

# Epsom and Ewell Borough Council

Auditor's Annual Report for the  
year ended 31 March 2024

26 February 2025



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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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# Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Epsom and Ewell Borough Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

## Responsibilities of the appointed auditor

### Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council on 31 March 2024 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 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

### Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

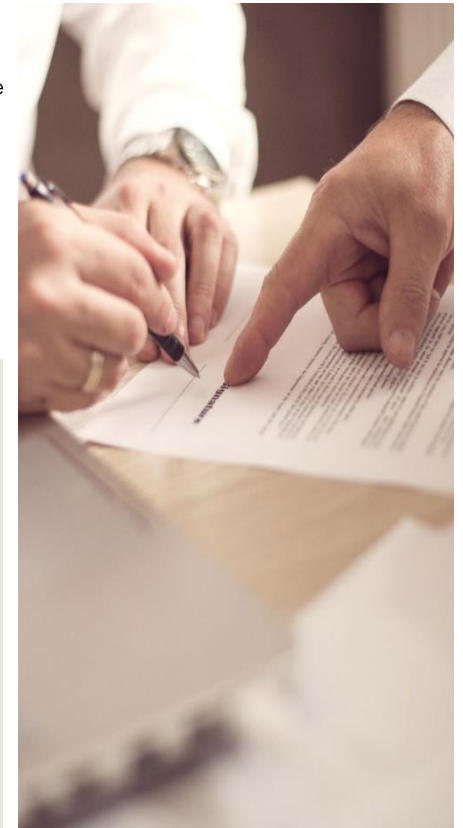
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

### Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 8 with a commentary on whether any of these powers have been used during this audit period.



# Executive summary



# Executive summary

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. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30th November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 21.



## Financial sustainability

The Council incurred a small overspend (£121,000) in 2023/24 and another small overspend of £95,000 has been forecast for 2024/25. However, a wider budget gap (£1.5 million) is forecast for the years 2025/26 and 2026/27. As the Council's General Fund is only some £400,000 above its minimum prudent amount, this could create pressure on the Fund in future. The Council is planning service reviews to close the budget gap but those are not yet granular in detail. There are also issues around reporting on the Capital Programme and sharing sensitivity analysis. We note that the Council did have other revenue reserves of some £12.6 million on 31 March 2024, including £7.2 million in an income equalisation reserve for commercial property investments.

Based on our areas of focus and evidence considered, we have not identified any significant weaknesses in 2023/24 arrangements to ensure the Council manages risk to financial sustainability. However, we raise four improvement recommendations which have been accepted by Management.



## Governance

In March 2024, an LGA Peer Review highlighted significant concerns around the transparency of decision-making, and over reliance on Part 2 meetings. We raise a key recommendation around the need for transparency and the need to be open and accountable.

We also identified five additional improvement recommendations, being not only one around the Council's LGA Peer Review Action Plan, but also four around counter-fraud; subsidiary companies; contract exceptions; and decision making for a new Town Hall.



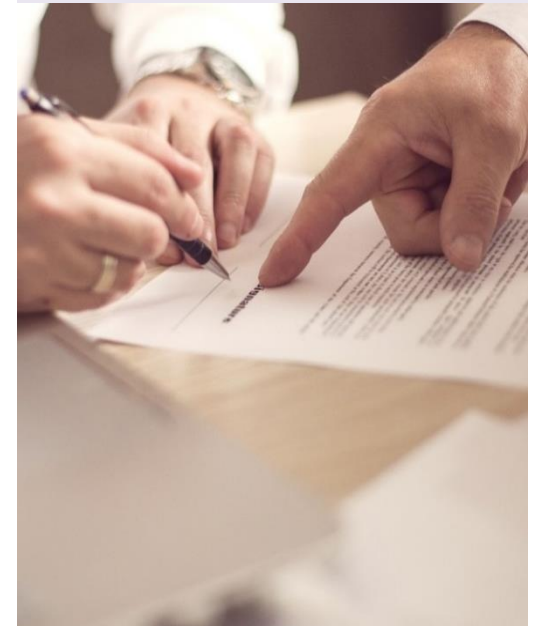
## Improving economy, efficiency and effectiveness

The Council has effective arrangements for monitoring performance, and it has a track record of taking action when areas of weakness are identified. The Council's Action Plan includes work to strengthen arrangements with partners around housing and homelessness and the Council is planning procurement for the new Town Hall project in advance.

Based on our areas of focus and evidence considered, we have not identified any significant weaknesses or improvement recommendations for the Council's 2023/24 arrangements to improve economy, efficiency and effectiveness.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 26 February 2025, following the Audit and Scrutiny Committee meeting on 6 February 2025. Our findings are set out in further detail on page 8.



# Executive summary (continued)



## Overall summary of our Value for Money assessment of the Council's arrangements

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	G	Our work did not identify any areas where we considered that key or improvement recommendations were required for 2022/23.	A	No significant weaknesses in arrangements identified in 2023/24, but four improvement recommendations have been made to support the Council in improving arrangements for financial sustainability in future years.	↓
Governance	A	No significant weakness in arrangements but three improvement recommendations made for 2022/23.	A	One key recommendation and five improvement recommendations have been made to support the Council in improving arrangements for Governance in future years.	↓
Improving economy, efficiency and effectiveness	A	No significant weakness in arrangements identified but one improvement recommendation made for 2022/23.	G	Our work did not identify any areas where we considered that key or improvement recommendations were required for 2023/24.	↑

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

# **Opinion on the financial statements and use of auditor's powers**





# Opinion on the financial statements



## Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 26 February 2025.

The full opinion is included in the Council's Annual Report for 2023/24, which can be obtained from the Council's website.

## Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers. We did experience some delays in obtaining elements of the requested audit evidence. These delays have been attributed to capacity challenges within the Council. We recommend that management internally align its responsibilities to ensure that audit requests are provided in a timely manner, thus mitigating any potential delays.

- As mentioned earlier, our Audit Opinion was issued on 26 February 2025, which was ahead of the backstop deadline of 28 February 2025.

Full details of the work performed and the findings from our work can be seen within our Audit Findings Report, which is covered via the paragraph below.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit and Scrutiny Committee on 6 February 2025. Requests for this Audit Findings Report should be directed to the Council.



# Use of auditor's powers

We bring the following matters to your attention:

2023/24

## 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.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## 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.

We did not issue a public interest report.

## 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.

We did not make an application to the Court.

## 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 authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority 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.

We did not issue any advisory notices.

## 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 authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

# **Value for Money Commentary on arrangements**



# The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



## National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report. We note that the Autumn Budget in October 2024 included measures that are expected to provide a 3.2% real-terms increase in total local government core spending power in 2025/26.



## Local context

Epsom and Ewell is a small borough that covers an area of approximately 3,400 hectares, situated in the North-East of Surrey and bordering London. It is home to approximately 80,000 people, making it the most densely populated borough in Surrey. The borough has excellent transport connections to the City of London and to the M25 motorway; and is close to two major airports. Residents are generally affluent, and the borough hosts the Derby, one of the most famous horse races in the world.

However, there remain pockets of deprivation across the borough. For example, Court Ward is the fourth most deprived ward in Surrey. The Council has estimated that just over 1,200 children are living in poverty in the borough. Furthermore, rates of homelessness are an on-going concern.

As a non-metropolitan district Council, the Council is a tier two English local authority and sits under Surrey County Council alongside ten other district and borough councils. The Council is elected every four years via a first past the post voting system. The most recent election was in May 2023. The Full Council contains 35 seats, and its structure is unique in that most of the members are from the local party Residents Association (26). The remaining members are Liberal Democrats (4), Labour (3) and Conservative (2). The Residents Association have held majority control of Epsom and Ewell Borough Council since its inception.

In December 2023, the Council approved a planned relocation of the Town Hall (civic offices and chamber). At the time of writing this report, the expected capital cost was £7 million, and the Council was still assessing whether to fund this from the sale of the existing site (and if so, on what terms) or from loan financing supported by the commercial redevelopment of the existing site.

# Financial sustainability



## We considered how the audited body:

## Commentary on arrangements

## Assessment

<p>ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;</p>	<p>The Council incurred a small overspend of £121,000 in 2023/24. It originally set a balanced budget for 2024/25 but is now forecasting another small overspend of £95,000. The balance on the General Fund Reserve on 31 March 2024 has been recorded by the Council as £2.9 million - only slightly higher than the Council's minimum prudent amount of £2.5 million. However, the Council records that it also held other revenue reserves of some £12.6 million on 31 March 2024, including £7.2 million in an income equalisation reserve for commercial property investments. Overall, total useable reserves stood at £39.067 million on 31 March 2024.</p> <p>There were budget pressures in 2023/24 in areas such as homelessness and car park income, but management have a good understanding of the budget pressure drivers and, for example for homelessness and rough sleeping, and have put strategies in place for developing mitigations.</p> <p>The Council's medium term financial strategy has identified a funding gap of £1.5 million between 2025/26 and 2027/28, which could put pressure on the general fund reserve if left unmitigated. We note that a programme of planned service reviews has been undertaken to explore options for mitigation.</p>	<p><b>A</b></p>
<p>plans to bridge its funding gaps and identifies achievable savings</p>	<p>The Council set an ambitious savings target of £1.2 million for 2023/24, but only delivered some £577,000 (46%) of that amount. Factors driving under-delivery included the cost-of-living crisis forcing up homelessness costs; and reduced tenancies in one of the Council's shopping centres. However, the Council has set a lower savings target for 2024/25 (£356,000). Furthermore, the Council has started a programme of service reviews intended to save an additional £720,000 between 2024/25 and 2028/29. The reviews are at an early stage and robust detail still needs to be added. For example, planned work in the Environment area is described simply as an intention to "review whether savings could be achieved" and planned work in the waste area is described as work "to identify whether savings could be delivered".</p>	<p><b>A</b></p>
<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>There are clear links between the Council's financial planning and its corporate objectives. The budget report shows the Council understands the cost of delivering services and acts where pressures on service costs are identified.</p> <p>This is particularly evident in relation to the pressures on cost in homelessness. The causes of homelessness in the Epsom and Ewell area are complex. The service failed to reach its savings target in 2023/24 due to demand pressures and the cost-of-living crisis. In answer to these pressures, the Council has a homelessness and rough sleeping action plan. The action plan includes actions around improved early intervention; increasing accommodation options; and better working with partners. The homelessness budget has also been increased in response to these pressures for 2024/25, which shows an awareness of the pressure.</p>	<p><b>G</b></p>

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

# Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Council's financial plan is consistent with other plans such as capital, IT, climate change, investment, and other operational planning, including working with other partners and stakeholders. Workforce issues are addressed through an objective in the corporate plan. The Council has set five organisational behaviours to direct the workforce: Enterprising; Empowering; Engaging; Enabling; and Enjoyment.

We note that a decision was taken in December 2023 to relocate the Town Hall. The capital cost of the relocation is expected to be around £7 million. We note that the expected capital cost has not yet been reflected in the capital programme, although it is being reported on separately to members. Once funding decisions are finalised and the relocation project begins, it should be included within the main capital programme reporting, to help with oversight and transparency of the whole capital programme. We note that a project team has been set up to manage the move chaired by the Deputy Chief Executive Officer with a budget with external advisor support. A critical decision for the Council will be what to do with the existing site and the level of capital receipt.

A

identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council takes a prudent approach towards managing financial risk. The Council has a higher-than-average debt to income ratio for the south-east of England but maintains an under borrowed position against its capital financing requirement overall. The Council receives income from commercial investment properties and maintains an income equalisation reserve to safeguard against fluctuations in that income. However, when preparing a medium-term financial plan, we note that the Council does not currently share sensitivity analysis with members. With appropriate training for members to outline the benefits of planning for different scenarios, this is something that the Council may wish to consider doing in future.

A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

# Financial sustainability (continued)



## Areas for improvement

The Council reported a small overspend in 2023/24 (£121,000) and is expecting to incur another small overspend in 2024/25 (£77,000). A wider budget gap of £1.5 million is expected for the years 2025/26 to 2027/28. The Council has planned a programme of service reviews to help close future budget gaps. The planned programme of service reviews was shared with the Strategy and Resources Committee in July 2024, but it is not currently supported by granular details; named timescales; or detailed monitoring arrangements.

The Council is planning a high value relocation of the Town Hall and expects to incur a capital cost of some £7 million. Although the expected capital cost is being reported on separately to members, it is not currently included in the Capital Programme. This reduces the completeness of Capital Programme reporting to members.

Another area where future reporting to members needs to be considered surrounds the use of sensitivity analysis, including for income from commercial properties. Budget and medium-term financial data shared with members at present does not consider ranges of possible scenarios. This makes the understanding of risk harder. If training in sensitivity analysis were offered to members, sharing different scenarios and/ or sensitivities is something the Council could consider in future. Given that the current balance on the General Fund is only some £400,000 higher than its minimum prudent amount and future budget gaps are forecast, sensitivity analysis is something that members may find useful.

**Improvement recommendation 1:** The Council should deliver mitigations for the £1.5 million funding gap forecasted between 2025/26 and 2027/28.

**Improvement recommendation 2:** The Council needs to deliver robust detail to support its planned programme of service reviews between 2024/25 and 2028/29. Aspirations to review whole service lines to determine whether savings are possible need to be focused in on specific areas where granular detail can be delivered. As granular savings plans are delivered, monitoring arrangements will also need to be introduced.

**Improvement recommendation 3:** Once decisions around funding the new Town Hall project are finalised, the capital costs of the project should be included within the main capital programme.

**Improvement recommendation 4:** The Council should consider the use of scenario planning and sensitivity analysis in budget planning to provide greater transparency around financial risk. If necessary, training could be provided to members to help understand the benefits of walking through different scenarios.

# Governance



## We considered how the Audited Body:

## Commentary on arrangements

## Assessment

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

Our audit included a review of decisions around the Town Hall site. Members took a significant decision in December 2023 to relocate the Town Hall. Members were provided with appropriate professional advice to support this decision. There have been a series of member workshops since that date to review options for either selling the existing Town hall site (to generate the required capital funds) or developing the existing site for alternative use which would generate an income stream that could cover the costs of any loan financing taken out to pay for the relocation. The relocation is expected to involve a capital cost of around £7 million and members are expected to decide on how best to fund the relocation in the second half of 2024.

As members now assess options for generating the capital receipts that will fund the relocation, it will be important that they continue to be mindful of up-to-date professional advice. Once the project goes live, it will also be important that members are sited on progress with the project, project risks, and capital programme implications. We raise an Improvement Recommendation to this effect.

In March 2024, the LGA Peer Review listed decision-making in general as an area that needs to improve. The Review referred to “universal frustration and confusion around the lack of transparency through the decision-making process” and stated that “Some members described a ‘culture of secrecy’ due to the overuse of pink papers and ‘too many decisions being made under Part 2 as a media management strategy’.

The LGA Peer Review concluded that there is “an immediate need to make it clear and transparent how decisions are made in a committee system at the council and ensure this is communicated to all staff and members to avoid further frustration and confusion”. From our own testing, we identified an update to the constitution and scheme of delegation that was not fully discussed in public meetings and not fully transparent. We raise a Key Recommendation around the need for greater openness.

R

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.



# Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has a risk management strategy, and the corporate risk register is reported to members on a regular basis. An internal audit review of risk management arrangements in 2023/24 provided reasonable assurance. We note that work is ongoing to introduce a new automated system for monitoring risk and performance and to refine risk appetite. The Council has an effective internal audit function in place (although page 30 of this report does show that some prior year recommendations that we raised in connection with internal audit are still open). Counter fraud services are provided by another Council, although this year we note one improvement recommendation around sharing a counter fraud workplan and updates with members.

The Council owns a subsidiary company which holds two out of borough investment properties on the Council's behalf. Directors of the subsidiary are all Council officers (including the s151 officer until recently) and there is additional oversight provided by a Shareholder Sub Committee (which is a sub-committee of the Council's Strategy and Resources Committee). Given that the subsidiary's activities are limited to the holding of two properties, the governance arrangement appears reasonable. If the activities of the subsidiary ever expand though (for example with the acquisition of more properties), recruiting independent Board members is something the Council should consider.

An external review in March 2024 made a series of recommendations around risk appetite, decision-making and the audit and scrutiny function. The Council adopted an action plan in July 2024 to address these findings. Arrangements for reporting on progress with the action plan now need to be agreed. The action plan names different owners and different timescales for the different strands of work. It will be important now that oversight of the whole plan is consolidated into one place. Actions include possible changes to audit and scrutiny functions, so the Council should consider monitoring and oversight of the plan at Chief Executive Officer and Group Leader level or within another Committee (for example the Strategy and Resources Committee).

The LGA Peer Review highlighted that the Council has been through a period of instability in its senior leadership team, including for finance. There has been some reliance on interim resource and there was discussion around a potential merging of different senior functions. We note that a new, permanent s151 officer is expected to start with the Council in January 2025. It will be important that new or interim staff in positions of leadership are given support as they join, to deliver the requirements of their roles. If finance and other senior leadership roles do merge, it will be important that the supporting structures beneath those roles remain robust. However, we note that the Annual Governance Statement for 2023/24 highlights an intention by the Council to review and update recruitment and retention policies by March 2025. This may help to safeguard future senior leadership stability.

A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

# Governance (continued)



## We considered how the Audited Body:

## Commentary on arrangements

## Assessment

approaches and carries out its annual budget setting process	The Council has a robust budget setting arrangement. Annual budgets are reviewed by Audit and Scrutiny Committee and are approved by Full Council. Quarterly budget reports are reviewed by all budget managers and the Audit and Scrutiny Committee.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	Budget monitoring data for revenue and capital budgets is shared with members in September and February each year. Explanations for variances are included within the budget monitoring reports. There are more regular budget monitoring arrangements outside the Committee system for key budgets such as homelessness.	G
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	The Council's constitution includes codes of conduct and arrangements for declarations of interest, gifts and hospitality. The Council has a Procurement Strategy and, (introduced in 2024), a Procurement Board.  Detailed procurement support is provided by a service shared with other Councils. The Council maintains a contracts register as well as a register of exceptions. This register outlines where contracts have been awarded outside of the tendering rules i.e. using a waiver, or where contracts have been extended beyond their agreed limit. It is shared with the Council's Commercial Board, although we note that it is not currently shared with the Audit and Scrutiny Committee (which is contrary to best practice).	A

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

# Governance (continued)



## Significant weakness(es) identified

In March 2024, the LGA Peer Review listed decision-making in general as an area that needs to improve. The Review referred to “universal frustration and confusion around the lack of transparency through the decision-making process” and stated that “Some members described a ‘culture of secrecy’ due to the overuse of pink papers and ‘too many decisions being made under part 2 as a media management strategy’.

The LGA Peer Review concluded that there is “an immediate need to make it clear and transparent how decisions are made in a committee system at the council and ensure this is communicated to all staff and members to avoid further frustration and confusion”. From our own testing, we identified an update to the constitution and scheme of delegation that was not fully discussed in public meetings and not fully transparent. We raise a Key Recommendation around the need for greater openness.

**Key Recommendation** The Council should develop a clear approach towards transparency. The Council should be mindful of requirements to be open and accountable.



# Governance (continued)



## Areas for improvement

We raise improvement recommendations around the Council's Action Plan; counter-fraud; subsidiary companies; contract exceptions; and decision making for a new Town Hall.

The Council has an action plan, drawn up in response to findings from an LGA Peer Review in March 2024. The LGA Peer Review made a series of recommendations around risk appetite; decision-making; and the audit and scrutiny function. The Action Plan now seeks to address these, as well as other recommendations in the action plan around developing priorities; creating capacity for political and managerial leadership; the long-term financial position; transformation programmes; partnership working; and housing issues. We note that it will be important that the Council develops single consolidated oversight of progress with the action plan and that this oversight resides at an appropriate senior and independent level.

Senior staff turnover has been an issue at the Council in recent years and, at the time of writing this report, we understand that a possible merger of the s151 and director of corporate resources functions is under consideration. It will be important that appropriate support is given to staff in new or interim grades and within any merged functions.

At the time we completed our work, members were preparing to decide (in the Autumn of 2024) on how to fund the Town Hall relocation project, which is expected to cost around £7 million. Members will be expected to choose between selling the existing Town Hall site or developing it for alternative use. Various professional advisors have been engaged and it will be important that members review the recommendations of the professional advisors carefully.

**Improvement recommendation 5:** Arrangements for sharing a Counter Fraud work plan and progress reports with members should be considered.

**Improvement recommendation 6:** If the activities of the Council's subsidiary company ever expand (for example through the acquisition of more properties), recruiting independent Board members is something the Council should consider.

**Improvement recommendation 7:** Arrangements for reporting on progress with the Council's action plan should be agreed. Oversight of the whole plan should be consolidated into one place, at Chief Executive and Group Leaders level, or within the Strategy and Resources Committee.

**Improvement recommendation 8:** As members assess options now for generating funding for the planned relocation of the Town Hall (either from sale of the site or from development of income-generating alternative uses of the site), it will be important that they remain mindful of up-to-date professional advice. Furthermore, once the relocation project goes live, it will be important that members are sited on progress with the project, project risks, and capital programme implications

**Improvement recommendation 9:** Contract exceptions should be reported to Audit and Scrutiny Committee at least annually to increase transparency in procurement arrangements

# Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:

## Commentary on arrangements

## Assessment

<p>uses financial and performance information to assess performance to identify areas for improvement</p>	<p>An extensive suite of performance indicators are reported regularly to the Audit and Scrutiny Committee. The Council's business assurance team also uses LG Inform and Office for Local Government data for comparing their costs of services with other Councils. The Council receives and reviews quarterly Surrey districts benchmarking data. For data integrity, Heads of Service complete annual divisional assurance statements. There are quarterly meetings with service managers and the business assurance team.</p>	<p>G</p>
<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Council regularly reviews its services and is responsive when areas of weakness are identified. Recent examples include around planning and housing and homelessness.</p> <p>In April 2023, the Secretary of State for Levelling Up, Housing and Communities wrote to the Council to express concern in relation to the speed of decision-making for planning applications for non-major developments. This identified a performance of 53.5% between October 2020 and September 2022. By October 2023, the Minister of State for Housing and Planning reviewed actions taken by the Council in response. It was found that performance between April-June 2023 was 95%, which was a positive improvement.</p> <p>In March 2024, the LGA Peer Review reported that the Council has four times the average number of placements in temporary accommodation and that this is putting pressure on reserves. The Council's action plan now states that the Council will:</p> <ul style="list-style-type: none"> <li>- use data to create an early homelessness warning system;</li> <li>- strengthen engagement across planning policy;</li> <li>- build and deliver strong partnerships with housing associations and developers; and</li> <li>- create strategic focus and capacity in the housing team.</li> </ul> <p>We have already noted that monitoring and oversight of the improvement plan will be important. The detailed responses for housing and homelessness show, nevertheless, that the Council understands and is willing to address the issues it needs to focus on.</p>	<p>G</p>

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

# Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:

## Commentary on arrangements

## Assessment

<p>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</p>	<p>The Council works with a range of partners, including for the delivery of strategic goals around environment and net zero; crime reduction; and improving health and wellbeing. Our Auditor's Annual Report for 2022/23 recommended that the Council could develop a partnership governance framework to help bring clarity; to guide partnership work; and to help evaluate success and effectiveness of working arrangements. The Council now has a target to refresh its approach to key stakeholders by October 2024 and to explore options around a place-based register by January 2025.</p> <p>Housing and homelessness are areas where the Council depends on partners. The LGA Peer Review noted issues in the Council's communication with partners and failure by the Council to articulate a clear direction for partners. Although options are being explored by the Council around developing an affordable housing supply of its own, the scale of the homelessness issues in Epsom and Ewell mean that reliance on the Citizens Advice Bureaux, housing associations and voluntary organisations looks set to continue. The Council has recognised this and, as we have seen, the action plan includes an action to build closer relations with housing associations and developers.</p>	<p><b>G</b></p>
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>Procurement expertise is bought in from a shared procurement service covering four other Councils in addition to Epsom and Ewell. Epsom and Ewell also has an in-house Contracts and Procurement Officer in post. The Council is updating its Procurement Strategy and Contract Standing Orders and training and guidance arrangements to reflect forthcoming legal changes. A new Procurement Board was set up in 2024.</p> <p>For the planned Town Hall relocation, we note that a draft project plan is already in place for associated procurements that will be required if the relocation goes ahead. This includes external consultants and a quantity surveyor having been engaged to identify a procurement pipeline and the requirements for any additional external procurement support.</p>	<p><b>G</b></p>

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

**Value for Money  
Recommendations raised in  
2023/24**





# Recommendations raised in 2023/24

Recommendation	Status*	Criteria	Evidence	Impact or possible future impact	Actions agreed by Management
KR The Council should develop a clear approach towards transparency. The Council should be mindful of requirements to be open and accountable.	Key	Governance	LGA Peer Review;  Review of committee papers;  Interviews with the Monitoring Officer and s151 Officer.	Compliance with government and professional standards around transparency.	<b>Management response:</b> SLT believe the Council is transparent in its reporting and through Committees. The issue referred to was one which was subject to advice and was not suitable for public discussion. The rationale for all items that are part 2 items is explained in the public documents and a vote is taken at committee to move into a part 2 meeting.

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Status*	Criteria	Evidence	Impact or possible future impact	Actions agreed by Management
IR1 The Council should develop mitigations for the £1.5 million funding gap forecasted between 2025/26 and 2027/28.	Improvement	Financial sustainability	Medium Term Financial Plan	Need to move financing onto a sustainable footing.	<p><b>Actions:</b> The council through the Medium-Term Financial Plans, budgets and committee reporting is developing savings and service review proposals to balance the funding gap between 2025/26 and 2027/28 and the Council is required to produce a balanced budget each year.</p> <p><b>Responsible Officer:</b> CFO (s151)</p> <p><b>Executive Lead:</b> CFO (s151)</p> <p><b>Due Date:</b> 31 March 2026 and each year end.</p>
IR2 The Council needs to develop robust detail to support its planned programme of service reviews between 2024/25 and 2028/29. Aspirations to review whole service lines to determine whether savings are possible need to be focused in on specific areas where granular plans can be developed. As granular plans are developed, monitoring arrangements will also need to be introduced.	Improvement	Financial sustainability	Service Review Programmes Appendix shared with the Strategy and Resources Committee in July 2024	Robust savings plans	<p><b>Actions:</b> The council through the Medium-Term Financial Plans, budgets and committee reporting is developing savings and service review proposals to balance the funding gap between 2025/26 and 2027/28 and the Council is required to produce a balanced budget each year.</p> <p><b>Responsible Officer:</b> CFO (s151)</p> <p><b>Executive Lead:</b> CFO (s151)</p> <p><b>Due Date:</b> 31 March 2026 and each year end.</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Status*	Criteria	Evidence	Impact or possible future impact	Actions agreed by Management
IR3 Once decisions around funding the new Town Hall project are finalised, the capital costs of the project should be included within the main capital programme.	Improvement	Financial sustainability	The Capital Programme; Miscellaneous meeting papers and minutes; The Town Hall project plan.	Improved transparency around the Capital Programme.	<b>Actions:</b> The Council has set aside approved budgets for the Town Hall move and refurbishment. Project management is under the Deputy CEO, with detailed budgets, programme and advisors including Jones Lang Lassalle and Moveworks on options, costs and project management. The Town Hall project is not in the main capital programme but reported separately due to its scale and scope. <b>Responsible Officer:</b> CFO (s151) <b>Executive Lead:</b> CEO/CFO (s151) <b>Due Date:</b> 2025/26
IR4 The Council should consider the use of scenario planning and sensitivity analysis in budget planning to provide greater transparency around financial risk. If necessary, training could be provided to members to help understand the benefits of walking through different scenarios.	Improvement	Financial sustainability	Budget and medium-term financial strategy reports; Interviews with the s151 officer.	Improved information on sensitivity and financial risk for members.	<b>Actions:</b> The Council already provides specific training to members (Treasury, FSAG and budget setting), and options, scenarios and appraisals are presented in Committee reporting. Budget reporting and MTFP set out financial risks. <b>Responsible Officer:</b> CFO (s151) <b>Executive Lead:</b> CFO (s151) <b>Due Date:</b> 2025/26
IR5 Arrangements for sharing a Counter Fraud work plan and progress reports with members should be considered.	Improvement	Governance	Review of Committee papers.	Improved oversight over counter fraud functions.	<b>Actions:</b> A report is taken annually to Audit & Scrutiny Committee on counter fraud activity. <b>Responsible Officer:</b> Business Assurance Manager <b>Executive Lead:</b> Interim Director of Corporate Services. <b>Due Date:</b> 2025/26

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR6  If the activities of the Council's subsidiary company ever expand (for example through the acquisition of more properties), recruiting independent Board members is something the Council should consider.	Improvement	Governance	Companies House records;  Council staff records.	Clearer separation of interests if the subsidiary company ever expands.	<b>Actions:</b> There is no current intention to expand the activity of the Councils subsidiary company if this were to happen consideration would be given to review the current board and the appointment of independent members.  <b>Responsible Officer:</b> Head of Property & Regeneration  <b>Executive Lead:</b> Interim Director of Corporate Services  <b>Due Date:</b> 2025/26
IR7  Arrangements for reporting on progress with the Council's action plan should be agreed. Oversight of the whole plan should be consolidated into one place, at Chief Executive and Group Leaders level, or within the Strategy and Resources Committee.	Improvement	Governance	Corporate Peer Challenge action plan shared with the Strategy and Resources Committee in July 2024.	Joined-up senior level oversight over progress with the action plan.	<b>Actions:</b> Arrangements will be in place for reporting the Councils actions plans updating the appropriate Strategy and Resources Committee.  <b>Responsible Officer:</b> Business Assurance Manager  <b>Executive Lead:</b> Interim Director of Corporate Services  <b>Due Date:</b> 2025/26

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR8 As members assess options for generating funding for the planned relocation of the Town Hall, it will be important that they remain mindful of up-to-date professional advice. Furthermore, once the relocation project goes live, it will be important that members are sited on progress with the project, project risks, and capital programme costs.	Improvement	Governance	Miscellaneous professional advisory reports commissioned by the Council around use or sale of the existing Town Hall site;  Town Hall project plan;  Interview with the s151 officer.	Informed decision-making;  Transparency around project progress.	<b>Actions:</b> Suitable professional advice is being taken from Jones Lang LaSalle and Move Works (project management) and through other QS, Architect advisors as the project progresses. The project team under the Deputy CEO will keep members sighted on progress.  <b>Responsible Officer:</b> Principal Programme Manager  <b>Executive Lead:</b> Deputy CEO  <b>Due Date:</b> 2025/26
IR9 Contract exceptions should be reported to Audit and Scrutiny Committee at least annually to increase transparency in procurement arrangements	Improvement	Governance	Contract exception reports;  Audit and Scrutiny Committee papers.	Improved oversight over contract exceptions.	<b>Actions:</b> Changes to procurement regulations and officers 'tightening up' waiver approvals will significantly reduce them under procurement.  <b>Responsible Officer:</b> Procurement and contracts officer  <b>Executive Lead:</b> Interim Director of Corporate Services  <b>Due Date:</b> 2025/26

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Appendices

# Appendix A: 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.

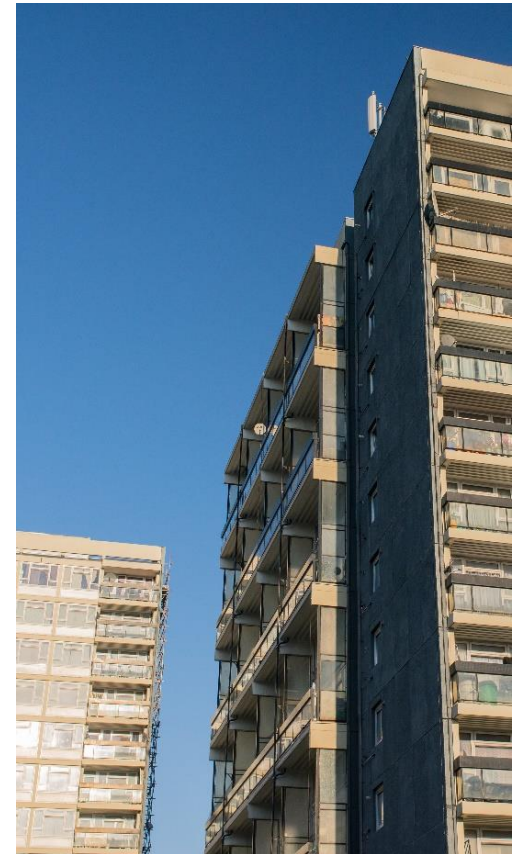
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) is required to prepare 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. 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 B: Value for Money Auditor responsibilities



## Value for Money arrangements work

All councils 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. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

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 National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

### 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).

### 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.

### 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

## Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

## Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

## Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 The Council should ensure that Internal Audits focused on the financial controls are completed ahead of the end of the financial year to help inform the opinion of the Head of Internal Audit.	Improvement	March 2024	At the time we completed our testing, the main accounting review carried over from 2022/23 was still at draft report stage. Although a 2023/24 review of accounts receivable had been completed and achieved reasonable assurance, a 2023/24 review of accounts payable was still at fieldwork stage.	Partially	No new recommendation required, but our existing recommendation remains open.
2 The Council should develop a monitoring framework for management actions identified in Internal Audit reports and prioritise completion of management actions by the agreed due date. A monitoring framework would provide more clarity and accountability to service and function leads to complete all outstanding actions	Improvement	March 2024	The March 2024 Internal Audit progress report showed 23 prior year recommendations outstanding (6 low priority, 13 medium priority and 4 high priority).	No	No new recommendation required, but our existing recommendation remains open.
3 The Council should: a. Consider reviewing the composition of the Audit and Scrutiny Committee to exclude Strategy and Resources members and help maintain members; and b. Consider the merits of appointing independent members to the Audit and Scrutiny Committee.	Improvement	March 2024	Recommendations around the Audit and Scrutiny Committee terms of reference were included in the LGA peer review report in March 2024. An action plan on the LGA peer review was presented to Strategy and Resources Committee in July 2024, with action being completed through 2024 and 2025. This will include a review of Audit and Scrutiny Committee terms of reference.	Yes	No new recommendation required, but our existing recommendation remains open.

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
4 To support the Council's partnership working, the Council could develop a partnership governance framework to help bring clarity, to guide partnership work and to help evaluate success and effectiveness of working arrangements.	Improvement	March 2024	The Council has a target to refresh its approach to key stakeholders by October 2024 and to explore options around a place-based register by January 2025.	No	No new recommendation required, but our existing recommendation remains open.

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

