

# Public Document Pack

Simon Young, Solicitor  
Head of Legal and Democratic Services



## STRATEGY AND RESOURCES COMMITTEE

Tuesday 29 September 2015 at 7.30 pm

### 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 Neil Dallen (Chairman)  
Councillor Clive Woodbridge (Vice-Chairman)  
Councillor Tony Axelrod  
Councillor Richard Baker  
Councillor Rekha Bansil

Councillor Kate Chinn  
Councillor Eber Kington  
Councillor Omer Kokou-Tchri  
Councillor Keith Partridge  
Councillor Mike Teasdale

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Young'.

Head of Legal and Democratic Services

For further information, please contact Fiona Cotter, 01372 732124 or [fcotter@epsom-ewell.gov.uk](mailto:fcotter@epsom-ewell.gov.uk)

### AGENDA

#### 1. QUESTION TIME

To take any questions from members of the Public

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

#### 2. DECLARATIONS OF INTEREST

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

**3. MINUTES OF PREVIOUS MEETING (Pages 5 - 30)**

The Committee is asked to confirm as a true record the Minutes of the meeting of the Strategy and Resources Committees held on 24 March 2015 24 June 2015 and to authorise the Chairman to sign them.

**4. 2014-2015 FINAL ACCOUNTS - AUDIT FINDINGS (Pages 31 - 144)**

This report covers Grant Thornton's audit findings and presents the Financial Statements for 2014/15 following the external audit of the accounts.

**5. POST DMA IMPLEMENTATION PLAN PROGRESS UPDATE (Pages 145 - 150)**

On 23 March 2015 the Council agreed to a restructuring of the senior management team to implement recommendations of the Local Government Association following their Decision Making Accountability Review of the organisation. At that time the Chief Executive committed to a review and report back of the progress of the implementation of those recommendations. This report outlines progress in a number of areas to date and further areas for development

**6. BUDGET TARGETS 2016-17 (Pages 151 - 154)**

This report updates the financial forecast and recommends financial targets for preparing the draft budget for 2016/17 and financial planning for 2017/18, 2018/19 and 2019/20 as recommended by the Financial Policy Panel.

**7. CORPORATE HEALTH, SAFETY AND WELFARE POLICY (Pages 155 - 174)**

We have a statutory requirement to regularly review our Health, Safety and Welfare Policy. The current policy dates from May 2012.

This report outlines main content of the Council's revised Health, Safety and Welfare Policy including details of the Council's commitment to, management of and arrangements for the effective implementation of Health, Safety and Welfare controls.

The policy also identifies clear responsibilities for health, safety and welfare which includes officers as well as Members of the Council.

**8. UPDATE OF CRM PROJECT (Pages 175 - 182)**

This report updates the Strategy and Resources Committee in relation to the Customer Relationship Management (CRM) project and related projects, as Members were asked to receive a further progress report including a medium term plan to exploit the new software.

**9. REPLACEMENT OF COURT RECREATION GROUND BOWLS PAVILION (Pages 183 - 188)**

The report outlines the current situation regarding additional funding agreed via delegated authority for replacement bowls pavilion and the VAT situation

**10. EPSOM COMMON LOCAL NATURE RESERVE: PATH RESTORATION CAPITAL PROJECT** (Pages 189 - 194)

A report requesting permission to use up to £85,440 of external funding received from the developers of the former West Park Hospital for the restoration of the circular bridleway on Epsom Common Local Nature Reserve. Specifically, in relation to the Oil Pipeline Agencies requirement for the fuel pipeline to be protected where the restored bridleway and the entrance to Stew Ponds Car Park cross the pipeline.

**11. COMMUNITY INFRASTRUCTURE LEVY (CIL): PROPOSED GOVERNANCE ARRANGEMENTS** (Pages 195 - 208)

The Council introduced the Community Infrastructure Levy (CIL) on 1 July 2014. The Council is responsible for the collection, distribution and spending of CIL monies. This report outlines and seeks endorsement for governance arrangements to ensure CIL monies are appropriately managed in accordance with the Regulations. The report also seeks approval of the Regulation 123 List which identifies the types of infrastructure the Council will spend CIL monies on.

**12. AN OVERVIEW OF THE EPSOM AND EWELL ECONOMIC DEVELOPMENT STRATEGY** (Pages 209 - 216)

The Council is in the process of preparing a Borough-wide Economic Development Strategy. This report serves as precursor to the more detailed Draft Strategy, providing Members with an overview of the project and the key interventions and outcomes that are likely to be included as part of the Strategy

**13. OUTSTANDING REFERENCES** (Pages 217 - 220)

This report lists the references to officers outstanding as at 29 September 2015

**14. EXCLUSION OF PRESS AND PUBLIC** (Pages 221 - 222)

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

**15. PROPOSED EAST SURREY BUILDING CONTROL PARTNERSHIP** (Pages 223 - 264)

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

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**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE  
held on 24 March 2015**

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**PRESENT-**

Councillor Neil Dallen (Chairman); Councillor Clive Woodbridge (Vice Chairman); Councillors Sheila Carlson (as nominated substitute for Councillor Dan Stevens), Alison Kelly, Christine Long, Humphrey Reynolds, Mike Teasdale and David Wood

Absent: Councillors Darren Dale and Dan Stevens

In attendance: Ms. Valerie Walwyn, MSc, (Chief Executive, SurreySave Credit Union)

Officers present: Frances Rutter (*Chief Executive*), Kathryn Beldon (*Director of Finance and Resources*), Fiona Cotter (*Democratic Services Manager*), Lee Duffy (*Head of Financial Services*) (for items 90 to 95), Judith Doney (*Head of Revenues and Benefits*) (for items 90 to 93) and Simon Young (*Head of Legal and Democratic Services*)

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- 90** QUESTIONS FROM THE PUBLIC. No questions were asked or had been submitted by members of the public.
- 91** MINUTES. The Minutes of the Meeting of the Strategy and Resources Committee held on 27 January 2015 were agreed as a true record and signed by the Chairman.
- 92** DECLARATIONS OF INTEREST. In the interests of openness and transparency, a declaration was made in respect of item 5 on the Agenda (Performance Management) as set out below the relevant Minute.
- 93** SURREYSAVE CREDIT UNION. The Committee received a short presentation from Ms. Valerie Walwyn, MSc, (Chief Executive, SurreySave Credit Union) which provided a flavour of the organisation's work.

SurreySave was a not-for-profit financial co-operative and community bank providing affordable loans and offering ethical investment opportunities. The organisation specifically aimed to help the financially excluded who could not access standard high street banking. The organisation consisted of a small core team supplemented by volunteers. The majority of business was conducted on-line or via the telephone although there were some outreach locations.

Ms. Walwyn stressed that the key was treating people as individuals, granting loans to people who otherwise might pay more for them whilst encouraging individuals to save and to continue that habit beyond the loan repayment term. All loans were subject to affordability and credit checks and the Union offered confidential direct deduction from an individual's pay packet or direct debit from their bank account. Loan interest rates were capped at 3% per month. Ms. Walwyn acknowledged that this was not the most preferential rate on the market but the organisation had a duty

not to put their clients' money at undue risk. It was a difficult balancing act – the organisation strove to help individuals if it could but would not take undue risk. The current return on savings was 1.5% on an instant access account. The Union was also working in partnership with CredEcard to offer a pre-paid visa card. Ms. Walwyn stressed that the services provided by SurreySave were not suitable for everyone. The Union could not give financial advice but signposted the CAB and StepChange as organisations which could do so.

It was noted that the Department of Work and Pensions had invested in the modernisation of Credit Unions. SurreySave would be fully automated by next year and would be able to operate in real time.

Accordingly, the Committee agreed to support the SurreySave Credit Union by:

- (1) Providing a grant of £6,000 per year for the next 3 years, to be funded from the New Homes Bonus Reserve;
- (2) Approving the Action Plan set out at Annexe 1 to the report.

The grant would enable outreach work to be undertaken within the Borough and it was noted that Sam Barclay, the Benefit Team Leader, who had already had some contact with SurreySave on behalf of financially vulnerable benefit recipients, would be appointed as the Council's SurreySave champion.

- 94** PERFORMANCE MANAGEMENT 2014/15: PROGRESS REPORT THREE AND PROVISIONAL TARGETS FOR 2015/16. The Committee received the third Performance Management Progress report for 2014/15, providing information regarding progress towards its targets and considered its actions/targets for the period 2015/16.

It was noted that of its remaining 20 actions for 2014/15, seven had been achieved, six were on target and six had not been met. It was noted that the Committee was being requested to delete action EV2 ("to support the business partnership in developing and monitoring an annual work program") because ways of engagement with local businesses were being reviewed.

The Committee did not identify any issues which required action over and above that set out in the Progress Report but the view was expressed that a number of the targets for 2015/16 related to day-to-day tasks in which the Council would be engaged as a matter of course and ought to be more challenging:

- **Targets around Economic Vitality:** It was queried whether there was an opportunity to identify targets in relation to the provision of additional parking for Town Centre. Officers would be looking at setting a target around Town Centre Management and targets around the phasing and initial phasing of Plan E would be on-going. It was confirmed that a significant amount of work went into the promotion of Epsom with the Gatwick Diamond around business growth and retention.
- **Targets around Managing Resources:** it was suggested that there were issues around the new management structure, such as staff training, which ought to be considered as well as difficult issues around the financing of backlog maintenance.

- **Targets around Safer and Stronger Communities:** it was accepted that the target in relation to Horton Chapel functioning as a community centre by the end of 2015/16 was ambitious
- **Targets around Sustainability:** Whilst these targets were measurable, factors such as the weather, meant that their achievement was not necessarily within the Council's control and Officers were of the opinion that further significant efficiency savings in this area would be difficult to realise

Accordingly, it was agreed:

- (1) to delete action EV2 ("To support the business partnership in developing and monitoring an annual work program") as ways of engagement with local businesses are being reviewed;
- (2) that the formulation of targets for 2015/16 as discussed at the meeting be delegated to the Chief Executive in consultation with the committee

*Note: In the interests of openness and transparency, Councillor Eber Kington declared that he owned a property in the vicinity of Horton Chapel but that, in the context of the item, he did not consider that it could be regarded as affecting is consideration of the item.*

**95** TREASURY MANAGEMENT. The Committee received and considered the updated Treasury Management Strategy Statement 2015/16 to 2017/18.

Accordingly, the Committee approved:

- (a) the Capital Prudential Indicators and Limits for 2015/16 to 2017/18 contained within the Treasury Management Statement (Section 2);
- (b) the Treasury Management Strategy 2015/16 to 2017/18 and the treasury Prudential Indicators contained within it (Section 3);
- (c) the Investment Strategy 2015/16 contained within the Treasury Management Strategy Statement (Section 4);
- (d) the treasury management practices as set out in Appendix 2 to the Treasury Management Strategy Statement; and

It was agreed to **recommend** the adoption of the updated Treasury management Strategy Statement 2015/16 to 2017/18.

**96** MEMBERS MOBILE PROJECT. The Committee received and considered a report setting out the business case for this project and whether resources could be released to commence it.

The Committee was informed that not only would this project modernise the Council's business processes and improve and standardise support to its elected Members but that savings would be achieved through the reduction in the Council's printing, paper, and postage costs, and streamlining and automating processes. It was noted that

the provision of Wi-Fi was part of a wider (revenue) project which would see Wi-Fi installed in the Council venues which was due to be undertaken next year. The Members ICT reference group had requested that consideration also be given to providing Wi-Fi within the Town Hall and the reception areas if the budgetary provision allowed.

Whilst it was acknowledged that change was difficult, the Committee welcomed the proposals. The proposals did not take away the current ability to access the Council's network from a computer terminal or to print documents if necessary. VPN access would still be possible on home desktops. The current range of solutions (which included members receiving some or all of the following IT related services: additional phone lines, blackberries, broadband connections and printers) would be rationalised and an allowance paid to all members instead. Guidance would be sought from the Independent Remuneration Panel about the technicalities of making such a payment. However, the intention was to pay this as a part of the Basic Allowance. The Member ICT Reference Group felt that an allowance of £150 per year would be sufficient to enable a councillor to cover their costs in terms of IT/Telephony services, given that an electronic tablet would also be provided although some reservations as to whether or not this was the appropriate level were expressed and it was hoped that all councillors would be able to put their views forward on this matter.

The report further highlighted that it was important that arrangements in respect of the summons to meetings be lawful, but was considered that proper arrangements could be made to ensure this and that this does not represent a risk to the validity of any Council or Committee meetings. If the project was to proceed as intended, Members needed to agree that they would receive documents electronically. If they were not prepared to do so, the projected savings would need to be adjusted.

Accordingly the Committee approved:

- (1) The business case for the Members Mobile project and agreed to the release of the capital monies during 2015/16;
- (2) That, on implementation, all Members be provided with Electronic Tablet Devices in order to support their need for convenient access to agenda, Council e-mails and the Council Website and Intranet;
- (3) That the Independent Remuneration Panel, be asked to review the Basic Allowance for Members, to reflect the replacement of the current support arrangements for broadband and phone lines, which will cease as soon as practicable after the allowance is increased;
- (4) There be phased implementation of the Modern.gov system for all Policy Committees from 29 September 2015 with full implementation from 14 January 2016;
- (5) That Members approve the procurement of the Committee Management Software System, Modern.Gov via the use of a framework agreement;
- (6) The Citrix Solution, or equivalent solution approved by the Director of Finance & Resources, following consultation with Members ICT Reference Group (see recommendation 9 below), be progressed for Mobile email and mobile device management for Members;



- (7) That the Modern.Gov 'Restricted App' be included in the procurement to enable mobile devices to view confidential and restricted (that is, "Part 2") information, subject to appropriate security being in place;
- (8) Each Member of the Council be asked to agree that with effect from April 2016 all Council and Committee papers be delivered electronically via the Modern.Gov app.
- (9) That Members approve the creation of a Members ICT Reference Group for the duration of the project, which should be politically balanced, and comprise five members.

- 97** LONG GROVE PARK EXTENSION TO BMX/SKATE FACILITY. The Committee received and considered a report which, subject to the decision of the Leisure Committee on 17 March 2015, sought approval to use up to £80,000 uncommitted S106 contributions for Outdoor Sports Facilities from the West Park development to deliver enhanced recreational facilities in Longrove Park.

Having noted that the Leisure Committee had fully supported the proposals which supported a number of the Council's Key Priorities and offered new and improved facilities for young people, the Committee approved the use of up to £80,000 uncommitted S106 contributions for Outdoor Sports Facilities from the West Park development to deliver the project. The report highlighted that this funding had a specific condition that it could only be used on outdoor sports facilities within 2 miles of the West Park Development and so the options available to use this money were restricted. Long Grove Park was within the 2 mile radius and therefore met this condition.

- 98** ALLOCATION OF THE BACKLOG MAINTENANCE BUDGET 2015/16. The Committee received and considered a report which outlined the progress which had been made in relation to the approved programme for 2014/15 and which sought approve to the 2015/16 programme.

The report highlighted that the approved budget for 2014/15 stood at £439,000 but that the estimated outturn was likely to be around £264,000. The forecast underspend of around £175,000 had arisen as a result of the diversion of resources to deal with the fire and flooding emergencies at Ewell Court House and Bourne Hall. In the normal course of events, there was a presumption that unspent monies would be returned to reserves. However, there was still a need for expenditure on the outstanding schemes.

Accordingly it was recommended that the unspent monies on the schemes set out in Annexe 1 to the report be carried forward to 2015/16 to be funded from the property maintenance reserve (£140,000) and S106 funding (£35,000 - £20,000 off which still needed formal approval from Rosebery Housing Association).

As part of the budget preparation process, Officers had carried out a review of upcoming maintenance requirements. The results accorded with the 2002 condition surveys of its property stock undertaken by the Council and revealed a requirement to invest £750,000 to £1,000,000 per annum in this stock over the next ten years. It was therefore proposed as a short term expedient measure to allocate an additional £90,000 from the backlog maintenance reserve to support additional investment in 2015/16.

The report highlighted that the property maintenance reserve which stood at £250,000 as at 1 March 2014, was forecast to stand at £39,000 as at 1 April 2016 if the recommendations set out in the report were agreed.

The report further highlighted that two proposed schemes at Nonsuch for 2015/16 were dependent upon joint funding from the London Borough of Sutton and that there was currently no provision in the latter's 2015/16 budget for the works.

Members were also reminded that, in regard to the works at the Ebbisham Centre, in addition to the £50,000 for ventilation and fan coils replacement in this proposed programme of works, there was also £100,000 for replacement of chillers included in the capital programme for 2015/16.

For the purposes of the 2016/17, and future budgets, Officers would review the level and format of budgets for backlog maintenance together with the funding of these programmes and that, as part of this process, Officers would work in year to develop and apply a criteria based approach for determining the inclusion of schemes in the backlog programme of works, either as part of an annual programme or inclusion as a additional emergency works in year.

Accordingly, the Committee:

- (1) Noted progress in relation to the 2014-15 programme, including adjustments in accordance with the powers delegated to officers;
- (2) Authorised the carry forward to 2015-16 of any unspent sums on the following schemes (which currently stood at £175,000): external decorations to the Town Hall; external repairs and decoration of windows at the Cox Lane Centre; asbestos test, labelling and removal; contingency (£13,000) for emergency works which had arisen during the 2014/15 financial year; refurbishment of the top pavilion in Alexandra Recreation Ground, car park resurfacing in Ewell High Street and path repairs on the Longmead and Watersedge estates;
- (3) Agreed an increase in the backlog maintenance base programme from £210,000 to £300,000 in 2015-16;
- (4) Approved the 2015/16 programme as follows, subject to any decision on the Ebbisham Centre being brought back to the Committee:

| <b>Scheme</b>     | <b>£000s</b> | <b>Comment</b>   |
|-------------------|--------------|--|
| Energy efficiency | 10           | Minor works to improve energy consumption.   |
| Longmead Depot    | 30           | Repairs to concrete and repainting   |
| Ebbisham Centre   | 20           | Upgrade to ventilation in the zone. Needed because additional equipment has been installed by the soft play operator (the Council receives additional income).   |
| Asbestos surveys  | 5            | Inspection, testing remedial works and removal   |
| Ebbisham Centre   | 30           | Fan coil replacement in EEBC areas. The Fan coil units provide both heating and cooling. Cooled air is supplied from the chillers located on the roof of the building which are programmed for replacement in 2015/16 as a capital scheme. |

| Scheme                | £000s      | Comment  |
|-----------------------|------------|--|
| Fire risk assessments | 10         | Various sites and including remedial works             |
| Alec main pavilion    | 30         | Damp proofing works                                    |
| Town Hall             | 20         | Kitchen refurbishments                                 |
| Various sites         | 5          | Remedial electrical works                              |
| Walls and fences      | 20         | Emergency works to walls and fences                    |
| Hard surfaces         | 30         | Including High Street Ewell car park.                  |
| Nonsuch               | 50         | Resurfacing of main car park                           |
| Nonsuch               | 20         | Windows repairs and redecorations                      |
| Contingency           | 20         | May be supplemented from property maintenance reserve. |
| <b>Total</b>          | <b>300</b> |  |

- (5) Authorise Officers to make adjustments to the recommended programme, within the overall budget, as a result of improved estimates becoming available where the adjustment is less than £20,000;
- (6) The Chief Executive in consultation with the chairman of the committee be authorised to approve any new scheme which is prioritised during the year where the cost is in excess of £20,000 subject to the total cost of all works being contained within the overall budget provision.

**99** MINUTES OF THE FINANCIAL POLICY PANEL: 3 FEBRUARY 2015. The Committee received the Minutes of the February meeting of the Financial Policy Panel.

The Committee noted that the Panel had received an update on the preparation of the budget for 2015/16, progress made on the property specific objectives for 2014/15 contained within the Asset Management Plan and review of this plan including objectives for 2015/16. The advice of the Panel on the presentation of the budget had been included in the Budget and Council Tax Report submitted to Council last month.

**100** WRITE OFFS OVER £20,000. The Committee received, considered and agreed a report which sought the approval to write off a national non-domestic rate debt totalling £26,370.06.

The Committee noted that the Council had recently reviewed its debt collection policy and took a robust approach to recovering all debt.

**101** OUTSTANDING REFERENCES. The Committee received and noted the outstanding references to officers as at 24 March 2015.

**102** EXCLUSION OF PRESS AND PUBLIC. The Committee passed a resolution to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**103** THE LIVING WAGE. A report was presented to the Committee (considered exempt from publication).

The decision of the Committee is set out in a separate minute (considered exempt from publication).

**104** TREE RELATED CLAIMS – PROGRESS REPORT. The Committee received and noted a report (considered exempt from publication) which updated Members in relation to the number of outstanding tree related claims.

It was noted that the new working arrangements meant that the risks associated with tress were being more effectively managed and this was reflected in insurance claims. It was further noted that, if there were to be a sustained reduction in claims, and the value of those claims, there could be a reduction in premiums at some point in the future.

*The meeting began at 19.30 hours and ended at 21.31 hours*

NEIL DALLEN  
Chairman

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**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE  
held on 24 June 2015**

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**PRESENT -**

Councillor Neil Dallen (Chairman); Councillor Clive Woodbridge (Vice-Chairman);  
Councillors Tony Axelrod, Richard Baker, Rekha Bansil, Kate Chinn, Eber Kington,  
Omer Kokou-Tchri, Keith Partridge and Mike Teasdale

In Attendance: Elizabeth Olive (Senior Manager, Grant Thornton UK LLP)

Officers present: Frances Rutter (Chief Executive), Kathryn Beldon (Director of Finance and Resources), Simon Young (Head of Legal and Democratic Services), Judith Doney (Head of Revenues and Benefits), Ian Dyer (Head of Operational Services), Andrew Lunt (Head of Venues & Facilities), Joy Stevens (Head of Customer Services and Business Support) and Fiona Cotter (Democratic Services Manager)

**1 QUESTION TIME**

No questions were asked or had been submitted by members of the public.

**2 MINUTES OF PREVIOUS MEETING**

The Minutes of the Meeting of the Strategy and Resources Committee held on 24 March 2015 would be presented to the next meeting of the Committee for signature.

**3 DECLARATIONS OF INTEREST**

A disclosable pecuniary interest was declared in respect of item 9 on the Agenda (Performance Management) as set out below the relevant minute.

**4 EXTERNAL AUDIT - AUDIT PLAN FOR 2014/15**

The Committee considered a report which set out the approach being taken by the Council's External Auditors, Grant Thornton, to the audit of the accounts for 2014/15.

Ms. Elizabeth Olive, Senior Manager, Grant Thornton UK LLP was in attendance. The Plan related to the audit of the Council's financial accounting arrangements and arrangements for securing economy, efficiency and effectiveness in its use of resources (known as the Value for Money conclusion).

Ms. Olive highlighted that two significant risks had been identified in relation to (1) the risk that revenue cycles could include fraudulent transactions and (2) the management override of controls. However, Ms. Olive highlighted that the Plan stated that, having considered the risk factors set out in ISA240 and the nature of the revenue streams at Epsom and Ewell Borough Council, the auditors had determined that the risk of fraud arising from revenue recognition could be rebutted for the reasons given in the Plan. Ms. Olive went on to state that no issues had arisen so far in relation to the work undertaken in relation to the scrutiny of the Council's journals. The Committee was pleased to note that no significant risks/issues had been identified in other areas. Year-end fieldwork on the final accounts was due to commence in July 2015.

In terms of value for money, it was noted that this had a particular definition within the audit environment – it was about challenging process and assumptions not decisions or services. Auditors might suggest best practice in a certain area but would not comment on the outcome of a particular process, for example, around consultation.

The Director of Finance and Resources confirmed that, whilst one would always like fees to be less, the audit fees were significantly cheaper than they used to be.

Accordingly, the Committee received the Audit Plan for 2014/15.

## 5 FINAL ACCOUNTS 2014/15

The Committee received a report which summarised the Council's financial performance for 2014/15, sought approval to the Annual Governance Statement for 2014/15 and set out the carry forward of capital provision for schemes where costs would be incurred in 2015/16. All councillors had been issued with a set of papers at the end of May 2015 setting out the General Fund Summary Position for 2014/15, major budget variances for 2014/15 and the capital expenditure position 2014/15.

The Committee noted that final net expenditure for 2014/15 compared to the forecast position reported in Quarter 3 which anticipated a contribution from the working balance of £85,000. The report highlighted the most significant adverse variances in 2014/15 and that in respect of homelessness (£674,000) and salaries (£263,000) was highlighted at the meeting. The number of households requiring accommodation had been budgeted at 34. However, this figure had risen significantly throughout the year to 85 at year end. The adverse variance in relation to salaries was a result of the vacancy target not being fully achieved this year and additional expenditure within parking. However, it was further noted that a significant amount of the salaries budget variance had been matched by a significant favourable variance in respect of income from parking and development control (an unanticipated number of applications had been received in 2014/15). Subject to audit, the Working Balance as at 31 March 2015 was £3.3m with Strategic Reserves of just under £7m. This level of reserves was considered appropriate and a review of current balances held on revenue and



capital reserves would be reported to the Financial Policy Panel in September 2015.

Provision on bad debts had been increased to £1.2m. The outstanding debt as at the end of 2014/15 stood at £1.7m and it was considered prudent to continue to strengthen this provision to manage the risk that the Council would not be able to recover debts once Universal Credit came in. It was further highlighted that, in respect of Pensions, the report should have referenced Note 29 and not Note 18 in the Core Financial Statements and that the net liability was as at 31 March 2015 and not 2014.

It was noted that:

- The pension scheme was administered by Surrey County Council. It had to be funded within 20 years and the Council was making significant top up payments to reduce the deficit. The prognosis on the growth of the deficit was that it was volatile. However, it was hoped that its growth would be curbed by recent changes to the scheme. The triannual valuation of the scheme was due next year, which would clarify the position.
- The Annual Governance Statement had been considered by the Audit, Crime & Disorder And Scrutiny Committee the previous evening and had been approved subject to the correction of minor typographical errors on pages 3, 4 and 5;
- There was an underspend of £4m on the Capital Programme largely as a result of the rephrasing of works in relation to Ewell Court House, earmarked funds being no longer required in relation to the Hollymoor Lane project and difficulties in progressing schemes such as Horton Chapel. The level of commitment on schemes carried forward into 2015/16 would be reviewed by the Capital Member Group;
- There had been a drop in capital reserves because there had been no new capital receipts and, even on the basis of very strict criteria, the Council was using £0.5m - £1m of reserves per year to fund capital projects;
- Anticipated New Homes Bonus would be used to boost the Corporate Projects Reserve;
- The Government has not made it clear whether or not it would be taking on debts in relation to housing benefits overpayments and therefore it was prudent to assume that the Council would be picking up the shortfall on the transfer of the administration of benefits to central government under "universal credit";
- It was clear that the Council faced significant financial challenges ahead. Whilst it was difficult to speculate on the scale of these at this stage (and it

hoped that the Council would have a better idea of the financial challenges it faced following the Chancellor's budget statement in July) it was likely that there would be further substantial reductions in government grant;

- Funds held in the Personalisation, Prevention and Partnership Reserve could not be transferred into the General Fund. The money had to be spent on terms agreed by Surrey County Council or refunded it. It was confirmed that the criteria for securing funding had been tightened up.
- The draw down from the Insurance Reserve (£63,000) had been used to finance claims a variety of claims such as subsidence and claims dating back to the Council's previous insurers, MMI. The Reserve was used to pay compensation where a claim had not been covered by insurance and assisted in managing any fluctuations in premiums.

Accordingly, the Committee (1) agreed, subject to the correction of minor typographical errors, the Annual Governance Statement attached as an Annexe to this report; (2) Noted the carry forward £3,121,000 provision for capital schemes to be added to the 2015/16 capital programme and (3) agreed that the Capital Member Group review the level of commitment on all schemes carried forward as part of the capital programme review.

## 6 PERSONALISATION, PREVENTION AND PARTNERSHIP FUND

A report was presented to the Committee which provided an update on the current situation in relation to the allocation of the Personalisation, Prevention and Partnership Fund established by Surrey County Council and the recent changes to the administration of the fund which had resulted in a change of emphasis in the types of bids proving successful.

The Committee noted progress in relation to the agreed projects for 2012/13, 2013/14 and 2014/15. Initial conversations with Surrey Downs Clinical Commissioning Group and Surrey County Council Adult Social Care Team had assisted in the formulation of possible recommended projects which would fulfil the new funding criteria. It was confirmed that it would not be possible to fund a review of route call services under the new criteria.

Accordingly, the Committee authorised Officers to apply for and, if successful, allocate PPP funding to the following seven initiatives identified for 2015/16:

- Initiative 1: to continue to staff the Well-Being Centre, Community Alarm/Tele care and Handy Man adaptations demonstration suite by continuing to employ the 2 FTE posts, all employed on a fixed term contract at a cost of £60,000 a year;
- Initiative 2: £10,000 to continue with activities for people with dementia and their carers within the Wellbeing Centre;

- Initiative 3: £5000 to continue with physical activities for older people;
- Initiative 4: £30,000 to continue to part fund a Sport Development Officer post at a cost of £20,000 and £10,000 to the use for physical sports activities;
- Initiative 5: £30,000 to expand the capacity for activities and classes provided at the Wellbeing Centre on additional premises;
- Initiative 6: £25,000 for initiatives designed to tackle social isolation;
- Initiative 7: £20,000 for supporting people with different or higher needs;

## 7 TREASURY MANAGEMENT PERFORMANCE 2014/15

The Committee received and considered a report which reviewed the performance of the Council's Treasury Management function in 2014/15 and which sought changes to the Treasury Management Strategy.

The Committee was informed that the Financial Policy Panel had received an interim report on performance last year. The purpose of this function, in accordance with the CiPFA Code, was to look a security and liquidity before yield. Investment rates were extremely low – the average annualised return on investments for 2014/15 was 0.85%. However, this return compared extremely favourably to the benchmark. Interest rates were no expected to rise until at least 2016. Annexe 2 to the report set out the Prudential Indicators which the Council had a statutory responsibility to produce.

The report highlighted that the 2014/15 Treasury Management Strategy approved by the Strategy and Resources Committee included a risk management approach to investment of funds and returns. An amendment was required to this Strategy as changes by ratings agencies had reduced the number of eligible counterparties in order to allow Offices to maintain the ability to make investments in line with the Council's overall investment priorities of low risk, liquidity and returns.

The Committee approved:

- (1) the actual 2014/15 prudential indicators as set out in Annexe 2 to the report; and
- (2) the following amendments to the Treasury Management Strategy:
  - when assessing suitability of individual counterparties reference to the lowest common denominator would be removed;
  - that the Council would be allowed to invest in unrated building societies with assets in excess of £1 billion to a maximum investment of £2.5 million for a maximum duration of one (1) year.

In so doing, the Committee noted that:

- Lending money did not form part of this particular strategy and capital investment would be a separate policy decision which would need to be taken by members;
- Officers were in the process of exploring other types of investment that could potentially increase yields without significantly increasing the risk to the capital invested but no decisions would be taken on this without further reference back to members;
- The £1,000 credited to the Community Safety Partnership Fund was the interest received on the funds held. This was an active fund and could not be released for other purposes.

## 8 LOCAL COUNCIL TAX SUPPORT SCHEME

The Committee received and considered a comprehensive report which set out options for the Local Council Tax Scheme for 2016/17 and asked Members to choose their preferred option in order that any consultation required could be undertaken over the summer.

The Committee noted that the Council was statutorily obliged to adopt such a scheme on an annual basis. The scheme could remain unchanged or be revised. Consultation was required on any revised scheme prior to adoption. The current scheme, approved by Council in December 2014, provided that everyone of working age paid a minimum of 20% of their Council Tax charge.

For 2016/17 the Council had the option of either continuing with the current scheme for a further year or increasing the percentage minimum contribution recipients of Council Tax support were required to pay. Whilst the report set out the data available, it was stressed that this was insufficient to provide a full analysis of the implications of the current scheme for the Council.

The report set out the advantages and disadvantages of both options and cautioned against the adoption of a “multi- year” scheme under which the maximum reduction changed year on year without undertaking further consultation each year. It was not absolutely clear from the legislation that this was permissible therefore there was a risk that a decision to do so could be susceptible to challenge, the cost of which was likely to be substantial.

The point was again made that it needed to be recognised that the funding gap created by the withdrawal of Government grants was effectively being met by the increase levied on council tax payers generally (assuming Council looked to cap any increase in Council Tax at 2%). Realistically Members had few other options available to fund the growing cost of Council Tax Support. Raising the Council Tax was limited to around 2% unless Members wished to go to a public referendum; reserves were currently only £600k above the minimum level and

Council Tax Support was an ongoing cost. The only other option was to reduce services further.

There being two options before the Committee, these were put to the vote.

It was put to Members that the Council continue with the current scheme for a further year to provide time for a full analysis of the effects of the scheme to assess the effects of other welfare reforms on the scheme (Option A). This would not require a public consultation. This motion was lost, there being 3 members in favour and 6 against.

Accordingly, the Committee agreed (there being 5 members for and 4 against) that the Council should consider increasing the percentage minimum payment on the current scheme by between 5% and 10% for the 2016/17 financial year (Option B). This would require a public consultation.

*Note: Councillor Omer KoKou-Tchri left the chamber during consideration of this item and took no part in the debate on this matter.*

#### 9 PERFORMANCE MANAGEMENT: PROGRESS REPORT FOUR 2014/15

The Committee received and considered a report which set out performance against the Committee's actions for Progress Report Four 2014/15.

The report highlighted that, overall, Strategy and Resources Committee had 25 actions for the 2014/15 financial year. As at year end, of the 25 actions, 10 had been "achieved", 7 "signed off", 3 "deleted" and 3 "deferred".

Having reviewed progress as at year end, it was noted that Officers were working towards smarter targets, in particular the avoidance of targets which the Council had limited control to deliver.

#### 10 ADDITIONAL FUNDING FOR THE CONVERSION OF THE TOWN HALL AND HOPE LODGE CAR PARKS TO BARRIER CONTROL

A report was presented to Committee which sought approval for additional funding from capital reserves up to a maximum of £16,744 to enable the completion of the project to install barrier controlled parking in the Hope Lodge and Town Hall car parks.

The Committee was informed that the Environment Committee had requested that this Committee approve the release from capital reserves of a total of £16,744 (including a contingency sum of £1,522) for the following works:

- The purchase of infrastructure (chip and coin exit station and I.T. hardware/software) which was necessary for the completion of the project (£10,222);
- The installation of bunds around the boundary perimeter of Hope Lodge car park (circa £5,000), subject to Officers in consultation with the

Chairman considering the appropriateness of alternative solutions which could be provided within the same budget.

Accordingly, the Committee agreed:

- 1) The purchase of infrastructure (chip and coin exit station and I.T. hardware/software) which is necessary for the completion of the project (£10,222);
- 2) The investigation of alternative methods of protecting the perimeter of Hope Lodge Car Park and the implementation of the preferred method (if any) at a maximum cost of £5,000 to be agreed by the Director of Finance and Resources in consultation with the Chairmen of the Strategy and Resources and Environment Committees.

**11 USE OF A FRAMEWORK FOR THE MANAGED SERVICE FOR TEMPORARY AGENCY RESOURCES**

The Committee received and considered a report which outlined the proposed approach for the procurement of agency staff.

The report highlighted that the Council used a high level of agency staff, the annual spend being in the region of £1.5 million per year, and that procuring agency staff via the proposed framework offered the most efficient way to ensure compliance with the Public Contracts Regulations 2015 (incorporating the requirements of the EU Procurement Directive) and Contract Standing Orders.

A detailed review of the Council's agency requirements was already underway and, subject to agreement of the proposals before the Committee, managers would be consulted to establish their needs in order to clarify the overall needs of the Council prior to reviewing and selecting a provider from the framework. The Neutral Vend Model was considered to best meet the Council's needs.

Accordingly, it was agreed

- (1) To join a framework for the supply of agency staff
- (2) That the Council use the framework to enter into the Neutral Supply Vend Model which would provide optimum value and use of small/medium enterprises;
- (3) That the award of contract be delegated to the Director of Finance & Resources, following consultation with the Chairman of Strategy and Resources Committee;
- (4) Heads of Service be authorised to award individual contracts for the provision of agency staff via the selected Neutral Vend Supplier.

**12 MINUTES OF THE FINANCIAL POLICY PANEL: 9 JUNE 2015**

The Committee received the Minutes of the Financial Policy Panel meeting held on 9 June 2015.

The report highlighted that the Panel had confirmed the approach to be taken to the 2016/17 budget review and that Officers would be working with policy committee chairmen to bring forward service saving options, in addition to the savings already targeted, to the timetable set out in Annexe 1 to the report presented to the Panel.

**13 OUTSTANDING REFERENCES**

The Committee received and noted the outstanding references to officers as at 24 March 2015 and agreed that the commitment to produce an annual report on energy consumption should be reviewed during the setting of the new Corporate Plan.

**14 EXCLUSION OF PRESS AND PUBLIC**

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

**15 LITTLE ACRES FIELD, HORTON LANE, EPSOM**

The Committee received and considered a report (considered exempt from publication) which set out a proposal to grant of a new 25 year Lease to the Guide Association Trust Corporation to facilitate the development of a lodge and store at Little Acres Field, Horton Lane, Epsom.

Whilst the proposed use of the site was welcomed, it was noted that the terms and conditions being imposed reflected concerns raised about the increased intensification of use of this particular area of the Country Park. The Guide Association had agreed to the rental fee – an increase on the original licence fee – which also reflected the changes in use.

**16 LAND AT FAIRVIEW ROAD**

A report was presented to the Committee (considered exempt from publication).

The decision of the Committee is set out in a separate minute (considered exempt from publication).

**17** HOLLYMOOR LANE PROPOSAL

A report was presented to the Committee (considered exempt from publication).

The decision of the Committee is set out in a separate minute (considered exempt from publication).

**18** EWELL COURT HOUSE REINSTATEMENT

A report was presented to the Committee (considered exempt from publication).

The decision of the Committee is set out in a separate minute (considered exempt from publication).

**19** CAR PARK FEASIBILITY STUDY

A report was presented to the Committee (considered exempt from publication).

The decision of the Committee is set out in a separate minute (considered exempt from publication).

*The meeting began at 7.30 pm and ended at 9.31 pm*

COUNCILLOR NEIL DALLEN (CHAIRMAN)



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**2014/15 ACCOUNTS – AUDIT FINDINGS**

|   |  |
|---|--|
| <u>Report of the:</u>                           | Director of Finance and Resources  |
| <u>Contact:</u>                                 | Kathryn Beldon/Lee Duffy   |
| <u>Urgent Decision?(yes/no)</u>                 | Yes  |
| <u>If yes, reason urgent decision required:</u> | Requirement to certify accounts by 30 September 2015   |
| <u>Annexes/Appendices (attached):</u>           | Annexe 1: Audit Findings<br>Annexe 2: Financial Statements 2014/15<br>Annexe 3: Letter of Representation |
| <u>Other available papers (not attached):</u>   | Draft Financial Outturn reported to Strategy and Resources Committee 24 June 2015                        |

**REPORT SUMMARY**

**This report covers Grant Thornton’s audit findings and presents the Financial Statements for 2014/15 following the external audit of the accounts.**

| <b><u>RECOMMENDATION (S)</u></b>  | <i>Notes</i> |
|---|--------------|
| <p><b>(1) That the Committee:-</b></p> <p><b>(2) Receives the Audit Findings for 2014/15;</b></p> <p><b>(3) Receives the Financial Statements for the year ended 31 March 2015;</b></p> <p><b>(4) Agrees the management action in response to audit recommendations</b></p> <p><b>(5) Agrees that the Chairman of Resources and Strategy Committee and the Director of Finance and Resources sign the Letter of Representation on behalf of the Council.</b></p> <p><b>(6) Delegates any further amendments to the Financial Statement for the year ended 31 March 2015 to the Director of Finance and Resources in consultation with the Chairman of Strategy and Resources Committee.</b></p> |              |

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

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

**2 Background**

2.1 The Council's financial performance for 2014/15 was reported to this committee on 24 June 2015. A copy of the draft unaudited Financial Statements was made available to Members and was placed on the Council's web site.

2.2 Grant Thornton, the Council's external auditor, has now issued their Audit Findings following the completion of the audit of the Financial Statements. The report is attached at Annexe 1.

2.3 The audit findings will be presented to the Committee by Christian Heeger, Director, Grant Thornton, who will also answer any questions members may have on the audit.

2.4 The audited Financial Statements are included in Annex 2 to this report. Members are invited to raise any detailed queries with the Director of Finance and Resources prior to the meeting.

**3 Outcome of Audit**

3.1 The following specific points are made in the report:-

3.1.1 The Auditors anticipate an unqualified opinion on the Council's Financial Statements.

3.1.2 Any adjustments required have been agreed and implemented and they did not affect the Council's reported outturn position or cash reserves.

3.1.3 The auditor plans to issue an unqualified conclusion on Value for Money

**4 Action Plan**

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

**5 Proposals**

5.1 The Committee is asked to:-

- Receive the Audit Findings for 2014/15;
- Receive the Financial Statements for the year ended 31 March 2015;
- Agree the management action in response to audit recommendations

- Agree that the Chairman of Resources and Strategy Committee and the Director of Finance and Resources sign the Letter of Representation on behalf of the Council
- Delegate any further amendments to the Financial Statements for the year ended 31 March 2015 to the Director of Finance and Resources in consultation with the Chairman of Strategy and Resources Committee.

## **6 Financial and Manpower Implications**

- 6.1 On 24 June 2015, the Committee received a summary of the General Fund position for 2014/15 and the financial reserves as 31 March 2015. The Committee also received details of expenditure on the capital programme. There have been no changes made to the reported financial position.
- 6.2 An update on the Council's financial standing is contained in the Budget Targets report on this agenda. The Financial Policy Panel also received more analysis of the Value Form Money profiles earlier this month in a report covering a Review of Reserves.
- 6.3 The audit has been completed within the budget previously reported.
- 6.4 **Chief Finance Officer's comments:** The audit fee of £72,640 is within budget.

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

- 7.1 The requirements for external audit are set out in the executive summary of the Audit Findings report.
- 7.2 **Monitoring Officer's comments:** No comments for the purposes of this report.

## **8 Risk Assessment**

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

## **9 Conclusion and Recommendations**

- 9.1 The external auditors propose an unqualified opinion on the Council's Financial Statements.
- 9.2 The Financial Statements will be published following signature and certification.

**WARD(S) AFFECTED: N/A**

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# The Audit Findings for Epsom and Ewell Borough Council

**Year ended 31 March 2015**

4 September 2015

Page 35

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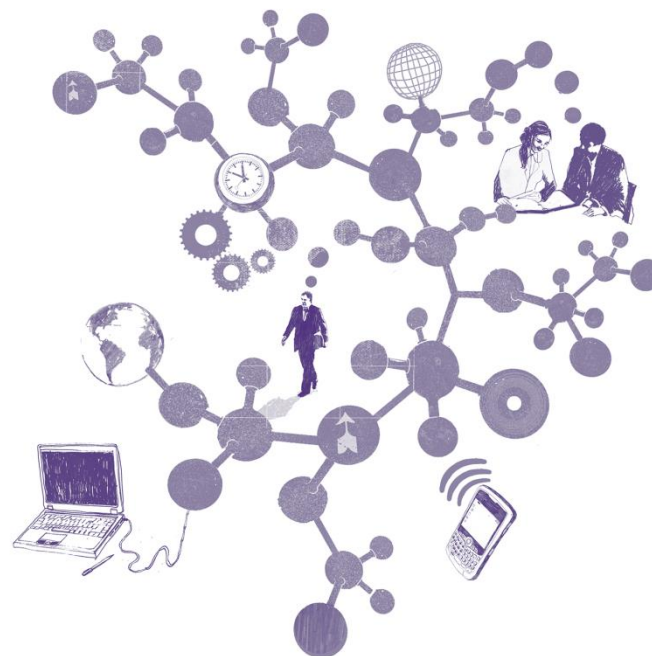
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### **Audit Findings for Epsom and Ewell Borough Council for the year ending 31 March 2015**

Page 36

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Epsom and Ewell Borough Council, the Strategy and Resources Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

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

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

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

Yours sincerely

Christian Heeger

#### Chartered Accountants

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AGENDA ITEM 4  
ANNEXE 1



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# Contents

| <b>Section</b>                               | <b>Page</b> |
|--|-------------|
| 1. Executive summary                         | 4           |
| 2. Audit findings                            | 7           |
| 3. Value for Money                           | 17          |
| 4. Fees, non-audit services and independence | 22          |
| 5. Communication of audit matters            | 24          |

## **Appendix**

A Audit opinion

Page 37

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# Section 1: Executive summary

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

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Epsom and Ewell Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 12 March 2015.

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

- sample testing of debtor balances
- property, plant and equipment testing
- sample testing of housing benefit cases
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement

- updating our post balance sheet events review, to the date of signing the opinion, and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

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

- the draft accounts submitted for audit were of a high quality. The Council de-cluttered the accounts during the year which made them easier to understand for the reader of the accounts
- officers were responsive to audit requests for information.

We have identified an adjustment affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements for the year ended 31 March 2015 recorded net expenditure of £8,353k; the audited financial statements show net expenditure of £9,052k. This change relates to the classification of three grants in the draft accounts as credited to cost of services instead of taxation and non-specific grant income. The surplus on provision of services is the same in both sets of accounts.

We have also identified a small number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

### **Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

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

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

### **Controls**

#### **Roles and responsibilities**

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

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

#### **Findings**

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

Further details are provided within section two of this report.

### **The way forward**

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

### **Acknowledgment**

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

**Grant Thornton UK LLP**  
September 2015

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## Section 2: Audit findings

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

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Strategy and Resources Committee on 24 June 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you.

## **Audit opinion**

Our proposed audit opinion is set out in Appendix B.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

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

Page 43

|    | Risks identified in our audit plan   | Work completed  | Assurance gained and issues arising   |
|----|--|---|---|
| 1. | <p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Although we have rebutted the significant risk presumption we are required to and have performed audit tests to address the inherent risk.</p> | <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>                 | <p>We determined that the risk of fraud arising from revenue recognition could be rebutted.</p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>  |
| 2. | <p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>   | <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul> | <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p> |

AGENDA ITEM 4  
ANNEXE 1

# Audit findings against other risks

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

| Transaction cycle            | Description of risk   | Work completed   | Assurance gained & issues arising  |
|------------------------------|---|--|--|
| <b>Operating expenses</b>    | Creditors understated or not recorded in the correct period | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>Sample testing of expenditure during the financial year</li> <li>Testing of year end payables</li> <li>Testing for unrecorded liabilities</li> </ul>  | Our audit work has not identified any significant issues in relation to the risk identified.   |
| <b>Employee remuneration</b> | Employee remuneration accrual understated                   | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>Completeness testing of payroll records using trend analysis</li> <li>Sample testing of payroll transactions to payslips and HR contracts of employment</li> <li>Reconciliation of payroll gross to net report</li> </ul> | Our audit work has not identified any significant issues in relation to the risk identified.   |
| <b>Welfare expenditure</b>   | Welfare benefit expenditure improperly computed             | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>HB COUNT audit work, including testing of housing benefit cases</li> </ul>  | <p>Our audit work to date has not identified any significant issues in relation to the risk identified.</p> <p>Testing of the housing benefit cases is still in progress. No errors have been identified in the cases completed to date.</p> |



Page 44

AGENDA ITEM 4  
ANNEXE 1



# Accounting policies, estimates & judgements

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

| Accounting area                 | Summary of policy   | Comments  | Assessment  |
|---------------------------------|---|---|---|
| <b>Revenue recognition</b>      | <p>Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</p> <p>The Council also has separate policies for the recognition and measurement of council tax and business rates revenue.</p> | <p>The Council's policy follows the revenue recognition policy in the Guidance Notes for Practitioners and is appropriate to its circumstances.</p> <p>Separate policies for each class of revenue have been disclosed in the accounts as required in the Code with the exception of grant income. A policy for grant income has now been included in the accounting policies.</p> <p>The policies for Collection Fund revenue are appropriate to your circumstances.</p> | <br><b>Green</b> |
| <b>Estimates and judgements</b> | <ul style="list-style-type: none"> <li>Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>useful life of and basis of depreciation of property, plant and equipment (PPE)</li> <li>pension fund valuations and settlements</li> <li>PPE valuations</li> </ul> </li> </ul>   | <p>We have reviewed the bases of these estimates, including assessing and placing reliance where appropriate on the work of experts to inform our understanding and to gain assurance.</p> <p>The Council has enhanced the narrative in note 3 (critical judgements) for the valuation methodology of its asset base to make it clearer to the reader of the accounts the approach taken by the valuer in 2014/15.</p>  | <br><b>Green</b> |



Page 45

AGENDA ITEM 4  
ANNEXE 1

**Assessment**

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates & judgements continued

| Accounting area                  | Summary of policy   | Comments  | Assessment  |
|----------------------------------|---|---|---|
| <b>Going concern</b>             | The leadership team has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. | We have reviewed the assessment by the leadership team and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements. | <br><b>Green</b> |
| <b>Other accounting policies</b> | We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.  | Our review of accounting policies has not highlighted any issues which we wish to bring to your attention   | <br><b>Green</b> |

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

|    | Issue  | Commentary   |
|----|--|--|
| 1. | <b>Matters in relation to fraud</b>                | <ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Strategy and Resources Committee and no issues were brought to our attention that could impact on the audit opinion. 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.</li> </ul>   |
| 2. | <b>Matters in relation to laws and regulations</b> | <ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>   |
| 3. | <b>Written representations</b>                     | <ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> <li>In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates for the valuation of Property, Plant and Equipment.</li> </ul>  |
| 4. | <b>Disclosures</b>                                 | <ul style="list-style-type: none"> <li>Our review found no non-trivial omissions in the financial statements.</li> </ul>   |
| 5. | <b>Matters in relation to related parties</b>      | <ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed. The draft accounts omitted the related party transactions note and this has been included in the final version of the accounts.</li> </ul>  |
| 6. | <b>Confirmation requests from third parties</b>    | <ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to Natwest for bank, and Aberdeen Asset Management and Goldman Sachs for cash equivalent balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> <li>We requested management to send letters to those solicitors who worked with the Council during the year. A response from the in-house solicitor will give us assurance required.</li> </ul> |

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Welfare Expenditure as set out on page 10 above.

The controls were found to be operating effectively and we have no matters to report to the Strategy and Resources Committee.

A review of the internal control weaknesses raised in the prior year confirms that the Council has made reasonable progress in implementing the recommendations. No issues arising that need to be reported in 2014/15.

# Adjusted misstatements

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

## Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

| Detail  | Comprehensive Income and Expenditure Account<br>£'000 | Balance Sheet<br>£'000 | Impact on total net expenditure<br>£000 |
|---|---|------------------------|---|
| <p>1 Comprehensive Income and Expenditure Statement and Government Grants (note 11)<br/>The Council disclosed three grants as being credited to services in note 11 instead of accounting for them as non-specific grant income (note 10) even though the grants did not have conditions attached to them. The adjustment to the CIES and notes are:<br/>Dr Central Services for business rate collection grant 200 200<br/>Dr Corporate and Democratic Core for New Homes Bonus (£483k) and New Burden grants (£16k) 499 499<br/>Cr Taxation and Non-Specific Grant Income (699) (699)<br/>There is no impact on the Surplus on Provision of Services in the CIES.</p> |   |                        |   |
| <p>The total disclosed in the Government Grants note was incorrect as the full amount received in the year was included for the New Homes Bonus grant of £1,552k. Only £483k was credited to services as the remainder was accounted for as a reserve as the amount had not yet been used to provide services in 2014/15.</p> <p>2013/14 figures in the CIES and grants notes have been restated for the above misstatement.</p>  |   |                        |   |
| <p><b>Overall impact</b></p>  | <p>£ Nil</p>  | <p>£ Nil</p>           | <p>£ Nil</p>                            |

## Misclassifications & 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.

| Adjustment type | Value<br>£'000 | Account balance  | Impact on the financial statements  |
|-----------------|----------------|--|---|
| 1 Disclosure    | n/a            | Assumptions made about future and uncertainty (note 4) | The Property, Plant and Equipment figure of £65.8m does not agree to the Balance Sheet. The disclosure has been amended to state £64.6m.  |
| 2 Disclosure    | 1,218          | Financial instruments (note 15)                        | The loans and receivables total disclosed in the note was overstated as the balance included council tax and NNDR debtors which are not a financial instrument as they are a statutory debt. The loans and receivables should total £25,035k. |
| 3 Disclosure    | n/a            | Cash and Cash Equivalents (note 17)                    | The note has been amended to simplify the disclosure in line with the Code guidance notes. The draft accounts included a disclosure relating to long term investments which was a duplicate of the cash equivalents totals.                   |
| 4 Disclosure    | n/a            | Related party transactions (note 31)                   | The related party note was removed during the de-cluttering exercise but due to its sensitive nature the Code states this is a mandatory disclosure and has been included in the final version of the accounts.                               |

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money (VfM) conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Strategic Financial planning; and
- Financial control.

Overall our work highlighted that the Council continued to deliver good financial outcomes in the increasingly difficult financial climate and had established adequate arrangements for financial planning, governance and control.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has adequate arrangements in place to prioritise its resources and to improve efficiency and productivity.

### Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.



We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

|              |   |
|--------------|---|
| <b>Green</b> | Adequate arrangements                             |
| <b>Amber</b> | Adequate arrangements, with areas for development |
| <b>Red</b>   | Inadequate arrangements                           |

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Page 53

| Theme                                | Summary findings   | RAG rating   |
|--------------------------------------|--|--------------|
| <b>Key indicators of performance</b> | <ul style="list-style-type: none"> <li>We have reviewed the relevant key indicators of performance for the Council: liquidity; workforce; performance against budgets; and reserve balances. The Council has an understanding of all these areas as part of their monitoring.</li> <li>The financial performance indicators are monitored by members as part of the quarterly budget reports to Cabinet. This ensures that any variances are identified and appropriate action is taken.</li> </ul>  | <b>Green</b> |
| <b>Strategic financial planning</b>  | <ul style="list-style-type: none"> <li>The objectives of the Medium Term Financial Strategy are set out in the Four Year Financial Plan 2012-2016. The 2015/16 budget report to Council in February 2015 updated the financial forecast to 2018/19.</li> <li>The financial assumptions are based on a detailed assessment of inflation, income growth and demand for services and are in line with expectations of the Council's environment.</li> <li>There are good links between the annual financial planning and the Council's key priorities. Budget assumptions have been prudently made based on the Council's analysis of the national and local context for Surrey to establish the overall challenges the Council is facing. It also includes clear spending demands and pressures alongside the potential income generation and savings proposals.</li> </ul>  | <b>Green</b> |
| <b>Financial governance</b>          | <ul style="list-style-type: none"> <li>The Council has established sound financial governance arrangements and members are provided with regular quarterly financial updates via email. The Financial Policy Panel has given guidance on the preparation of the estimates to be used in the 2015/16 budget as part of review of the financial base position in 2014/15 and the impact on the future years.</li> <li>Members are engaged in the financial planning and monitoring process and have an awareness of the financial environment the Council is operating in. However, they face difficult decisions in the future about service delivery and capital projects as the budget savings become increasingly difficult to identify.</li> <li>The Council has restructured its corporate management team and needs to ensure additional support is given to the Heads of Service over the 2015/16 year as they now play a prominent role in delivering the savings.</li> </ul> | <b>Green</b> |

AGENDA ITEM 4  
ANNEXE 1

| Theme  | Summary findings   | RAG rating   |
|--|--|--------------|
| <b>Financial control</b>                       | <ul style="list-style-type: none"> <li>The Council has a strong track record on budgetary and financial control, demonstrated by good financial outcomes, and which is indicative of a robust financial control framework. The outturn report for 2014/15 showed an adverse variance of £84k against the planned budget. This is 1% of the total funding for the year and is not considered to be a significant variance or indication of worsening financial control. A contribution was made from the General Fund working balance to cover the variance.</li> <li>Savings of £500k have been built in to the 2015/16 budget with an additional revenue requirement of £130k. This will require continued tight financial controls to deliver.</li> <li>The original approved capital programme for 2014/15 totalled £1,677k and was revised during the year to include slippage from 2013/14 and new schemes approved after the original budget was set to total £7,408k. The actual capital spend totalled £3,428k resulting in slippage of £3,980k which is roughly 50% of the revised budget. The Council should ensure that any new schemes approved for the financial year are deliverable in the agreed timeframe.</li> <li>The Internal Audit and risk management arrangements are sound.</li> </ul> | <b>Green</b> |
| <b>Prioritising resources</b>                  | <ul style="list-style-type: none"> <li>The Council has demonstrated a clear strategy and rationale for the use of its financial and other resources. The Council is starting to explore different ways of working to ensure stretched resources are prioritised in the right areas.</li> </ul>   | <b>Green</b> |
| <b>Improving efficiency &amp; productivity</b> | <ul style="list-style-type: none"> <li>The Council understands its cost pressures and drivers, and has made use of bench-marking to support the development of the financial plan for 2014/15. The Council's Corporate Plan outlines the key priorities for service delivery and performance against the plans are monitored on a quarterly basis.</li> <li>Key services are effective and the Council has not had to make any significant cuts to the frontline services in 2014/15.</li> <li>The Council needs to strengthen its procurement arrangements following a 'red' rated report from Internal Audit during the year.</li> </ul>   | <b>Green</b> |

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves. Following completion of our work we noted the following residual risks to our VfM conclusion:

| Residual risk identified   | Summary findings   | RAG rating   |
|--|--|--------------|
| <b>Executive &amp; Member Engagement (Financial Governance)</b>                    | The Council should ensure that the Heads of Service have received full training and on-going support during the 2015/16 to ensure they fulfil the enhanced role in leading the Council as part of the newly formed management team. There needs to be a corporate focus by the Heads of Service from 2015/16 onwards to ensure the whole Council delivers the budget and savings identified. | <b>Green</b> |
| <b>Budget setting &amp; monitoring - revenue &amp; capital (Financial Control)</b> | The Council should ensure that amendments to the capital programme during the year are realistic and achievable by year end to avoid significant slippage in to the next financial year. In addition, the Council should ensure that when capital programme budgets are approved they are realistic to ensure that the final project costs are not overspent.                                | <b>Amber</b> |
| <b>Effectiveness of key services (Improving efficiency &amp; productivity)</b>     | The Council received a red rated report from Internal Audit during the year for the procurement arrangements. Improvements need to be made in the service and the Internal Audit recommendations and the findings from the recent external health check should be implemented to ensure value for money is achieved in contract procurement.   | <b>Red</b>   |

---

## Section 4: Fees, non-audit services and independence

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

# Fees, non-audit services and independence

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

## Fees

|   | Per Audit plan<br>£ | Actual fees<br>£ |
|---|---------------------|------------------|
| Council audit                                     | 59,610              | 59,610           |
| Grant certification on behalf of Audit Commission | 13,030              | 13,030           |
| <b>Total audit fees</b>                           | <b>72,640</b>       | <b>72,640</b>    |

## Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

## Fees for other services

| Service                    | Fees £ |
|----------------------------|--------|
| Audit related services     | Nil    |
| Non audit related services | Nil    |

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## Section 5: Communication of audit matters

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

# Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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

Page 59

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

AGENDA ITEM 4  
ANNEXE 1

# Appendices

Page 60

AGENDA ITEM 4  
ANNEXE 1



# Appendix A: Audit opinion

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPSOM AND EWELL BOROUGH COUNCIL**

We have audited the financial statements of Epsom and Ewell Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Epsom and Ewell Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Finance and Resources and auditor**

As explained more fully in the Statement of the Director of Finance and Resource's Responsibilities, the Director of Finance and Resource is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resource; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial

information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements: give a true and fair view of the financial position of Epsom and Ewell Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We are required to report to you if: in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Respective responsibilities of the Authority and the auditor***

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

the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for: securing financial resilience; and challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2015.

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

***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Epsom and Ewell Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Certificate**

We certify that we have completed the audit of the financial statements of Epsom and Ewell Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Christian Heeger  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Explorer Building  
Fleming Way  
Manor Royal  
GATWICK  
RH10 9GT

30 September 2015



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# **Audited Statement of Accounts**

**2014/15**



| <b>CONTENTS</b>  | <b>Page</b> |
|--|-------------|
| Certificate from Director of Finance   | 2           |
| Foreword   | 3           |
| Movement in Reserves Statement   | 7           |
| Comprehensive Income and Expenditure Statement   | 8           |
| Balance Sheet  | 9           |
| Cash Flow Statement  | 11          |
| Note 1 Accounting Policies   | 12          |
| Note 2 Accounting Standards issued but not yet adopted                                     | 24          |
| Note 3 Critical Judgements in Applying Accounting Policies                                 | 25          |
| Note 4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty | 25          |
| Note 5 Material Items of Income and Expenditure  | 26          |
| Note 6 Events After the Balance Sheet Date   | 26          |
| Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations            | 26          |
| Note 8 Other Operating Expenditure   | 29          |
| Note 9 Financing and Investment Income and Expenditure                                     | 29          |
| Note 10 Taxation and Non-specific Grant Income and Expenditure                             | 29          |
| Note 11 Grant Income   | 30          |
| Note 12 Property, Plant and Equipment  | 31          |
| Note 13 Investment Properties  | 35          |
| Note 14 Intangible Assets  | 36          |
| Note 15 Financial Instruments  | 37          |
| Note 16 Debtors  | 40          |
| Note 17 Cash and Cash Equivalents  | 41          |
| Note 18 Creditors  | 41          |
| Note 19 Usable/Unusable Reserves   | 42          |
| Note 20 Operating Activities   | 47          |
| Note 21 Investing Activities   | 48          |
| Note 22 Financing Activities   | 48          |
| Note 23 Segmental Reporting  | 49          |
| Note 24 Members' Allowances  | 52          |
| Note 25 Officers' Remuneration   | 52          |
| Note 26 External Audit Costs   | 53          |
| Note 27 Capital Expenditure and Capital Financing  | 53          |
| Note 28 Leases   | 54          |
| Note 29 Pension Schemes Accounted for as Defined Contribution Schemes                      | 56          |
| Note 30 Contingent Liabilities   | 60          |
| Note 31 Related Parties  | 60          |
| Note 32 Collection Fund  | 61          |
| Statement of Responsibilities  | 64          |
| Annual Governance Statement  | 65          |
| Glossary   | 70          |
| Independent Audit Report   | 72          |

## Certificate of the Director of Finance and Resources

I certify that the statement of accounts for the financial year 2014/15 set out on pages 5 to 74 attached, presents a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

---

Kathryn Beldon (CPFA)  
Director of Finance and Resources

Date: 29/09/2015



## Explanatory Foreword

### 1. Introduction

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

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

Following a decluttering exercise with external audit the Statement of Accounts for 2014/15 are presented in a different format to 13/14. The order of the notes has been changed to better match the format and layout recommended by CIPFA.

The Council's accounts for the year 2014/15 are set out on pages 5 to 71 and have been prepared in accordance with the Code of Practice on Local Authority Accounting. The Code has been endorsed by the Local Authority Association and the Accounting Standards Board. The statements provide a concise picture of the Council's financial position for the year ended 31 March 2015 and consist of the following:

The Council's General Fund balance stands at £3.3m as at 31 March 2015, after contributions to strategic earmarked reserves of £38k for 2014/15. The Council's financial health has been maintained over 2014/15 and this capacity will be needed to provide a firm financial foundation for the Council to deliver services in what is a very challenging financial climate in the public sector for the medium term, with economic risks and continuing uncertainty around Local Government funding.

At the end of 2014/15 the Council reviewed its Senior Management structure. The outcome of the review resulted in two senior officer posts being made redundant and a reallocation of responsibilities within the Senior Management Team. The change to roles within the management team took effect from the 1<sup>st</sup> April 2015, however, redundancy costs for the deleted posts were charged into 2014/15 (see note 25).

The Council has a Medium Term Financial Strategy which aims to maintain the financial health of the Council whilst delivering the priorities set out in the Corporate Plan. Taking into account announced cuts in Central Government funding the current Financial Strategy assumes a saving requirement of £0.5m to 31 March 2016.

### **Current Economic Climate**

The economic crisis that has affected the global economy since the autumn of 2008 produced volatility in income received by the Council from fees and charges. In setting the 2014/15 budget the Council factored in the recent economic upturn along with the risk of continuing uncertainty around income streams such as car park income, Council venues, building control and planning fees. However, overall the total income received from fees and charges during the year was favourable when compared to budget. The income received from fees and charges is very much dependant on the disposable income of individuals and therefore remains an area of concern which will be closely monitored.

Investment income arising from the interest the Council earns on investing any surplus fund makes a significant contribution to limiting increases in Council Tax. Budgeted interest on balances has fallen from £1,037,000 in 2008/09 to £207,000 in 2014/15 as a result of the decrease in deposit rates and a consequence of the reduction in the Council's list of approved counterparties with which the Council places its investments in order to reduce the risk of the Council losing its investment.

The accounts detail four main statements:

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

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

In addition to the above, accounts have been included for:

- Collection Fund Income and Expenditure Account - which records the council tax and business rate transactions in the financial year.

## **2. Budget Performance 2014/15 - Council Tax Accounts**

Total requirements were £1,581.21 per Band D property. This comprised £1,195.83 for Surrey County Council, £211.68 for Surrey Police and £173.70 for Epsom and Ewell Borough Council. The demand by the Council was determined after taking account of budgeted income from Business Rates of £1.1 million and Revenue Support Grant of £1.4 million. The resultant demand on the Collection Fund amounted to £5.4 million.

The Council achieved a council tax collection rate of 99.1% (98.7% in 2013/14). Outstanding council tax arrears remain subject to recovery action until such times as these sums are fully paid or written off.

Since April 2013, the basis for the distribution of Business Rates (NNDR) income is shared as follows – 50% paid to central government, 10% is paid to major precepting authorities (but not police authorities) with 40% being retained by billing authorities. In turn, the Central Government have determined a tariff payment for billing authorities with a safety net to allow for minimum income from business rates and a 50% levy (to be paid to Central Government) where net income exceeds a base line. Within these arrangements, local authorities must bear a proportion of adjustments to previous years' income where ratepayers have successfully reduced their rate bills (most commonly by challenging their rateable values). Most councils have set up a 'provision for appeals' to minimise the impact of these adjustments on their budget in future years. For this Council, the budget for 2014/15 for business rates is £1.1m, the overrun is £1.2m and as a result the Council will make a levy payment of £59,000.

## **3. General Fund Revenue Account**

The Council's estimated budget requirement (net spend on services) reduced by 5.19% for 2014/15 compared to 2013/14, with the Council's estimated council tax requirement increased by £328,000 (6.2%). Net expenditure 2014/15 by Committee and by subjective analysis is overleaf.

| 2013/14         |                                     | 2014/15                     |                 |                                      |                    |
|-----------------|-------------------------------------|-----------------------------|-----------------|--------------------------------------|--------------------|
| Actual<br>£'000 | Committee                           | Original<br>Budget<br>£'000 | Actual<br>£'000 | CIES Funding<br>(see below)<br>£'000 | Variance*<br>£'000 |
| 2,234           | Strategy and Resources<br>Committee | 1,839                       | 1,881           | ( 699)                               | ( 657)             |
| 2,568           | Environment Committee               | 2,744                       | 2,860           | 0                                    | 116                |
| 2,090           | Social Committee                    | 2,308                       | 3,122           | 0                                    | 814                |
| 3,134           | Leisure Committee                   | 3,226                       | 3,802           | 0                                    | 576                |
| ( 1,761)        | Asset Rent Landlord Account         | ( 2,083)                    | ( 2,894)        | 0                                    | ( 811)             |
| <b>8,265</b>    | <b>TOTAL</b>                        | <b>8,034</b>                | <b>8,771</b>    | <b>( 699)</b>                        | <b>38</b>          |

The change in accounting treatment of the following three grants received by the Council contributed towards the cost of services:

|                                 |               |
|---------------------------------|---------------|
| New Homes Bonus Grant           | ( 483)        |
| Business Rate Collection Grants | ( 200)        |
| New Burden Grants               | ( 16)         |
| <b>Total</b>                    | <b>( 699)</b> |

The three grants above were previously credited directly to cost of services and included in the actuals column above. Due to the grants now being classified as 'unringfenced' they are treated differently in our accounts and will form part of our overall funding of services (see note 10)

| 2013/14         |                            | 2014/15                     |                 |                                      |                    |
|-----------------|----------------------------|-----------------------------|-----------------|--------------------------------------|--------------------|
| Actual<br>£'000 | Subjective Description     | Original<br>Budget<br>£'000 | Actual<br>£'000 | CIES Funding<br>(see above)<br>£'000 | Variance*<br>£'000 |
| 11,373          | Employees                  | 11,107                      | 11,945          | 0                                    | 838                |
| 3,916           | Premises related expenses  | 3,752                       | 4,428           | 0                                    | 676                |
| 5,598           | Supplies and services      | 5,309                       | 5,803           | 0                                    | 494                |
| 540             | Third Party payments       | 693                         | 473             | 0                                    | ( 220)             |
| 21,344          | Transfer payments          | 19,056                      | 21,261          | 0                                    | 2,205              |
| 1,608           | Transport related expenses | 1,631                       | 1,653           | 0                                    | 22                 |
| ( 36,114)       | Income                     | ( 33,514)                   | ( 36,792)       | ( 699)                               | ( 3,977)           |
| <b>8,265</b>    | <b>TOTAL</b>               | <b>8,034</b>                | <b>8,771</b>    | <b>( 699)</b>                        | <b>38</b>          |

\* Individual Committee variations include changes to internal recharges.

#### 4. Contributions To / From Strategic Revenue Reserves

Included in Committee Actuals is a net contribution of £38k to Strategic Revenue Reserves in 2014/15 (compared to a net contribution of £1.054m in 2013/14).

Net expenditure for the year was £38k more than the original estimate, which represents an adverse variation of 0.47% against the Council's net budget requirement.

The Council has a policy of maintaining a prudent General Fund balance to provide for unforeseen requirements.

## 5. Capital Expenditure

The Council has a controlled capital expenditure programme. The net revenue costs of funding this programme and of the individual capital projects forms an integral part of the revenue budget strategy. The Council has been debt free since 31 March 1994 and had no debt outstanding at any time during the year. The lease liability is shown as a finance lease for IFRS accounting purposes. The Council spent £3,485,000 on capital schemes in 2014/15. A summary of expenditure by committee is shown below and the sources of funding.

| 2013/14<br>Actual<br>£'000 |   | 2014/15                     |                 |                   |
|----------------------------|---|-----------------------------|-----------------|-------------------|
|                            |   | Original<br>Budget<br>£'000 | Actual<br>£'000 | Variance<br>£'000 |
| 319                        | Strategy and Resources                    | 454                         | 368             | (86)              |
| 74                         | Environment Committee                     | 93                          | 238             | 145               |
| 1,259                      | Social Committee                          | 980                         | 2,035           | 1,055             |
| 353                        | Leisure Committee                         | 150                         | 787             | 637               |
| <b>2,005</b>               | <b>TOTAL</b>                              | <b>1,677</b>                | <b>3,428</b>    | <b>1,751</b>      |
| 94                         | Capital expenditure financed from revenue |                             | 57              |                   |
| <b>2,099</b>               | <b>TOTAL CAPITAL EXPENDITURE</b>          |                             | <b>3,485</b>    |                   |

| 2013/14<br>£'000 |                        | 2014/15<br>£'000 |
|------------------|------------------------|------------------|
| 496              | Capital Receipts       | 612              |
| 1,509            | External Contributions | 2,816            |
| <b>2,005</b>     | <b>TOTAL</b>           | <b>3,428</b>     |
| 94               | Revenue Contribution   | 57               |
| <b>2,099</b>     | <b>TOTAL</b>           | <b>3,485</b>     |

The Council generated £10,000 of net capital receipts during the year. The balance of the Council's usable capital reserves at 31 March 2015 is £4,082,000 (compared to £4,714,000 at 31 March 2014).

## 6. Pension Liability

The balance of the Council's pension liability as at 31 March 2015 is £31.1m (compared to £28.1 million at the 31 March 2014). This is an increase of £3m in the year. See note 29 for further explanation. The Council offers retirement pensions to its staff under a statutory scheme and makes contributions to pension schemes on their behalf. Although the pension benefits are not payable until employees retire, the Council must account for them in the year in which the future entitlements are earned. This commitment is compared with the assets (investments) of the pension schemes and the net amount is included in the accounts as the Council's "Pensions Liability". Although this sum has a significant impact on the net worth of the Council as shown in its Balance Sheet, there are statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the schemes over the remaining working lives of the staff.

## 7. Further Information

Additional information about the accounts is available from the Director of Finance and Resources, Epsom and Ewell Borough Council, Town Hall, The Parade, Epsom, Surrey KT18 5BY.

## Movement in Reserves statement for the year ended 31 March 2015

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting. The net increase / decrease before transfers to earmarked reserves line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

|  | General Fund Balance | Earmarked General Fund Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|----------------------|---------------------------------|--------------------------|--------------------------|-----------------------|-------------------|--------------------------|
|  | £'000                | £'000                           | £'000                    | £'000                    | £'000                 | £'000             | £'000                    |
| <b>Balance at 1 April 2013</b>   | <b>( 3,230)</b>      | <b>( 5,867)</b>                 | <b>( 4,689)</b>          | <b>( 10)</b>             | <b>( 13,796)</b>      | <b>( 48,956)</b>  | <b>( 62,752)</b>         |
| <b>Movement in Reserves During 2013/14</b>                             |                      |                                 |                          |                          |                       |                   |                          |
| (Surplus) or Deficit on the Provision of Services                      | 1,539                |                                 |                          |                          | 1,539                 |                   | 1,539                    |
| Other Comprehensive Income and Expenditure                             |                      |                                 |                          |                          | 0                     | ( 131)            | ( 131)                   |
| <b>Total Comprehensive Income and Expenditure</b>                      | <b>1,539</b>         | <b>0</b>                        | <b>0</b>                 | <b>0</b>                 | <b>1,539</b>          | <b>( 131)</b>     | <b>1,408</b>             |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations | ( 2,780)             |                                 | ( 25)                    | 10                       | ( 2,795)              | 2,795             | 0                        |
| Transfers to/from Earmarked Reserves                                   | 1,054                | ( 1,054)                        |                          |                          | 0                     |                   | 0                        |
| <b>(Increase) /Decrease in 2013/14</b>                                 | <b>( 187)</b>        | <b>( 1,054)</b>                 | <b>( 25)</b>             | <b>10</b>                | <b>( 1,256)</b>       | <b>2,664</b>      | <b>1,408</b>             |
|  |                      |                                 |                          |                          |                       |                   |                          |
| <b>Balance at 31 March 2014</b>  | <b>( 3,417)</b>      | <b>( 6,921)</b>                 | <b>( 4,714)</b>          | <b>0</b>                 | <b>( 15,052)</b>      | <b>( 46,292)</b>  | <b>( 61,344)</b>         |
| <b>Movement in Reserves During 2014/15</b>                             |                      |                                 |                          |                          |                       |                   |                          |
| (Surplus) or Deficit on the Provision of Services                      | ( 2,923)             |                                 |                          |                          | ( 2,923)              |                   | ( 2,923)                 |
| Other Comprehensive Income and Expenditure                             |                      |                                 |                          |                          |                       | ( 5,132)          | ( 5,132)                 |
| <b>Total Comprehensive Income and Expenditure</b>                      | <b>( 2,923)</b>      |                                 |                          |                          | <b>( 2,923)</b>       | <b>( 5,132)</b>   | <b>( 8,055)</b>          |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations | 2,969                |                                 | 632                      |                          | 3,601                 | ( 3,601)          | 0                        |
| Transfers to/from Earmarked Reserves                                   | 38                   | ( 38)                           |                          |                          | 0                     |                   | 0                        |
| <b>(Increase) /Decrease in 2014/15</b>                                 | <b>84</b>            | <b>( 38)</b>                    | <b>632</b>               | <b>0</b>                 | <b>678</b>            | <b>( 8,733)</b>   | <b>( 8,055)</b>          |
|  |                      |                                 |                          |                          |                       |                   |                          |
| <b>Balance at 31 March 2015</b>  | <b>( 3,333)</b>      | <b>( 6,959)</b>                 | <b>( 4,082)</b>          | <b>0</b>                 | <b>( 14,374)</b>      | <b>( 55,025)</b>  | <b>( 69,399)</b>         |

Movement in reserves are broken down in further detail in note 19.

## Comprehensive Income and Expenditure Statement (CIES) for Year Ended 31 March 2015

This 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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

| 2013/14 RESTATED           |                       |                          |  | 2014/15 |                            |                       |                          |
|----------------------------|-----------------------|--------------------------|--|---------|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |  | Notes   | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 1,604                      | (841)                 | 763                      | Central Services                                     |         | 1,663                      | (573)                 | 1,090                    |
| 7,468                      | (2,417)               | 5,051                    | Cultural and Related services                        |         | 5,540                      | (2,365)               | 3,175                    |
| 5,472                      | (2,924)               | 2,548                    | Environmental and Regulatory Services                |         | 5,412                      | (2,636)               | 2,776                    |
| 1,473                      | (729)                 | 744                      | Planning Services                                    |         | 1,630                      | (1,474)               | 156                      |
| 2,773                      | (3,444)               | (671)                    | Highways,Roads and Transport Services                |         | 1,421                      | (3,923)               | (2,502)                  |
| 24,315                     | (22,817)              | 1,498                    | Housing Services                                     |         | 26,046                     | (23,230)              | 2,816                    |
| 2,020                      | (1,060)               | 960                      | Social Services                                      |         | 1,718                      | (910)                 | 808                      |
| 1,673                      | (711)                 | 962                      | Corporate & Democratic Core                          |         | 1,544                      | (1,159)               | 385                      |
| 490                        | (54)                  | 436                      | Non Distributed Costs                                |         | 563                        | (215)                 | 348                      |
| <b>47,288</b>              | <b>(34,997)</b>       | <b>12,291</b>            | <b>Cost of Services</b>                              |         | <b>45,537</b>              | <b>(36,485)</b>       | <b>9,052</b>             |
|                            | (510)                 |                          | Other Operating Expenditure                          | 8       |                            |                       | (6)                      |
|                            | (1,071)               |                          | Financing and investment Income and Expenditure      | 9       |                            |                       | (2,580)                  |
|                            | (9,171)               |                          | Taxation and Non-Specific Grant Income               | 10      |                            |                       | (9,389)                  |
|                            |                       | <b>1,539</b>             | <b>(Surplus) or Deficit on Provision of Services</b> |         |                            |                       | <b>(2,923)</b>           |
|                            | (3,755)               |                          | (Surplus)/Deficit on Revaluation of PPE Assets       | 19      |                            |                       | (7,003)                  |
|                            |                       | 3,624                    | Remeasurement of net Defined Benefit / Liability     | 29      |                            |                       | 1,871                    |
|                            | (131)                 |                          | <b>Other Comprehensive Income and Expenditure</b>    |         |                            |                       | <b>(5,132)</b>           |
|                            |                       | <b>1,408</b>             | <b>Total Comprehensive Income and Expenditure</b>    |         |                            |                       | <b>(8,055)</b>           |

## Balance Sheet as at 31 March 2015

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

| 2013/14<br>£'000 |  | Note | 2014/15<br>£'000 |
|------------------|--|------|------------------|
|                  | <b>Long-term Assets</b>                              |      |                  |
| 55,323           | Total Property, Plant and Equipment                  | 12   | 64,637           |
| 19,487           | Investment Properties                                | 13   | 21,066           |
| 654              | Heritage Assets                                      | n/a  | 722              |
| 260              | Intangible Assets                                    | 14   | 332              |
| 33               | Long Term Debtors                                    | 16   | 5                |
| <b>75,757</b>    | <b>Total Long-term Assets</b>                        |      | <b>86,762</b>    |
|                  | <b>Current Assets</b>                                |      |                  |
| 71               | Inventories  | n/a  | 22               |
| 5,435            | Short-term Debtors                                   | 16   | 5,237            |
| 0                | Short-term Investments                               | n/a  | 0                |
| 20,330           | Cash and Cash Equivalents                            | 17   | 21,380           |
| <b>25,836</b>    | <b>Total Current Assets</b>                          |      | <b>26,639</b>    |
|                  | <b>Current Liabilities</b>                           |      |                  |
| 7,545            | Short-term Creditors                                 | 18   | 8,744            |
| 561              | Lease Liability - Within One year                    | 28   | 277              |
| <b>8,106</b>     | <b>Total Current liabilities</b>                     |      | <b>9,021</b>     |
|                  | <b>Long-term Liabilities</b>                         |      |                  |
| 28,088           | Liability Related to Defined Benefit Pension Schemes | 29   | 31,084           |
| 3,208            | Capital Grants Receipts in Advance                   | 11   | 3,164            |
| 527              | Long-term Provisions                                 | n/a  | 512              |
| 320              | Deferred Liabilities                                 | n/a  | 221              |
| <b>32,143</b>    | <b>Total Long-term Liabilities</b>                   |      | <b>34,981</b>    |
| <b>61,344</b>    | <b>NET ASSETS</b>                                    |      | <b>69,399</b>    |
|                  | <b>TOTAL RESERVES</b>                                |      |                  |
| ( 15,052)        | Usable Reserves                                      |      | ( 14,374)        |
| ( 46,292)        | Unusable Reserves                                    |      | ( 55,025)        |
| <b>( 61,344)</b> | <b>Total Reserves</b>                                |      | <b>( 69,399)</b> |

| 2013/14<br>£'000 | Balances and Reserves              | Note  | 2014/15<br>£'000 |
|------------------|------------------------------------|-------|------------------|
|                  | <b>Usable Reserves</b>             |       |                  |
| ( 3,417)         | General Fund                       | 19    | ( 3,333)         |
| ( 6,921)         | Earmarked Reserves                 | 19    | ( 6,959)         |
| ( 4,714)         | Capital Receipts Reserve           | 19    | ( 4,082)         |
| 0                | Capital Grants Unapplied           | n/a   | 0                |
| <b>( 15,052)</b> | <b>Total Usable Reserves</b>       |       | <b>( 14,374)</b> |
|                  | <b>Unusable reserves</b>           |       |                  |
| ( 20,640)        | Revaluation Reserve                | 19    | ( 27,643)        |
| ( 54,365)        | Capital Adjustment Account         | 19    | ( 58,779)        |
| ( 57)            | Collection Fund Adjustment Account | 19/31 | ( 91)            |
| 682              | NNDR Adjustment Account            | 19/31 | 404              |
| 28,088           | Pensions Reserve                   | 29    | 31,084           |
| <b>( 46,292)</b> | <b>Total Unusable Reserves</b>     |       | <b>( 55,025)</b> |
| <b>( 61,344)</b> | <b>TOTAL RESERVES</b>              |       | <b>( 69,399)</b> |



## Cash Flow Statement as at 31 March 2015

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.

| 2013/14<br>£'000 |   | Note | 2014/15<br>£'000 |
|------------------|---|------|------------------|
| 1,539            | <b>Net (Surplus) or Deficit on the Provision of Services</b>  | CIES | <b>( 2,923)</b>  |
| ( 2,823)         | Adjustment for Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements   | 20   | ( 4,179)         |
| 1,303            | Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 20   | 1,328            |
| <b>19</b>        | <b>Net cash flows from Operating Activities</b>   |      | <b>( 5,774)</b>  |
| ( 5,753)         | Net cash outflow / (inflow) from Investing Activities   | 21   | 2,828            |
| 535              | Net cash outflow / (inflow) from Financing Activities   | 22   | 1,896            |
| <b>( 5,199)</b>  | <b>Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period</b>                                      |      | <b>( 1,050)</b>  |
| <b>15,131</b>    | Cash and Cash Equivalents at the Beginning of the Period  |      | <b>20,330</b>    |
| <b>5,199</b>     | Net Increase in Cash and Cash Equivalents   |      | <b>1,050</b>     |
| <b>20,330</b>    | Cash and Cash Equivalents at the End of the Reporting Period  | 17   | <b>21,380</b>    |

## 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 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require, to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the SeRCOP (Service Reporting Code of Practice - Service Expenditure Analysis) 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 'Local Government Act 2003'. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future.

#### 2. Debtors and Creditors

Revenue and capital transactions are accounted for on an accruals basis to the extent that creditor items for goods and services provided but not paid for at 31 March 2015 are included at actual cost or the best available estimate. Debtors for income, capital receipts, subsidies and reimbursements, due but not received at 31 March 2015, are included at the best available estimate.

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

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

#### 3. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue 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.

#### 4. Charges to Revenue for Non-Current Assets

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

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

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

#### 5. 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. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

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

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

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

### **The Local Government Pension Scheme**

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

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.1% (based on the indicative rate of return on high quality corporate bonds as measured by the yield on the Market iBoxx Sterling Corporate Index, AA over 15 years).
- The assets of Surrey Pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities - current bid price;
  - Unquoted securities - professional estimate;
  - Unitised securities - current bid price; and
  - Property - market value.

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

1. Current service cost: The increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2. Past Service Cost: The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
3. Net interest on the net defined benefit liability: The expected increase in the present value of liabilities during the year as they move one year closer to being paid is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
4. Remeasurement on the return of plan assets: The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return is

credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

5. Gains or Losses on Settlements: The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees is debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
6. Remeasurement of net defined benefit / liability: Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are debited to the Pensions Reserve.
7. Contributions Paid to the Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

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

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

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

## **6. Events after the Balance Sheet Date**

Amounts are adjusted in the Statement of Accounts if an event arises after the Balance Sheet date which provides additional evidence of conditions that existed at that date and materially affects the amounts to be included. If an event arises after the Balance Sheet date which concerns conditions which did not exist at that date, it is disclosed in the notes to the Balance Sheet if it is of such materiality that disclosure is required for the fair presentation of the Statement of Accounts. The Statement of Accounts will be authorised by the Director of Finance and Resources on 30 September 2015 which is the date up to which events after the Balance Sheet date have been considered for this purpose.

## **7. Financial Instruments**

Financial Instruments are detailed in Note 15 of these accounts.

## 8. 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.

## 9. 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 amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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.

## 10. 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.

## 11. Overheads and Support Services

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

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

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

## 12. Property, Plant and Equipment

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

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

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

**Measurement:** Assets are initially measured at cost, comprising:

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

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



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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Measurement**

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

#### 14. Provisions and Contingent Liabilities

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

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

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

**Contingent Liabilities:** See note 30

#### 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, financial instruments and retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

#### 16. VAT

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

#### 17. Collection Fund

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

- In its capacity as a billing authority an authority acts as an agent. The Council collects and distributes council tax income on behalf of the major preceptors and itself. Also, since April

2013, the Council collects and distributes business rates income (NNDR) on behalf of the major preceptors, itself and central government.

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

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

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

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

If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year the billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from council tax debtors/creditors the billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year. See note 32 for the Collection Fund Statement for financial year 14/15.

## 18. 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

## 19. 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. Conditions are stipulations that specify that the future economic are required to be consumed by the recipient as specified, or else future economic benefits/service potential must be returned.

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.

## 20. 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.

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

The following accounting policy changes are not yet reflected in the 2014-15 IFRS Code:

- IFRS 1: Meaning of effective IFRSs
- IFRS 13: Fair Value Measurement (May 2011) - adoption has been deferred to 2015/16 at the earliest and, therefore, does not need to reported this year

### **Note 3: Critical Judgements in Applying Accounting Policies**

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

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

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. For the purposes of the 2013/14 financial statements the Council has a de-minimis level of £20,000 when recognising assets and liabilities to be disclosed within the financial statements. Exception to this rule is employee untaken leave has not been accrued and the amount for 2014/15 is £127,129 (£111,456 for 2013/14). This exception is taken due to the amount being immaterial to the accounts and the year on year difference never being greater than the £20,000 de-minimis (eg £127k less £111k).

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

Property, Plant and Equipment assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but, as a minimum, at least once every five years. At each year end, a review is undertaken by the Council's valuer to determine whether the carrying amount of these assets is consistent with their fair value. At 31 March 2015, there was evidence to suggest that the carrying amount of operational buildings were materially different from their fair value. The carrying amount was therefore uplifted by applying an indexation increase. The impact of applying these indexation increases was to increase the carrying value of operational buildings by £5.484m.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March 2015 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  |
|--|--|---|
| <b>Property, Plant and Equipment</b><br><b>£64.6 million</b> | 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.<br><br>It is estimated that the annual depreciation charge for buildings would increase by £87k for every year that useful lives had to be reduced.  |
| <b>Pension Liability</b><br><b>(£31.084) million</b>         | 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 effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the real discount rate assumption would result in an increase of 9% in the employer liability and an increase of approximate monetary amount of £8m.                                      |
| <b>Bad Debt Provision</b><br><b>(£0.2) million</b>           | The current economic climate makes it uncertain that all the monies will be collected and an adequate allowance needs to be made for this in the measurement of these debtors. Council impair the debt wherever using a methodology and regularly write off the irrecoverable debts after all reasonable steps have been taken.  | Council debt does not fluctuate heavily, however, officers have increased time to chase debtors to reduce the debts. We assess the bad debts annually and will if necessary increase the impairments and write off to CIES. For example, a 1% increase in the provision would result in an increase of £1,950 in deficit. |

### Note 5: Material Items of Income and Expenditure

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

### Note 6: Events after the Balance Sheet Date

No events that have a material effect on the financial statement for the year ended 2014/15.

### Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations

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



AGENDA ITEM 4  
ANNEXE 2

| 2014/15  | Usable   |                                | Unusable                            |
|--|--|--------------------------------|-------------------------------------|
|  | General Fund<br>Balance<br>Including Ear<br>marked<br>Reserves | Capital<br>Receipts<br>Reserve | Movement in<br>Unusable<br>Reserves |
|  | £'000  | £'000                          | £'000                               |
| <b>Balance Brought Forward</b>   | <b>10,338</b>  | <b>4,714</b>                   | <b>46,292</b>                       |
| <b>Surplus / (Deficit) for the Year</b>  | <b>2,923</b>   |                                | <b>5,132</b>                        |
| <b>Adjustments Primarily Involving the Capital Adjustment Account:</b>   |  |                                |                                     |
| <b>Reversal of Items Debited or Credited to the Comprehensive I&amp;E</b>  |  |                                |                                     |
| Charges for Depreciation and Impairment of Non-Current Assets  | 705  |                                | ( 705)                              |
| Movements in the Market Value of Investment Properties   | ( 1,569)   |                                | 1,569                               |
| Amortisation of Intangible Assets  | 90   |                                | ( 90)                               |
| Capital Grants and Contributions Applied   | ( 1,122)   |                                | 1,122                               |
| Revenue Expenditure Funded from Capital Under Statute (see note 19)  |  |                                |                                     |
| Amounts of Non-Current Assets Written off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive I&E  | 5  |                                | ( 5)                                |
| <b>Insertion of Items not Debited or Credited to the C I&amp;E</b>   |  |                                |                                     |
| Statutory Provision for the Financing of Capital Investment Lease MRP  | ( 605)   |                                | 605                                 |
| Capital Expenditure Charged Against the General Fund   | ( 1,275)   |                                | 1,275                               |
| <b>Adjustments Primarily Involving the Capital Grants Unapplied Account:</b>   |  |                                |                                     |
| Application of Grants to Capital Financing Transferred to the Capital Adjustment Account   |  |                                |                                     |
| <b>Adjustments Primarily Involving the Capital Receipts Reserve:</b>   |  |                                |                                     |
| Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement   | ( 10)  | 10                             |                                     |
| Use of the Capital Receipts Reserve to Finance New Capital Expenditure   |  | ( 642)                         | 642                                 |
| <b>Adjustments Primarily Involving the Pensions Reserve:</b>   |  |                                |                                     |
| Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement (see Note 29)  | 2,893  |                                | ( 2,893)                            |
| Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year  | ( 1,768)   |                                | 1,768                               |
| <b>Adjustments Primarily Involving the Collection Fund Adjustment Account:</b>   |  |                                |                                     |
| Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements | ( 313)   |                                | 313                                 |
| Other Adjustments  |  |                                |                                     |
| <b>Total Adjustments</b>   | <b>( 2,969)</b>  | <b>( 632)</b>                  | <b>3,601</b>                        |
| <b>Balance Carried Forward</b>   | <b>10,292</b>  | <b>4,082</b>                   | <b>55,025</b>                       |

AGENDA ITEM 4  
ANNEXE 2

| 2013/14  | Usable  |                                   |                                   | Unusable                               |
|--|---|-----------------------------------|-----------------------------------|--|
|  | General Fund Balance Including Ear marked Reserves<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied<br>£'000 | Movement in Unusable Reserves<br>£'000 |
| Balance Brought Forward  | 9,097   | 4,689                             | 10                                | 48,956                                 |
| Surplus / (Deficit) for the Year   | (1,539)   |                                   |                                   | 131                                    |
| <b>Adjustments Primarily Involving the Capital Adjustment Account:</b>   |   |                                   |                                   |  |
| <b>Reversal of Items Debited or Credited to the Comprehensive I&amp;E</b>  |   |                                   |                                   |  |
| Charges for Depreciation and Impairment of Non-Current Assets  | 3,373   |                                   |                                   | (3,373)                                |
| Movements in the Market Value of Investment Properties   | (1,054)   |                                   |                                   | 1,054                                  |
| Amortisation of Intangible Assets  | 58  |                                   |                                   | (58)                                   |
| Capital Grants and Contributions Applied   | (236)   |                                   |                                   | 236                                    |
| Revenue Expenditure Funded from Capital Under Statute (see note 19)  | 83  |                                   |                                   | (83)                                   |
| Amounts of Non-Current Assets Written off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive I&E  | 11  |                                   |                                   | (11)                                   |
| <b>Insertion of Items not Debited or Credited to the C I&amp;E</b>   |   |                                   |                                   |  |
| Statutory Provision for the Financing of Capital Investment Lease MRP  | (535)   |                                   |                                   | 535                                    |
| Capital Expenditure Charged Against the General Fund   | (94)  |                                   |                                   | 94                                     |
| <b>Adjustments Primarily Involving the Capital Grants Unapplied Account:</b>   |   |                                   |                                   |  |
| Application of Grants to Capital Financing Transferred to the Capital Adjustment Account   |   |                                   | (10)                              | 10                                     |
| <b>Adjustments Primarily Involving the Capital Receipts Reserve:</b>   |   |                                   |                                   |  |
| Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement   | (532)   | 532                               |                                   |  |
| Use of the Capital Receipts Reserve to Finance New Capital Expenditure   |   | (497)                             |                                   | 497                                    |
| Contribution from the Capital Receipts Reserve Towards Administrative Costs of Non-Current Asset Disposals   | 10  | (10)                              |                                   |  |
| <b>Adjustments Primarily Involving the Pensions Reserve:</b>   |   |                                   |                                   |  |
| Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement (see Note 29)  | 2,613   |                                   |                                   | (2,613)                                |
| Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year  | (1,590)   |                                   |                                   | 1,590                                  |
| <b>Adjustments Primarily Involving the Collection Fund Adjustment Account:</b>   |   |                                   |                                   |  |
| Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements | (9)   |                                   |                                   | 9                                      |
| Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from NNDR Income Calculated for the Year in Accordance with Statutory Requirements        | 682   |                                   |                                   | (682)                                  |
| <b>Total Adjustments</b>   | <b>2,780</b>  | <b>25</b>                         | <b>(10)</b>                       | <b>(2,795)</b>                         |
| <b>Balance Carried Forward</b>   | <b>10,338</b>   | <b>4,714</b>                      | <b>0</b>                          | <b>46,292</b>                          |

**Note 8: Other Operating expenditure in CIES note**

| 2013/14<br>£'000 |   | 2014/15<br>£'000 |
|------------------|---|------------------|
| ( 510)           | (Gains) /Losses on the Disposal of Non-Current Assets | ( 6)             |
| <b>( 510)</b>    | <b>Total</b>  | <b>( 6)</b>      |

**Note 9: Financing and Investment Income and Expenditure in CIES note**

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| 114              | Interest Payable and Similar Charges - Finance Lease | 79               |
| 1,057            | Net Interest on the Net Defined Benefit Liability    | 1,154            |
| ( 1,054)         | Movement in Investment Properties                    | ( 1,569)         |
| ( 968)           | Other Income   | ( 2,050)         |
| ( 220)           | Interest Receivable and Similar Income               | ( 194)           |
| <b>( 1,071)</b>  | <b>Total</b>   | <b>( 2,580)</b>  |

**Note 10: Taxation and Non Specific Grant Income in CIES note**

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

| 2013/14<br>£'000<br>RESTATED |   | 2014/15<br>£'000 |
|------------------------------|---|------------------|
| ( 5,312)                     | Council Tax Income                                    | ( 5,455)         |
| ( 956)                       | Non Domestic Rates                                    | ( 775)           |
| ( 1,864)                     | Revenue Support Grant (incl Council tax Freeze Grant) | ( 1,436)         |
| ( 467)                       | New Homes Bonus Grant *                               | ( 483)           |
| ( 88)                        | Business Rate Collection Grants                       | ( 200)           |
| ( 191)                       | NNDR- Small Business Rate Relief Grant                | ( 193)           |
| 0                            | Localism Relief Grant                                 | ( 178)           |
| ( 236)                       | Capital Grants and Contributions                      | ( 503)           |
| 0                            | Other Grants and Contributions                        | ( 150)           |
| ( 57)                        | New Burden Grants                                     | ( 16)            |
| <b>( 9,171)</b>              | <b>Total</b>  | <b>( 9,389)</b>  |

\*The total New Homes Bonus received in year was £1.552m, however, only £483k was credited to services in 14/15 with the remaining being transferred to the Corporate Project Reserve. Further ringfenced grants are detailed below in Note 11.

### Note 11: Other Government Grants Credited to Services

In addition to Taxation and Non Specific Grant Income in Note 10 the following significant grants, contributions and donations were credited to Cost of Service in the Comprehensive Income and Expenditure Account:

| 2013/14<br>£'000 |   | 2014/15<br>£'000 |
|------------------|---|------------------|
| 0                | Council Tax Support                         | ( 117)           |
| ( 327)           | Benefit Admin Grant                         | ( 244)           |
| ( 20,639)        | Rent Allowances- Housing Benefit and Rebate | ( 20,216)        |
| ( 10)            | Election                                    | ( 143)           |
| ( 49)            | Route Call                                  | ( 55)            |
| 0                | Home Improvement Agency                     | ( 52)            |
| 0                | Public-Private Partnership Funding          | ( 181)           |
| ( 75)            | Other Smaller Grants                        | ( 193)           |
| <b>( 21,100)</b> | <b>Total</b>                                | <b>( 21,201)</b> |

### Capital Grants and Contributions Receipts in advance

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

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| ( 3,208)         | Other grants and Section 106 Contributions | ( 3,164)         |
| <b>( 3,208)</b>  | <b>Total</b>                               | <b>( 3,164)</b>  |

## Note 12: 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. The Code of Practice requires that items within a class of property, plant and equipment are revalued simultaneously. With that in mind the Council has moved to a valuation programme that concentrates on categories of assets, whilst maintaining the five year rolling programme. As a result, in 2014/15, all of the Council's Car Parks were valued as at 1st April 2015. These valuations were completed by Huggins, Edwards and Sharp, Chartered Surveyors. At 31st March 2015, the fair value of the assets not valued in year was reviewed using information provided by the Council's valuers. The properties revalued in 2014/15 account for £51 million of the net book value of assets at 31 March 2015.

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

Properties are also revalued to take into account any potential impairment in their value and also consequent upon construction and the completion of any material improvements. There was economic impairment on three assets in 2014/15.

### 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 – 11 to 60 years
- Vehicles, plant and equipment – 4 to 35 years

### Movement on Non-current Assets Statement.

On reviewing the Statement of Movement of Non-current Assets, it was decided to show the depreciation written off to the Revaluation Reserve in the bottom half of the statement in line with the Code of Practice. This has led to a restatement of the 2013/14 Movement on Non-current asset Statement, moving £1,561m from the 'Revaluation movement recognised in the Revaluation Reserve' line in the Gross Book balances, to the 'Depreciation written out to the Revaluation Reserve' line in the Accumulated Impairment & Depreciation balances.

Movements on Non current assets – Property, Plant & Equipment 2014/15

| TANGIBLE NON CURRENT ASSETS   | Other Land and Buildings<br>£'000 | Vehicle Plant and Equipment<br>£'000 | Infrastructure Assets<br>£'000 | Community Assets<br>£'000 | Assets Under Construction<br>£'000 | Totals<br>£'000 |
|---|-----------------------------------|--------------------------------------|--------------------------------|---------------------------|------------------------------------|-----------------|
| Gross Book Carrying Value as at 1st April 2014  | 58,915                            | 7,397                                | 41                             | 3,204                     | 0                                  | 69,557          |
| Additions   | 162                               | 451                                  | 0                              | 126                       | 2,349                              | 3,088           |
| Revaluation Movement Recognised in the Revaluation Reserve                                    | 2,425                             | 0                                    | 0                              | 0                         | 0                                  | 2,425           |
| Derecognition - Disposals   | 0                                 | (327)                                | 0                              | 0                         | 0                                  | (327)           |
| Assets Reclassified   | 0                                 | 0                                    | 0                              | 0                         | 0                                  | 0               |
| Gross Book Carrying Value at 31 March 2015  | 61,502                            | 7,521                                | 41                             | 3,330                     | 2,349                              | 74,743          |
| Accumulated Impairment & Depreciation as at 1st April 2014                                    | (11,156)                          | (2,321)                              | 0                              | (757)                     | 0                                  | (14,234)        |
| Depreciation Charge for the Year  | (1,729)                           | (1,165)                              | 0                              | 0                         | 0                                  | (2,894)         |
| Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service | 2,189                             | 0                                    | 0                              | 0                         | 0                                  | 2,189           |
|   | 460                               | (1,165)                              | 0                              | 0                         | 0                                  | (705)           |
| Depreciation Written out to the Revaluation Reserve   | 4,510                             | 0                                    | 0                              | 0                         | 0                                  | 4,510           |
| Derecognition - Other   | 0                                 | 323                                  | 0                              | 0                         | 0                                  | 323             |
| Accumulated Impairment & Depreciation as at 31st March 2015                                   | (6,186)                           | (3,163)                              | 0                              | (757)                     | 0                                  | (10,106)        |
| TOTAL NET CARRYING BOOK VALUE at 31st March 2015  | 55,316                            | 4,358                                | 41                             | 2,573                     | 2,349                              | 64,637          |
| TOTAL NET CARRYING BOOK VALUE at 1st April 2014   | 47,759                            | 5,076                                | 41                             | 2,447                     | 0                                  | 55,323          |

Movements on Non current assets – Property, Plant & Equipment 2013/14

| TANGIBLE NON CURRENT ASSETS   | Restated - Other Land and Buildings<br>£'000 | Vehicle Plant and Equipment<br>£'000 | Infrastructure Assets<br>£'000 | Community Assets<br>£'000 | Assets Under Construction<br>£'000 | Totals<br>£'000 |
|---|--|--------------------------------------|--------------------------------|---------------------------|------------------------------------|-----------------|
| Gross Book Carrying Value as at 1st April 2013  | 56,091                                       | 9,510                                | 41                             | 3,486                     | 0                                  | 69,128          |
| Additions   | 388  | 233                                  | 0                              | 0                         | 0                                  | 621             |
| Revaluation Movement Recognised in the Revaluation Reserve                                    | 2,154  | 0                                    | 0                              | 0                         | 0                                  | 2,154           |
| Derecognition - Disposals   | 0  | (341)                                | 0                              | 0                         | 0                                  | (341)           |
| Derecognition - Other   | 0  | (2,005)                              | 0                              | 0                         | 0                                  | (2,005)         |
| Assets Reclassified   | 282  | 0                                    | 0                              | (282)                     | 0                                  | 0               |
| Gross Book Carrying Value at 31 March 2014  | 58,915                                       | 7,397                                | 41                             | 3,204                     | 0                                  | 69,557          |
| Accumulated Impairment & Depreciation as at 1st April 2013                                    | (11,247)                                     | (3,590)                              | 0                              | (13)                      | 0                                  | (14,850)        |
| Depreciation Charge for the Year  | (1,665)                                      | (1,158)                              | 0                              | 0                         | 0                                  | (2,823)         |
| Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service | 195  | 0                                    | 0                              | (744)                     | 0                                  | (549)           |
|   | (1,470)                                      | (1,158)                              | 0                              | (744)                     | 0                                  | (3,372)         |
| Depreciation Written out to the Revaluation Reserve   | 1,561  | 0                                    | 0                              | 0                         | 0                                  | 1,561           |
| Derecognition - Other   | 0  | 2,427                                | 0                              | 0                         | 0                                  | 2,427           |
| Accumulated Impairment & Depreciation as at 31st March 2014                                   | (11,156)                                     | (2,321)                              | 0                              | (757)                     | 0                                  | (14,234)        |
| <b>TOTAL NET CARRYING BOOK VALUE at 31st March 2014</b>                                       | <b>47,759</b>                                | <b>5,076</b>                         | <b>41</b>                      | <b>2,447</b>              | <b>0</b>                           | <b>55,323</b>   |

### Capital Expenditure

Capital expenditure of £3,485,000 was incurred in 2014/15 as follows:

| 2013/14<br>£'000 |   | 2014/15<br>£'000 |
|------------------|---|------------------|
| 622              | Non Current Assets - PPE  | 2,867            |
| 2                | Investment Assets   | 10               |
| 128              | Intangibles   | 163              |
| 1,347            | Revenue Expenditure Funded from Capital Under Statute Written Off | 445              |
| <b>2,099</b>     | <b>Total Capital Expenditure</b>                                  | <b>3,485</b>     |

Funding of capital expenditure in 2014/15 is detailed below:

| 2013/14<br>£'000 |                                     | 2014/15<br>£'000 |
|------------------|-------------------------------------|------------------|
| 496              | Capital Reserves                    | 643              |
| 781              | Government Grants                   | 245              |
| 94               | Revenue                             | 1,275            |
| 55               | Grants from Other Local Authorities | 10               |
| 87               | Contributions from Other bodies     | 619              |
| 586              | Section 106 Receipts                | 693              |
| <b>2,099</b>     | <b>Total Capital Funding</b>        | <b>3,485</b>     |

A net contribution of £1,275,000 was set aside from revenue to finance capital expenditure in 2014/15 compared to a £94,000 contribution in 2013/14.

### Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2015 amounts to £1,481,000 as listed below.

| 2013/14<br>£'000 |                                     | 2014/15<br>£'000 |
|------------------|-------------------------------------|------------------|
| 69               | Electronic Service Delivery         | 26               |
| 121              | Car Park Barriers                   | 12               |
| 36               | Car Park Improvements               | 0                |
| 0                | Further LED lighting repl-var sites | 8                |
| 0                | Town Hall - Replacement of Boilers  | 11               |
| 0                | New Paths on Epsom Common           | 97               |
| 0                | QEII Parks Improvements             | 116              |
| 0                | Ewell Court House Rebuild (Fire)    | 1,201            |
| 12               | Other                               | 10               |
| <b>238</b>       | <b>Total Capital Commitments</b>    | <b>1,481</b>     |

### Disposals

There were no disposals in 2014/15.



### 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 were eight assets under construction held in the balance sheet for 2014/15 totalling £2,349,000. (Nil in 2013/14)

### Componentisation

There were no significant components identified when revaluing assets in 2014/15.

### Revaluations

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

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

| Valued at fair value as at:   | 31 March 2011<br>£'000 | 31 March 2012<br>£'000 | 31 March 2013<br>£'000 | 31 March 2014<br>£'000 | 31 March 2015<br>£'000 | Total Cost or Valuation<br>£'000 |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|----------------------------------|
| <b>Operational Assets</b>     |                        |                        |                        |                        |                        |                                  |
| Land and Buildings            | 384                    | 420                    | 1,613                  | 1,900                  | 50,999                 | <b>55,316</b>                    |
| <b>Non-Operational Assets</b> |                        |                        |                        |                        |                        |                                  |
| Surplus Assets                | 0                      | 0                      | 0                      | 0                      | 0                      | <b>0</b>                         |

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

### Note 13: 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:

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| 1,313            | Rental Income from Investment Property                     | 1,344            |
| (93)             | Direct Operating Expenses Arising from Investment Property | (169)            |
| <b>1,220</b>     | <b>Net gain/(loss)</b>                                     | <b>1,175</b>     |

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. In April 2014 the Council decided to actively market an investment property - Downs House.

The following table summarises the movement in the fair value of investment properties over the year.

| 2013/14<br>£'000 |   | 2014/15<br>£'000 |
|------------------|---|------------------|
| 18,431           | <b>Balance at the Start of the Year</b>               | 19,487           |
| 2                | Subsequent Expenditure                                | 10               |
| 1,054            | <b>Net gains/(losses) from Fair Value Adjustments</b> | 1,569            |
| <b>19,487</b>    | <b>Balance at the Year End</b>                        | <b>21,066</b>    |

### Note 14: Intangible Assets

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

All software is given a finite useful life of 4 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £91,000 charged to revenue in 2014/15 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The table reflects the writing out of £35,000 of assets that were fully depreciated by the end of 2014/15. The movement on Intangible Assets balances during the year is as follows:

| 2013/14<br>£'000 |   | 2014/15<br>£'000                       |
|------------------|---|--|
|                  | <b>Assets not Internally Generated</b>              | <b>Assets not Internally Generated</b> |
|                  |   |  |
|                  | <b>Balance at the start of the year</b>             |  |
| 295              | Gross Carrying Amounts                              | 362                                    |
| (105)            | Accumulated Amortisation                            | (102)                                  |
| <b>190</b>       | <b>Net Carrying Amount at the Start of the Year</b> | <b>260</b>                             |
|                  | <b>Additions</b>                                    |  |
| 128              | Purchases   | 163                                    |
| (58)             | Amortisation for the Period                         | (91)                                   |
| <b>260</b>       | <b>Net Carrying Value at the End of the Year</b>    | <b>332</b>                             |
|                  | <b>Comprising</b>                                   |  |
| 362              | Gross Carrying Amounts                              | 447                                    |
| (102)            | Accumulated Amortisation                            | (115)                                  |
| <b>260</b>       |   | <b>332</b>                             |

## Note 15: 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:

| 2013/14            |                  |   | 2014/15            |                  |
|--------------------|------------------|---|--------------------|------------------|
| Long Term<br>£'000 | Current<br>£'000 |   | Long Term<br>£'000 | Current<br>£'000 |
| 320                | 4,045            | Financial Liabilities at Amortised Cost | 221                | 4,458            |
| <b>320</b>         | <b>4,045</b>     | <b>Total Borrowings</b>                 | <b>221</b>         | <b>4,458</b>     |
| 0                  | 25,327           | Loans and Receivables                   | 0                  | 26,252           |
|                    | <b>25,327</b>    | <b>Total Investments</b>                |                    | <b>26,252</b>    |

All the financial assets and liabilities disclosed are short term in nature, and therefore the fair value is not materially different from the book value. There is no impairment implication.

### Financial Instruments Gains / Losses

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

|                                     | Financial Liabilities                           | Financial Assets               |
|-------------------------------------|---|--------------------------------|
|                                     | Liabilities Measured at Amortised Cost<br>£'000 | Loans and Receivables<br>£'000 |
| Interest Income                     | 0   | 194                            |
| <b>Net Gain/(Loss) for the Year</b> | <b>0</b>  | <b>194</b>                     |

### Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

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

| Financial Asset Category               | Criteria   | Maximum Investment |
|--|--|--------------------|
| Deposits with Money<br>Market<br>Funds | <u>Current Investments</u><br>Goldman Sachs: rated AAA | £2.5m              |

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £800,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

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

|                    | Amount at 31 March 2015 | Historical experience of default | Historical experience adjusted for market conditions at 31-Mar-14 | Estimated maximum exposure to default and un-collectability at 31 March 2014 | Estimated maximum exposure at 31-Mar-14 |
|--------------------|-------------------------|----------------------------------|---|--|---|
|                    | £'000                   | %                                | %   | £'000  | £'000                                   |
|                    | A                       | B                                | C   | (A x C)  |   |
| Deposits with SWIP | 19,760                  | 0                                | 0   | 0  | 0                                       |
| Goldman Sachs      | 800                     | 0                                | 0   | 0  | 0                                       |
| Customers          | 20,560                  | 0.93%                            | 7.96%   | 194  | 1,519                                   |

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

The Council does not generally allow credit for customers, but of the £2.4m balance £492,000 is overdue for payment. The overdue amount can be analysed by age as follows:

| 31-Mar-14<br>£'000 |                        | 31-Mar-15<br>£'000 |
|--------------------|------------------------|--------------------|
| 59                 | Less than three months | 306                |
| 86                 | Three to Five months   | 15                 |
| 43                 | More than Five Months  | 171                |
| <b>188</b>         | <b>Total</b>           | <b>492</b>         |

### Liquidity Risk

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

### Market Risk

#### Interest rate risk

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

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

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

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

According to this assessment strategy, at 31 March 2015, 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     | ( 262)        |
| <b>Impact on Surplus or Deficit on the Provision of Services</b> | <b>( 262)</b> |

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 2014/15 compared to 2013/14.

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

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

| 31 March 2014 Cost and Market Valuation £'000 |   | 31 March 2015 Cost and Market Valuation £'000 |
|---|---|---|
| 5,000   | Balance B/F                               | 0   |
| ( 5,000)                                      | Investment / (Withdrawal) During the year | 0   |
| 0   | Balance C/F                               | 0   |

### Note 16: Debtors

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

| 2013/14 £'000 |                                | 2014/15 £'000 |
|---------------|--------------------------------|---------------|
| 2,398         | Central government bodies      | 1,343         |
| 569           | Other Local Authorities        | 443           |
| 71            | Council Tax Payers             | 55            |
| 104           | Non Domestic Rate              | 60            |
| 2,293         | Other Entities and individuals | 3,336         |
| <b>5,435</b>  | <b>Total Debtors</b>           | <b>5,237</b>  |

Long term debtors (greater than 365 days):

| 2013/14 £'000 |                 | 2014/15 £'000 |
|---------------|-----------------|---------------|
| 3             | Mortgages       | 0             |
| 30            | Staff car loans | 5             |
| <b>33</b>     | <b>Total</b>    | <b>5</b>      |

### Note 17: 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. The Council had no net debt as at the 31 March 2015 or at any point during the year.

|                                      | 31 March<br>2014<br>£'000 | 31 March<br>2015<br>£'000 |
|--------------------------------------|---------------------------|---------------------------|
| Cash at Bank                         | 778                       | 820                       |
| Short-term Current Asset Investments | 19,552                    | 20,560                    |
| <b>Net Funds / (Debt)</b>            | <b>20,330</b>             | <b>21,380</b>             |

### Note 18: Creditors

A summary of creditors is detailed below.

| 2013/14<br>£'000 |                                | 2014/15<br>£'000 |
|------------------|--------------------------------|------------------|
| 637              | Central Government Bodies      | 834              |
| 1,216            | Other Local Authorities        | 1,636            |
| 75               | Council Tax                    | 82               |
| 39               | Non Domestic Rate              | 145              |
| 5,578            | Other Entities and individuals | 6,047            |
| <b>7,545</b>     | <b>Total</b>                   | <b>8,744</b>     |

## Note 19: Usable/Unusable 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 overview:

| Reserve                            | Balance<br>2013/14<br>£'000 | Net<br>Movement<br>in year<br>£'000 | Balance<br>2014/15<br>£'000 | Purpose of Reserve   | Further Detail of<br>Movements          |
|------------------------------------|-----------------------------|-------------------------------------|-----------------------------|--|---|
| General Fund                       | ( 3,417)                    | 84                                  | ( 3,333)                    | Resources available to meet future running costs for non-housing services          | Movement in Reserve Statement           |
| Strategic Reserves                 | ( 6,921)                    | ( 38)                               | ( 6,959)                    | Earmarked resources to provide funding for specific areas                          | Detailed in this note below             |
| Capital Receipts Reserve           | ( 4,714)                    | 632                                 | ( 4,082)                    | Proceeds of Non Current Asset sales available to meet future capital investment    | Detailed in this note below             |
| <b>Total usable Reserve</b>        | <b>( 15,052)</b>            | <b>678</b>                          | <b>( 14,374)</b>            |  |   |
| Revaluation Reserve                | ( 20,640)                   | ( 7,003)                            | ( 27,643)                   | Store of gains on revaluation of non current assets not yet realised through sales | Detailed in this note below             |
| Capital Adjustments Account        | ( 54,365)                   | ( 4,414)                            | ( 58,779)                   | Store of capital resources set aside to meet past expenditure                      | Detailed in this note below             |
| Collection Fund Adjustment Account | ( 57)                       | ( 34)                               | ( 91)                       | Balance held on collection fund and NNDR AC  | Detailed in this note below/<br>Note 31 |
| NNDR Adj Account                   | 682                         | ( 278)                              | 404                         | Balance held on collection fund and NNDR AC  | Detailed in this note below/<br>Note 31 |
| Pensions Reserve                   | 28,088                      | 2,996                               | 31,084                      | Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.   | Note 29                                 |
| <b>Total Unusable Reserve</b>      | <b>( 46,292)</b>            | <b>( 8,733)</b>                     | <b>( 55,025)</b>            |  |   |
| <b>Total Reserves</b>              | <b>( 61,344)</b>            | <b>( 8,055)</b>                     | <b>( 69,399)</b>            |  |   |

The movements in these reserves are detailed individually below.



**Movements in Revenue Reserves**

|  | Balance at   | Transfers    |                | Balance at   | Transfers    |                | Balance at    |
|--|--------------|--------------|----------------|--------------|--------------|----------------|---------------|
|  | 1 April 2013 | In           | Out            | 1 April 2014 | In           | Out            | 31 March 2015 |
|  | £'000        | £'000        | £'000          | £'000        | £'000        | £'000          | £'000         |
| <b>Current Balances</b>                        |              |              |                |              |              |                |               |
| General Fund                                   | 3,230        | 187          | 0              | 3,417        |              | (84)           | 3,333         |
| Collection Fund Adjustment Account             | 48           | 9            | 0              | 57           | 34           |                | 91            |
| NNDR Adjustment Account                        | 0            | 0            | (682)          | (682)        | 278          |                | (404)         |
| <b>Total Current Balances</b>                  | <b>3,278</b> | <b>196</b>   | <b>(682)</b>   | <b>2,792</b> | <b>312</b>   | <b>(84)</b>    | <b>3,020</b>  |
| <b>Strategic Reserves</b>                      |              |              |                |              |              |                |               |
| Insurance                                      | 542          | 5            |                | 547          | 5            | (63)           | 489           |
| Repairs and Renewals                           | 730          | 35           | (21)           | 744          | 37           | (88)           | 693           |
| Interest Equalisation                          | 665          |              |                | 665          | 0            | (34)           | 631           |
| VAT Reserve                                    | 179          |              | (7)            | 172          | 55           | 0              | 227           |
| Housing & Planning Delivery Grant Reserve      | 210          |              |                | 210          | 0            | 0              | 210           |
| Property Maintenance                           | 347          | 3            | (100)          | 250          | 2            | (31)           | 221           |
| Commuted Sums                                  | 1,965        |              |                | 1,965        | 0            | 0              | 1,965         |
| Hospital Cluster Interest                      | 222          | 2            | 0              | 224          | 2            |                | 226           |
| Corporate Project Reserve                      | 573          | 501          | (155)          | 919          | 1,364        | (1,890)        | 393           |
| Community Safety                               | 87           | 3            | (3)            | 87           | 2            | (3)            | 86            |
| Historic Buildings                             | 3            |              |                | 3            | 0            | 0              | 3             |
| Local Partnership Fund                         | 12           |              | (9)            | 3            | 0            | 0              | 3             |
| Young People Partnership Fund                  | 44           | 5            |                | 49           |              | (11)           | 38            |
| Yell Funds                                     | 3            |              |                | 3            | 0            | 0              | 3             |
| Training Reserve                               | 32           |              | (3)            | 29           |              | (5)            | 24            |
| Prevention, Personalisation & Partnership Fund | 150          | 141          |                | 291          | 180          | (113)          | 358           |
| Civic Investment Fund                          | 100          |              | (25)           | 75           |              | (30)           | 45            |
| Business rates equalisation reserve            | 0            | 685          |                | 685          | 331          | (287)          | 729           |
| Community Infrastructure Levy                  | 0            | 0            | 0              | 0            | 612          | 0              | 612           |
| Hardship Fund                                  | 0            | 0            | 0              | 0            | 3            | 0              | 3             |
| Other  | 3            | (3)          |                | 0            | 0            | 0              | 0             |
| <b>Total Strategic Reserves</b>                | <b>5,867</b> | <b>1,377</b> | <b>(323)</b>   | <b>6,921</b> | <b>2,593</b> | <b>(2,555)</b> | <b>6,959</b>  |
| <b>Total Revenue Reserves</b>                  | <b>9,145</b> | <b>1,573</b> | <b>(1,005)</b> | <b>9,713</b> | <b>2,905</b> | <b>(2,639)</b> | <b>9,979</b>  |

**Capital Grants unapplied**

The capital grants unapplied reserve represents the amount of capital grants receivable, there are neither conditions imposed nor restrictions for the use of these grants. These grants have not been applied to finance capital expenditure. The Council at the end of 2014/15 had a balance of nil (in 2013/14 the balance was nil).

### Revaluation Reserve

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

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

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

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

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

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| 16,885           | <b>Balance at 1st April</b>  | 20,640           |
| 4,095            | Upward revaluation of assets   | 7,004            |
| (340)            | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services             | (1)              |
| 3,755            | <b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b> | 7,003            |
| 0                | <b>Amount written off to the Capital Adjustment Account</b>  | 0                |
| 20,640           | <b>Balance at 31st March</b>   | 27,643           |

### Movements in Amounts Capital Adjustment Account to Finance Capital Investment

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

(with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

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

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| <b>(55,464)</b>  | <b>Balance brought forward at 1st of April</b>   | <b>(54,365)</b>  |
|                  | <b><u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u></b>                  |                  |
| 3,373            | - charges for depreciation and impairment of non-current assets  | 705              |
| 0                | - revaluation losses on property, plant & equipment  | 0                |
| 58               | - amortisation of intangible assets  | 90               |
| 83               | - revenue expenditure funded from capital under statute from Capital Reserves  |                  |
| 11               | - 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 | 5                |
| <b>3,525</b>     | <b>Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement in 2014/15</b>        | <b>800</b>       |
| <b>(51,939)</b>  | <b>Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year</b>   | <b>(53,566)</b>  |
|                  | <b><u>Capital Financing Applied in the Year</u></b>  |                  |
| <b>(497)</b>     | - use of the Capital Receipts Reserve used to finance new expenditure  | <b>(642)</b>     |
| <b>(236)</b>     | - capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | <b>(1,122)</b>   |
| <b>(10)</b>      | - Application of grants to capital financing from the Capital Grants Unapplied Account   |                  |
| <b>(535)</b>     | - statutory provision for the financing of capital investment charged against the general fund   | <b>(605)</b>     |
| <b>(94)</b>      | - capital expenditure charged against the General Fund   | <b>(1,275)</b>   |
| <b>(1,372)</b>   | <b>Total Capital Financing Applied in 2014/15</b>  | <b>(3,644)</b>   |
| <b>(1,054)</b>   | - movements in the market value of Investment Properties debited or credited to the Comprehensive Income and expenditure Account                           | <b>(1,569)</b>   |
| <b>(54,365)</b>  | <b>Balance Carried Forward at 31 March 2015</b>  | <b>(58,779)</b>  |

#### Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute is capital expenditure incurred on improvements to assets not owned by the authority, improvement grants or other areas where no tangible Non-Current Asset was created, which are written off to the revenue account over the estimated period of economic benefit to the authority, normally one year. The amounts written down are charged to the appropriate front line service within the net cost of services and financed

from either a transfer from the Capital Adjustment Account or matched against any government grant funding such that the net effect on the general fund reserve is neutral.

| 2013/14<br>£'000 |   | 2014/15<br>£'000 |
|------------------|---|------------------|
| 1,346            | Revenue Expenditure funded from Capital under Statute Written Off | 445              |
| ( 1,263)         | Less External Funding   | ( 445)           |
| <b>83</b>        | <b>Funded from Capital Reserves</b>                               | <b>0</b>         |
| 58               | Add Intangible Charges Written Off                                | 90               |
| <b>141</b>       | <b>Transfer from Capital Adjustment Account</b>                   | <b>90</b>        |

#### Usable Capital Receipts Reserve

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| <b>4,689</b>     | <b>Balance brought forward at 1 April</b>                      | <b>4,714</b>     |
| 522              | Amounts receivable in year                                     | 10               |
| ( 497)           | Amounts applied to finance new capital investment              | ( 642)           |
| <b>25</b>        | <b>Total Increase (decrease) in realised capital resources</b> | <b>( 632)</b>    |
| <b>4,714</b>     | <b>Balance carried forward at 31 March</b>                     | <b>4,082</b>     |

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. As the authority is debt free following disposal of all housing stock, it can use 100% of the proceeds received from asset sales to finance capital expenditure.

#### Pensions Reserve

Pension costs are detailed in Note 29.

#### Council Tax Collection Fund Adjustment Account and NNDR Adjustment Account

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

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| 48               | <b>Balance at the start of the year</b>  | <b>(625)</b>     |
| 9                | 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 | 33               |
| (682)            | Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements               | 279              |
| <b>(625)</b>     | <b>Balance at the end of the year</b>  | <b>( 313)</b>    |

**Note 20: Cashflow from Operating Activities include the following**

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

These accounting adjustments involve non cash movements and for the cash flow purposes need to be adjusted.

| 2013/14<br>Restated<br>£'000 | Details  | 2014/15<br>£'000 |
|------------------------------|--|------------------|
| ( 3,373)                     | Charges for depreciation and impairment of non-current assets  | ( 709)           |
| 1,054                        | Movements in the market value of Investment Properties   | 1,569            |
| ( 58)                        | Amortisation of intangible assets  | ( 90)            |
| ( 83)                        | Revenue expenditure funded from capital under statute  | 0                |
| ( 11)                        | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E  | 0                |
| ( 1,023)                     | Pension liability and related adjustment   | ( 1,125)         |
| ( 673)                       | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 312              |
| 1,318                        | Increase/(Decrease) in Debtors   | ( 225)           |
| ( 586)                       | (Increase)/Decrease in creditors   | ( 2,823)         |
| 49                           | (Increase)/Decrease in Inventories   | 36               |
| 563                          | Other non-cash items   | ( 1,124)         |
| ( 2,823)                     | <b>Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements</b>   | <b>( 4,179)</b>  |

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

These are receipts and payments as part of the surplus or deficit on the CIES on the capital activities of the council such as non-current assets purchases disposal capital grants etc:

| 2013/14<br>Restated<br>£'000 | Details   | 2014/15<br>£'000 |
|------------------------------|---|------------------|
| 236                          | Capital Grants credited to surplus or deficit on the provision of services                        | 713              |
| 535                          | Lease rentals   | 605              |
| 532                          | Proceeds from the sale of property plant and equipment, investment property and intangible assets | 10               |
| <b>1,303</b>                 |   | <b>1,328</b>     |

### Note 21: Cashflow from Investing Activities

| 2013/14<br>£'000 | Details                                 | 2014/15<br>£'000 |
|------------------|---|------------------|
| 602              | Purchase of assets                      | 3,507            |
| ( 823)           | Capital Grants Received (Gov't)         | ( 669)           |
| ( 532)           | Receipts from sale of assets            | ( 10)            |
| ( 5,000)         | Other receipts for investing activities | 0                |
| ( 5,753)         |   | <b>2,828</b>     |

### Note 22: Cashflow from Financing Activities

| 2013/14<br>£'000 | Details  | 2014/15<br>£'000 |
|------------------|--|------------------|
| 535              | Lease rentals  | 605              |
| 0                | Other financing activities (NDR shares and Council Tax Preceptors) | 1,291            |
| <b>535</b>       |  | <b>1,896</b>     |

### **Note 23: Amounts Reported for Resource Allocation Decisions (Segmental Reporting)**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service expenditure Reporting Code of Practice.

However, decisions about resource allocation are taken by the Committee on the basis of budget reports analysed across Committee. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year expenditure on some support services is budgeted for centrally and not charged to Committee.

The segmental reporting tables are detailed on the following 2 pages starting with 2014/15.

AGENDA ITEM 4  
ANNEXE 2

| 2014/15                                   | Environment<br>Committee<br>£'000 | Leisure<br>Committee<br>£'000 | Social<br>Committee<br>£'000 | Strategy<br>and<br>Resources<br>£'000 | Asset Rent<br>£'000 | Grand<br>Total<br>£'000 |
|---|-----------------------------------|-------------------------------|------------------------------|---------------------------------------|---------------------|-------------------------|
| Fees, Charges and Other Service income    | (6,187)                           | (1,676)                       | (1,753)                      | (1,497)                               |                     | (11,113)                |
| Government Grants and contributions       | (179)                             | (806)                         | (562)                        | (23,690)                              |                     | (25,237)                |
|   | <b>(6,366)</b>                    | <b>(2,482)</b>                | <b>(2,315)</b>               | <b>(25,187)</b>                       | <b>0</b>            | <b>(36,350)</b>         |
| Employees                                 | 3,444                             | 1,245                         | 1,629                        | 5,627                                 |                     | 11,945                  |
| Other Operating expenses                  | 3,005                             | 3,342                         | 2,817                        | 24,454                                |                     | 33,618                  |
| Support services Recharges                | 1,566                             | 668                           | 824                          | (3,500)                               |                     | (442)                   |
| Depreciation, amortisation and Impairment | 1,211                             | 1,029                         | 167                          | 487                                   | (2,894)             | 0                       |
|   | <b>9,226</b>                      | <b>6,284</b>                  | <b>5,437</b>                 | <b>27,068</b>                         | <b>(2,894)</b>      | <b>45,121</b>           |
| <b>Cost of Services</b>                   | <b>2,860</b>                      | <b>3,802</b>                  | <b>3,122</b>                 | <b>1,881</b>                          | <b>(2,894)</b>      | <b>8,771</b>            |

| Reconciliation to net cost of Services in Comprehensive Income and expenditure account 2014/15 |  | £000's       |
|--|--|--------------|
| <b>Cost of Services in Service Analysis</b>  |  | <b>8,771</b> |
| Net expenditure of services and support services not included in the Analysis                  |  | (605)        |
| Amounts in the CIE Statement not reported to management in the Analysis                        |  | 639          |
| Amounts included in the Analysis not included in the CIE Statement                             |  | 247          |
| <b>Cost of Services on Comprehensive Income and Expenditure Statement</b>                      |  | <b>9,052</b> |

| Values 2014/15                                       | Service<br>Expenditure<br>£'000 | Services<br>not in<br>analysis<br>£'000 | Not<br>Reported to<br>managemen<br>t<br>£'000 | Reported to<br>managemen<br>t Not<br>Included in<br>Net cost of<br>services<br>£'000 | Net Cost<br>of<br>services<br>£'000 | Corporat<br>e<br>Amounts<br>£'000 | Total<br>£'000  |
|--|---------------------------------|---|---|--|-------------------------------------|-----------------------------------|-----------------|
| Fees, Charges and Other Service income               | (11,113)                        | 0                                       | 0   | (1,110)  | (12,223)                            | (149)                             | (12,372)        |
| Interest and Investment income                       | 0                               | 0                                       | 0   | 2,580  | 2,580                               | (2,580)                           | 0               |
| Income from Council Tax                              | 0                               | 0                                       | 34  | 0  | 34                                  | (34)                              | 0               |
| Government Grants and contributions                  | (25,237)                        | 0                                       | 0   | 0  | (25,237)                            | (8,845)                           | (34,082)        |
|  | <b>(36,350)</b>                 | <b>0</b>                                | <b>34</b>                                     | <b>1,470</b>   | <b>(34,846)</b>                     | <b>(11,270)</b>                   | <b>(46,454)</b> |
| Employees  | 11,945                          | 0                                       | 0   | 1,125  | 13,070                              | 0                                 | 13,070          |
| Other Operating expenses                             | 33,618                          | (605)                                   | 605   | 1,222  | 34,840                              | 0                                 | 34,840          |
| Support services Recharges                           | (442)                           | 0                                       | 0   | 0  | (442)                               | 0                                 | (442)           |
| Depreciation, amortisation and Impairment            | 0                               | 0                                       | 0   | (3,556)  | (3,556)                             | 0                                 | (3,556)         |
| Capital receipts                                     | 0                               | 0                                       | 0   | (10)   | (10)                                | (10)                              | (20)            |
| (Profit)/ Loss on sale of non current assets         | 0                               | 0                                       | 0   | (4)  | (4)                                 | (357)                             | (361)           |
|  | <b>45,121</b>                   | <b>(605)</b>                            | <b>605</b>                                    | <b>(1,223)</b>   | <b>43,898</b>                       | <b>(367)</b>                      | <b>43,531</b>   |
| <b>(Surplus) or Deficit on Provision of services</b> | <b>8,771</b>                    | <b>(605)</b>                            | <b>639</b>                                    | <b>247</b>   | <b>9,052</b>                        | <b>(11,276)</b>                   | <b>(2,923)</b>  |



Previous financial year Segmental reporting (2013/14):

| 2013/14 RESTATED                       | Environment Committee<br>£'000 | Leisure Committee<br>£'000 | Social Committee<br>£'000 | Strategy and Resources<br>£'000 | Asset Rent<br>£'000 | Grand Total<br>£'000 |
|--|--------------------------------|----------------------------|---------------------------|---------------------------------|---------------------|----------------------|
| Fees, Charges and Other Service income | (5,783)                        | (2,519)                    | (1,993)                   | (3,168)                         |                     | (13,463)             |
| Government Grants and contributions    |                                |                            | (6)                       | (21,615)                        | 0                   | (21,621)             |
|  | <b>(5,783)</b>                 | <b>(2,519)</b>             | <b>(1,999)</b>            | <b>(24,783)</b>                 | <b>0</b>            | <b>(35,084)</b>      |
| Employees                              | 3,213                          | 1,138                      | 1,524                     | 5,509                           | 0                   | 11,384               |
| Other Operating expenses               | 3,842                          | 3,932                      | 1,931                     | 25,062                          | (1,761)             | 33,006               |
| Support services Recharges             | 1,296                          | 583                        | 634                       | (2,942)                         | 0                   | (429)                |
|  | <b>8,351</b>                   | <b>5,653</b>               | <b>4,089</b>              | <b>27,629</b>                   | <b>(1,761)</b>      | <b>43,961</b>        |
| <b>Cost of Services</b>                | <b>2,568</b>                   | <b>3,134</b>               | <b>2,090</b>              | <b>2,846</b>                    | <b>(1,761)</b>      | <b>8,877</b>         |

| Reconciliation to net cost of Services in Comprehensive Income and expenditure account 2013/14 |  | £000's        |
|--|--|---------------|
| <b>Cost of Services in Service Analysis</b>  |  | 8,877         |
| Net expenditure of services and support services not included in the Analysis                  |  | (535)         |
| Amounts in the CIE Statement not reported to management in the Analysis                        |  | 3,478         |
| Amounts included in the Analysis not included in the CIE Statement                             |  | 471           |
| <b>Cost of Services on Comprehensive Income and Expenditure Statement</b>                      |  | <b>12,291</b> |

| Values 2013/14 RESTATED                                      | Service Expenditure<br>£'000 | Services not in analysis<br>£'000 | Not Reported to management<br>£'000 | Reported to management Not Included in Net cost of services<br>£'000 | Net Cost of services<br>£'000 | Corporate Amounts<br>£'000 | Total<br>£'000  |
|--|------------------------------|-----------------------------------|-------------------------------------|--|-------------------------------|----------------------------|-----------------|
| Fees, Charges and Other Service income                       | (13,463)                     |                                   |                                     | 873  | (12,590)                      | (7,988)                    | (20,578)        |
| Government Grants and contributions                          | (21,621)                     |                                   |                                     | 191  | (21,430)                      | (2,903)                    | (24,333)        |
| <b>Total income</b>  | <b>(35,084)</b>              | <b>0</b>                          | <b>0</b>                            | <b>1,064</b>   | <b>(34,020)</b>               | <b>(10,891)</b>            | <b>(44,911)</b> |
| Employees  | 11,384                       |                                   | (35)                                |  | 11,349                        |                            | 11,349          |
| Other Operating expenses                                     | 33,006                       | (535)                             | 3,513                               | (593)  | 35,391                        | 139                        | 35,530          |
| Support services Recharges                                   | (429)                        |                                   |                                     |  | (429)                         |                            | (429)           |
| <b>Total expenditure</b>                                     | <b>43,961</b>                | <b>(535)</b>                      | <b>3,478</b>                        | <b>(593)</b>   | <b>46,311</b>                 | <b>139</b>                 | <b>46,450</b>   |
| <b>(Surplus) or Deficit on Provision of services 2013/14</b> | <b>8,877</b>                 | <b>(535)</b>                      | <b>3,478</b>                        | <b>471</b>   | <b>12,291</b>                 | <b>(10,752)</b>            | <b>1,539</b>    |

### Note 24: Members' Allowances

The total amount of Members' allowances paid in 2014/15 was £157,000 (£153,000, was paid in 2013/14).

### Note 25: Executive Remuneration Bands and Exit Packages

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

| No. of Staff<br>2013/14 | Remuneration Range  | No. of Staff<br>2014/15 |
|-------------------------|---------------------|-------------------------|
| 3                       | £50,000 - £54,999   | 4                       |
| 1                       | £55,000 - £59,999   | 2                       |
| 4                       | £60,000 - £64,999   | 2                       |
| 1                       | £65,000 - £69,999   | 3                       |
| 2                       | £70,000 - £74,999   | 2                       |
| 3                       | £90,000 - £94,999   | 1                       |
| 0                       | £95,000 - £99,999   | 1                       |
| 1                       | £115,000 - £119,999 | 1                       |
| <b>15</b>               | <b>Total</b>        | <b>16</b>               |

#### Exit Packages

For the financial year 2014/15 the Council paid £264,411.63 in exit packages.

Detailed remuneration information for senior employees is set out below. The tables below show information for 2014/15 and 2013/14.

| 2014/15   | Chief Executive | Director of Operations | Director of Finance (from 1/8/2014) | Acting Director of Finance (from 1/4/2014 to 31/7/2014) | Director of Human Resources | Head of Legal Services |
|---|-----------------|------------------------|-------------------------------------|---|-----------------------------|------------------------|
| <i>all figs. £'000</i>  |                 |                        |                                     |   |                             |                        |
| Salary  | 106             | 88                     | 56                                  | 25  | 86                          | 55                     |
| Expenses Allowances   | 4               | 4                      | 2                                   | 0   | 3                           | 8                      |
| Compensation for loss of office                                   | 0               | 146                    | 0                                   | 0   | 118                         | 0                      |
| Other Benefits  | 7               | 0                      | 5                                   | 0   | 7                           | 3                      |
| <b>Total remuneration excluding Pension contributions</b>         | <b>117</b>      | <b>238</b>             | <b>63</b>                           | <b>25</b>   | <b>214</b>                  | <b>66</b>              |
| Pension Contributions   | 16              | 14                     | 9                                   | 4   | 13                          | 10                     |
| <b>Total remuneration including pension contributions 2014/15</b> | <b>133</b>      | <b>252</b>             | <b>72</b>                           | <b>29</b>   | <b>227</b>                  | <b>76</b>              |

| 2013/14   | Chief Executive | Director of Operations | Director of Finance | Acting Director of Finance (from 1/3/2014) | Director of Human Resources | Head of Legal Services |
|---|-----------------|------------------------|---------------------|--|-----------------------------|------------------------|
| <i>all figs. £'000</i>  |                 |                        |                     |  |                             |                        |
| Salary  | 105             | 86                     | 81                  | 6  | 85                          | 52                     |
| Bonuses   | 0               | 2                      | 2                   | 0  | 0                           | 0                      |
| Expenses Allowances   | 4               | 3                      | 3                   | 0  | 3                           | 8                      |
| Other Benefits  | 7               | 0                      | 6                   | 0  | 7                           | 3                      |
| <b>Total remuneration excluding Pension contributions</b>         | <b>116</b>      | <b>91</b>              | <b>92</b>           | <b>6</b>                                   | <b>95</b>                   | <b>63</b>              |
| Pension Contributions   | 16              | 13                     | 12                  | 1  | 13                          | 9                      |
| <b>Total remuneration including pension contributions 2013/14</b> | <b>132</b>      | <b>104</b>             | <b>104</b>          | <b>7</b>                                   | <b>108</b>                  | <b>72</b>              |

### Note 26: Audit Costs

In 2014/15 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| 54               | Fees payable to the external auditors with regard to external audit                  | 59               |
| 14               | Fees payable to the external audit for the certification of grant claims and returns | 13               |
| <b>68</b>        | <b>Balance to Income and Expenditure Account</b>                                     | <b>72</b>        |

### Note 27: Capital Financing Requirement

| 2013/14<br>£'000 |   | 2014/15<br>£'000 |
|------------------|---|------------------|
| <b>( 161)</b>    | <b>Opening Capital Financing Requirement</b>                | <b>( 161)</b>    |
|                  | <b>Capital investment</b>                                   |                  |
| 622              | Property, Plant and Equipment                               | 739              |
| 2                | Investment Properties                                       | 10               |
| 0                | Assets under Construction                                   | 2,349            |
| 128              | Intangible Assets   | 163              |
| 1,347            | Revenue Expenditure Funded from Capital under Statute       | 445              |
|                  | <b>Sources of finance</b>                                   |                  |
| <b>( 496)</b>    | Capital receipts  | <b>( 643)</b>    |
| <b>( 1,509)</b>  | Government grants and other contributions                   | <b>( 1,567)</b>  |
|                  | <b>Sums set aside from revenue:</b>                         |                  |
| <b>( 94)</b>     | Direct revenue contributions                                | <b>( 1,275)</b>  |
| 0                | Finance lease identified under IFRS                         | <b>( 221)</b>    |
| <b>( 161)</b>    | <b>Closing Capital Financing Requirement</b>                | <b>( 161)</b>    |
| <b>0</b>         | <b>Increase/(decrease) in Capital Financing Requirement</b> | <b>0</b>         |

Note: For the purpose of the CFR, leases that are now reclassified under IFRS as finance leases are not treated as debt requiring financing.

## Note 28: Finance and Operating Leases

### Finance Leases in (Council as Lessee):

The Council has acquired a number of vehicles and car parking equipment 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:

| 2013/14<br>£'000 |                                | 2014/15<br>£'000 |
|------------------|--------------------------------|------------------|
| 1,040            | Vehicles, Plant, and Equipment | 773              |

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:

| 2013/14<br>£'000 |   | 2014/15<br>£'000 |
|------------------|---|------------------|
| 561              | Finance lease liabilities (net present value of minimum lease payments): Current      | 277              |
| 320              | Finance lease liabilities (net present value of minimum lease payments): non- Current | 221              |
| 102              | Finance costs payable in future years – Interest                                      | 55               |
| <b>983</b>       | <b>Minimum lease payments</b>   | <b>553</b>       |

| Minimum Lease Payments | Finance Lease Liabilities |   | Minimum Lease Payments | Finance Lease Liabilities |
|------------------------|---------------------------|---|------------------------|---------------------------|
| 2013/14<br>£'000       | 2013/14<br>£'000          |   | 2014/15<br>£'000       | 2014/15<br>£'000          |
| 628                    | 561                       | Not later than one year                           | 310                    | 277                       |
| 355                    | 320                       | Later than one year and not later than five years | 230                    | 221                       |

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, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- Minimum lease payments include both finance charge (interest) and lease liability (principal).

**Operating Leases in (Council as Lessee)**

| Operating Lease Liabilities 2013/14<br>£'000 |                         | Operating Lease Liabilities 2014/15<br>£'000 |
|--|-------------------------|--|
| 70   | Not later than one year | 31   |

**Operating Leases out (Council as Lessor)**

In 2014/15 the Council received £1,344,000 (note 13) in rental income from its investment properties (compared to £1,313,000 in 2013/14), 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 £18,484,000 (17,080,000 in 2013/14).

The future lease payments receivable in future years are:

| Lease Income at 31 March 2014<br>£'000 |   | Lease Income at 31 March 2015<br>£'000 |
|--|---|--|
| 1,503                                  | Not later than one year                           | 1,410                                  |
| 2,714                                  | Later than one year and not later than five years | 2,296                                  |
| 39,435                                 | Later than five years                             | 41,275                                 |
| <b>43,652</b>                          | <b>Total</b>                                      | <b>44,981</b>                          |

£30 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

The minimum lease receipts do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 no contingent rents were receivable by the Authority (2013/14 £nil).

The Council leases parts of the Town Hall to Surrey County Council (SCC) and Surrey Police. The lease with SCC is on a rolling basis and earns annual rental of £96,000 per annum. The lease with Surrey Police is for ten years commencing January 2012 with an annual value of £87,000. Income from both leases are included within the cost of services and part of the lease income table above.

## Note 29: Pension Costs

### Participation in Pension Schemes

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

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

### Transactions Relating to Retirement Benefits

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

| 2013/14<br>£'000 |   | 2014/15<br>£'000 |
|------------------|---|------------------|
|                  | <b>Comprehensive Income and Expenditure Statement</b>   |                  |
|                  | Net Cost of Services:   |                  |
| 1,556            | Current service cost  | 1,739            |
|                  | <u>Financing and Investment Income and Expenditure</u>  |                  |
| 1,057            | Net Interest Expense  | 1,154            |
| <b>2,613</b>     | <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>2,893</b>     |
|                  | <b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  |                  |
|                  | <u>Remeasurements</u>   |                  |
| 1,522            | Changes in demographic assumptions  | 0                |
| 167              | Changes in financial assumptions  | 7,532            |
| 3,617            | Other experience  | ( 694)           |
| ( 1,682)         | Return on assets excluding amounts included in net interest   | ( 4,967)         |
| <b>6,237</b>     | <b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  | <b>1,871</b>     |
|                  | <u>Movement in Reserves Statement</u>   |                  |
| ( 2,613)         | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | ( 2,893)         |
| 1,590            | Employers' contributions payable to scheme  | 1,768            |

Cumulative remeasurement of the net benefit liability recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a loss of 1,870,000.

### Assets and Liabilities in Relation to Post-employment Benefits

The liabilities shown below are the underlying commitments that the authority has in the long-run to pay retirement benefits. The total increased liability of £3 million has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £31.1 million. The pension liability is 44% of the balance sheet net value in 2014/15 compared to 42.6% in 2013/14.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial loss of £1,870,000 (actuarial losses of £3,624,000 in 2013/14) is included in the Comprehensive Income and Expenditure Account.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2015 are as follows:

### Reconciliation of Present value of Scheme Assets and Liabilities

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| ( 73,450)        | <b>1 April 2014</b>  | ( 81,002)        |
| ( 1,556)         | Current service cost   | ( 1,739)         |
| ( 3,280)         | Interest cost  | ( 3,290)         |
| ( 432)           | Contribution from scheme participants                                    | ( 508)           |
|                  | Remeasurement gain/(loss):   |                  |
| ( 1,522)         | - actuarial gains/losses arising from changes in demographic assumptions | 0                |
| ( 167)           | - actuarial gains/losses arising from changes in financial assumptions   | ( 7,532)         |
| ( 3,617)         | - Other experience   | 694              |
| 114              | Unfunded benefits paid   | 109              |
| 2,908            | Benefits paid  | 3,566            |
| <b>( 81,002)</b> | <b>Estimates Liabilities in scheme 31 March 2015</b>                     | <b>( 89,702)</b> |
| <b>50,009</b>    | <b>1 April 2014</b>  | <b>52,914</b>    |
| 2,223            | Interest income  | 2,136            |
|                  | Remeasurement gain/(loss):   |                  |
| 1,682            | - return on plan assets, excluding the amount in net interest expense    | 4,968            |
| 1,476            | Contributions from employer  | 1,658            |
| 432              | Contributions from employees into the scheme                             | 508              |
| ( 2,908)         | Benefits paid  | ( 3,566)         |
| <b>52,914</b>    | <b>Estimates assets in scheme 31 March 2015</b>                          | <b>58,618</b>    |
| <b>( 28,088)</b> | <b>Net asset / (liability) 31 March 2015</b>                             | <b>( 31,084)</b> |

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

#### Actual Return on Scheme Assets as per Actuaries

| 2013/14<br>£'000 |                                | 2014/15<br>£'000 |
|------------------|--------------------------------|------------------|
| 3,905            | Actual return as per actuaries | 7,104            |

The return on the fund in market value terms for the period to 31st March 2015 is estimated based on actual funds return as provided by the administering authority and Index returns where necessary.

#### Scheme History

|                                      | 2010/11<br>£'000 | 2011/12<br>£'000 | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Present value of liabilities:</b> |                  |                  |                  |                  |                  |
| Local Government Pension Scheme      | ( 60,585)        | ( 64,866)        | ( 73,450)        | ( 81,002)        | ( 89,702)        |
| <b>Fair Value of Assets:</b>         |                  |                  |                  |                  |                  |
| Local Government Pension Scheme      | 44,558           | 44,226           | 50,009           | 52,914           | 58,618           |
| <b>Total</b>                         | <b>( 16,027)</b> | <b>( 20,640)</b> | <b>( 23,441)</b> | <b>( 28,088)</b> | <b>( 31,084)</b> |

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total increased liability of £3m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £31.1m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2016 is £1,990,000.



### Basis for Estimating Assets and Liabilities

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

| 2013/14 |  | 2014/15 |
|---------|--|---------|
|         | Longevity at 65 for current pensioners:                              |         |
| 22.5    | Men  | 22.5    |
| 24.6    | Women  | 24.6    |
|         | Longevity at 65 for future pensioners:                               |         |
| 24.5    | Men  | 24.5    |
| 26.9    | Women  | 26.9    |
| 2.6%    | Rate of increase in pensions   | 2.1%    |
| 3.9%    | Rate of increase in salaries   | 3.5%    |
| 4.1%    | Rate for discounting scheme liabilities                              | 3.1%    |
| 25.0%   | Take-up of option to convert annual pension into retirement lump sum | 25.0%   |

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

| Percentage of Funds Assets 2013/14 |                    | Percentage of Funds Assets 2014/15 |
|------------------------------------|--------------------|------------------------------------|
| 78%                                | Equity Investments | 78%                                |
| 16%                                | Bonds              | 14%                                |
| 5%                                 | Property           | 6%                                 |
| 1%                                 | Cash               | 2%                                 |
| <b>100%</b>                        |                    | <b>100%</b>                        |

### Movement in net pension liability:

| 2013/14<br>£'000 |                        | 2014/15<br>£'000 |
|------------------|------------------------|------------------|
| <b>( 23,441)</b> | <b>Opening Balance</b> | <b>( 28,088)</b> |
| ( 1,556)         | Current Service Costs  | ( 1,739)         |
| ( 1,057)         | Net Interest Expense   | ( 1,154)         |
| 1,542            | Employer Contributions | 1,768            |
| ( 3,624)         | Remeasurements         | ( 1,870)         |
| <b>( 28,088)</b> | <b>Closing Balance</b> | <b>( 31,084)</b> |

### Note 30: Contingent Liabilities

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

The Council has been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd the amount subject to levy is £327,000 may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities as at 31/03/2014. The Insurance Reserve includes an amount to cover any future claims.

### Note 31: Related Parties

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

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

Members of the Council have direct control over the Council's financials and operating policies. During 2014/15 the Council made grant payments of £148k to three voluntary organisations. The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

| Organisation          | 2013/14<br>£'000 | 2014/15<br>£'000 | Councillor(s)                              |
|-----------------------|------------------|------------------|--|
| Age concern           | 16               | 16               | Nigel Pavey, Humphrey Reynolds, Jean Steer |
| Citizen Advice Bureau | 117              | 117              | Eber Kington                               |
| Carers of Epsom       | 0                | 15               | Jean Smith                                 |
| <b>Total</b>          | <b>133</b>       | <b>148</b>       |  |

### Note 32: Collection Fund Income and Expenditure Account

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

| 2013/14                 |                      |                 |  | 2014/15                 |                      |                 |
|-------------------------|----------------------|-----------------|--|-------------------------|----------------------|-----------------|
| Business Rates<br>£'000 | Council Tax<br>£'000 | Total<br>£'000  |  | Business Rates<br>£'000 | Council Tax<br>£'000 | Total<br>£'000  |
| 0                       | (48,458)             | (48,458)        | <b>INCOME:</b>                                     |                         |                      |                 |
| (23,036)                | 0                    | (23,036)        | Council Tax Receivable                             |                         | (50,048)             | (50,048)        |
| 176                     | 0                    | 176             | Business Rates Receivable                          | (22,895)                | 0                    | (22,895)        |
|                         |                      |                 | Transitional Protection Payments receivable        | 116                     |                      | 116             |
| <b>(22,860)</b>         | <b>(48,458)</b>      | <b>(71,318)</b> | <b>Total Income</b>                                | <b>(22,779)</b>         | <b>(50,048)</b>      | <b>(72,827)</b> |
|                         |                      |                 | <b>EXPENDITURE:</b>                                |                         |                      |                 |
|                         |                      |                 | <b>Apportionment of Prior Year Surplus</b>         |                         |                      |                 |
| 0                       | 0                    | 0               | Central Government                                 | (228)                   | 0                    | (228)           |
| 0                       | 51                   | 51              | Epsom & Ewell Borough Council                      | (183)                   | 52                   | (131)           |
| 0                       | 353                  | 352             | Surrey County Council                              | (46)                    | 358                  | 312             |
| 0                       | 62                   | 62              | Surrey Police Authority                            | 0                       | 63                   | 63              |
|                         |                      |                 | <b>Precepts, Demands and Shares</b>                |                         |                      |                 |
| 11,515                  | 0                    | 11,515          | Central Government                                 | 11,201                  | 0                    | 11,201          |
| 9,212                   | 5,251                | 14,463          | Epsom & Ewell Borough Council                      | 8,961                   | 5,403                | 14,364          |
| 2,303                   | 36,123               | 38,426          | Surrey County Council                              | 2,240                   | 37,200               | 39,440          |
| 0                       | 6,394                | 6,394           | Surrey Police Authority                            | 0                       | 6,585                | 6,585           |
|                         |                      |                 | <b>Charges to Collection Fund</b>                  |                         |                      |                 |
| 133                     | 140                  | 273             | Increase / (Decrease) in Bad Debt Provision        | 86                      | 80                   | 166             |
| 1,317                   | 0                    | 1,317           | Increase / (Decrease) in Provision for Appeals     | (36)                    | 0                    | (36)            |
| 88                      | 0                    | 88              | Cost of Collection                                 | 87                      | 0                    | 87              |
| <b>24,567</b>           | <b>48,374</b>        | <b>72,941</b>   | <b>Total Expenditure</b>                           | <b>22,082</b>           | <b>49,741</b>        | <b>71,823</b>   |
| <b>1,707</b>            | <b>(84)</b>          | <b>1,623</b>    | <b>(Surplus) / Deficit arising during the year</b> | <b>(697)</b>            | <b>(307)</b>         | <b>(1,004)</b>  |
| <b>0</b>                | <b>(434)</b>         | <b>(434)</b>    | <b>(Surplus) / Deficit arising during the year</b> | <b>1,707</b>            | <b>(518)</b>         | <b>1,189</b>    |
| <b>1,707</b>            | <b>(518)</b>         | <b>1,189</b>    | <b>(Surplus) / Deficit c/fwd 31 March 2015</b>     | <b>1,010</b>            | <b>(825)</b>         | <b>185</b>      |
|                         |                      |                 | <b>Apportionment to Preceptors/EEBC</b>            |                         |                      |                 |
| 853                     | 0                    | 853             | Central Government                                 | 505                     | 0                    | 505             |
| 683                     | (57)                 | 626             | Epsom & Ewell Borough Council                      | 404                     | (91)                 | 313             |
| 171                     | (392)                | (221)           | Surrey County Council                              | 101                     | (624)                | (523)           |
| 0                       | (69)                 | (69)            | Surrey Police Authority                            | 0                       | (110)                | (110)           |
| <b>1,707</b>            | <b>(518)</b>         | <b>1,189</b>    |  | <b>1,010</b>            | <b>(825)</b>         | <b>185</b>      |

### Notes to the Collection Fund Income and Expenditure

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

|                               | Band | Total Properties For Band | Proportion To Band D | Relevant Amount for |
|-------------------------------|------|---------------------------|----------------------|---------------------|
|                               | A    | 76.64                     | 6/9 <sup>th</sup>    | 51.09               |
|                               | B    | 646.41                    | 7/9 <sup>th</sup>    | 502.76              |
|                               | C    | 3,576.24                  | 8/9 <sup>th</sup>    | 3,178.88            |
|                               | D    | 7,176.13                  | 9/9 <sup>th</sup>    | 7,176.13            |
|                               | E    | 6,856.29                  | 11/9 <sup>th</sup>   | 8,379.91            |
|                               | F    | 4,176.00                  | 13/9 <sup>th</sup>   | 6,031.99            |
|                               | G    | 3,664.38                  | 15/9 <sup>th</sup>   | 6,107.29            |
|                               | H    | 116.95                    | 18/9 <sup>th</sup>   | 233.9               |
| Aggregate of Relevant Amounts |      |                           |                      | 31,661.95           |
| Estimated Collection          |      |                           |                      | 98.25%              |
| Council Tax Base              |      |                           |                      | 31,107.87           |

### Non-Domestic Rates Statistics

|  | 2013/14<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Total Non-Domestic Rateable Value at year end    | 60,069           | 59,515           |
| National Non-Domestic Rate Multiplier (Standard) | 47.1             | 48.2             |

### Precepting Bodies

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

|  | 2013/14<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Surrey County Council                    | 36,123           | 37,200           |
| Surrey Police                            | 6,394            | 6,585            |
| Epsom and Ewell Borough Council          | 5,251            | 5,403            |
| <b>Total Precepts on Collection Fund</b> | <b>47,768</b>    | <b>49,188</b>    |

**Distribution of Council Tax Surplus**

| 2013/14<br>£000 |                               | 2014/15<br>£000 |
|-----------------|-------------------------------|-----------------|
| 353             | Surrey County Council         | 358             |
| 62              | Surrey Police Authority       | 63              |
| 51              | Epsom & Ewell Borough Council | 52              |
| <b>466</b>      |                               | <b>473</b>      |

**Council Tax Provision for Bad Debts**

| 2013/14<br>£000 |   | 2014/15<br>£000 |
|-----------------|---|-----------------|
| 442             | Opening Balance                           | 530             |
| 88              | Increase/(Decrease) in Bad Debt Provision | 2               |
| <b>530</b>      | <b>Balance at Year End</b>                | <b>532</b>      |

## Statement of Responsibilities

### General

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

### Responsibilities

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

The Borough Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Director of Finance and Resources. For this year of account (2014/15), the following arrangements applied:
  - From 1st March to 31st July 2014, Lee Duffy was the Acting Director of Finance;
  - From 1st August 2014, Kathryn Beldon took up her appointment as the Director of Finance and Resources.
- Manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
- Approve and publish the Statement of Accounts by 30 September 2015.

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

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

## Annual Governance Statement

### Scope of responsibility

1. Epsom and Ewell Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Epsom and Ewell Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Epsom and Ewell Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
3. Epsom and Ewell Borough Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, "Delivering Good Governance in Local Government". This statement explains how Epsom and Ewell has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 and accompanies the 2014-15 Final Accounts. The Annual Governance Statement is subject to review by the Audit, Crime & Disorder and Governance and the Strategy & Resources Committee when it considers the Statement of Accounts.

### The purpose of the governance framework

4. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Epsom and Ewell Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Epsom and Ewell Borough Council for the year ended 31 March 2015 and up to the date of approval of the Annual Report and Statement of Accounts.

### **Sources of Assurance**

A clear statement of the Council's purpose and vision is set out in its Corporate Plan – Making Epsom and Ewell, an excellent place to live and work. The Council's priorities for the next four years are set out in the Corporate Plan 2012-2016, which also documents the Council's role in working with its partners.

The Council has six priorities for the Borough; these are Economic Vitality, Sustainability, Visual appearance, Quality of life, Safer and Stronger communities and Managing Resources. To achieve its Corporate Priorities, the Council sets service targets that are revised annually.

The behaviour of Councillors is regulated through the Code of Conduct supported by a number of protocols.

The Council's has adopted a code of conduct for members and co-opted members and has in place arrangements to meet the requirements under section 27 of the Localism Act.

Employees are subject to a Code of Conduct and a number of specific policies as set out by Human Resources.

Policy and decision making is facilitated by a framework of delegation set out in the Constitution.

Risk Management Framework covers strategic risk management, to identify corporate risks, assess the risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls.

The Council maintains and reviews a Leadership Risk Register and risks contained in the Annual Service Plans. Risk Management awareness is built into the Council's training programme. The Corporate Risk Group also has a role in embedding risk management across the authority.

The Director of Finance and Resources is designated as the responsible officer for administration of the Council's financial affairs under section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making, providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information.

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 Council has in place an approved Whistleblowing Policy for investigating complaints from members of the public and established anti-fraud and corruption arrangements.

The Monitoring Officer has a legal obligation duty to ensure the lawfulness and fairness of decision-making.

The Council has in place a Corporate Equality Scheme 2011–2016 to meet the Council's statutory duties to make sure all services and activities are available to all those in the Borough.

The Customer Charter sets out standards of services that residents can expect to receive.



The Council has approved a Team Strategy which forms part of the corporate framework for the delivery of people management aims and objectives and has IIP accreditation.

The Council has in place a robust performance management framework that is key to identifying service improvement and providing good quality services. The Corporate Management Board receives monthly reports and quarterly reports. Policy committees receive performance management reports monitoring progress against annual service plans. The Audit, Crime & Disorder and Scrutiny Committee monitor indicators not met. The performance management framework incorporates risk analysis reviewing any issues that may prevent an action being achieved.

The Council's Communications Strategy 2010-2015 includes consultation with residents and other stakeholders.

The Council's Consultation Strategy 2010-2015 which support's the Council's in its duty to provide information, consult and involve the community.

The Council continues to develop a range of partnership arrangements and has reviewed the corporate governance arrangements for priority partnerships and has an action plan in place.

The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

### **Review of effectiveness**

7. Epsom and Ewell Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and senior managers within the authority, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report and also by other reports issued by the External Auditor and other review agencies and inspectorates.

### **Assurance Received**

- The Corporate Management Board, made up of the Chief Executive and the Directors, meets weekly to discuss matters which are of strategic and operational importance to the Council
- The Statutory Officers Group meets monthly to review issues.
- The Head of Internal Audit's Annual Report presented to the Audit, Crime & Disorder and Scrutiny Committee. For 2014/15 Internal Audit concluded that they are satisfied that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion on the adequacy and effectiveness of Epsom and Ewell Borough Council's arrangements.
- The Risk Management Framework was reported to the Scrutiny Committee in November 2013, who is responsible for monitoring and reviewing the Council's risk management arrangements.

- The Heads of Service complete annual self-assessments (Divisional Assurance Statements) of the processes and controls they have in place to allow them to achieve their service objectives. This identifies a range of service risks.
- Performance management reports are taken place to relevant the policy committees and the Audit, Crime & Disorder and Scrutiny Committee over the course of the year. Based on the information provided during the year and reviews of data quality, adequate controls are in place.
- Annual Service Plans are monitored and updated.
- Local Ombudsman Report on complaints received.
- End of Year Report by Audit, Crime & Disorder and Scrutiny Committee.
- Financial assurance from budget targets report and Quarterly Revenue and Capital Monitoring Reports.
- Register of pecuniary interests.
- Fraud Risk Assessment.
- Pay Award and Pay Policy statement 2014/15.
- Emergency Planning and Business Continuity Plans.

8. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit, Crime & Disorder and Scrutiny Committee, Corporate Risk Group, Corporate Governance Group and Corporate Management Board and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**Significant governance issues**

9. The following significant internal controls have been identified:-

| No. | Issue   | Action  | Lead Officer                    | Date                         |
|-----|---|---|---------------------------------|------------------------------|
| 1   | The Council continues to manage the ongoing financial pressures as a result of spending cuts.   | The 2015/16 budget provides a good platform for budget planning and the cost reduction plan will be further developed as part of 2016/17 budget. It will also monitor the effect of reduced income from regulatory changes. | Director of Finance & Resources | Mar-16                       |
| 2   | The Council have a number of key projects planned for the future within both the revenue and capital programme. . There is a risk that individual projects are not proceeded or not delivered within budget | A project manager has been appointed to help deliver key community projects and monitor of key projects will continue.  | Corporate Board                 | Action Plan for each Project |

|   |  |  |                              |         |
|---|--|--|------------------------------|---------|
| 3 | The Council handles a significant volume of data and information. The governance and security arrangements help safeguard information and have been reviewed but action not completed. | Work is being undertaken to strengthen the arrangements in place. An officer group is reviewed the risk and reviewed procedures and training requirements. Mandatory training was rolled out to staff across the summer of 2015. | Information Governance Group | Jul-15  |
| 4 | The Council are housing a larger number of households in bed and breakfast accommodation due to increased demand.  | A task force has been established to find a longer term solution for the provision of suitable temporary accommodation.  | Corporate Board              | Ongoing |
| 5 | As with many smaller Council's staffing resources are stretched in a number of departments affecting the resilience and ability to deliver services                                    | Need to review the effect of divisional restructures and reduced staffing numbers through a range of processes. Engage with staff to address key issues.   | Corporate Board              | Ongoing |

10. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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

## Glossary of Financial Terms

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

### FINANCIAL TERMS

|                                  |  |
|----------------------------------|--|
| <b>Accounting Period</b>         | 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.   |
| <b>Accrual</b>                   | The recognition of income and expenditure as it is earned or incurred, i.e. not as cash received or paid.  |
| <b>Actuary</b>                   | Independent advisor to the Council on the financial position of the Pension Fund.  |
| <b>Actuarial Valuation</b>       | 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.  |
| <b>Amortisation</b>              | The writing off of intangible assets or loan balances to revenue service accounts over an appropriate period of time.  |
| <b>Balances</b>                  | 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.  |
| <b>Budget</b>                    | A statement defining the Council's policies over a specified period of time in terms of finance.   |
| <b>Capital Charges</b>           | 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).  |
| <b>Capital Expenditure</b>       | 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.   |
| <b>Capital Financing Charges</b> | The annual cost of capital, including principal repayments, interest charges and leasing costs.  |
| <b>Capital Receipts</b>          | Income received from the sale of capital assets.   |
| <b>Contingent Liabilities</b>    | 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.                            |
| <b>Council Tax</b>               | 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. |
| <b>Creditors</b>                 | Amounts owed by the Council at the end of the accounting period.   |
| <b>Debtors</b>                   | Amounts owed to the Council at the end of the accounting period.   |

|  |  |
|--|--|
| <b>Earmarked Reserves</b>              | Balances set aside to meet specific future, usually non-recurring, commitments.  |
| <b>Fees and Charges</b>                | Income receivable as payment for goods or services provided.   |
| <b>Intangible Assets</b>               | Capitalised expenditure not resulting in a tangible asset. Such amounts are amortised over an appropriate period.  |
| <b>(National) Non-Domestic Rate(s)</b> | 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. |
| <b>Post Balance Sheet Events</b>       | Significant events which occur after the end of the accounting period but prior to the date when the accounts are issued.  |
| <b>Precept</b>                         | The precepting authorities’ council tax. This is collected by billing authorities on behalf of the precepting authorities.   |
| <b>Precepting Authorities</b>          | 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).   |
| <b>Private Finance Initiative</b>      | Contracts whereby private sector suppliers provide services and/or capital investment in return for unitary payment; subject to agreed performance targets.  |
| <b>Provisions</b>                      | Amounts set aside to meet probable "one-off" future liabilities or losses but where exact dates and amounts are uncertain.   |
| <b>Revenue Expenditure</b>             | This is the routine day to day cost of providing the Council services. Under the Local Government and Housing Act 1989, all expenditure is regarded as revenue unless it is specifically classified as capital.  |
| <b>Revenue Support Grant</b>           | 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.   |
| <b>Support Services</b>                | Professional, technical and administrative activities, such as Finance, Information Technology and Human Resources, which support the provision of front line services   |

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPSOM AND EWELL BOROUGH COUNCIL**

We have audited the financial statements of Epsom and Ewell Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Epsom and Ewell Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Finance and Resources and auditor**

As explained more fully in the Statement of the Director of Finance and Resource's Responsibilities, the Director of Finance and Resource is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resource; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Epsom and Ewell Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### ***Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources***

#### ***Respective responsibilities of the Authority and the auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered,

whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2015.

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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, *Epsom and Ewell Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Certificate**

We certify that we have completed the audit of the financial statements of *Epsom and Ewell Borough Council* in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Christian Heeger

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Explorer Building, Fleming Way, Manor Royal, Gatwick, RH10 9GT

30 September 2015



Grant Thornton UK LLP  
The Explorer Building  
Fleming Way  
Manor Royal  
GATWICK  
RH10 9GT

29 September 2015

Dear Sirs

**Epsom and Ewell Borough Council**  
**Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

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

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm that we are satisfied that the valuation of property, plant and equipment as at the balance sheet date is materially fairly stated and that where formal valuations of assets have not been completed at the balance sheet date, the carrying value of these assets is not materially different from fair value as defined in International Financial Reporting Standards and the Code.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly

based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

- vii Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv 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**

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

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

**Annual Governance Statement**

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

**Approval**

The approval of this letter of representation was minuted by the Council's Strategy and Resources Committee at its meeting on 29 September 2015.

Signed on behalf of the Council

Name.....

Position: Director of Finance and Resources

Date.....

Name.....

Position: Chairman of Strategy and Resources Committee

Date.....

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**POST DMA IMPLEMENTATION PLAN PROGRESS UPDATE**

|   |  |
|---|--|
| <u>Report of the:</u>                           | Chief Executive  |
| <u>Contact:</u>                                 | Frances Rutter   |
| <u>Urgent Decision?(yes/no)</u>                 | No   |
| <u>If yes, reason urgent decision required:</u> | N/A  |
| <u>Annexes/Appendices (attached):</u>           | None   |
| <u>Other available papers (not attached):</u>   | LGA report and recommendations following Decision Making Accountability Review |

**REPORT SUMMARY**

On 23 March 2015 the Council agreed to a restructuring of the senior management team to implement recommendations of the Local Government Association following their Decision Making Accountability Review of the organisation. At that time the Chief Executive committed to a review and report back of the progress of the implementation of those recommendations. This report outlines progress in a number of areas to date and further areas for development.

**RECOMMENDATION (S)**

The Committee notes the progress that has been made in delivering the recommendations of the Council on 23 March 2015

*Notes*

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

- 1.1 The Council has a Key Priority of Managing Resources. This includes managing staffing resources which are the Council's single biggest spend. The Council's Core Values including Valuing Staff, Value for Money and Continuous Improvement. The Decision Making Accountability Review was commissioned to support the Council in meeting this Key Priority and Core Values.

## **2 Background**

- 2.1 To meet the continuing service and financial challenges of the future, and address issues raised by the 2013 staff survey, the Chief Executive commissioned a fundamental review of the organisation of the officer decision-making element within the Council, in the autumn of 2014. To ensure appropriate expertise and objectivity was applied to the structure review, the Local Government Association and their organisational design consultants, Stanton Marris, were engaged to undertake a 'Layers and Spans' analysis of the existing structure and to evaluate revised structure proposals.
- 2.2 Layers and Spans analysis is a technique that was pioneered by Stanton Marris and is widely used throughout the private sector and increasingly in the public sector. It assesses the design of the organisation to ensure there are no unnecessary layers of management; that spans of control (ie the numbers of people reporting to a manager) are neither too wide nor too narrow and the accountability and decision-making sits at the appropriate level in the organisation.
- 2.3 On 23 March 2015 the Council agreed a new senior management structure for the Council based on the LGA recommendations. It was noted that the LGA would carry out a light touch review of the new arrangements in 18-24 months of them coming into effect. However, it was also noted that the Chief Executive would wish to undertake an internal review within at least 6 months of implementation. In putting in place the new, flatter management structure, it was noted that it was intended to carry out work around leadership and team development with the new Leadership Team and to do further review work with the LGA in relation to the widely used practice of using agency staff.
- 2.4 This report is a six month follow up as indicated in the original report and details the progress made in a number of areas and ongoing work in other areas.

## **3 Leadership Team**

- 3.1 Building a new senior Leadership Team with the skills and culture to develop and deliver the 2016-2020 Corporate Plan Priorities.
- 3.2 Actions
  - Establish a new Leadership Team to replace Corporate Management Board and Corporate Management Team
  - Appointment of Head of Housing & Environmental Services; Head of Community & Wellbeing and Head of Human Resources & Organisational Development.

- Develop and deliver skills development package with and for new Leadership Team to include a Talent Dynamics Assessment, team and individual coaching and mentoring, 360° appraisal and various non-vocational courses as required.

#### **4 Progress to September 2015**

- 4.1 A Leadership Team comprising all Heads of Service together with the Director of Finance & Resources and Chief Executive is now well established. It has been meeting fortnightly since April.
- 4.2 A new Head of Housing & Environmental Services has been appointed and integrated into the Leadership Team. That Head of Service has been prioritising Homelessness reduction and the rebuilding of team confidence.
- 4.3 The post of Head of Community & Wellbeing remains vacant pending resolution of the Council's current financial situation.
- 4.4 In order to address some concerns identified in the DMA review and in order to increase capacity within the Leadership Team, a new post of Head of HR and Organisational Development has been created and the HR Manager post made redundant. The then HR Manager has been successfully assimilated into the new role. The addition of Organisational Development to the role addresses an area identified by the LGA and the Chief Executive to the need for a culture change within the Council. The Organisational Development element of the role is designed to develop strategic initiatives and action plans to support the Leadership Team and the organisation in achieving change, to optimise effectiveness and achieve the Council's Key Priorities. The postholder had been specifically tasked to design intervention which will drive the appropriate culture, behaviours, skills and performance and provide insight and leadership on change management, planning and implementation.
- 4.5 An additional part time HR administrative support post has also been agreed and successfully recruited to, funded from £60k that the Council agreed be retained from savings resulting from the restructure. These roles add resilience and capacity to a stretched HR team and a developing Leadership Team.
- 4.6 Various pieces of work have been undertaken with the Leadership Team including a 'Talent Dynamics' assessment of the Team's characteristics and strengths. Analysis indicates that the new Team is now well balanced with no significant skills gaps. Further development on strengthening a 'one team' approach, designed to encourage greater collaborative working is ongoing through a bespoke programme designed by the Leadership Team and supported and delivered by an external coach with extensive local government experience at senior level.
- 4.7 Support has also been received from the LGA and independent speakers in developing Political Skills, and further work with the LGA, who have been very supportive, is ongoing.

4.8 Other areas identified for improvement include Procurement, Programme and Project Management.

4.9 Corporate Groups

There are a number of areas where closer collaborative working is expected to be beneficial in delivering Key Priorities. Officer working groups have been established dealing with Property; Procurement; Corporate Governance; ICT and Economic Vitality and are starting to meet regularly. Each group has developed its Terms of Reference and an Action Plan. The delivery of Action Plans will be monitored by the Chief Executive and the Director of Finance & Resources as part of the new Performance Management regime.

**5 Establishing the Golden Thread**

5.1 This is a powerful tool linking Key Priorities to appraisal targets to engage staff and ensure everyone is working towards the same outcomes.

5.2 The Council's Vision: 'To make Epsom and Ewell an Excellent Place to Live and Work' was agreed four years ago. It is generally well understood and felt to be sound going forward.

5.3 Over the next four years the Council will need to focus on a smaller number of very clear Key Priorities. These must reflect the 'day job' and be deliverable to support that clarity of purpose. Key Priorities will need to be agreed with Members, staff and public, and there are a number of ways to do this, eg. focus groups of Citizens' Panel, Staff Forums and Member Workshops with the new Council post May 2015. It is not expected that Priorities will have changed significantly since the 'youchoose' exercise in 2011, although as a key financial pressure, Homelessness has assumed greater significance in the Council's financial and delivery planning.

5.4 Clear Key Priorities for the Council need to be reflected in clear appraisal objectives for Officers. These must be cascaded from the top down, through the organisation, so that individual officers can understand how their work contributes to the Key Priorities of the Council.

5.5 Actions

Develop new Four Year Corporate Plan 2016-2020 and new Four Year Medium Term Financial Strategy setting out Key Priorities for the Council and proposed funding. The Chief Executive will set SMART appraisal targets linked to the Key Priorities. These will be cascaded through the Leadership Team and into the rest of the organisation.



## **6 Progress as at September 2015**

- 6.1 Initial work has taken place on drafting Key Priorities with Heads of Service. Clear links to performance management are emerging and principles of performance management have been agreed. Further work is scheduled with Committee Chairmen and Officers and Members to establish a meaningful and sustainable performance management reporting mechanism to Committees and the Leadership Team.
- 6.2 Head of Service appraisal targets have been linked to the Chief Executive and Director of Finance & Resources appraisal targets and are being cascaded throughout the organisation. For the first time ever, Head of Service appraisal targets are linked to senior officer targets and are consistent with, and linked to, each other to encourage collaborative working.
- 6.3 Work in relation to the development of the next Four Year Corporate Plan and performance management regime is ongoing.
- 6.4 Further Review

One of the recommendations of the LGA was a further 'light touch' review of how the new arrangements are functioning within 12-18 months of implementation. This would be welcome and it is suggested that such a review be commissioned to take place in autumn 2016.

It has also been suggested by the LGA that the Council may wish to engage in a Peer Challenge Review in the not too distant future. This is currently a voluntary undertaking, although there has been recent speculation that such reviews may become mandatory. At present the LGA do not charge to facilitate such reviews and it is a suggestion that Members may be asked to give further consideration to.

The workstreams to support the MTFs are well underway with the Star Chambers and Service Reviews due to conclude next months.

## **7 Financial and Manpower Implications**

- 7.1 The Council agreed on 23 March 2015 that £60k of the identified salary savings generated from the implementation of the recommendations could be retained within the budget for 2015/16 and 2016/17 and used to add capacity within areas of the organisation that the LGA had identified as requiring strengthening and whilst the new management arrangements settled down.
- 7.2 The retained sum has been fully committed for this year in the following areas:
- Upgrade of HR Manager post to Head of HR & Organisational Development
  - New part time, fixed term administrative support post for HR.

- Society of ICT Managers Audit of IT applications, to ascertain whether the IT arrangements currently in place are fit for purpose.
- Procurement Healthcheck (to establish were practice and process could be strengthened)
- Contribution to fixed term Planning Manager role to support future planning development work around the new Core Strategy
- Fixed term support post for Homelessness

7.3 **Chief Finance Officer's comments:** The DMA report received by Council on 23 March 2015 identified net revenue savings should be made in 2015/16 of £175k as a result of the senior management restructure. The Council can expect to achieve these savings. Currently £55,000 of the £60,000 has been spent as outlined in section 7.2 above. Management development costs have been met from within existing budgets. The cost of a further light touch review by the LGA will need to be ascertained but is likely to be low.

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

8.1 None for the purposes of this report.

## **9 Sustainability Policy and Community Safety Implications**

9.1 None for the purposes of this report.

## **10 Partnerships**

10.1 None for the purposes of this report

## **11 Risk Assessment**

11.1 A strong well balanced Leadership Team with the right skill set and mix is essential to setting a clear direction for high performance staff to deliver the Council's Key Priorities in accordance with the Council's Core Values. It is good practice to review the operation of the senior Leadership Team from time to time.

## **12 Conclusion and Recommendations**

12.1 It is recommended that the Committee notes progress to date and endorses the approach being taken.

**WARD(S) AFFECTED: N/A**

**BUDGET TARGETS 2016-17**

|   |   |
|---|---|
| <u>Report of the:</u>                           | Director of Finance and Resources   |
| <u>Contact:</u>                                 | Kathryn Beldon  |
| <u>Urgent Decision?(yes/no)</u>                 | N/A   |
| <u>If yes, reason urgent decision required:</u> | N/A   |
| <u>Annexes/Appendices (attached):</u>           | Annexe 1: Minutes of the meeting of the Financial Policy Panel dated 8 September 2015;<br>Annexe 2: Report to Financial Policy Panel 8 September 2015 (Item 3 : Budget Targets 2016/17) |
| <u>Other available papers (not attached):</u>   | Four Year Financial Plan 2012-2016  |

**REPORT SUMMARY**

**This report updates the financial forecast and recommends financial targets for preparing the draft budget for 2016/17 and financial planning for 2017/18, 2018/19 & 2019/20 as recommended by the Financial Policy Panel**

**RECOMMENDATION (S)**

- (1) That the Committee receives the Minutes of the meeting of the Financial Policy Panel held on 8 September 2015;**
- (2) That the Committee agrees the following overall revenue budget target for 2016/17:-**
  - (a) estimates are prepared including options to reduce organisational costs to reduce organisational costs by £650,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5million in accordance with the Medium Term Financial Strategy;**
  - (b) that at least £400,000 additional revenue is generated from an increase in discretionary fees and charges, based on an overall increase in yield of 6.0%;**

*Notes*

|  |  |
|--|--|
| <p>(c) that a provision for pay award is made of £230,000 that represents a 1.5% increase;</p> <p>(3) That further savings are identified for inclusion within the medium term financial strategy that will reduce the Council's net operating costs by a minimum of £1,644,000 over the period 2017/18 to 2019/20.</p> <p>(4) That the Capital Member Group seeks to limit schemes included within the capital expenditure programme that enable the retention of agreed minimum level of capital reserves.</p> |  |
|--|--|

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

1.1 The recommendation in this report is consistent with the Council's four year financial plan 2012-2016 and the Medium Term Financial Strategy.

## **2 Financial Policy Panel**

2.1 At its meeting on 8 September 2015, the Financial Policy Panel received detailed financial analysis, including forecasts of the budget position, in the Budget Targets report.

2.2 The Minutes of the Meeting of the Panel are attached as Annexe 1 to this report and a copy of the Budget Targets report considered by the Panel is attached at Annexe 2. Having considered the report, it was recommended by the Panel that the minimum increase in yield from fees and charges for 2016/17 change from 3% to 6%, targeting a further £200,000 of additional income.

## **3 Proposals**

3.1 That the Committee endorses the budget targets recommended by the Financial Policy Panel.

## **4 Financial, Manpower and Legal Implications**

4.1 As set out in the report to the Financial Policy Panel

## **5 Risk Assessment and Conclusions**

5.1 The financial risks for budgets over the next four years are set out in the Budget Targets report attached at Annexe 2. Most significant continues to be increased homelessness expenditure, the impact of further benefit reforms being proposed by government and continuing reductions in government grant funding.

- 5.2 Action required to manage these risks is also set out in that report, including the need to deliver costs reductions in the region of £850,000 in 2016/17 (based on the assumption when the report was written that fees and charges would increase by 3%) and £2.5million over the next four financial years.
- 5.3 The Financial Policy Panel received a detailed review of revenue and capital reserves within the Budget Targets Report. The report also included comparative data on other Surrey District Council Taxes.
- 5.4 The Council's Medium Term Financial Strategy includes measures to reduce spending and generate additional income to offset the impact of government funding cuts. The Financial Policy Panel received an updated financial forecast and cost reduction plan both included within the Budget Target report.
- 5.5 Following the Committee's approval of budget targets, the policy committees will be asked to give guidance on the preparation of detailed service estimates in the October/November committee cycle including any specific service reviews.
- 5.6 The Financial Policy Panel will next receive an update on the budget position for 2016/17 in December 2015 when the draft estimates have been prepared. The provisional local government finance settlement may have been announced by central government in time for the December meeting.

**WARD(S) AFFECTED: N/A**

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**CORPORATE HEALTH, SAFETY AND WELFARE POLICY**

Report of the: Director of Finance & Resources/Head of Housing & Environmental Health

Contact: Rod Brown

Urgent Decision?(yes/no) No

If yes, reason urgent decision required: N/A

Annexes/Appendices (attached): Council Health, Safety and Welfare Policy

Other available papers (not attached): None stated

**REPORT SUMMARY**

The Council has a statutory requirement to regularly review its Health, Safety and Welfare Policy. The current policy dates from May 2012.

This report outlines main content of the Council's revised Health, Safety and Welfare Policy, including details of the Council's commitment to, management of and arrangements for the effective implementation of Health, Safety and Welfare controls.

The policy also identifies clear responsibilities for health, safety and welfare which includes officers as well as Members of the Council.

**RECOMMENDATION (S)**

To endorse the Council's Health, Safety and Welfare Policy.

*Notes*

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

- 1.1 Managing Resources – protects the people working for the Council and the public from harm or injury and mitigates any resulting financial liability as a result of any legal claim.
- 1.2 Quality of Life – develops a positive and confident attitude to health and safety risks which enables the Council to implement new services or activities with suitable awareness of associated risks.
- 1.3 Well-being is a priority theme of the Sustainable Community Strategy.

## **2 Background**

- 2.1 A safe and healthy workforce is a prerequisite to the delivery of excellent services to the residents, businesses and visitors to the borough.
- 2.2 The Health and Safety at Work Etc. Act 1974 places a responsibility on the Council to have a written health and safety policy and to effectively manage the health, safety and welfare for all employees and anyone else affected by our activities.
- 2.3 The changes to the previous policy do not change the fundamental basis of the policy. These changes were needed to update the policy in line with the new organisational structure as well as in accordance with new HSE guidance (HSG65). The changes mainly realign the health and safety responsibilities with posts within the organisation and bring the policy in line with ISO 9001 and accepted good practice.
- 2.4 In addition to our statutory duty, Epsom and Ewell Borough Council is also a health and safety enforcing authority responsible for inspecting and regulating a significant number of commercial premises within the borough for health and safety matters. As such, it is important that we can demonstrate our own good practice in managing our risks and to lead by example to other businesses within the borough.
- 2.5 The health, safety and welfare of our staff and the public is the responsibility of all of us, both front line officers, managers, Leadership Team, Director and the Chief Executive as well as all Members of Epsom and Ewell Borough Council.
- 2.6 Officers are responsible for the day to day management of health and safety risks and the welfare of staff. They achieve this, in part, through risk based assessments and having the necessary controls in place to ensure risks and staff welfare are effectively managed.
- 2.7 Members, although not responsible for day to day management of health and safety, do have a role in making decisions about the provision of services and associated budgets and this can affect health, safety and welfare of staff. Members also have a role in holding officers to account for the management of any risks.
- 2.8 The effective management of health and safety will be achieved through quarterly reporting to the Chief Executive and Corporate Leadership Team by the Head of Housing and Environment, supported by the Council's Health and Safety Officer and an annual report to HR Panel.
- 2.9 Success in implementation the policy will be achieved through a programme of communications and training for officers and frequent auditing of levels of compliance and effective management of risks. This will in turn be reported to Leadership Team and Members in the manner set out in the above paragraph.



- 2.10 The wide range of services provided by the Council, the various work activities and work locations used by the Council places a significant responsibility to manage the risks associated with the health, safety and welfare of our staff and all those affected by our activities.

### **3 Proposals**

- 3.1 The policy is composed of three parts, the first of which is the General Policy Statement which sets out the Council's commitment to developing a positive safety culture and identifies the objectives to be employed to achieve the policy aim.
- 3.2 The second part of the policy states how the Council will organise itself to perform its statutory duties in relation to health, safety and welfare, including identifying specific roles within the organisation and their responsibilities.
- 3.3 Following the Council's management reorganisation it is important that new responsibilities are clearly identified, particularly as responsibilities and duties are delegated down the organisation.
- 3.4 Members may wish to note that under Allocation of General Responsibilities that the role of Members is specifically identified. These duties and responsibilities include endorsing the Health, Safety and Welfare Policy, ensuring suitable resources and strategic direction are available and to monitor via reports on the overall performance of health and safety management.
- 3.5 The final part of the policy outlines the arrangements for implementing the policy including consultation arrangements, planning, risk assessments and review as well as auditing and checking, analysis of accident and incident data, training and communication and emergency procedures and links to existing corporate groups such as the Corporate Risk Group.

### **4 Financial and Manpower Implications**

- 4.1 **Chief Finance Officer's comments:** Endorsement and adherence to this policy should mitigate successful financial claims against the Council.

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

- 5.1 **Monitoring Officer's comments:** The Council's legal obligations are summarised elsewhere in the report. In order to meet those obligations, not least to protect individuals' health and safety, it is of critical importance we ensure that the policy is implemented and does not simply exist on paper.

### **6 Sustainability Policy and Community Safety Implications**

- 6.1 The policy will have no negative sustainability and community safety implications.

### **7 Partnerships**

- 7.1 The policy does not directly affect any existing or proposed partnerships.

**8 Risk Assessment**

- 8.1 Endorsing the policy will ensure the Council can comply with the statutory requirement to have a policy for health, safety and welfare. It will also provide the mechanism to ensure we are managing our responsibilities in line with statutory requirements.
- 8.2 Failure to have an up to date and effective policy could expose the Council to legal challenge or prosecution. Should there be a prosecution for a serious health and safety breach, the lack of an up to date policy and evidence of appropriate health and safety management could expose the Council to both significant financial, reputational and legal risks.

**9 Conclusion and Recommendations**

- 9.1 The effective management of health, safety and welfare is both a legal requirement and a cost effective practice. With the recent changes in management structure within the organisation and the diverse range of functions performed by the Council it is important that the existing health, safety and welfare policy is reviewed and implemented.
- 9.2 The recommendation is that Committee endorses the adoption of the revised Health, safety and Welfare Policy, which is a statutory policy.

**WARD(S) AFFECTED: ALL**



## Health, Safety & Welfare Policy

**January 2010.**

Reviewed: June 2011.  
May 2012.  
June 2015.

This document is in three parts.

Part one is a summary statement of intent, which outlines Epsom & Ewell Borough Council's commitment to provide a successful health and safety management system.

Part two describes the responsibilities of employees and organisation required to implement the policy.

Part three includes the detailed arrangements made by the Council to manage health and safety.

**Contents**

**Introduction.....3**

**Part 1 - General Policy Statement .....4**

**Part 2 – Organisation for Health and Safety.....5**

**Allocation of General Responsibilities .....6**

**Part 3 - Arrangements for implementing the Policy.....12**

## Introduction

In accordance with the provisions of the Health and Safety at Work etc Act 1974, this document sets out the policy of Epsom & Ewell Borough Council towards the health, safety and welfare at work of its employees and others who may be affected by its work activities. The scope of this policy includes the occupational health of all employees as well as their safety at work. The Council views health and safety and the management system as a core function that continually adapts to change.

This document also explains the organisation and arrangements which the Council has established to put the policy into effect and applies to all employees working at all council venues. The benefits of this document are:

- A consistent approach to the management of health, safety and welfare throughout the Council.
- Achieving compliance with legislative requirements.
- Continuing commitment to the health, safety and welfare of employees.

The Council recognises that health and safety is the responsibility of everyone within the organisation and acknowledges that the Leadership Team have specific duties and responsibilities to comply with this policy, with the Chief Executive having overall responsibility and the Director of Finances and Resources having operational management of health and safety. The Leadership Team encourage a positive safety culture within the council by their active support of employees.

Monitoring the implementation of the health and safety policy is undertaken annually with the aim of continuous improvement.

A copy of this document is available to all employees via the intranet system. It will be reviewed annually by the Health and Safety Officer and revised whenever appropriate, with the revision being brought to the attention of staff via Team Briefings and the intranet.

## Part 1 - General Policy Statement

The Council recognises and accepts its statutory responsibilities as an employer and is committed to providing and maintaining a healthy and safe working environment for all its employees. This will be achieved by assessing risks and establishing suitable and adequate risk controls.

It is the Council's policy to encourage all employees not only to be aware of their legal responsibilities but to be actively involved in developing a positive safety culture to bring about continuous improvements in their working environment. To guide all employees, this and supplementary policies together with guidance notes on specific health, safety, welfare and other topics are available via the intranet.

In order to achieve the aim of this policy the Council has set the following objectives:

- As a minimum, we will comply with the requirements of relevant legislation.
- Health, safety and welfare arrangements will be established and maintained throughout the Council and reviewed regularly to ensure they continue to be effective and appropriate.
- Health and safety responsibilities of all employees will be clearly defined.
- The Council's most important assets are its people and any risks to their health, safety and welfare and to others are suitably assessed and controlled.
- We will ensure that health and safety objectives complement business objectives to minimise financial losses which may arise from unplanned events.
- Where there are no existing policies or guidance, employees are expected to develop systems which comply with best practice to eliminate or minimise risks so far as is reasonably practicable.
- Competent advice is available to assist employees to meet their responsibilities.
- We will provide and maintain a safe working environment, facilities and equipment.
- We are committed to making sure that any work undertaken by contractors on our behalf is done so with the risks to the health, safety and welfare of employees and others being reduced to as low a level as is reasonably practicable.
- Government strategies will be supported and reasonable steps to promote health and well being at work will be taken.
- All accidents, ill health, near misses and incidents will be investigated by managers or supervisors with the aim of preventing further occurrences.
- Employees will be informed, via established channels, of forthcoming health and safety legislation and revised policies and accompanying guidance notes.

Whilst recognising its own health and safety responsibilities, the Council requires the co-operation of all employees and visitors as health and safety is the responsibility of all.

Signed: Chief Executive

Signed: Chairman of Strategy & Resources

## **Part 2 – Organisation for Health and Safety**

### **Introduction**

Epsom and Epsom Borough Council is committed to the principles of good corporate governance and has in place effective risk management systems, including systems of internal control and an internal audit function. These arrangements ensure compliance with all applicable statutes, regulations and relevant statements of best practice. The Leadership Team receives quarterly health and safety report and an annual report.

Epsom and Ewell Borough Council is committed to the principles of good corporate governance and has in place effective risk management systems, including systems of internal control and an internal audit function. These arrangements ensure compliance with all applicable statutes, regulations and relevant statements of best practice. The Leadership Team receives a quarterly health and safety report and an annual statement.

The Health and Safety at Work etc. Act 1974 and the Management of Health and Safety at Work Regulations 1999 require the Council to document the organisational arrangements it has in place for the implementation of its health and safety policy. This section describes the key responsibilities of all involved in the organisation of this. It is applicable to all activities under the control of the Council.

To ensure the successful implementation and maintenance of this policy, the Council has chosen to adopt the Health & Safety Executive's management system called: Successful Health and Safety Management, known as HSG65. This safety management system is flexible and means by careful monitoring, new policies and procedures can be developed and added to ensure that the health and safety arrangements continually improve.

The five key elements of the HSG 65 principles which the Council aspires to are:

- Plan
- Do
- Check
- Act

### **Health and Safety Management**

The Council has a system of devolved management and, in line with this, health, safety and welfare functions are delegated to encourage and enable health, safety and welfare issues to be addressed at a local level.

However, the overall responsibility for the health, safety and welfare of the Council's employees, and others affected by its work activities, rests with Council Members and the Leadership Team comprising the Chief Executive, Director and Heads of Services.

The role of the Leadership Team is to ensure that health, safety and welfare is considered in policy development, including monitoring and reviewing the effectiveness of the Council's health and safety strategies.



A key role of all Heads of Service, line managers and supervisors is managing and supervising health and safety, and in maintaining and improving standards of health and safety. To assist them, the Council provides competent advice on health, safety and welfare matters.

The Council appoints an Occupational Health Service Provider to undertake pre-employment screening to ensure people are fit and are not placed in jobs that will aggravate existing or past medical conditions. The Provider will also undertake assessments of employees to ensure their good health is maintained and offer expert opinion regarding individuals who are absent from work due to illness and any measures that can be put in place to promote their return to work. In addition, the Health and Safety Officer undertakes assessments that may identify reasonable adjustments that can be put in place to assist an employee return to work.

## **Allocation of General Responsibilities**

The duties and responsibilities for health and safety are allocated as follows:

### **Members**

It is the responsibility of Members to:

- Endorse the Health and Safety Policy statement
- Ensure that suitable resources and strategic direction are available to discharge the Council's health and safety responsibilities.
- Monitor, via reports, the overall performance of the Council's health and safety management systems.

### **Chief Executive**

The Chief Executive has overall responsibility for the implementation and application of this policy and for the health, safety and welfare of all employees when at work together with other persons who have a legitimate reason to be present on Council property or areas under the Council's control. The Chief Executive is responsible for ensuring that the Council Members are kept informed of the Council's compliance with health & safety and other legislation and the effectiveness of resource provision to achieve compliance.

The Chief Executive is also responsible for ensuring that all staff are made aware of their health and safety obligations and that they carry them out in a safe and proper manner as detailed in policies and other related documents.

### **Director of Finance and Resources**

The Director of Finance and Resources is the nominated person responsible for management and legislative compliance of health and safety. Their role is supported by the Head of Housing and Environmental Services and the Health & Safety Officer.

Both the Chief Executive and Director seek assurances from all Heads of Service and designated Senior Managers that suitable and sufficient measures are in place to ensure the health, safety and welfare of employees and others associated with the Council's business.

### **All Heads of Service**

All Heads of Service are responsible for the following:

- Supporting the Chief Executive in meeting the corporate health and safety responsibilities.
- Finding corporate solutions to health and safety issues.
- Reporting to the Chief Executive and/or Director any health and safety concerns which they may not be able to resolve or are of a significant nature.
- Having an understanding of health and safety legislation and its application to the Council's services and activities.
- Providing guidance and support to Managers, Supervisors and employees enabling them to fully and properly implement their responsibilities for health and safety.
- Ensuring that Managers perform their health and safety duties outlined in this document.
- Ensuring that adequate resources are included in budgets, business plans and staffing levels to provide safe places of work and safe systems of work to implement the Health, Safety and Welfare Policy.
- Ensuring that effective means of communication are established and that health and safety is included in all relevant meetings.
- Ensuring that effective safety measures including risk assessments, instruction, training and supervision are provided to protect the health, safety and welfare of employees, service users, contractors and members of the public.
- Ensuring that regular work health and safety self-inspections are completed in all areas under their control.
- Ensuring any reportable accident or incident involving an employee or other person on Council property or involving Council work is reported to the Chief Executive and Director in their absence, Head of Housing and Environmental Services and Health & Safety Officer without delay.
- Ensuring that all minor accidents, incidents and near misses are recorded and forwarded to the Health and Safety Officer as soon as possible after the event.
- Ensuring that any suspicion of occupational disease or exposure to substances is recorded and fully investigated promptly by persons competent to provide suitable guidance on the implications to any work or process involved. Persons requested to advise should be in a position to diagnose the relevance to work and to give advice on any treatment or employment restrictions.
- Actively promote a positive health and safety culture throughout the Council.

### **Projects & Procurement team**

The Procurement team are responsible for:

- Providing advice and guidance across all departments in relation to the development of new and the refurbishment and maintenance of existing buildings.
- Ensuring that suitable contracts are in place for maintaining buildings, plant, equipment and services.
- Providing specific advice and guidance on the management of asbestos and water related matters, including Legionella
- Ensuring incorporation of health and safety requirements as appropriate in policy and procedures.

## **Human Resources**

Human Resources are responsible for ensuring that the following are provided:

- Incorporation of health and safety requirements as appropriate in Human Resources policy and procedures.
- Development and delivery of the corporate training plan.
- Advice on employee fitness for work, on adjustments and restrictions for existing and potential employments.
- Medical advice to inform individual risk assessments on employees who have underlying medical conditions.
- Medical advice on rehabilitation programmes to assist individuals to return to work from sickness absence.
- Advice to managers on medical/health issues to prevent potential ill health.
- Appropriate health surveillance and advice to individuals and their managers on any risks to their health and necessary measures to prevent the development of disease and ill health.
- Support via an Employee Assistance Programme (EAP) to all employees.

## **Health and Safety Officer**

The Health and Safety Officer is responsible for:

- Ensuring the Health and Safety Policy is kept up to date and available to all employees via the intranet.
- Ensuring that communications and information obtained from statutory enforcing bodies, safety organisations and other relevant bodies are forwarded throughout the organisation.
- Providing advice and information on all aspects of health and safety and new legislation affecting the work of the Council.
- Assisting Line management in the inspection of work areas paying attention to work practices and compliance with relevant health and safety legislation, Codes of Practice and HSE Guidance.
- Advising managers and others about risk assessments and prioritising suitable means of control.
- Assisting others to put in place measures to monitor control measures by using active and reactive techniques
- Formulating and developing health and safety policies

- Promoting a positive health and safety culture to secure effective implementation of this policy
- Maintaining procedures for recording, reporting, investigating and analysis of accidents, incidents and ill health.
- Reporting to the Leadership Team on a quarterly basis to inform about accidents, incidents and near misses, trends and non-compliance with Regulations.

The Head of Housing and Environmental Services is also responsible for providing advice to Service Heads, managers and employees.

## **Managers**

As part of their management responsibilities, Managers are responsible for:

- Providing guidance and support to Line Managers, Supervisors and employees enabling them to fully and properly implement their responsibilities for health and safety.
- Ensuring that line managers and supervisors reporting to them understand their health and safety responsibilities.
- Ensuring that effective means of communication relating to health and safety issues are established and that health and safety is included in all relevant meetings.
- Ensuring that effective safety measures including instruction, training and supervision are provided to protect the health, safety and welfare of employees, service users, contractors and members of the public.
- Ensuring that risk assessments are undertaken for all tasks in their business areas including any out of hours services.
- Ensuring that regular health and safety inspections are completed in all areas under their control.
- Supporting the application of this policy and set an effective, positive example to others by positive action and compliance with agreed procedures.
- Actively promote a positive health and safety culture throughout their areas of responsibility.

## **Line Managers and Supervisors**

Line Managers and Supervisors are responsible for ensuring the safety of their employees and that procedures are understood and implemented within their service teams. They have a responsibility for:

- Ensuring that health and safety policies are understood and fully and properly implemented within their areas of responsibility.
- Having an understanding of health and safety legislation relevant to the Council's activities and how it applies to their area of responsibility.

- Ensuring that all relevant health, safety and welfare information regarding working safely, new legislation, codes of practice and guidance notes are acted upon.
- Attending appropriate training in order to undertake with confidence specific health and safety duties.
- Ensuring that all employees reporting to them are made aware of and understand their health and safety responsibilities.
- Instructing employees in health and safety requirements and supervise or monitor them to ensure they are working safely.
- Ensuring the provision of information, instruction, training, supervision and resources to safeguard, as far as is reasonably practicable, the health and safety at work of employees and other persons.
- Ensuring that risk assessments are undertaken and recorded for all tasks and activities in their departments, including out of hours services and tasks that occur infrequently. New services or activities are to be risk assessed prior to the work commencing. The risks identified should be eliminated where practicable or reduced as low as reasonably practicable to acceptable and manageable levels in order that little potential for harm exists for the work area or process.
- Review risk assessments when the work activity changes, when there is new equipment, when there are new processes or when work commences at a new location, and update as appropriate. If none of these occur, risk assessments should be reviewed annually.
- Undertaking and recording additional risk assessments for persons who are especially vulnerable such as work experience students, young persons, trainees, lone workers and new and expectant mothers, as required by the Management of Health and Safety at Work Regulations 1999.
- Providing suitable personal protective equipment (PPE) that achieves compliance with Regulations and Best Practice, ensuring that employees know why it is required and how to put it on and take it off. Ensure it is properly maintained, that there are suitable facilities for storing the PPE when not in use and that replacements are available for damaged or lost items.

## **Employees**

It is the responsibility of all employees to:

- Take reasonable care for the health and safety of themselves and of other persons who may be affected by their acts or omissions.
- Follow health and safety rules and not act in a way which would deliberately endanger others.
- Know the evacuation procedures for the location at which they are working.
- Co-operate with the Council to provide and maintain places and systems of work which are, so far as reasonably practicable, safe and without risk to health.

- Familiarise themselves with policies, guidance notes, risk assessments and any other instructions relating to their work and comply with the requirements set out.
- Follow prescribed safe systems of work and the control measures identified in risk assessments.
- Report unsafe working practices, shortcomings in safety procedures, potential hazards or other health and safety concerns to their line manager or supervisor as soon as possible.
- Use vehicles, equipment, materials or substances in accordance with information, instruction and training provided.
- Carry out tasks and work in the prescribed manner. Follow approved working procedures. Use correct tools and equipment for work, including any safety equipment and protective clothing provided.
- Wear protective equipment as instructed, store it so as to avoid damage, keep it cleaned and maintained and report loss or damage.
- Co-operate with management to keep their workplace safe, healthy and tidy.
- Report accidents, incidents and near misses to their Line Manager as soon as possible and co-operate with in the investigation of any reported incident.
- Report instances of occupational ill health to their Line Manager.
- Ensure that equipment and materials are stored safely when not in use.
- Not interfere with, or misuse, anything provided to safeguard health and safety, not to remove or destroy it without any good reason.
- Keep their work area clean and tidy; avoid the creation of tripping hazards and clean up and spillages immediately.
- Not to take shortcuts, as this would entail unauthorised and unnecessary risks.
- Inform managers / supervisors of any changes in work practices or of tasks that have not been assessed.

### **Contractors**

Contractors are required to co-operate and communicate with the Council on all relevant health and safety matters. In addition, they must meet the health and safety standards required of them in the performance of the work activities undertaken with or on behalf of the Council.

## **Part 3 - Arrangements for implementing the Policy**

### **Introduction**

The Health, Safety and Welfare Policy sets out a framework for the organisation and arrangements for the health, safety and welfare of employees across the Council. To support this and to effectively manage all the health, safety and welfare risks and issues within the organisation, a series of topic based health, safety and welfare policies are available via IRIS, the councils intranet system, and in hard copy for those who experience difficulty accessing IRIS. The aims of the policies are to:

- provide information
- outline the actions to be taken to achieve legal and corporate standards
- provide effective guidance on how to manage identified risks effectively
- identify those who have specific responsibilities

The policies are based on legislative requirements and best practice and are formulated in accordance with the Health & Safety Executive management system called: Successful Health and Safety Management, known as HSG65.

### **Consultation arrangements**

There is a formal consultation framework in place within the Council for consulting on all health, safety and welfare related policies, procedures and guidance notes.

Employees or their representatives will be consulted regarding the arrangements to control significant risks and the actions required to comply with relevant legislation. This will be done informally by managers and supervisors in the work place and formally via the Staff Consultative Group.

The Staff Consultative Group comprises staff representatives who represent the views of their colleagues and trade union representatives. Some members of this group attend the Joint Staff Group comprising Councillor members of the Human Resources (HR) Panel.

### **Planning**

Effective planning is essential for the implementation of this policy.

For new projects, health and safety planning begins at the earliest stage of the project. Risk assessment methods are used to decide on priorities and to set objectives for eliminating hazards and reducing risks. Wherever possible, risks are eliminated through selection and design of facilities, equipment and processes. If risks cannot be eliminated, they are to be minimised by the use of physical controls and by designing safe systems of work and as a last resort by using personal protective equipment.

### **Risk assessment**

The Management of Health and Safety at Work Regulations 1999 (MHSWR) build upon the general duties contained in the Health and Safety at Work Act 1974 and include a requirement to assess the risks to health and safety to employees and others arising out of the employer's undertaking.

The Council strives to comply with these regulations and carries out risk assessments in accordance with the Approved Code of Practice (ACOP) and published guidance.

### **Risk Assessment Review**

All managers are responsible for ensuring their risk assessments are up to date; cover all activities in their area; their budgets include adequate resources for dealing with identified hazards and any other higher risk activities that are not adequately controlled.

Each manager will review their risk assessments of regular tasks on either an annual basis or when new equipment or working practices are introduced to ensure they are still appropriate. Assessments of new activities will be undertaken prior to the activity taking place and are to be reviewed after the initial task has been undertaken.

### **Health and safety checks**

The purpose of undertaking a formal and documented check of the workplace is to identify any deficiencies of the workplace and/or systems of working that could cause harm to staff or others. Each manager undertakes a formal quarterly check of their workplace.

### **Auditing and Review performance**

Monitoring provides information in order to review activities and decide how to improve performance. Audits, whether undertaken internally or externally, complement monitoring activities by ensuring that policies and systems are achieving results.

External audits are undertaken by Fire Officers, Auditors and Insurance Company inspectors. Internal audits of health and safety will be undertaken by the Head of Health and Environmental Services and/or the Health and Safety Officer.

### **Accidents, Incidents and Near Misses**

All accidents, incidents and near misses are investigated by the manager or supervisor, with remedial actions being taken to prevent a recurrence. Where an accident or an incident of a serious or potentially serious nature occurs, the manager will involve the Health and Safety Officer or Head of Housing & Environmental Services to assist in the investigation.

### **Health and safety information and training**



To assist employees meet their health, safety and welfare responsibilities and implement common standards throughout the Council the following activities are undertaken with supporting documentation to guide them.

- Health and safety induction training that includes E learning courses
- Task related information, instruction and training
- Refresher training eg first aid
- General information to achieve legislative compliance

### **Performance Standards**

Each service has a service standard which incorporates health and safety objectives. These are used by Heads of Service to ensure compliance with legislation.

### **Emergency procedures**

The Corporate Risk Group assesses foreseeable risks to the organisation and produces contingency plans to mitigate their effects eg prevention, preparedness and response procedures.

### **Fire procedures**

Heads of Service are responsible for ensuring that detailed guidance on the appropriate action to be taken in the event of fire is in place for all buildings they manage. The Building Surveyor is responsible for undertaking and reviewing all fire risk assessments.

### **Managing health and well-being**

Line managers play a key part in setting good standards of health, safety and welfare of employees and for ensuring that employees feel supported in their workplace.

The Council gives all employees access to an Employee Assistance Programme and benefits such as discounted gym membership.

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**UPDATE OF CRM PROJECT**

Report of the: Director Finance and Resources/Head of Customer Services and Business Support/Head of ICT

Contact: Joy Stevens/Mark Lumley

Urgent Decision?(yes/no) No

If yes, reason urgent decision required: N/A

Annexes/Appendices (attached): N/A

Other available papers (not attached): N/A

**REPORT SUMMARY**

This report updates the Strategy and Resources Committee in relation to the Customer Relationship Management (CRM) project and related projects, as Members were asked to receive a further progress report including a medium term plan to exploit the new software.

**RECOMMENDATION (S)**

- (1) Note the report
- (2) Note the other improvements that the Council is making to the Customer Journey
- (3) Approve the release of £17,000 of new burdens grant received from DWP and DCLG in relation to revenues and benefits and £10,000 of Fraud and Error Reduction grant to procurement of the Self-Serve Module of the Revenues and Benefits system.

*Notes*

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

- 1.1 Customer care and the effective use of resources are key priorities for the Council.

**2 Background**

- 2.1 The Strategy and Resources Committee received a report detailing the current position of the CRM at the meeting of 23 September 2014.

- 2.2 Customer Relationship Management software is used to record, track and resolve service requests from residents and stores information about the Customer and the Property.
- 2.3 The aim of the project was to deliver improvements in customer services and service efficiency savings.
- 2.4 New software based on Microsoft Dynamics was implemented in September 2014, following a competitive process, Optevia Ltd was appointed to work in with the Council.
- 2.5 Following the launch of the new CRM an open day was held in December 2014, by Customer Services to which all Councillors and Staff were invited, which was very well attended.

### **3 Current Position**

- 3.1 The new system has been live since 13 August 2014.
- 3.2 The CRM currently has fifty entities now live. An “entity” is an activity dealt with by Customer Services: for example a special refuse collection or a building control inspection.
- 3.3 From going live to 12 August 2015, Customer Services has created 68,713 events, processed 8,074 emails and 7,722 eforms, sent 3,538 text messages and handle 12,908 subscriptions on the system. All of these have been entered into the CRM system ensuring that the Agents have a single view of the Customer.
- 3.4 The Top Five case areas are as follows:
  - Council Tax Billing or Recovery 8243
  - Call Back (Customer requesting to be contacted) 7401
  - Garden Waste Subscription 6601
  - Missed Container 7071
  - Container Delivery 7463
- 3.5 The benefits obtained from the CRM include:
  - 3.5.1 Automatic texting to confirm appointments – reducing waste time and missed appointments
  - 3.5.2 Card Payments – a new card payments system was implemented to enable Customer Services to be able to take payment on a much wider range of services. The previous card payment system was no longer being supported by the third party and changing this improved the Council’s Payment Card Industry Data Security Standard (PCI DSS)

- 3.5.3 A new Fees and Charges database was created to ensure that the Customer was always paying the correct amount. This is linked to the CRM and maintained by Finance.
- 3.5.4 Mapping: A new mapping system was implemented to enable Customer Services to be able to locate issues quicker and pass this information to the back office for quicker resolution of calls.
- 3.5.5 A number of disparate and disconnected information stores were joined together and simplified. For example Waste routes and rounds connected to Property data and the customer, Garden Waste Subscription spreadsheets.
- 3.5.6 From 1 October 2014 Customer Services started the management of the Garden Waste service. This has been created as a subscription in the CRM which is therefore able to manage the renewal and letters to Customers.
- 3.5.7 Online parking appeals: whilst slightly outside the CRM this has been an important development as now Customers can go online to start the appeals process against a parking ticket, with information presented directly from the parking system including photographic evidence. This is ensuring transparency with information and gives the Customer all the information that they need and may prevent the process continuing and reducing officer time.

#### **4 Internal Audit Post Implementation Review**

- 4.1 As part of the audit annual plan, a post implementation review of CRM was completed. It identified a number of issues and concluded that the CRM has not delivered all the intended business benefits and there are some processes that require parallel systems or CRM process' workarounds in order for the teams to conduct everyday business activities.
- 4.2 The main issues have affected the speed of the system and the security settings. They recommended that the system be stabilised, a project team be established, all processes mapped, the audit trail turned on, some workflows removed and on-going support arrangement agreed.
- 4.3 A number of short term remedial items are being commissioned to address the audit points to ensure better stability and usability of the CRM system, following the review and having used the system now for a year. These are as follows:
- Payments integration – to be rewritten to improve performance and usability for the Agents. This will also work towards improving the Councils security as part of the work on Payment Card Industry Data Security Standard (PCI DSS) security.
  - Eforms integration – to be rewritten to improve performance and usability for the Agents

- Email process – currently time-consuming so will be reviewed to meet requirements
- Audit – ensure required areas of system are audited
- Speed – work to increase performance
- Permissions – review to fix some issues.
- Synchronisation of TEST and LIVE Infrastructure – to ensure the same software on both

## **5 Medium Term Plan**

- 5.1 A formal CRM Project Board has been set up to manage the ongoing implementation of system and changes – this is chaired by Director of Finance and Resources. This will manage and review the developments, single issues log and changes across the system.
- 5.2 Director of Finance and Resources has created a more formal approach and consistent methodology for business process re-engineering across the council which will help improve efficiency maximise the use of the CRM, ICT and support cultural change.
- 5.3 To ensure that the Council is able to progress with the remedial work a development freeze has been in place for several months, where no changes have taken place to the system. There have been a number of staffing changes in ICT and Customer Services that have resulted in vacant posts, which have currently not been filled, therefore the future development will need to be reviewed and planned accordingly.

## **6 Developments Impacting the CRM**

- 6.1 There are a number of Council wide developments taking place over the next 6 to 12 months that will have an impact on the customer journey. The Project Team will ensure that all areas are co-ordinated so that the Customer journey continues to improve.
- 6.2 Closure of the Cash Office – the Council is reviewing processes and options for payments including the use of Chip and Pin.
- 6.3 Wi-Fi – the Council is in the processes of installing Wi-Fi at the Town Hall, The Playhouse, Ebbisham Centre, The Wells Centre, Longmead Centre and Ewell Court House to allow free access to Residents.
- 6.4 With approximately 25% of the traffic on the Council's website coming from mobile devices, having Wi-Fi at Venues will enable the Council to engage more proactively with them.

- 6.5 Agendas and Minutes – the Council is implementing the Mod Gov Agendas and Minutes system which includes a new element for the website for better engagement with Residents on democratic matters. The new element will provide the ability to subscribe to alerts and find Agendas and Minutes more efficiently.
- 6.6 There is a newer version of the CRM, (MS CRM 2015), that the Council is investigating further. There are options for the upgrade path which will need to be considered by the Project Team.
- 6.7 There are a range of further processes that could be included within the CRM subject to the upgrade path. Where possible and practical the Council will continue to progress.
- 6.8 Expansion of the subscriptions model into other areas including: nappies; pull-out; meals on wheels and trade waste.
- 6.9 The allotments processes to be incorporated into the CRM and the old system removed from operation
- 6.10 Route Call excursions to be incorporated into the CRM to enable Customer Services to manage the bookings more efficiently – subject to Committee Service Review.
- 6.11 To review the Freedom of Information (FOI) process and incorporate into the CRM to provide greater visibility for the FOIs and manage the process more efficiently.
- 6.12 Expand the use of texting to other processes in the Council.
- 6.13 The information being obtained through the CRM will enable cross selling of other Council services – such as Garden Waste,

## **7 Website**

- 7.1 Director of Finance and Resources has set up Project Board and Reference Group for the website to manage the requirements and project.
- 7.2 In order to ensure that our Customers have a consistent journey no matter what access channel they contact the Council in it is important that the Website is reviewed to match the expectations of our Customers.
- 7.3 It is important that the Website works well on a range of mobile devices.
- 7.4 To help inform the specification required for the new website a consultation exercise has been undertaken to identify the requirements of residents and councillors. As part of the consultation exercise, consultees were asked to consider providing further assistance in testing the website as the project develops.
- 7.5 A number of solutions are currently being explored including the use of open source software in line with our current ICT strategy and building upon the work of other Councils.

- 7.6 The website and eforms need to integrate with the CRM system as needed and appropriate.
- 7.7 Where possible information will be fed directly to back office systems to ensure that manual rekeying is kept to a minimal and the customer experiences a more integrated process. There are a number of current systems online where this happens: Online Planning; eforms; CRM; Housing – online bidding; Licensing; Land Charges; payments; Parking appeals.
- 7.8 There are two key areas that the Project team are looking to ensure that there is a more joined up and streamlined process as part of the new website.
  - 7.8.1 Online accounts module for Council Tax and Benefits to facilitate self-serve
  - 7.8.2 Online Booking – this could include sports pitches, rooms, events and so on
- 7.9 The online module for Revenues and Benefits will enable residents to access their Council Tax Accounts, Business Rates accounts, Housing Benefit Claims, Council Tax Support accounts, and enable landlords to access their tenants benefit payments where appropriate. The system will also produce electronic bills, adjustment notices, reminders etc for tax and ratepayers and notifications for claimants and landlords. The cost of the software is £35,000 with £3,000 for ongoing support. The ongoing support can be accommodated from within existing budgets.
- 7.10 Funding for the landlord module (£8,000) is already included within this year's budget. The additional funding for this module can be funded from the new burdens grant received from the DWP and DCLG for revenues and benefits (£17,000) and £10,000 from the money received from the DWP for fraud and error reduction in particular for reducing claimant overpayments.
- 7.11 As residents migrate to self service the workload within the Council will reduce resulting in the potential for staff savings. At present it is not possible to calculate this figure accurately however provision of one full time officer has been made within the medium term financial strategy.

## **8 Financial and Manpower Implications**

- 8.1 There is a capital budget of £70k for the website and £30k for the CRM for 2015/16. This has been funded from approved ICT budgets.
- 8.2 **Chief Finance Officer's comments:** The cost of acquiring the Revenues and Benefits module of the CRM can be funded by use of available grant income as identified in this report of £27,000 and existing budget of £8,000.

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

- 9.1 **Monitoring Officer's comments:** No comments for the purposes of this report.



**10 Sustainability Policy and Community Safety Implications**

10.1 None

**11 Partnerships**

11.1 The Head of ICT is a shared post with Elmbridge Borough Council.

**12 Risk Assessment**

12.1 Resources and focus now need to be deployed and sustained to ensure that the potential benefits are delivered in full.

**13 Conclusion and Recommendations**

13.1 The programme of work for the development of the CRM and Website is being managed through the Project Teams reporting to Leadership Group to ensure that progress continues to be made.

**WARD(S) AFFECTED: ALL**

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**REPLACEMENT OF COURT RECREATION GROUND BOWLS PAVILION**

|   |  |
|---|--|
| <u>Report of the:</u>                         | Head of Corporate Risk                                   |
| <u>Contact:</u>                               | Tony Foxwell   |
| Urgent Decision?(no)                          | No   |
| If yes, reason urgent decision required:      | N/A  |
| <u>Annexes/Appendices</u> (attached):         | None   |
| <u>Other available papers</u> (not attached): | Reports to Leisure Committee March 2014 and October 2014 |

**REPORT SUMMARY**

The report outlines the current situation regarding additional funding agreed via delegated authority for replacement bowls pavilion and the VAT situation.

| <b><u>RECOMMENDATION (S)</u></b>   | <i>Notes</i> |
|--|--------------|
| (1) That the Committee notes the update on the replacement of Court Recreation ground Bowling Pavilion;  |              |
| (2) That the Committee agreed that Court Recreation Ground Pavilion should be opted to tax for Value Added Tax (VAT) purposes.                                     |              |
| (3) That the sum payable by the Epsom Bowls Club be set at the same level as that payable by other bowls clubs, currently £9240, and this sum be inclusive of VAT. |              |

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

1.1 The Council has identified 'Quality of Life' and 'Safer and stronger communities' as key priorities. The project has links to both these items.

**2 Background**

2.1 The Bowls Hut at Court Recreation Ground has been in existence since the late 1960's and in its current form since 1989 when Epsom Bowling Club raised funds to extend the existing facility to include changing rooms, a disabled toilet and a disabled ramp.

- 2.2 The hut is of mainly wooden construction and provides basic accommodation. Unfortunately the hut is showing significant signs of age and deterioration, is becoming uneconomic to repair and susceptible to vandalism.
- 2.3 In March 2014 the Leisure Committee agreed in principle, to replace the bowls hut at an estimated cost of £90,000 to be financed from Personalisation, Prevention and Partnership funding sourced from the County Council.
- 2.4 At its meeting in October 2014, Officers provided the Leisure Committee with a schedule of options, with costs starting at £115,000, to replace the hut with a modular building of the same area on the same site with similar accommodation. These costs went up to £165,000 for a higher specification modular building.
- 2.5 The Leisure Committee agreed to proceed, subject to consultation with stakeholders, with the replacement of the Court Recreation Ground Bowls Hut with a budget modular building at a cost of £115,000. This was to be financed by £110,000 from Personalisation and Prevention Partnership (PPP) funding and £5,000 from S106 contributions. The project was also to include planting outside the hut to improve the visual appearance of the area.
- 2.6 The Director of Operations was authorised, in consultation with the Chairman of the Leisure Committee, to approve minor amendments to the specification of the Court Recreation Ground Bowls Hut which arose as a result of consultation.
- 2.7 The cost of the project after tendering exceeded the original agreed budget and, as a result of concerns that the external funding might be lost as a result of further delay, Officers consulted the Chairmen of Strategy & Resources and Leisure Committee regarding the proposed way forward. This course of action (rather than taking a further report to committee) was considered appropriate in the circumstances.
- 2.8 It is proposed to use additional S106 contributions set aside for outdoor sports facilities to cover the shortfall in the project, which would be a maximum £62,141 (in addition to the £5000 identified in paragraph 2.5 above) and expenditure of up to this amount has been approved.
- 2.9 Officers are continuing to seek to control the actual costs, and it is hoped that the total cost of the project will actually be around £165,000.
- 2.10 The additional funding will secure a good standard of replacement facility, which will reduce future maintenance costs.
- 2.11 The programme has been delayed by a number of factors. For example, alterations to the design, in order to keep down costs, have had implications on planning approval.
- 2.12 The works are programmed to proceed as soon as issues with redesign are agreed. Orders are to be placed imminently with start on site currently planned for January 2016.

2.13 Table below provides details of the Section 106 contributions which could be allocated to this project to fund the shortfall:

| Description on S106 Database         | £      |
|--------------------------------------|--------|
| West Park                            | 32,747 |
| 2 East Street                        | 4,157  |
| 1-5 Woodcote House Court             | 4,976  |
| Plot 3, Worlds End, Woodcote End     | 3,413  |
| 76 Rosebery Road                     | 2,520  |
| Pickard House Upper High St Epsom    | 5,301  |
| 47 Upper High Street Epsom           | 1,315  |
| 89 Rosebery Road                     | 155    |
| 96 Grosvenor Road, Epsom, Surrey     | 78     |
| 16A East Street, Epsom               | 2,630  |
| 54/56 South Street Epsom             | 3,534  |
| Ground Floor, 121 East Street, Epsom | 1,315  |
|                                      | 62,141 |

### 3 Opt to Tax

- 3.1 To date income from Epsom Bowling Club at Court Recreation Ground has been treated as exempt from VAT under HMRC land and property tax rules. This means that although the Council can recover VAT on expenditure at the Pavilion no VAT has been charged to the club.
- 3.2 The work on the Pavilion is scheduled to cost around £165,000, and the Council will recover VAT incurred on all this expenditure to the value of around £33,000.
- 3.3 Under special VAT rules, councils are permitted to recover VAT incurred on expenditure relating to generating exempt income, provided that it does not exceed 5% of the total input VAT recovered. Currently, for this Council, this equates to a limit of approximately £100,000. Recovery of VAT on expenditure at Court Recreation Ground could cause the Council to exceed the 5% limit. There is no option not to recover the VAT.
- 3.4 If the limit is exceeded the Council will have to repay HMRC the entire amount of VAT recovered on expenditure incurred to generate exempt income. This would be the estimated £33,000 recovered on Court Recreation Ground as well as approximately £100,000 related to other properties.

- 3.5 The risk of exceeding the 5% limit could be avoided if the Council exercised its option to tax the Pavilion at Court Recreation Ground. Once a property has been opted to tax, all income generated from that property is subject to VAT. The standard rate of VAT is currently 20%.
- 3.6 If this option is exercised, the income from lettings at the pavilion will no longer be exempt from VAT and so expenditure incurred relating to that income would fall outside of the Council's partial exemption calculation. This would avoid exceeding the partial exemption limit and having to repay HMRC the input tax recovered.
- 3.7 If the option to tax was not exercised the liability to the Council could be approximately £130,000.
- 3.8 Currently Epsom Court Bowling Club pays £8,020 rent per annum for use of the Pavilion. There are three other Bowling Clubs at Recreation Grounds in the Borough, each of which pay £9,240 per annum. The reason for the difference is that the Epsom Court Bowling Club contributed to the cost of the old pavilion.
- 3.9 Once the pavilion in Court Recreation Ground has been fully renovated it is proposed that the amount payable by Epsom Bowling Club be increased to £9,240, the same as paid by the other Clubs. This is the basis on which discussions have taken place with the Club.
- 3.10 In other cases, the payment is split as £7,000 for the use of bowling green (which equates to the estimated cost of upkeep each year) and £2,240 for the use of the Pavilion. If the building is opted to tax then the Council will have to pay VAT over to HMRC on any income received which relates to the Pavilion.
- 3.11 If VAT is simply added to the revised charge of £9,240 then Epsom Bowling Club would have to pay a total of £9,688 per annum. Alternatively, the Club could be charged £9,240 inclusive of VAT.
- 3.12 If the Council decided to keep the total actually payable by the Club at £9,240, then the charge for the pavilion would need to be set at £1,867, and the overall net sum kept by the Council would be £8,867. The balance, £373, would be payable to HMRC as VAT. It is understood that, in effect, this is the position in relation to one of the other bowls clubs.
- 3.13 The charge may increase from £9,240 when Leisure Committee consider the fees and charges paid by Bowls Clubs, but it is important to set the basis on which charges are to be levied.
- 3.14 VAT would also be payable by any other hirers or users of the Pavilion.
- 3.15 **Chief Finance Officer's comments:** The financial implications are detailed in the body of this report.

**4 Legal Implications (including implications for matters relating to equality)**

- 4.1 Each of the new build options provides accommodation which complies with modern disability access requirements.
- 4.2 **Monitoring Officer's comments:** There are no other legal implications arising from this report

**5 Sustainability Policy and Community Safety Implications**

- 5.1 The new build option would be compliant with modern energy efficiency requirements.

**6 Partnerships**

- 6.1 Surrey County Council provides PPP funding for the project.

**7 Risk Assessment**

- 7.1 The project has slipped in programme but is now planned to be completed before the bowling season in May 2016

**8 Conclusion and Recommendations**

- 8.1 That the Committee notes the update on the replacement of Court Recreation ground Bowling Pavilion.
- 8.2 In light of the significant additional financial implications of not doing so, it is considered essential that the Council opt to tax the pavilion.
- 8.3 As a result of the recommendation to opt to tax the pavilion there is a need to consider how the Club would be charged. As discussions have taken place on the basis that the sum actually paid would be the same as other bowls clubs, it is recommended that the Club be charged £9240 inclusive of VAT.

**WARD(S) AFFECTED: Court**

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**EPSOM COMMON LOCAL NATURE RESERVE – PATH RESTORATION CAPITAL PROJECT**

Report of the: Head of Place Development  
Contact: Stewart Cocker  
Urgent Decision?(yes/no) No  
If yes, reason urgent decision required: N/A  
Annexes/Appendices (attached): None  
Other available papers (not attached): Capital Bid - Leisure Committee Bid 6 2012/13

**REPORT SUMMARY**

**A report requesting permission to use up to £85,440 of external funding received from the developers of the former West Park Hospital for the restoration of the circular bridleway on Epsom Common Local Nature Reserve. Specifically, in relation to the Oil Pipeline Agencies requirement for the fuel pipeline to be protected where the restored bridleway and the entrance to Stew Ponds Car Park cross the pipeline.**

**RECOMMENDATION (S)**

**That the Committee:**

- (1) Approves the use of up to £85,440 of external funds received from the developers of the former West Park Hospital for bridleway restoration on Epsom Common: specifically to pay for the protection of the fuel pipeline that runs across Epsom Common Local Nature Reserve.**
- (2) Notes that Internal Audit has been commissioned to conduct reviews of Contract Management and Project Management, and that this project will be considered by them as part of that review.**

*Notes*

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

- 1.1 The restoration of the circular bridleway on Epsom Common Local Nature Reserve addresses all six Key Priorities, and is identified in the 2005-2015 management plan agreed by the Leisure Committee as Council policy. The project also assists in delivering a sustainable community strategy.

## **2 Background**

- 2.1 Providing good public access on to Epsom Common is both central to this Council's initial motivation for purchasing Epsom Common in the 1930's (to afford an area for free air and exercise) and is, today, an essential aspect of managing what is a nationally important site for nature.
- 2.2 During the 1970's a 4 km circular hard surfaced bridleway was constructed to help cater for the access needs of pedestrian's and horse riders. Damage caused by horses to the grass paths was not only undesirable but was a source of friction between walkers and riders. The new route became known as the 'Winter Horse Ride'. In conjunction with connecting wide grass summer horse rides, the route delivers a very effective network of paths and bridleways that help protect the Common's more fragile habitats.
- 2.3 By 2000 the bridleway surface was worn out and in a number of wet locations patchwork repairs were carried out. It was recognised that the restoration of the surface was a major and costly undertaking and in 2005 the aim of restoring the hard surfaced tracks was included in the 2005-2015 Management Plan. In 2007 in co-operation with the City of London (Ashted Common) 1 km of the circular bridleway was restored using an inert sandstone material (Fittleworth Stone) and this provided an effective trial for the restoration of the remaining bridleway.

## **3 Current Project**

- 3.1 In 2012 a project was submitted to restore the bridleway. The project proposed a scheme phased over three years to reduce inconvenience to users within a budget of £126,000. The project was to be funded from S106 contributions and set for commencement in 2012/13.
- 3.2 In March 2012 Officers were approached by the West Park Hospital Developer, Linden Homes, and Surrey Country Council (SCC) wishing to explore the possibility of taking up an idea put forward in 2008 to restore the bridleway on Epsom Common running parallel to Christchurch Road.
- 3.3 This was in lieu of the requirement on them to widen the public footway in Christchurch Road which was proving to be problematic for a number of reasons e.g. the need to take common land, the commons status as a Site of Special Scientific Interest, a listed wall at Christchurch, services locations and the need to move hundreds of metres of ditch and bridleway on the Common.

### Phase 1

- 3.4 Agreement was reached in principle for the developer to pay for the restoration of the bridleway from Stew Pond Car Park to Christchurch with agreement to construct a new hard surface path on existing grass paths from Stamford Green Road. This would provide an alternative route for cyclists into Epsom and a significant improvement to one of the busiest and wettest entrances on to Epsom Common. The developers indicated that they wanted to proceed immediately with what Officers then determined would be Stage 1. This did not transpire to be the case and the project was effectively delayed by a year.

Phase 2

- 3.5 In 2013/14, in view of the developers delay, Officers decided to progress Stage 2 of the project from the Wells Road entrance to Ashted Common. By September 2013, having suffered a serious delay due to staffing issues in the Projects & Procurement Team, it became clear that the dry weather window for bridleway restoration had closed and the project was again delayed by a further year.
- 3.6 In addition, the developer, having already sought quotes for Stage 1, requested in summer 2013 that the Council contract the Stage 1 works and that they would contribute to the Council's costs with a sum of £75,440, a figure that resulted from their own tendering exercise. Officers were agreeable to this approach. However, it was made clear to the developers that the Council would not accept this as a final settlement without first seeking quotes and being satisfied that the offer would fully cover the costs of the Stage 1 works.

**4 Latest position**

- 4.1 In 2014/15, in view of the delay and the need to spend the S106 funds, it was decided to seek quotes for carrying out the restoration of all three stages together.
- 4.2 The budget remained at £126,000 but in the knowledge that the developers £75,440 could be called upon if required. During summer 2014 a series of delays, including the need to obtain permissions from the Oil Pipeline Agency, meant that again the opportunity to carry out works in dry weather was missed. The Council was also made aware by the Oil Pipeline Agency that we may be required to install protection for the fuel pipeline both during and after the bridleway restoration.
- 4.3 A positive outcome of the delays was that a Sandstone aggregate approved by Natural England as inert had just become available locally, at a reasonable cost, which was a much more affordable material. Three quotes were received from contractors at the end of 2014 ranging from £96,880 to £193,750.
- 4.4 The decision was taken to go with the lowest quote as the contractor had a good reputation for path construction works across Surrey including in Epsom & Ewell (Hogsmill Local Nature Reserve) and was a preferred contractor for Surrey County Council. In addition Officers knew that this contractor had experience in laying sand stone aggregate paths. This decision also took account of the possible significant extra cost of protecting the pipeline.
- 4.5 In February 2015 during the course of arranging permissions with the Oil Pipeline Agency (OPA) to restore the bridleway where it crosses the oil pipeline, the Council was informed that it would need to install concrete protection over the pipe if it intended to continue driving vehicles on the restored surfaces and across the pipeline.

- 4.6 The bridleways provide essential access on to Epsom Common enabling the Council to manage the site therefore we have little choice but to comply as we would become fully liable for any damage to the pipeline that could incur in future. In addition any damage to the Site of Special Scientific Interest carries the risk of unlimited fines from Natural England.
- 4.7 The Council was then requested to excavate over the pipeline at the crossover points to check for any existing protection at its own cost. This work was completed at the end of March 2015 by our appointed contractor under supervision from the OPA at a cost of £2,000.
- 4.8 The work confirmed no protection was present. The Council was also informed that only Oil Pipeline approved contractors could be used to construct the pipeline protection. In April the Council received the following provisional quotes ranging from £22,000 to £96,500.
- 4.9 This indicated that the cost of protecting the pipeline looked likely to send the total cost of the project above the agreed budget figure of £126,000 and require use of the developers £75,440.
- 4.10 As this was an unforeseen cost when the developer obtained quotes in June 2015 they agreed to pay a further £10,000 towards the cost of constructing the pipeline protection which is a significant and welcome contribution and means the developer external funding rose to £85,440. It should be noted that the Council received a six month temporary permit to cross the pipeline with protective steel pressure plates in place at a cost of £1,600 which lasts for six months from May 2015.
- 4.11 The need to install the pipeline protection meant that consent had to be sought from Natural England and whilst consent was received promptly in June 2015, the Council was advised by Natural England that it would also need to seek Secretary of State Permission from the Panning Inspectorate due to the sites common land status. Attaining consent is a prolonged process taking several months and this is currently being progressed by the Council's Legal and Estates Team.
- 4.12 Works on bridleway restoration commenced on the 5 May 2015 and, aside from the need to install the pipeline protection and make good the sections of bridleway over the pipes, the work was completed on 19 June this year.
- 4.13 The works included some reasonable contract variations to cover several additions, improvements and omissions that became apparent during the works. These included extra plastic drainage pipes and the replacement of existing and blocked pipes with new plastic pipes and extra wooden posts to secure the Christchurch Road entrance. Significantly, preparation works revealed that the condition and profile of the base layer was very poor and required a very significant increase in materials and labour to make good resulting in the restoration of the bridleway surface costing the full agreed budget of £126,000.

- 4.14 Consequently, with no remaining funds in the agreed budget Officers now need to seek approval to use a part of the developers £85,440 to pay for the cost of the pipeline protection and the subsequent restoration of the bridleway and Stew Pond Car Park surfaces.

**Table 1 - Estimated Costs of protecting the pipeline**

| <b>Estimated cost of works<br/>£</b> | <b>Contractor</b>        | <b>Work</b>                                      |
|--------------------------------------|--------------------------|--|
| 66,300                               | OPA approved contractor  | Concrete protection inclusive of 10% contingency |
| 16,500                               | Earthbound Services      | Reinstatement works inclusive of 10% contingency |
| 2,200                                | Costain (OPA contractor) | Supervision of pipeline works                    |
| 85,000                               |                          |  |

## **5 Proposals**

- 5.1 That the Committee approves the use of up to £85,440 of external funds received from the developers of the former West Park Hospital for bridleway restoration on Epsom Common: specifically to pay for the protection of the fuel pipeline that runs across Epsom Common Local Nature Reserve.

## **6 Financial and Manpower Implications**

- 6.1 There are no specific manpower implications for this report.
- 6.2 **Chief Finance Officer's comments:** The cost of this scheme has exceeded the original budget approved by this Council of £126,000 by £85,440. External funding has been identified to fund the additional cost of the scheme, but as a result, these funds will be made unavailable to fund other potential projects. Due to the significant increase in the initial cost of the scheme, internal audit will be undertaking a review of the procurement process for this project.

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

- 7.1 **Monitoring Officer's comments:** concur with the Chief Finance Officer's comments.

## **8 Sustainability Policy and Community Safety Implications**

- 8.1 The project provides off road cycle routes and good quality access to local countryside, contributing to encouraging alternative means of transport and health and wellbeing. At the same time it affords protection to fragile habitats by encouraging the majority of visitors to remain on the high quality routes provided.

## **9 Partnerships**

- 9.1 This project has involved the Council's valued long term partners, the Epsom Common Association and the City of London (Ashtead Common) who have supported this project in various ways by for example, informing local residents via newsletters and agreeing to allow an arm of newly restored surface to link with an existing bridleway on Ashtead Common.

## **10 Risk Assessment**

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

## **11 Conclusion and Recommendations**

- 11.1 The restoration of the circular bridleway on Epsom Common Local Nature Reserve is an important aim of the existing management plan. This has essentially been achieved on the ground in 2015 but unfortunately delivering the project has taken longer and proved more costly than hoped with significant extra costs associated with providing protection for the fuel pipeline where the bridleway and Stew Pond Car Park entrance cross the pipeline.
- 11.2 In 2008 it became known that the West Park Hospital developer's requirement to improve the public footway alongside Epsom Common was problematic. This resulted in the developers initially providing external funding of £75,440 for the restoration of the bridleway on Epsom Common and the new path from Stamford Green that links to the bridleway.
- 11.3 In January 2015 a contractor was appointed and work to restore the bridleway commenced in May 2015 and was completed by mid-June 2015 with the exception of the short sections where the bridleway crosses the fuel pipeline. The extra cost of protecting the pipeline has now been confirmed and does as anticipated, mean that the project exceeds the original budget of £126,000.
- 11.4 As this was an unforeseen cost when the developer obtained quotes in June 2015 they agreed to pay a further £10,000 towards the cost of constructing the pipeline protection which is a significant and welcome contribution and means the developer external funding has risen to £85,440.

**WARD(S) AFFECTED: Stamford**

**COMMUNITY INFRASTRUCTURE LEVY (CIL) PROPOSED GOVERNANCE ARRANGEMENTS**

|   |  |
|---|--|
| <u>Report of the:</u>                         | Head of Place Development  |
| <u>Contact:</u>                               | Karol Jakubczyk  |
| Urgent Decision?(yes/no)                      | No   |
| If yes, reason urgent decision required:      | N/A  |
| <u>Annexes/Appendices</u> (attached):         | Annex 1: Regulation 123 List of Infrastructure Types to be funded by CIL<br>Annex 2: Infrastructure Prioritisation Criteria<br>Annex 3: Flowchart of key dates in allocation of CIL monies                 |
| <u>Other available papers</u> (not attached): | Community Infrastructure Levy Guidance 2012<br>Community Infrastructure Levy Regulations 2010 and Amending Regulations 2011, 2012, 2013, 2014 and 2015<br>Epsom & Ewell Infrastructure Delivery Plan (IDP) |

**REPORT SUMMARY**

**The Council introduced the Community Infrastructure Levy (CIL) on 1 July 2014. The Council is responsible for the collection, distribution and spending of CIL monies. This report outlines and seeks endorsement for governance arrangements to ensure CIL monies are appropriately managed in accordance with the Regulations. The report also seeks approval of the Regulation 123 List which identifies the types of infrastructure the Council will spend CIL monies on.**

**RECOMMENDATION (S)**

*Notes*

- (1) That the Committee agree the proposed governance and timetable arrangements to facilitate the allocation and spending of CIL monies.**
- (2) That the Committee agrees the Regulation 123 List.**

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

- 1.1 The Local Plan is intended to provide the spatial planning mechanism for the vision set out in the Sustainable Community Strategy, and it will assist in the achievement of all the Council's Key Priorities. The Community Infrastructure Levy (CIL) is the mechanism that will ensure that future developments contribute towards the community infrastructure that is needed to support growth

## **2 Background**

- 2.1 We adopted and began charging CIL from 1 July 2014. CIL is now the main way in which we collect contributions from developers to help fund the infrastructure provision required to support new development. It is a source of top-up-funding and as such, infrastructure improvement schemes will need to identify other supplementary sources of funding.
- 2.2 Money levied through CIL can be used to fund a wide range of infrastructure, including transport, schools, health and social care facilities. The overarching objective is that it must be spent on infrastructure needed to support new development within the Borough. It is the intention that CIL monies are used to deliver new infrastructure. They should not be used to remedy pre-existing deficiencies unless those shortcomings will be made more severe by new development. It can be used to fund improvements that increase the capacity of existing infrastructure or to repair failing existing infrastructure, if that is necessary to support new development.
- 2.3 As the CIL collecting authority we have responsibility for determining how our receipts are spent. We are also responsible for distributing the funds to the relevant infrastructure providers. The CIL Regulations require us to publish the amount of money we collect and how it is spent as part of our annual monitoring process. Therefore to ensure this process is conducted transparently governance arrangements need to be in place.
- 2.4 We are also required to publish a list of infrastructure projects or types of infrastructure that we intend to fund wholly or partially through CIL. This list is known as the Regulation 123 list. The list should be broadly based on the Council's Infrastructure Delivery Plan (IDP) in order to demonstrate the link between new development and the delivery of new infrastructure / infrastructure improvements. The CIL Regulations state that revenue can only be spent on items which are on the list.
- 2.5 We currently have a draft Regulation 123 list (attached as annex 1), which was prepared as part of the CIL examination and was approved by Strategy and Resources Committee in June 2013. This has deliberately been couched at a 'high level' to ensure that we have sufficient flexibility in how we spend the CIL revenue. This now needs to be formally approved as a 'final' list to enable accumulated CIL funds to be allocated and spent. It should be noted that the list does not prioritise schemes / infrastructure types.

## **3 Breakdown of CIL Spending**

- 3.1 The CIL Guidance states that we should allocate at least 15% of CIL monies towards schemes agreed with the local community in areas where development is taking place. This is known as the 'neighbourhood proportion' of the Levy. The Guidance states that "*charging authorities should set out clearly and transparently their approach to engaging with neighbourhoods using their regular communication tools e.g. website, newsletters etc...*" The neighbourhood proportion can be spent on a wider range of things than the rest of the Levy provided that it 'supports the development of the area.'



- 3.2 The Regulations allow for up to 5% of the annual receipts to be used to cover administrative expenses incurred in operating the Levy. The Strategy & Resources have already agreed that this amount will be deployed to manage the day-to-day operation of CIL.
- 3.3 The remainder of the collected monies (80%) can be allocated towards infrastructure items / types identified on the Regulation 123 list.
- 3.4 The table below sets out how CIL could be broken down.

**Table 1: CIL Breakdown**

| <b>CIL Fund</b>  | <b>Proportion of Total CIL funds</b> |
|--|--------------------------------------|
| Administrative fee   | 5%                                   |
| Neighbourhood proportion - Local community group schemes           | 15%                                  |
| Strategic / local infrastructure identified on Regulation 123 list | 80%                                  |

#### **4 Proposed CIL Governance Arrangements**

- 4.1 As CIL is still a relatively new revenue stream there is little in the way of best practice guidance available on how collected monies should be managed. What is clear from the experiences of other local authorities is that it is best to use existing structures and mechanisms to facilitate the governance of CIL.
- 4.2 It is also important that we engage and involve infrastructure providers (such as Surrey County Council) in identifying the infrastructure schemes required to support new development. This will ensure potential projects are identified, incorporated into the Infrastructure Delivery Plan (IDP) and prioritised on a regular basis. To facilitate this it is proposed to create a Joint Infrastructure Panel details of which are set out below.

#### **5 Joint Infrastructure Panel**

- 5.1 The Joint Infrastructure Panel will be led by the Borough Council and will primarily be comprised of Borough Members. The Panel could include a representative from the County Council's Local Committee who would not have voting powers. Their role would be to advise the Panel on the importance and necessity of infrastructure projects being promoted by the County Council.
- 5.2 Representatives from other infrastructure bodies, such as Thames Water or Surrey Police, could be invited to attend as necessary – in order to set out the case for infrastructure that they would deliver. The Panel would remain under the leadership of the Borough Council.

- 5.3 The Panel will also be responsible for updating the Borough Council's IDP, liaising with infrastructure bodies where necessary, and prioritising schemes within the IDP. Prioritisation is important because the Regulation 123 list does not specify particular schemes or identify priorities. Updating and prioritising schemes within the IDP will also help frontload the process, providing the opportunity for the County Council and other infrastructure providers to feed directly into the IDP rather than speculatively submitting bids for schemes at a later stage.
- 5.4 It is suggested that schemes within the IDP be categorised in terms of those critical to deliver or mitigate the impact of new development and those that are more desirable in terms of providing a range of infrastructure (e.g. community facilities). Woking Borough Council is in the process of introducing a similar approach. These categories are set out below.

**Table 2: Suggested Categorisation of Schemes Contained within the IDP**

|          | <b>Category</b>    | <b>Description</b>   |
|----------|--------------------|--|
| <b>1</b> | <b>Critical</b>    | Infrastructure that must be provided to enable growth and without it development cannot be allowed to proceed e.g. major utilities infrastructure  |
| <b>2</b> | <b>Essential</b>   | Infrastructure that is considered essential and necessary to support and/or mitigate the impact arising from development. The timing and phasing of these projects e.g. school places and public transport projects are usually linked to the occupation of development sites.   |
| <b>3</b> | <b>Deliverable</b> | Infrastructure that is required to support wider strategic objectives, to build sustainable communities and to make places. This type of infrastructure is influenced more by whether a person chooses to use the facility e.g. community facilities. The timing is not critical and is usually linked to completion of development. |

- 5.5 It is anticipated the Panel will meet three times a year. Meetings could be held in December, April and July<sup>1</sup>.
- 5.6 The purpose of the December meeting would be to update/review and begin to prioritise schemes in the IDP, with a view to identifying those which would be most likely to receive funding from the 80% portion of the CIL monies in the following financial year.
- 5.7 It is proposed that schemes be prioritised against a set of criteria to ensure they will help facilitate the delivery of new criteria. Suggested criteria are set out in Annex 2. The Panel would then submit the updated IDP to be considered by the Strategy & Resources Committee in January.

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<sup>1</sup> It is suggested that this second meeting take place as soon as possible after the start of the new financial year.

- 5.8 The April meeting of the Panel would be held once the total CIL monies accumulated for the financial year are known. The Panel would then be able to finalise the priority of schemes within the IDP and invite the relevant infrastructure providers to make bids for the 80% portion of CIL funds. Frontloading the process by considering schemes as part of a review of the IDP will help to avoid speculative bids and provide more certainty in the process.
- 5.9 The Panel will then meet again in July be able to make recommendations on the distribution of funds against the bids submitted, which can subsequently be considered by the Capital Member Group and the Financial Policy Panel. Separately, the Council would publicise the amounts of funding available for the 15% neighbourhood proportion of the levy. Local community groups will have the opportunity to submit bids for these funds. The Regulations require us to be proactive in distributing this component of the Levy. There is limited scope for us to spend this component ourselves.
- 5.10 Other meetings could be held where necessary. For example, an additional meeting could be convened should a significant new infrastructure requirement be identified.
- 5.11 Officers will provide input and support to the Panel, liaising with infrastructure providers, including Surrey County Council officers.

## **6 Formal Allocation of CIL monies**

- 6.1 It is anticipated that the Panel will feed into our existing decision making structure to enable formal decisions on the allocation of CIL funds to be made. For bids from infrastructure providers for the 80% of CIL funds this will involve the consideration of bids by the Capital Officer Group and Capital Member Group, which will in turn feed into the Financial Policy Panel, Strategy and Resources Committee and ultimately Full Council. Decisions on bids for the 15% Neighbourhood Proportion would be considered by Strategy and Resources Committee and then Full Council.
- 6.2 A flow chart setting out the annual cycle of decision making involving the Panel and the Council's various Committees is set out in Annex 3.
- 6.3 It is envisaged that the cycle of decision making on bids for CIL monies will formally commence in April 2016. It was agreed by Council in February 2015 as part of the capital programme that any CIL funding received up to £250,000 will be used to part fund the Plan E Epsom Town Centre improvements. Any further receipts above £250,000 will be reserved for the potential funding of the Kiln Lane Link Road scheme. It is therefore proposed that funding for further projects from the IDP will form part of the capital programme process in June/July 2016.

- 6.4 Commencing the cycle in April 2016 will provide time to establish the Joint Infrastructure Panel and the other mechanisms needed to facilitate the process. For example, the 'neighbourhood proportion' of the CIL monies will need to be publicised to community groups highlighting the potential for valid bids to be made. In preparation for the cycle starting the first meeting of the JIP could be held in December 2015 to review the existing IDP and begin to prioritise schemes.

## **7 Financial and Manpower Implications**

- 7.1 Although the money collected through CIL will make a valuable contribution towards the delivery of future community infrastructure it will only ever serve as a source of 'top up' funding. Consequently, we must be realistic in our aspirations and ensure that other funding streams are available to ensure that essential community infrastructure continues to be delivered.
- 7.2 Staff resources have been allocated to oversee the day to day running costs such as monitoring, implementation and enforcement. These costs are being funded by the 5% of receipts available to cover administration.
- 7.3 Further resources will be required to oversee the allocation of CIL monies. The Panel will require input from both Members and Officers, and there will be additional associated administrative tasks. The 5% administration may help offset some of these costs.

## **8 Equalities and Other Legal Implications**

- 8.1 The Regulations require the Council to be transparent in how CIL funds are allocated. Establishing governance arrangements will ensure such requirements are addressed. The approval of the Regulation 123 List will enable spending decisions to be made.

## **9 Sustainability Policy and Community Safety Implications**

- 9.1 Money collected through CIL will help to deliver essential community infrastructure that maintain and enhance the Borough as a sustainable place to live, work and visit.

## **10 Partnerships**

- 10.1 The allocation of CIL monies will require partnership working with infrastructure providers. The establishment of a 'Local Infrastructure Panel' will facilitate such partnership working.

## **11 Risk Assessment**

- 11.1 Without establishing governance arrangements for the allocation of CIL monies we will not be meeting the requirements of the CIL regulations.

**12 Conclusion and Recommendations**

- 12.1 The proposed governance and timetable arrangements for the allocation and spending of CIL monies will ensure transparency in the management of these funds. Approval of the Regulation 123 List will enable spending decisions to be made. It is therefore recommended that both be approved by the Committee.

**WARD(S) AFFECTED: N/A**

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**Regulation 123 List of Infrastructure Types to be funded by CIL**

Types of Infrastructure to be funded in whole or in part by CIL

Transport improvements –excepting site specific matters needed to make a development proposal acceptable in planning terms. These site specific matters can include but are not limited to highway crossovers to access the site and local road junctions, deceleration and turning lanes, measures to facilitate pedestrian and cyclist access, and lighting and street furniture. This may also include additional mitigation measures remote from the development site where the need for such work is identified and supported in a Transport Impact Assessment.

Green Infrastructure including but not limited to improvements and provision of public open space (including buildings and facilities ancillary to that open space use); allotments; tree, hedgerow and other landscape planting; biodiversity enhancements; and flood risk mitigations measures –excepting site specific matters needed to make a development proposal acceptable in planning terms. These site specific matters can include but are not limited to site specific landscaping, flood mitigation/ SuDS, sustainable design features such as green/ brown roofs, and site specific biodiversity enhancements such as bird/ bat bricks.

Public realm improvements (including but not limited to Town and Local Centre improvements)

Community facilities (community centres and meeting places but excluding places of worship; voluntary sector meeting places and privately operated cultural facilities)

Leisure facilities

Education facilities

Library services

Healthcare facilities

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### **Infrastructure Prioritisation Criteria**

- Be included in the Infrastructure Delivery Plan
- Be included on the Regulation 123 list
- Help to facilitate delivery of development as set out in the Local Plan
- Contribute to the delivery of other approved Council Strategies
- Contribute to the delivery of the Council's Corporate Priorities
- Contribute towards the delivery of infrastructure by a provider where it can be satisfactorily be demonstrated that the infrastructure would not otherwise be delivered i.e. that all other possible funding sources are insufficient
- Address a specific impact of new development beyond that which has been secured through a section 106 obligation or a section 278 agreement
- Leverage in other funds that would not otherwise be available e.g. need to match or draw grant funding
- Offer wider as well as local benefits
- Be deliverable in the year that the funding is being programmed i.e. justified by:
  1. A project plan including a timetable and resources available to meet the timetable
  2. Consultation summary report to indicate stakeholder support; and
  3. Arrangements for ongoing maintenance

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### Flowchart of key dates in allocation of CIL monies

Cycle to commence April 2016

Key:

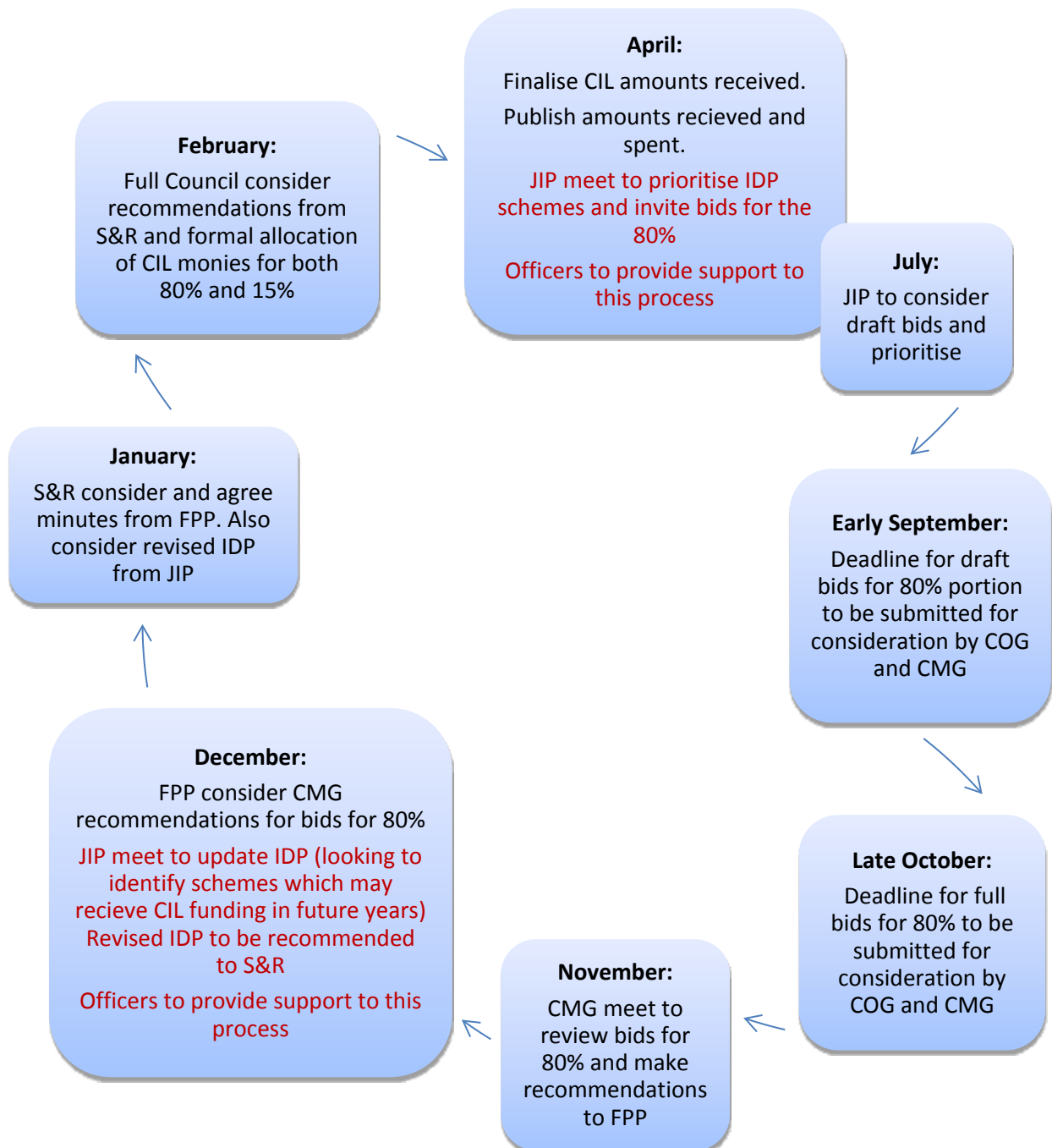
**JIP** = Joint Infrastructure Panel

**COG** = Capital Officers Group

**CMG** = Capital Members Group

**FPP** = Financial Policy Panel

**S&R** = Strategy and Resources Committee



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**AN OVERVIEW OF THE EPSOM & EWELL ECONOMIC DEVELOPMENT STRATEGY**

Report of the: Head of Place Development  
Contact: Julia Owen/Karol Jakubczyk  
Urgent Decision?(yes/no) No  
If yes, reason urgent decision required: N/A  
Annexes/Appendices (attached): Potential Key Interventions and Outcomes  
Other available papers (not attached):

**REPORT SUMMARY**

The Council are in the process of preparing a Borough-wide Economic Development Strategy. This report serves as precursor to the more detailed Draft Strategy, providing Members with an overview of the project and the key interventions and outcomes that are likely to be included as part of the Strategy.

**RECOMMENDATION (S)**

**That the Committee:**

- (1) Gives its views on the proposed content of the forthcoming Draft Economic Development Strategy as set out within Annexe 1; and**
- (2) Notes that a more detailed Draft Economic Development Strategy will be reported to a subsequent meeting of the Committee.**

*Notes*

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

- 1.1 The current Corporate Plan 2012-2016 identifies promoting the economic vitality of the Borough as a key priority for the Council. The emerging Economic Development Strategy will work in tandem with other Council policies and initiatives, such as the Local Plan, to ensure that the Borough continues to be a sustainable place to live and do business. It will also link to any relevant priorities agreed in the forthcoming Corporate Plan.

**2 Background**

- 2.1 The Council's Local Plan policies have consistently sought to create a healthy environment for economic development to take place. This is set out in key policy documents such as our Core Strategy, the Plan E Epsom Town

Centre Area Action Plan and the recent Development Management Policies Document, all of which include policies that either seeks to protect existing employment sites and uses, or promote the development of new businesses. The latter includes policies that seek to ensure the Borough will have the necessary infrastructure needed to support economic growth – for example transport infrastructure.

- 2.2 Whilst the Council's approach towards business development has yielded some success, such as the expansion of the WS Atkins HQ and the relocation of Nuffield Health, the growing challenges to the Borough's local and national economy requires the Council to have a more proactive economic development role. This is particularly the case in relation to securing funding for the Borough; from sources such as the Local Enterprise Partnership or from Europe.
- 2.3 In 2014 the Council commissioned consultants, Economic Growth Management, to explore how it could take a more proactive role in local economic development. The consultant's task was to prepare a Study that identified measures that the Council and its partners could take to support the local economy, in order to retain its socio-economic prosperity and be location of choice for work and live.
- 2.4 The Study was prepared on a collaborative basis involving extensive stakeholder consultation. This included engagement with Surrey County Council and the local business community. It also included a briefing session for Members. Their resulting Study was very comprehensive.
- 2.5 The Study has successfully been used to inform and support the Plan E Town Centre Business Plan. It will also hopefully help focus the Council's vision for economic development, leading directly to the introduction of new economic development related objectives as part of the new Corporate Plan. These may include measures that maintain the commercial and retail vitality of Epsom, Ewell and Stoneleigh; maintaining close links with the business community; and working with the Gatwick Diamond and Local Enterprise Partnership (LEP) to secure inward investment and infrastructure funding.

### **3 The Emerging Epsom & Ewell Economic Development Strategy**

- 3.1 The preparation and production of a Borough-wide Economic Development Strategy will provide the Council with a framework for delivering sustained prosperity. The Strategy will identify a series of actions and interventions that the Council can pursue through its economic development, Town Centres management and planning functions. It is anticipated that performance could be monitored through the Local Plan Annual Monitoring Report<sup>1</sup>.

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<sup>1</sup> The Local Plan Annual Monitoring Report is an established reporting mechanism, published at the end of the financial year. There is likely to be a close relationship between the indicators used to monitor the performance of the Local Plan and those related to the Corporate Plan's economic development objectives. Equally, many of the projects will be lead through the Council's Planning Policy Team, it would be logical to utilise existing reporting structures.

- 3.2 The Study prepared by the consultants, Economic Growth Management, provides a good starting point for the preparation of the Strategy. The Study identified a wide range of actions and interventions that the Council could pursue in order to achieve the objective of maintaining and enhancing the Borough's prosperity. These have been refined to form a more realistic and achievable range of interventions and outcomes, which Officers propose will form the basis of the forthcoming Economic Development Strategy.
- 3.3 A Schedule of possible interventions is set out in the Annexe to the report. It identifies the nature of intervention and the outcomes that will be necessary to secure delivery. The proposed interventions cover the following:
- 3.3.1 Securing essential enabling infrastructure, specifically support for both the Plan E highway improvements and Kiln Lane link road, which are key programmes required to support future economic development in the Borough. This intervention also includes the promotion of the inclusion of Epsom within Zone 6 of the Oyster zone - thereby making Epsom a more attractive and affordable business location;
  - 3.3.2 Safeguarding and widening the choice of commercial property in the Borough to provide existing businesses with the opportunities to grow and expand. Ensuring that new business have space to start-up and that there is accommodation for established business seeking to move into the area;
  - 3.3.3 Retaining existing and attracting new business investment by ensuring that there is local engagement with employers; understanding and supporting any local issues they might have. As well as working with local partners to promote the area as a business location and respond to location enquiries;
  - 3.3.4 Providing support for high level skills and long-term employment by continuing to promote available skills programmes and initiatives, particularly apprenticeship based within the Borough; and
  - 3.3.5 Providing economic development support to the three main retail centres; and the development of a Business Improvement District in Epsom Town Centre.
- 3.4 This report has been prepared to provide the Committee with an advanced overview of the emerging Economic Development Strategy. This provides an opportunity to incorporate the Committee's initial thoughts into the Draft Strategy. It also ensures that the Strategy does not hit the Committee cold. Subject to the comments generated by the Committee, we anticipate that a draft version of the Economic Development Strategy could come before the Strategy & Resources Committee in due course.

#### **4 Financial and Manpower Implications**

- 4.1 Staff resources have been allocated to oversee the implementation of the emerging Economic Development Strategy. The majority of the tasks will fall to the Council's Planning Policy Team, which sits within the Place

Development Department. This includes Economic Development expertise and the recently appointed Town Centres Manager, both of whom will have key roles in implementing the emerging Strategy.

- 4.2 It is anticipated that some of the proposed interventions will require additional sources of funding. A key task will be identifying and drawing upon appropriate external funding sources, such as from the County Council and Local Enterprise Partnership, to deliver those interventions.
- 4.3 **Chief Finance Officer's comments:** The Economic Strategy as outlined in the report above needs to be developed in line with the new Corporate Plan, Medium Term Financial Strategy and Budget (MTFS). The MTFS currently contains provision for the implementation of Plan E and makes reference to potential sources of funding for Kiln Lane.

Clarity is required around the potential costs to the Council associated with the interventions contained within this Strategy, particularly around those outlined in the Annexe to this report and (where required) funding earmarked as part of the MTFS and annual budget prior to the content of the Strategy being adopted by Members.

Requests for addition funding need to be considered against the backdrop of having to reduce the General Revenue Fund Budget deficit of £2.4m over the next four years and a capital programme with bids over £2.8m for next year.

## **5 Equalities and Other Legal Implications**

- 5.1 None for the purposes of this report. However, there are implications arising from the possible interventions/outcomes listed in the Annex. The full implications arising from each item will be considered at the appropriate time.

## **6 Sustainability Policy and Community Safety Implications**

- 6.1 Ensuring that there are opportunities for local economic growth is an important component of maintaining the Borough as a sustainable place where people can live and work. This is a key aspect of sustainable development as defined by national planning policy.

## **7 Partnerships**

- 7.1 The Corporate Plan and the proposed Economic Development Strategy requires that the Council maintain existing, and develop new, partnerships such as those with the Gatwick Diamond Initiative and the Coast to Capital LEP. This is likely to include those we already have with organisations such as Surrey County Council, in addition to new partnerships with business.

## **8 Risk Assessment**

- 8.1 Changes in national and local economic environments, changes to the way essential community infrastructure is funded and amendments to national planning policy are making it increasingly important that we are proactive about economic development. Without positive interventions and outcomes



we run the risk of unplanned for growth, which is not compliant with our strategy and vision for the Borough. By preparing a Borough-wide Economic Development Strategy we will minimise the risk of unbalanced and unsustainable growth.

**9 Conclusion and Recommendations**

- 9.1 That the Committee give their views on the proposed content of the forthcoming Draft Economic Development Strategy, and note that a more detailed Draft Economic Development Strategy will be reported to a subsequent meeting of the Committee.

**WARD(S) AFFECTED: N/A**

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POTENTIAL INTERVENTIONS AND OUTCOMES

| Strategic Objectives                                     | Interventions   | Outcomes Sought   |
|--|---|---|
| <p><b>Improved local infrastructure</b></p>              | <ul style="list-style-type: none"> <li>• Kiln Lane Link Road</li> <li>• Plan E Public Realm Proposals</li> <li>• Inclusion of Epsom within Zone 6 (of the Oyster zone)</li> </ul>   | <ul style="list-style-type: none"> <li>• Demonstrate funding case and successful implementation</li> <li>• Improved attractiveness of Epsom as a business location</li> </ul>   |
| <p><b>Widening the Choice of Commercial Property</b></p> | <ul style="list-style-type: none"> <li>• Flagship Employment Sites Programme</li> <li>• Identify wider Small and Medium-sized Enterprise (SME)/ business property needs and develop a small business workspace strategy and action plan</li> <li>• Engagement with UCA and others to ascertain development aspirations and viability of small business start-up incubator facility in the Town</li> </ul> | <ul style="list-style-type: none"> <li>• External funding to bring forward development sites</li> <li>• Strengthened property offer for attracting inward investors</li> <li>• Business incubation/ start-up facility for the creative hub</li> <li>• Enhanced workspace provision for small businesses</li> <li>• Creation of a master plan for Longmead &amp; Nonsuch Trading Estates and East Street/ Utilities Opportunity Site.</li> </ul> |
| <p><b>Business Investment and Growth</b></p>             | <ul style="list-style-type: none"> <li>• Development of existing business engagement programme</li> <li>• Working with partners to identify how we will secure inward-investment for the Borough</li> <li>• Develop business content for the EEBC and other stakeholder websites</li> </ul>   | <ul style="list-style-type: none"> <li>• Secure opportunities for inward investment from multinationals into the Borough</li> <li>• A realignment of employment towards private sector led growth</li> <li>• Reduced dependency on London for employment</li> <li>• Retention and support of existing business in the Borough</li> <li>• Securing a diverse, self-sufficient local economy</li> </ul>   |

| <b>Strategic Objectives</b> | <b>Interventions</b>  | <b>Outcomes Sought</b>  |
|-----------------------------|---|---|
| <b>Skills Development</b>   | <ul style="list-style-type: none"> <li>• Support for local skills programmes and initiatives</li> <li>• Survey of skills needs and apprenticeship opportunities as part of business engagement activity</li> <li>• Opportunity to encourage apprenticeships within the Council as part of local procurement policies</li> </ul> | <ul style="list-style-type: none"> <li>• Local Jobs aligned through better skills alignment towards local residents</li> <li>• Higher than average graduate retention</li> <li>• Diversified employment base</li> </ul> |
| <b>Town Centre</b>          | <ul style="list-style-type: none"> <li>• Recruitment of Town Centres Manager</li> <li>• Develop terms of reference, objectives and priorities for the Epsom Town Centre Business Improvement District</li> <li>• Town Centre Marketing and Promotion Programme</li> </ul>   | <ul style="list-style-type: none"> <li>• Regenerating the Borough's high streets and retail centres</li> <li>• Economic diversification</li> <li>• Improved quality of life</li> </ul>                                  |
| <b>Partnership Building</b> | <ul style="list-style-type: none"> <li>• Continue to develop partnership with Surrey, Gatwick Diamond Initiative and the Coast to Capital Local Enterprise Partnership with a view to maximising investment, funding and interventions in the Borough</li> </ul>  | <ul style="list-style-type: none"> <li>• Maximisation of funding attracted to initiatives within the Borough</li> <li>• Maximisation of Borough and sub-regional economic benefits</li> </ul>                           |

**OUTSTANDING REFERENCES**

|   |  |
|---|--|
| <u>Report of the:</u>                           | Democratic Services Manager                          |
| <u>Contact:</u>                                 | Fiona Cotter   |
| <u>Urgent Decision?(yes/no)</u>                 | No   |
| <u>If yes, reason urgent decision required:</u> | N/A  |
| <u>Annexes/Appendices (attached):</u>           | List of Outstanding References as at date of meeting |
| <u>Other available papers (not attached):</u>   | None   |

**REPORT SUMMARY**

**This report lists the references to officers outstanding as at 29 September 2015.**

**RECOMMENDATION (S)**

**That the outstanding items be noted.**

*Notes*

**WARD(S) AFFECTED: N/A**

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**STRATEGY AND RESOURCES COMMITTEE  
29 SEPTEMBER 2015**

| <b>Date of reference/Item</b>  | <b>Title and nature of report back</b>   | <b>Officers</b>  | <b>Original Timescale</b> | <b>Position as at last meeting</b>   | <b>Latest Position</b>               |
|--|--|--|---------------------------|--|--------------------------------------|
| <b>Council<br/>21/02/12</b><br><b>Council<br/>17/07/12</b><br><b>25/09/12</b> Min 35<br><b>19/03/13</b> Min 90<br><b>30/01/14</b> Min 76<br><b>23/09/14</b> Min 47 | Horton Chapel  | Chief Executive  | As appropriate            | Previous commitment given to keeping members informed of progress via Members Briefing. Committee received a requested update at its meeting in September 2014.  | Report to next meeting.              |
| <b>24/06/14</b> Min 16<br><b>23/09/14</b> Min 39   | Customer Relationship Management software: implementation of new system  | Head of Customer Services and Business Support/Head of ICT | September 2014            | The Committee received an update on the implementation of the system. It was intended that system would be fully “live” by the end of October. Commitment given to present further progress report in the New Year.  | See report elsewhere on this Agenda. |
| <b>23/09/14</b> Min 40   | Housing Benefit Staffing Resources – review of staff & financial resource agreed for 2013/14 to assist in transition to Universal Credit as part of the of budget process. | Head of Revenues and Benefits                              | Future Meeting            | It was agreed to use £132,000 of the Corporate Projects reserve over the next three years to finance the additional resources required in the benefits team and noted that a further report would be provided to the Committee when more information was available on the Universal Credit roll out and the effects on benefit staff resources were known. | No change                            |

**STRATEGY AND RESOURCES COMMITTEE  
29 SEPTEMBER 2015**

Annual reports

The Committee will receive the following reports annually:

| <b>Date of Reference/item</b>                              | <b>Title and nature of annual report</b>   | <b>Responsible Officer</b>   | <b>Next report to be received</b>       |
|--|--|------------------------------|---|
| <b>23/09/14</b> Min 34<br><b>(exempt from publication)</b> | Insurance claims – Annual Report   | Head of Corporate Risk       | September 2015 (Report to next meeting) |
| <b>30/01/14</b> Min 66                                     | Personalisation and Prevention Fund Funding - progress in relation to allocations to date and in relation to any tranche of money for 2015/16. | Head of Operational Services | March 2016                              |



**EXCLUSION OF PRESS AND PUBLIC**

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

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