

**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE
held on 27 September 2016**

PRESENT -

Councillor Eber Kington (Chairman); Councillor Neil Dallen (Vice-Chairman); Councillors Richard Baker, Rekha Bansil, Kate Chinn, Omer Kokou-Tchri, Martin Olney (For item 107), Keith Partridge, Mike Teasdale, Clive Woodbridge and Tella Wormington

In Attendance: Elizabeth Jackson (Associate Director) (Grant Thornton UK LLP) and Ade O Oyerinde (Audit Manager) (Grant Thornton UK LLP)

Officers present: Frances Rutter (Chief Executive), Simon Young (Head of Legal and Democratic Services), Mark Lumley (Head of ICT), Mark Shephard (Head of Property), James Burree, Michael Smith (Chief Accountant), Brian Thompson (Interim Head of Financial Services) and Fiona Cotter (Democratic Services Manager)

103 QUESTION TIME

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

104 DECLARATIONS OF INTEREST

Disclosable pecuniary interests were declared by Councillor Eber Kington and Councillor Omer Kokou-Tchri respectively in relation to Item 5 on the Agenda (Horton Chapel). Councillors Kington and Kokou-Tchri left the Chamber and took no part in the debate on this item.

In the interests of openness and transparency, Councillor Clive Woodbridge declared that he currently received an allowance from the LGA in respect of his membership of one of its boards (though not a board which was related to the proposals set out in Item 8). This was not considered a disclosable pecuniary interest and Councillor Woodbridge remained in the Chamber and participated in the debate on this item.

105 AUDIT FINDINGS REPORT 2015/16

The Committee were presented with the findings of the External Auditors, Grant Thornton and received the Financial Statements for 2015/16 following the external audit of the accounts.

Mrs. Liz Jackson, Associate Director, and Mr. Ade Oyerinde, Audit Manager, Grant Thornton UK LLP were in attendance.

Mrs. Jackson reported that the auditors anticipated providing an unqualified audit opinion in respect of the financial statements. No issues had been identified against the significant risks identified in the Audit Plan. Whilst the auditors had a few minor comments on the working papers, these were of good quality and Officers were supportive and provided additional information as required throughout the audit. Two adjustments were required to the draft accounts and four minor misclassifications and disclosure changes were identified. Any adjustments required had been agreed and implemented and did not affect the Council's reported outturn position or cash reserves. No unadjusted misstatements had been identified during the auditors' audit testing. The auditors made one recommendation regarding regular monitoring of the financial position throughout the year in light of the stretched capacity of the finance and leadership team but also planned to issue an unqualified conclusion on Value for Money. It was confirmed that all areas of the audit were now complete.

Interest and concern was expressed over the pension fund liability, particularly its volatility with the discount rate and link to equity bonds. However, it was noted that this was something that the Council had limited control over and it was suggested that a briefing session on the pension fund and triennial review might be useful.

The Committee wished its thanks recorded to Auditors in the undertaking of the audit and to the Finance Team for its hard work which ensured that the Council received such an excellent report.

Accordingly, the Committee:

- (1) Received the Audit Findings for 2015/16;
- (2) Received the Financial Statements for the year ended 31 March 2016;
- (3) Agreed the management action in response to audit recommendations;
- (4) Agreed that the Chairman of Strategy and Resources Committee and the Director of Finance and Resources sign the Letter of Representation on behalf of the Council;
- (5) Delegated any further amendments to the Financial Statement for the year ended 31 March 2016 to the Director of Finance and Resources in consultation with the Chairman of the Strategy and Resources Committee.

106 EXTERNAL AUDIT PROGRESS REPORT AUGUST 2016

The Committee received and noted the External Audit Progress Report.

107 HORTON CHAPEL

Note: Councillors Eber Kington and Omer Kokou-Tchri left the meeting/Chamber and took no part in the debate or decision on this matter.

The Vice Chairman was in the Chair for this item.

The Committee received and considered a report seeking approval of a preferred bidder for the refurbishment of Horton Chapel for community use.

The report highlighted that four proposals had been submitted. Each of these had been evaluated against the criteria which the Committee had considered at its meeting on 21 June 2016. A summary of the proposals and assessment of each bid was attached as an Annexe to the report.

The highest scoring bid was that from Horton Chapel Arts & Heritage Society. The main assumption in scoring this bid was in relation to the availability of funding. It had been assumed that the Society would be successful in obtaining funding from the Heritage Lottery Fund. Acceptance of the bid was proposed conditionally on that funding being secured. If not, then the Council would approach the second highest scoring bid, or failing that, report back to Committee.

On the basis of the information before the Committee, it was unanimously agreed that:

- (1) Horton Chapel Arts and Heritage Society (“the Society”) be selected as the preferred bidder for the refurbishment of Horton Chapel for community use;
- (2) Subject to the Society being successful in its bid for funding to the Heritage Lottery Fund, Officers be authorised, in consultation with the Vice Chairman of the Strategy and Resources Committee, to conclude an agreement with the Society on such terms as thought fit, covering matters related to the above, to include:
 - a) Terms for the release of up to £1.45million in grant funding to support the refurbishment of the Chapel;
 - b) Terms for the transfer of the Chapel to the Society for nil consideration.

108 MINUTES OF PREVIOUS MEETING

Note: Councillors Eber Kington and Omer Kokou-Tchri returned to the meeting/Chamber for the remainder of the meeting.

Councillor Kington resumed the Chair.

The Minutes of the Meeting of the Strategy and Resources Committee held on 5 April 2016 and 21 June 2016 were agreed as a true record and signed by the Chairman.

109 RELEASE OF CAPITAL FUNDS FOR LED LIGHTING

The Committee received a report which sought authorisation to release capital funds for the replacement of existing lighting with LED fittings. The proposals

were intended to improve lighting levels, reduce energy consumption and to ensure business continuity.

The report identified that capital funds were available and accordingly the Committee:

- (1) Approved the use of £19,100 previously approved under spend to save for LED lighting at the Town Hall;
- (2) Released the remaining capital funds of £11,800 for LED lighting to carry out replacement lighting as described at the Town Hall:
 - Spend to Save £15,900 (over 8.65 years without contingency)
 - Business continuity £15,000

110 APPOINTMENT OF EXTERNAL AUDITORS

A report was presented to the Committee which summarised the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of transitional arrangements following the 2017/18 audits. The Council needed to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

The report set out three options for the future appointment of External Auditors and the advantages/disadvantages of each one. These options were:

- To make a stand-alone appointment
- Set up a Joint Auditor Panel/local joint procurement arrangements
- Opt-in to a sector led body

Officers recommended the option of opting-in to a national Sector Led Body. This option provided the maximum opportunity to limit the extent of any increases in costs to the Council by entering into a large scale collective procurement arrangement and would remove the costs of establishing an audit panel.

Accordingly, the Committee agreed:

- (1) the approach of supporting the Local Government Association (LGA) in setting up a national Sector Led Body by indicating the intention to “opt-in”;
- (2) to receive a further report on the preferred option during December/January 2017.

111 BUDGET TARGETS 2017/18

The Committee received and considered a report which updated the financial forecast and recommended financial targets for preparing the draft budget for 2017/18 and financial planning for 2018/19 and 2019/20.

As discussed at the Financial Policy Panel on 13 September 2016, a widely expected phased cut of Revenue Support Grant (RSG) funding was not now proposed by the Government. This left the Council with no Revenue Support Grant from 2017/18 onwards and an overall 66% reduction in funding between 2015/16 and 2019/20, posing an even greater challenge to the Council in delivering year-on-year savings to achieve a balanced budget.

The Government had made an offer of a fixed, four year settlement covering the years 2016/17 – 2019/20 early in 2016. A local authority was not obliged to accept the offer. However, the report highlighted that the risk in not accepting the offer was that any subsequent year's annual settlement might be less favourable than that outlined in the fixed offer – a risk which applied equally to authorities in receipt of Revenue Support Grant and those like Epsom and Ewell which were not scheduled to receive RSG in future years.

The report also highlighted that an advantage of accepting the four year settlement would be the removal of uncertainty in levels of funding from central Government. This had traditionally placed a strain on resources in this authority around December and January to make revisions to the budget in time for the January committee cycle. The certainty in funding would allow for a more predictable budget setting and the ability to get known positions earlier in the process.

To accept the settlement local authorities had to produce an Efficiency Plan to demonstrate a four year budget with transparency on the benefits for the Council and the community. Significant work had gone into the recent Medium Term Financial Strategy (MTFS) and it was proposed that, should the Panel recommend acceptance of the four year settlement, the current cost reduction plan would be renamed the Efficiency Plan and that the MTFS should be renamed the MTFS and Efficiency Plan. The report highlighted that this plan would need regular review in light of changes over the next four years.

The budget strategy involved continuing to deliver efficiency savings and generate extra service income whilst reviewing service levels so that service costs could be reduced as needed to achieve a balanced budget year on year. The strategy also required the prudent use of government grants such as the New Homes Bonus to limit reliance on specific grants for funding council services. Whilst assurances had been received that New Homes Bonus would continue for the next four years, it was widely anticipated that this source of funding would be reduced.

Savings of £556,000 had been identified which left the forecast budget shortfall for 2017/18 at £220K. Over the next four financial years (including 2016/17) the

total deficit was £1.28m. The latest four year revenue budget forecast was appended as Annexe 2 to the report.

It was noted that the majority of authorities with business rate tariff adjustment appeared to be accepting the settlement. The Chairman highlighted the implications for this Council were an unfavourable business rate tariff adjustment in 2019/20 (- £624,000). This was effectively negative Revenue Support Grant and equated to residents paying a 12% increase in Council Tax for no local benefit. However, on balance the Financial Policy Panel had considered that it was prudent to accept the settlement and that, in conjunction with those other authorities affected, had recommended that strong representations should be made to the appropriate individuals and bodies regarding the unreasonable impact of the funding cuts on those authorities which had had RSG withdrawn.

Accordingly, the Committee:

- (1) Accepted the Four Year Settlement for Central Government in conjunction with the following actions:
 - a) That the approved cost reduction plan is renamed the Efficiency Plan and the MTFS is retitled the MTFS and Efficiency Plan
 - b) That the Chief Executive, in consultation with the Chairman and Vice Chairman of the Strategy and Resources Committee be authorised to make such further changes as they consider appropriate to the MTFS and Efficiency Plan, for example, to enable the Council to respond to any emerging guidance or good practice and meet the 14 October deadline;
 - c) That Members and Leadership Team develop the Efficiency Plan during October to January as part of the 2017/18 budget setting process.
- (2) The following overall revenue budget target for 2017/18:
 - a) The preparation of estimates including options to reduce organisational costs by £556,000 to minimise the use of working balances and maintain a minimum working balance of £2.5m in accordance with the medium term financial strategy;
 - b) The generation of at least £200,000 additional revenue from an increase in discretionary fees and charges, based on minimum overall increase in yield of 3% in 2017/18;
 - c) That a provision for 2017/18 pay award is made of £180,000 which represents a 1% pay increase and 0.6% progression;
- (3) That further efficiencies be identified to address the budget shortfalls of £220,000 in 2017/18, £374,000 in 2018/19 and £688,000 in 2019/20;

- (4) That Capital Member Group seek to limit schemes included within the capital expenditure programme that enable retention of agreed minimum level of capital reserves

112 ICT DATACENTRE AND INFRASTRUCTURE

The Committee received and considered a report which detailed a number of options regarding future ICT infrastructure.

The ICT datacentres, servers and storage at both Epsom and Ewell and Elmbridge Borough Councils were in need of investment to ensure continued provision of services.

Having noted the advantages and disadvantages of the options before it, in particular that a fully cloud based approach did not yet offer sufficient stability and performance but that the preferred option did not preclude further cloud based activities, the Committee agreed:

- (1) Option 3C for the Joint Data Centre with Elmbridge Borough Council hosted at a third party datacentre;
- (2) To fund the project from existing capital budgets of £63,000 and the use of £139,600 additional capital funds as detailed in Table 3 contained in Annexe 1 to the report (considered exempt from publication);
- (3) The annual revenue saving of £17,800 should be transferred into an earmarked reserve for future IT renewals and replacements as detailed in Table 3 contained in Annexe 1 to the report (considered exempt from publication).

113 EXCLUSION OF PRESS AND PUBLIC

The Committee resolved 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 paragraphs 1, 2, and 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

114 MINUTES OF PREVIOUS MEETINGS - ACQUISITION OF LAND AND PROPERTY; PAYROLL SOLUTIONS; THE EBBISHAM CENTRE AND LAND AT ASHLEY AVENUE

The Minutes of the Meetings of the Strategy and Resources Committee held on 5 April 2016 and 21 June 2016, considered exempt from publication, were agreed as a true record and signed by the Chairman.

115 ICT DATACENTRE AND INFRASTRUCTURE - PROJECTED COSTS AND BUDGET

Annexe 1 to Item 10 (ICT Datacentre and Infrastructure) had not been published on the grounds that it related to the financial or business affairs of the Council and a third party and the public interest in maintaining the exemption currently outweighed the public interest in disclosing the information.

The meeting began at 7.55 pm and ended at 9.12 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)