

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

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)