



Auditor's Annual Report on Epsom & Ewell District Council

2021-22

April 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements 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.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021-22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria

2020/21 Auditor Judgment



Financial sustainability	No significant weaknesses in arrangements identified, but two improvement recommendations made.
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Governance

Financial sustainability	The Council continues to operate in a financially and operationally challenging environment. Financial planning both in the short and medium term is on a sound footing with a prudent assumptions being built into both. These challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Council has demonstrated to date will need to continue.
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Our work has not identified any significant weaknesses in arrangements to secure financial stability however we have suggested an improvement recommendation regarding the Medium-Term Financial Strategy and saving plans.

Improving economy, efficiency and effectiveness	The Council has appropriate leadership and management structures in place and its risk and control systems are appropriate. Our work has not identified any significant weaknesses in arrangements.
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Improving economy, efficiency and effectiveness	The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.
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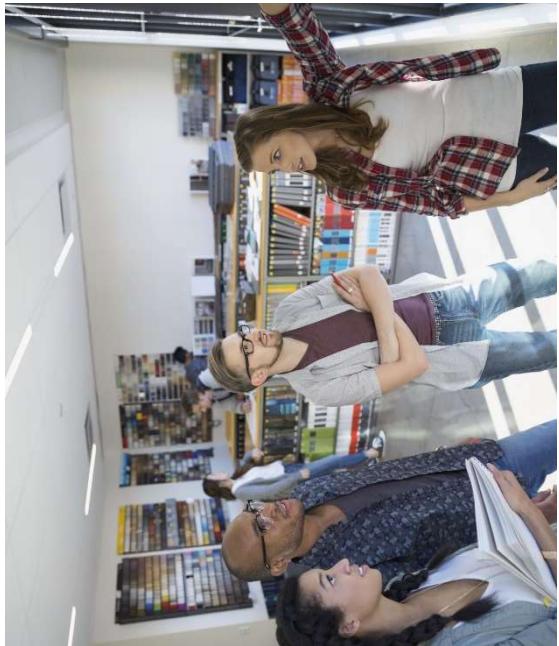
Our work has not identified any significant weaknesses in arrangements.

Improving economy, efficiency and effectiveness	The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.
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Our work has not identified any significant weaknesses in arrangements.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note [AGN] 03, requires us to assess arrangements under three areas:



 **Improving economy, efficiency and effectiveness**

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

 **Governance**

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

 **Financial sustainability**

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

 Our commentary on the Council's arrangements in each of these three areas, is set out overleaf.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 3 March 2023. The delay in sign off related to delays in the receipt of information relating to the pension liability from the County auditors rather than any issues at the Council.

Preparation of the accounts

The Council provided draft accounts in advance of the national deadline and provided a good set of working papers to support it.

Grant Thornton provides an independent opinion on whether the accounts are:

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Scrutiny Committee in November 2022.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.



Use of auditor's powers

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they: [i] present a true and fair view of the Council's financial position, and [ii] have been prepared in accordance with the CIPFA/LASAAC Code of practice on local Council accounting in the United Kingdom 2021-22

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Council or an officer of the Council:

- is about to make or has made a decision which involves or would involve the Council incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an Council, or of a failure by an Council to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have completed our audit of your financial statements and issued an unqualified audit opinion on 3 March 2023. Our findings are set out in further detail on page 6.

We did not issue any statutory recommendations

We did not issue a public interest report

We did not apply to the court

We did not issue an advisory notice

We did not apply for judicial review

Financial sustainability



Financial Planning and Managing Pressures

2021/22 and 2022/23 have presented significant challenges to Council finance teams in terms of financial planning. During 2021/22 the Council continued to experience the financial impact of Covid-19, with the loss of income and pressure on services. Whilst the impact of Covid-19 reduced in 2022/23 the Council faced new pressures arising from inflation that wouldn't have been factored into budgets or financial planning.

- The Council delivered an overspend of £1.68m on service budgets in 2021/22. After transfers from the General Fund Working balance reserve of £530k and a contribution of £1.15m for Covid related pressures from the government the Council was able to balance its financial position. The main reasons for the deficit were a reduction in car parking income (£1.2m), loss of income from sports and leisure facilities due to Covid (£440k) and reduction in income from commercial property (£430k).
- In regard to 2022/23, third quarter performance forecasts the General Fund will underspend £300k. This has been achieved by an increase in income from licensing and treasury management through partially offset by reduced income from car parks and Planning.
- Assumptions underpinning revenue budgets for 2022/23 and over the medium term, which agreed in February 2022, had to be revised following the significant economic challenges and cost increases affecting the global economy. In particular employment costs for direct employees and those of providers, premises costs (energy inflation), transport costs (fuel inflation) and of the general impact of inflation on the purchase of goods and services, including suppliers passing on additional costs or renegotiating contract prices. Some of the most significant levels of inflation are being experienced in the construction and this impacts on Capital programmes.
- The Council has positioned itself to manage the pressures moving forward by controlling in year expenditure in 2022/23 and identifying approaches to dealing with future funding challenges. Overall, inflation and other factors have also led to significant increases in the Council's projected MTFP funding gaps (cumulative £4.3m funding gap in the period 2024/25 to 2026/27, as reported to Full Council in February 2023).

The Council has recently submitted its 2023/24 budget proposal and revised its MTFPs in the light of the Local government funding settlement in December 2022. We note the Council is proposing a balanced budget with £1.25m savings identified to for 2023/24. The Council has been able to balance its 2023/24 budget mainly through £1.25m savings/additional income and £2.4m drawdown from reserves'

	Summary Forecast			2023/24			2024/25			2025/26			2026/27		
	Budget	Budget	Budget	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
Cost of Service b/f (before interest and planned use of reserves)	10,517	11,394	11,342	11,746											
Pay & Prices Increases	1,260	657	670	683											
Contingency for Service Changes and Pressures	1,280	-184	267	77											
Increases in Fees & Charges	-417	-442	-469	-238											
Star Chamber Savings / Additional Income	-1,246	-83	-65	-27											
Net Cost of Services (excluding interest and planned use of reserves)	11,394	11,342	11,746	12,241											
Interest on Balances	-720	-830	-880	-830											
Contributions to / (from) reserves	-2,383	-266	-150	-100											
Forecast Net Cost of Services	8,290	10,246	10,716	11,311											
Business Rates Forecast	1,653	1,692	1,243	1,288											
Revenue Support/Other Grants	333	333	0	0											
Council Tax Income Forecast	7,361	7,620	7,811	8,007											
Council Tax Surplus / (Deficit)	27	0	0	0											
Business Rates Surplus / (Deficit)	-1,085	0	0	0											
Collection Fund Income	8,290	9,645	9,054	9,275											
Funding Shortfall	0	601	1,662	2,037											

Financial sustainability

Savings plans and reserves

The Council has not historically needed had to resort to delivering significant savings programmes over the past few years although in the last three years efficiencies of £1.24m have been delivered. Any savings required have been managed via service Heads who have played their part in ensuring that any funding shortfalls can be mitigated by financial savings identified ahead of the budget year in question. The shortfall over the MTFS period is £4.6m which is a significant challenge for a Council with a net budget of £8.2m. The savings required for 2023/24 have largely been identified but those required subsequently need to be developed.

The likelihood is that with increased income generation available that the Council will have to draw down on reserves. CIPFA has regularly commented that councils should be particularly wary about using reserves to deal with shortfalls in current funding. The Council is fortunate that it has strong reserve position. The reserve position as per the last audited set of accounts were as follows:

	Balance 31 March 2021 £000	Balance 31 March 2022 £000	
Capital Receipt Reserves	4,050	3,821	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy.
Community Infrastructure Levy	8,419	9,320	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	25,152	23,255	Provisions for future expenditure or against identified liabilities
Working Balance	3,383	2,853	General Fund Working Balance

The Council has consistently kept to its MTFS target of holding a GF working balance of £2.5m per year up to March 2024 and £1m in the corporate projects reserve.

Managing financial risks

The Council manages risk through its Corporate Risk Strategy and the Audit and Scrutiny Committee provides oversight of the process. The Corporate risk register was reviewed in the year of audit (November 2021) with a report taken to the November 2021 committee. This included the main financial risks to the Council at the time. Additionally the performance and risk report is presented quarterly to the committee.

Capital investment

In 2021/22 the Council, similar to other bodies, underspent on its original planned capital budget of £4.3m, eventually delivering a plan of £1.7m in year. Clearly the difficult economic conditions were not helpful.

The 2022/23 capital programme was agreed in February 2022 and given the underspend on 2021/22, in July 2022 budgets totalling £2.56m were carried forward into 2022/23. Quarter 3 capital expenditure monitoring in 2022/23 projected expenditure for the full year of £2.899m which is £1.13m less than the £4.03m budget.

Borrowing Position

The Council does have long term borrowing of £64m which relates to funding of its commercial properties and whilst its pays £1.6m of interest on this per annum the Council also has significant investments that generate approx £2m per annum. The current position is therefore sustainable and the investments have held up despite the uncertainty arising during Covid-19.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. The Council remains financially resilient given its historical position but the challenges in the next few years are significant. Management are clearly aware of the risks to its financial position and reporting and monitoring is detailed and clear. The Council has strong levels of reserves but these will be reduced over the life of the current MTFS. Saving plans up to 2023/24 are largely identified but after that there is a clear funding gap. The Council therefore needs to shortly begin developing clear plans for how it intends to identify new saving plans to ensure reserves are not further depleted.

Improvement recommendations



Financial sustainability- Recommendation 1



Auditor judgement

The Council has a track record of delivering its financial position and has a strong reserve position to fall back on. The MTFs however identifies a shortfall and saving plans are only fully developed up to 2023/24. Existing plans will require the utilisation of reserves to deliver a balanced revenue budget.

Summary Recommendation

The Council needs to set a timeline for how it will develop longer term saving plans that will ensure reserves are not further depleted. Current levels of reserves are well within the advised targets suggested by CIPFA but the reduction over the MTFs reduces the amount of headroom available to the Council.

Management response

Management recognises the need to identify additional income and savings to mitigate the Council's projected budget gap from 2024/25. A report will be prepared for Strategy & Resources Committee in July 2023 to propose a framework and timeline for addressing the budget gap, for members to consider.

The range of recommendations that external auditors can make is explained in Appendix D

Governance



Risk management

A long term vacancy and the disruption of routine review due to Covid-19 meant that Internal Audit provided limited assurance on their review of risk management in 2021/22. However we note there were no high priority recommendations made and that towards the end of the year actions were implemented to improve arrangement e.g. the risk management strategy was updated in March 2022 and regular review of the Risk Register has once again commenced. Risk are now routinely reviewed by the Leadership team, Heads of Services, Boards, the Strategy & Resource Committees, the Audit & Scrutiny Committee, the Policy Committee, chairs & members and Internal Audit.

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Budgetary Control

The Council has appropriate processes in place to ensure there is robust scrutiny over the budget. Quarterly budget monitoring reports are shared with the Audit & Scrutiny Committee where reasons for budget variances are clearly presented, as well as mitigations for increased expenditure to prevent further overspend. For example, in the Q3 budget monitoring report there was a variance of £1.4m Environment and Safe Communities, largely due to difficulty recruiting staff post Covid-19. Suggested mitigations included review of increased expenditure and developing a financial recovery plan among others.

However budget monitoring reports are not shared with Policy Committees. As a minimum, the Strategy and Resources Committee who, as per their terms of reference, have responsibility to “make recommendations to the Council on budget and policy matters” should receive such reports. The Committee does review the budget and see the year end overturn but is not sighted on any in year performance.

Legislative and Regulatory Standards

The Council has clear mechanisms in place to meet necessary standards including cultural, legislative and regulatory. In reference to cultural standards, the Council’s Code of Conduct sets out the behaviours expected of staff members, including openness, transparency, personal ownership and engagement, which are aligned to the public sector Nolan principles. In reference to legislative and regulatory, the Constitution outlines the framework for monitoring compliance with legislation, and the Council has a Monitoring Officer who is responsible for upholding and reporting on the compliance of the Council’s activities.

The Constitution also contains clear policy for staff around gifts and hospitality and guidance on what does and does not need to be disclosed or registered. Staff are responsible for their own declarations and are free to seek guidance from the Monitoring Officer. Councillor declarations are publicly available via the council website.

Governance

Furthermore, the Council have a clear strategy against fraud and corruption. It emphasises training around fraud, new systems for fraud detection and prevention measures, which involves making better use of information and technology, improving fraud controls and processes and prioritising fraud recovery.

In addition, the decision making process in place at the Council allows for stakeholders to be properly informed and allows for challenge and transparency. As per the Constitution, committees are given the space to be properly informed before making decisions through professional advice from qualified consultants and public engagement as needed. The Audit & Scrutiny Committee hold the power to scrutinise any decision made by committees and hold decision-makers into account. Finally, the report template for Committee decisions requires consideration of all stakeholders which allows for informed decision-making.

Internal Audit

The 2021-22 Internal Audit Report & Opinion highlighted six service areas with Limited Assurance. By March 2023, none of those areas still had Limited Assurance. Underlying themes which caused significant weakness in those service areas was a lack of leadership, oversight and reporting. Of those six service areas, only the HR Performance Management and Health & Safety service areas had outstanding actions.

For HR Performance Management, the outstanding action is to conduct a survey of new starters post April 2022 to understand how they are settling in and whether they have clear goals/objectives and a Personal Development Plan set out. For Health & Safety, the outstanding action is to complete an initial visit with each relevant location and / or team. We recommend that the Council prioritise the completion of these actions to ensure improvement of the overall services. Despite these outstanding actions, our view is that the Council have demonstrated their ability to promptly address limitations and weaknesses within their services.

As referenced earlier in this section, the Council has improved its risk management arrangements. In 2021/22, risk management function suffered due to a vacant Business Assurance Manager post for 18 months consequent to the pandemic, causing a lack of risk review and oversight. The Council improved processes quickly through an updated risk management strategy and more robust Risk Register template that now includes target scores and further mitigating actions. Subsequently, it is evident that the Council sharpened their Risk Management Strategy and incorporated audit recommendations.

Overall, the Head of Internal Audit Opinion (HIAO) gave the Council a 'Reasonable' score on their review of governance functions. However, since then, the Council have demonstrated improvements across areas that previously had been scored with Limited Assurance by the HIAO. Therefore, we believe that the Council have demonstrated substantial governance throughout 2021/22.

Conclusion

We found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified two opportunities for improvement, set out on pages 12-13.

Improvement recommendations



Governance – Recommendation 2

Auditor judgement

The Council's current Risk Register template mostly covers the key areas seen within the sector and help support the Council's risk management process. The Council may benefit further from including the source of assurance for mitigation actions for example, is the assurance external or internal, based on recent information or data.

Summary Recommendation

The inclusion of the sources of assurance will allow the Council to produce more accurate risk scores to mitigate individual risks.

Management response

The source of assurance [internal/external] will be disclosed for all corporate risk mitigating actions. To be implemented by 30 Sep 2023 [Q2 reporting period], which follows the annual review of the risk management strategy.



The range of recommendations that external auditors can make is explained in Appendix D

Improvement recommendations



Governance - Recommendation 3



Auditor judgement

Budget monitoring reporting is not shared with all Policy Committees. This may be appropriate for most of these Committees but Strategy & Resources Committee as per its terms of reference, has responsibility to “make recommendations to the Council on budget and policy matters” should receive such reports. The Committee does review the budget and see the year end outcome but is not sighted on any in year performance.

Summary Recommendation

Share quarterly budget monitoring reports with the Strategy & Resources Committee would support that committee in discharging its responsibilities around finances.

Management response

Management agrees that members should be aware of budget monitoring reports, which are already taken to Audit & Scrutiny Committee. To avoid duplication and the potential scenario of two different committees reaching conflicting decisions on the same report, it is proposed that budget monitoring reports will continue to be taken to Audit and Scrutiny formally, but also shared via Members News to ensure all committee members including Strategy & Resources are kept informed.

The range of recommendations that external auditors can make is explained in Appendix D

Improving economy, efficiency and effectiveness



Financial & Performance Information

The Council agreed a Four Year Plan for the period 2020 to 2024 in February 2020. The six themes are:

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

maintaining service performance. This took place as part of the Strategic Financial Planning round in July 2022 and will be reprise in July 2023 post local elections.

Partnership Working

The council works with a number of key partners. The most significant ones are:

- Epsom & Ewell Property Investment Company Ltd (EEPIC), the Council's wholly owned subsidiary, holds two commercial properties outside the Borough. The properties were acquired in 2017 to generate additional income for the Council, before the introduction of new statutory guidance in 2018, which restricted the ability to acquire further properties outside the Borough using borrowing
- Greenwich Leisure Ltd (GLL) the council's leisure services provider

The Council also works closely with a number of partners: Epsom Walton Downs Conservators, Nonsuch Park Joint Management Committee, Community Safety Partnership, Joint Action Groups, Surrey County Council, Other district councils, NHS, Surrey Police, Voluntary Sector.

Procurement, Commissioning and Contract Management

The Council has a procurement strategy (updated in March 2022) and operates a very small procurement team (2 staff) and they work as champions of procurement, supporting Heads of service as appropriate. Given the capacity limitations the team have to prioritise the procurements they get involved with in detail and inevitably these tend to be the larger value, more risky procurements. The Contracts Register is currently managed by the Head of Procurement and is updated formally on the website every 6 months for external scrutiny purposes.

The Council also updated its procurement standing orders at the same time it developed its strategy. There is also a clear procurement pipeline so there is clarity about the procurements expected in the next 12-18 months. Current significant contracts to be reviewed/extended are Greenwich Leisure Ltd (GLL) leisure contracts and the HR & Payroll system.

Service evaluation

The budget process involves a rigorous assessment of services and heads of service are involved in that process and asked to review their services annually and determine how they can support the council's financial savings objectives while at the same time

Improving economy, efficiency and effectiveness

There is a process for tender waivers and a waivers template needs to be completed and signed off by Head of Service and sent to Procurement team to log. They need to be under a threshold. Head of Policy and Corporate Resources then signs off. there is a log of who has signed off, notice for awards over 25k. There have been 3 waivers so far in 2023 year, 15 waivers in 2022, 11 in 2021.

Conclusion on Improving Economy, Efficiency and Effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. We have assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses.

Follow-up of Prior year Improvement recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Implemented?	Further action?
1 Replace or refresh the 2020-24 MTFs	Improvement	July 2022	Now updated	Yes	N/a
2 Update Investment Strategy to reflect property investment risks in a hybrid working setting	Improvement	July 2022	The Council's February 2022 Capital Strategy Statement provides a framework for asset planning	Yes	N/a
3 Include target scores and SMART further actions in Risk Register	Improvement	July 2022	The Council have implemented this recommendation	Yes	N/a
4 Include performance trajectory and information on KPI accuracy in performance reporting	Improvement	July 2022	The Council have implemented RAG ratings on key objectives	Yes	N/a
5 Develop SMART objectives and develop a framework for delivery of Performance Management objectives	Improvement	July 2022	Key objectives are SMART. The Corporate Performance Reporting Guide includes a performance flowchart which outlines the process for developing, sharing and updating objectives.	Yes	N/a

Appendices

Appendix A - Assessing Value for Money in the Services

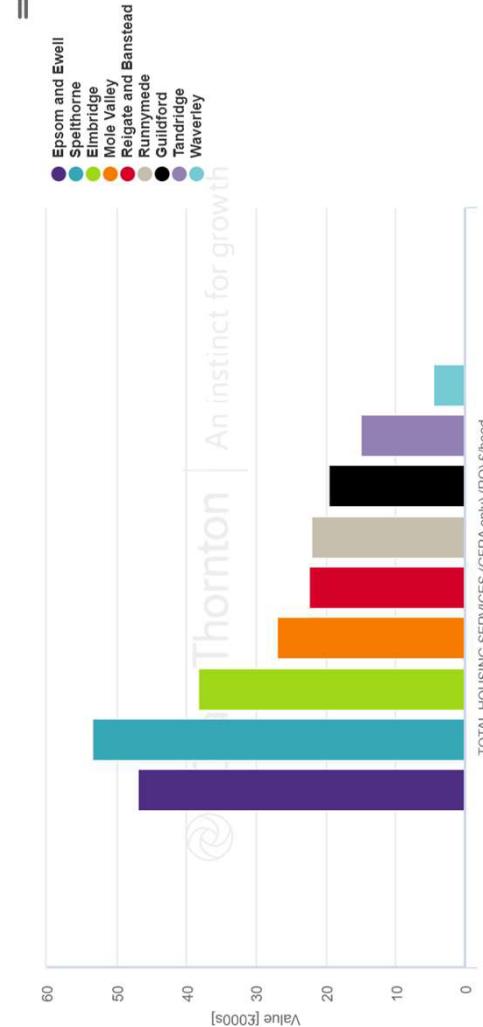
As part of our review we used the Grant Thornton data analytics platform CFO Insights to benchmark Epsom & Ewell Council's net expenditure on services against other local authorities in Surrey. These boroughs include:

- Reigate and Banstead
- Spelthorne
- Elmbridge
- Waverley
- Runnymede
- Tandridge
- Guildford
- Mole Valley

TOTAL CULTURAL & RELATED SERVICES

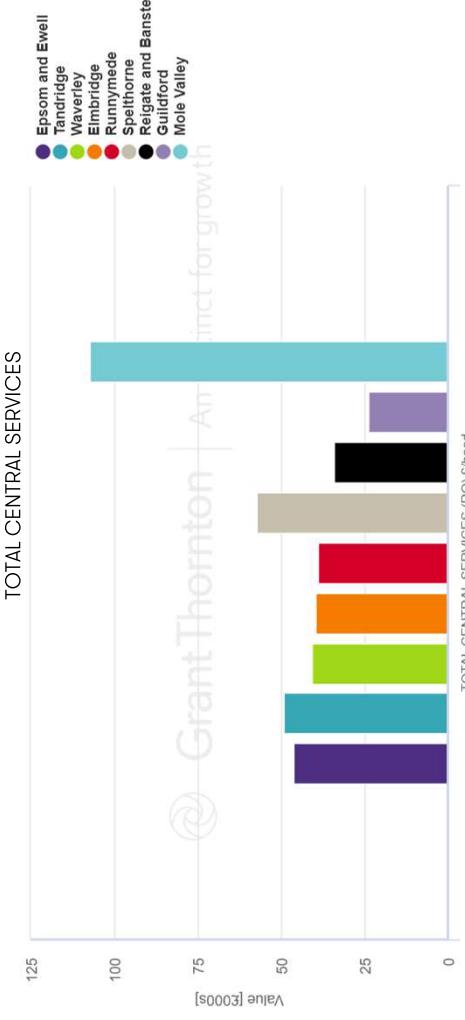
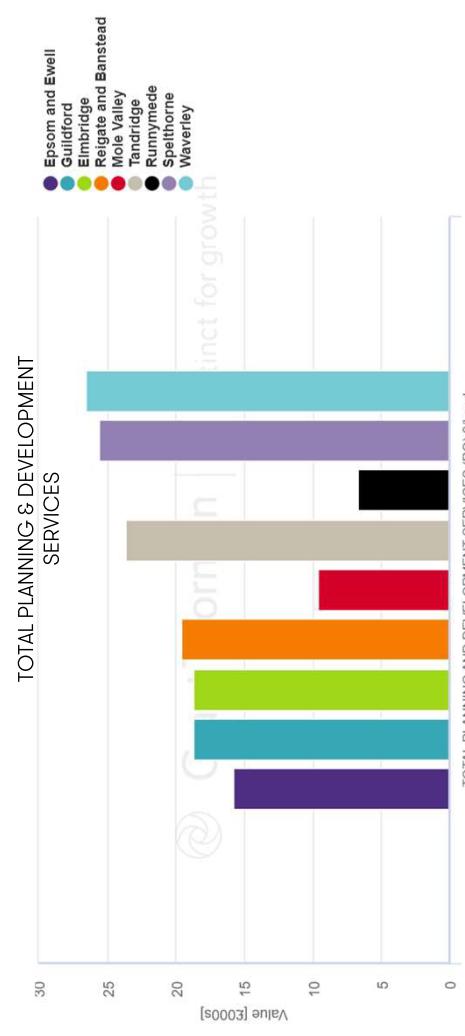
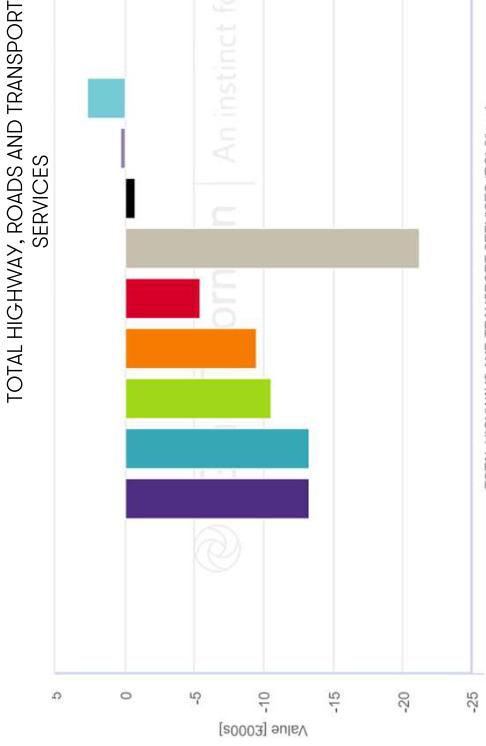
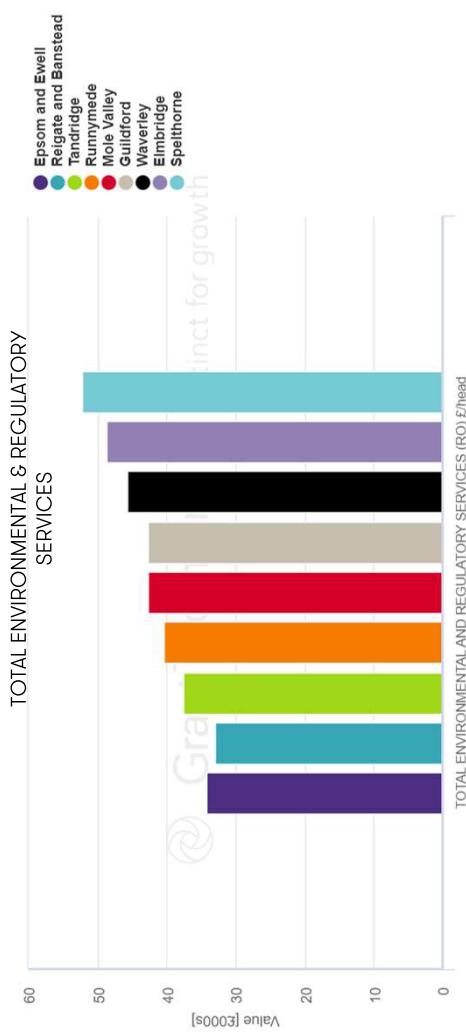


TOTAL HOUSING SERVICES



CFO Insights uses the most recently available public data (2022-23 RO Return). As displayed in the graphs on the right and overleaf, the results show that Epsom and Ewell have a relatively high total spend for Cultural & Related and Housing services compared to other Surrey boroughs, but have a relatively average spend and/or net income across all other services.

Appendix A - Assessing Value for Money in the Services



*Minus figures represent income

Appendix A - Assessing Value for Money in the Services

We also benchmarked Epsom & Ewell Council's net expenditure on services against 'near neighbour' boroughs, which are boroughs with similar characteristics in regard to their demographics. These boroughs include:

- Three Rivers
- Rugby
- East Hertfordshire
- Uttlesford
- Vale of White Horse

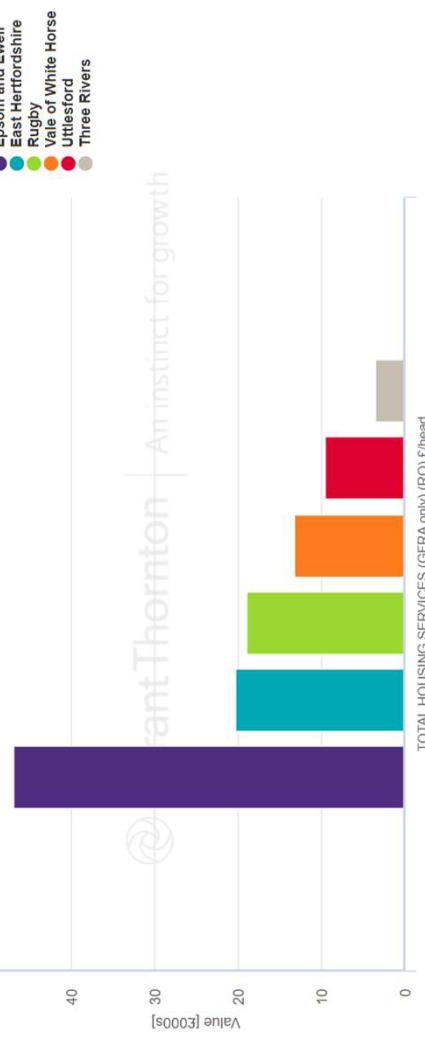
Mirroring comparison to the Surrey boroughs, as displayed in the graphs on the right and overleaf, the results show that Epsom and Ewell have a relatively high total spend across their Cultural & Related and Housing services compared to other near neighbours. Notably, Epsom & Ewell have an overall total net income for their Highways, Roads and Transport services that is significantly higher than near neighbours that have a lower net income or have expenditure.

TOTAL CULTURAL & RELATED SERVICES



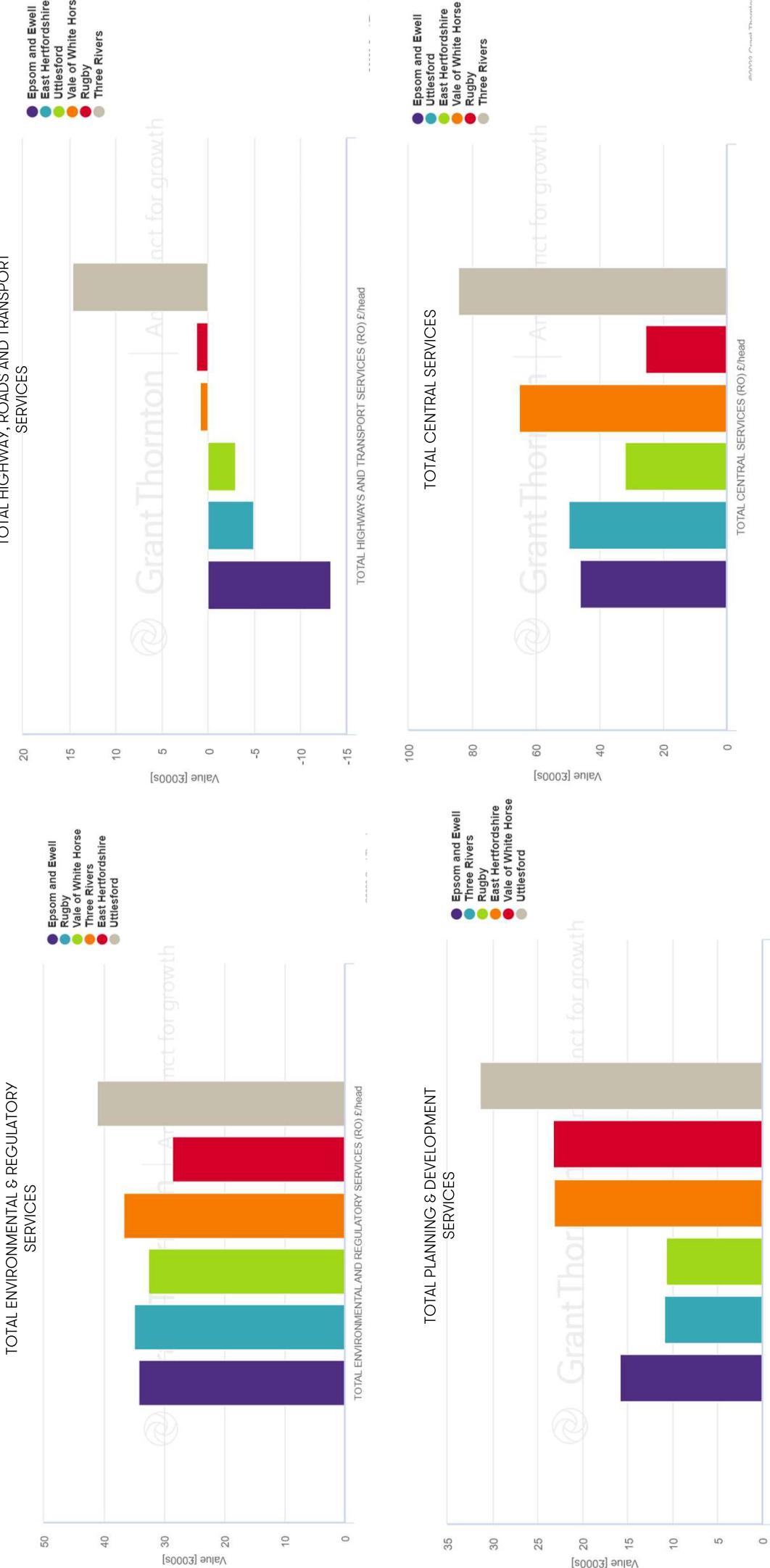
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TOTAL HOUSING SERVICES



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Appendix A - Assessing Value for Money in the Services



Appendix B – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident taxpayers' money is being appropriately used.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local Council accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council 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.



Appendix C – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability - no significant weaknesses identified	N/A	N/A	N/A
Governance - no significant weaknesses identified	N/A	N/A	N/A
Improving economy, efficiency and effectiveness – no significant weaknesses identified	N/A	N/A	N/A

Appendix D – An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 9, 12 and 13

