scheme and approving a permanent scheme.
- 2.3 This has agreed a two stage process similar to the capital programme with an agreed timetable.
- 2.4 The Member Panel was initially agreed as the Chairmen of Strategy & Resources and Community & Wellbeing Committees with the representative for Strategy & Resources as Councillor Hannah Dalton.
- 2.5 It was also agreed that to minimise any conflict, the Vice Chairman of Strategy & Resources and the Vice Chair of Community & Wellbeing would substitute should the Chairmen of those Committees put in bids.

3 Proposals

- 3.1 To formalise the arrangements for the Panel and agree a terms of reference for the Panel.
- 3.2 Councillor Hannah Dalton who is the current nominated member of the Strategy & Resources Committee has also been appointed the Vice Chair of Community & Wellbeing Committee.
- 3.3 The terms of reference for the Panel (attached in **Annex 1**) clarifies its responsibilities, decision making and reporting arrangements and the frequency of meeting.

4 Financial and Manpower Implications

- 4.1 At 31 March 2019, the Council held £924k of unallocated CIL funds. Of this unallocated balance, £454,000 relates to the 15% neighbourhood fund.
- 4.2 For 2019/20, £250,000 was allocated for CIL 15% projects, reducing the unallocated 15% neighbourhood fund balance from £454,000 to £204,000.

- 4.3 Any unspent funds from the 2018/19 allocations will be clarified once projects are finished. To date four projects have been completed and a further four are in progress although it is unlikely that two will be fully deliverable.
- 4.4 The new two stage process for 2019/20 has commenced with bids having being reviewed at the first stage.

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

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

- 5.1 The Localism Act (2011) and the CIL regulations set out how the Levy must be spent.
- 5.2 **Monitoring Officer's comments:** none arising from the contents of this report.

6 Sustainability Policy and Community Safety Implications

- 6.1 There are none for the purposes in this report.

7 Partnerships

- 7.1 There are none for the purposes in this report.

8 Risk Assessment

- 8.1 That there is governance in place to allocate and report the allocation of CIL 15%.

9 Conclusion and Recommendations

That the Committee agrees to:-

- 9.1 The membership of the Panel being: the Chairman of Strategy & Resources Committee, The Chair of Community & Wellbeing Committee and a nominated member from Strategy & Resources Committee;
- 9.2 The following substitutes for the Panel, are the Vice Chairman of Strategy & Resources and Vice Chair of Community & Wellbeing Committees and one additional member of Strategy & Resources Committee;
- 9.3 The terms of reference for the CIL Panel;
- 9.4 To delegate to the Chairman of Strategy & Resources Committee who in conjunction with the Chair of Community & Wellbeing can agree any changes to the nominated member from Strategy & Resources Committee or substitutes;

- 9.5 To delegate to the Chief Finance Officer who in conjunction with the Chairman of Strategy & Resources Committee, agree the annual allocation for CIL 15% funded projects.

Ward(s) affected: (All Wards);

DRAFT TERMS OF REFERENCE FOR CIL 15% PANEL

Role of the Group

- To review and allocate the annual funding for the community element of the Community Infrastructure Levy, known as the CIL15%.
- To monitor the implementation of the agreed projects.
- To approve any adjustments or amendment to projects which are a significant change to the agreed proposal.
- To recommend and report any changes to the process or guidance to Strategy & Resources committee as needed.

Decision Making / Reporting

- The Group will recommend the projects to be implemented from the bids received each year to the Head of Policy, Performance Governance for implementation.
- The Group will annually report to Members with the status of the agreed projects.
- The funding for each year will be based upon the CIL contributions received and will be agreed by the Chief Finance Officer in consultation with the Chair of Strategy & Resources.

Membership of the Group

Members	Substitutes	Officers
Chairman of Strategy & Resources – Eber Kington	Vice Chairman of Strategy & Resources – Clive Smitheram	Head of Policy, Performance & Governance
Chair of Community & Wellbeing – Barry Nash	Vice Chair of Community & Wellbeing – Hannah Dalton	CIL Grants Officer
One Nominated member of Strategy & Resources	One Nominated member of Strategy & Resources	

Where a member of the group submits a bid they cannot assess their own bid and a substitute must sit. This covers both Stage 1 and Stage 2 of the process.

To be quorate there must be three Members in attendance.

Frequency & Timing of Meetings

In line with the timetable for CIL Bids as agreed S&R April 2019, with two stages to review the bids.

A formal meeting is not required for any updates or amendments to the Bids, which can be done by email if the Group agree.

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**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE held on
2 April 2019**

PRESENT -

Councillor Eber Kington (Chairman); Councillor Clive Smitheram (Vice-Chairman);
Councillors Tony Axelrod, Richard Baker, Kate Chinn, Hannah Dalton, Colin Keane,
Omer Kokou-Tchri, Barry Nash and Clive Woodbridge

In Attendance:

Absent:

Officers present: Kathryn Beldon (Chief Executive), Damian Roberts (Chief Operating Officer), Lee Duffy (Chief Finance Officer), Amardip Healy (Chief Legal Officer), Gillian McTaggart (Head of Policy, Performance & Governance), Mark Shephard (Head of Property and Regeneration), Brendan Bradley (Chief Accountant), Tony Foxwell (Senior Surveyor) and Tim Richardson (Committee Administrator)

59 QUESTION TIME

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

60 DECLARATIONS OF INTEREST

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

61 EPSOM & EWELL BOROUGH COUNCIL PAY POLICY STATEMENT

The Committee received a report introducing the draft Epsom & Ewell Borough Council Pay Policy Statement for 2019/20 and seeking approval of the statement by the Committee, prior to its presentation to full Council and subsequent publication on the Council's Website.

The following matter was considered:

- a) **Senior Officer Remuneration.** Following a question from a Member of the Committee, the meeting was informed that Senior Officer Remuneration was detailed in the Council's published Statement of Accounts, which was publically available on the Council's website. Officers would provide Members of the Committee with a link to this information following the meeting.

Following consideration, it was resolved:

- (1) That the Committee approved the Pay Policy Statement for 2019/20 and recommended its publication to full Council.**

62 PLANNED MAINTENANCE PROGRAMME 2019-20

The Committee received a report presenting the 2019-20 planned maintenance programme. The report also provided a progress update on the 2018/19 planned maintenance programme and requested approval to carry forward, to 2019/20, specific works and unspent budget from 2018/19. The following corrections to typographical errors within the report were noted:

- That the wording “Annex 2” in paragraph 2.2 be replaced with “Annex 1”.
- That the wording “Annex 3” in paragraphs 3.1 and 3.3 be replaced with “Annex 2”.

Following consideration, it was resolved:

That the Committee:

- (1) Approved the 2019/20 planned maintenance programme at an estimated cost of £280,000.**
- (2) Approved the carry forward of the underspend on 2018/19’s programme, for use as funding towards the proposed 2019/20 programme and outstanding Legionella remedial works.**
- (3) Authorised officers to make changes within the programme up to but not exceeding £10,000.**

63 VENUES RESTRUCTURE

The Committee received a report seeking approval of one off costs to implement the recently approved restructure of Venues.

Following consideration, it was resolved:

That the Committee:

- (1) Was notified of the continued forecast overspend for 2018/19 on Venues salaries of £122k (due to staff overtime payments and addressed by the restructure).**
- (2) Agreed one off costs of the Venues restructure of up to £85k be funded from the Corporate Project Reserve, to return the service to operating within budget.**

64 CORPORATE PLAN: KEY PRIORITY TARGETS FOR 2019 TO 2020

The Committee received a report seeking approval of the Committee's Key Priority Targets for 2019 to 2020.

Following consideration, it was resolved:

- (1) That the Committee agreed its Key Priority Targets for 2019 to 2020 as set out at Annex 1 to the report.**

65 CORPORATE HEALTH, SAFETY AND WELFARE POLICY

The Committee received a report summarising the Council's current arrangements for corporate health and safety, outlining the new Corporate Health, Safety & Welfare Policy.

Following consideration, it was resolved:

That the Committee:

- (1) Approved the Corporate Health, Safety & Welfare Policy attached at Annex 1 to the report;**
- (2) Delegated authority to the Head of Policy, Performance and Governance to update the Policy to reflect regular changes to regulations, best practice and organisational structure.**

66 SCHEME FOR THE ALLOCATION OF CIL 15% (COMMUNITY INFRASTRUCTURE LEVY)

The Committee received a report providing an update on the pilot scheme for allocating the neighbourhood portion of the Community Infrastructure Levy of CIL 15% approved by it in April 2018. The report also provided details of the permanent scheme to allocate funding for future community projects.

Following consideration, it was resolved:

- (1) That the Committee noted the lessons learnt from implementing the pilot scheme and delivering those projects allocated funding;**
- (2) That the Committee agreed the permanent scheme for allocating the funds.**

67 MINUTES OF PREVIOUS MEETING

The Minutes of the Meeting Strategy and Resources Committee held on 31 January 2019 and the restricted Minutes of the meeting of 17 December 2018 were agreed as a true record and signed by the Chairman.

68 VOTE OF THANKS

The Committee noted that this was its final meeting prior to the Borough Council Elections in May 2019.

The Chairman thanked all the officers who had supported the Committee over the past 4 years, highlighting a number of the achievements made and challenges managed with their assistance and hard work. He also thanked the Vice Chairman and all members of the Committee for their support throughout the same period.

The Committee thanked the Chairman and Vice Chairman for their hardwork on its behalf.

The meeting began at 7.30 pm and ended at 8.33 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)