

# Auditor's Annual Report on Epsom & Ewell Borough Council

2022/23 - FINAL

10 May 2024



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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.



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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 2022/23 is the third 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risk of significant weakness identified.	<b>G</b> Our work did not identify any areas where we considered that key or improvement recommendations were required	<b>A</b> No significant weaknesses in arrangements identified, but two improvement recommendations have been made.	↑
Governance	No risk of significant weakness identified.	<b>A</b> No significant weaknesses in arrangements identified, but three improvement recommendations made	<b>A</b> No significant weaknesses in arrangements identified but two improvement recommendations raised.	↔
Improving economy, efficiency and effectiveness	No risk of significant weakness identified.	<b>A</b> No significant weaknesses in arrangements identified, but one improvement recommendation made to support more effective partnership working arrangements.	<b>G</b> No significant weaknesses in arrangements identified and no improvement recommendations raised.	↓

- 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.

# Executive summary (continued)



## Financial sustainability

The Council continues to operate in a financially and operationally challenging environment. Financial planning both in the short and medium term has prudent assumptions built in but the continual delivery of savings plans will be key. With continued uncertainty on Council funding levels from 2025/26 onwards and the significant risks posed by the government reviews, the latest forecast in the Financial Plan anticipates that identified savings of c£1.4 million in the Efficiency Plan will need to be delivered by 2027/28. The Council should continue to acknowledge the importance of seeking ways other than use of reserves to manage the financial budget gap in the medium term, given the finite nature of reserves. The challenges will continue so the need for the structured and disciplined approach to managing finances and reserves will continue to be crucial. We have not identified any indications of significant weaknesses in arrangements relating to financial sustainability.



## Governance

The Council continues to maintain appropriate governance arrangements and have all required compliance policies in place. Their recent Risk Management Strategy update is prudent and allows for suitable risk planning. We note that the Council implemented last year's recommendation to include sources of assurance in Risk Register templates. The Council suitably use the principles of CIPFA's Delivering Good Governance in Local Government Framework to guide their internal controls. They have a sufficient Internal Audit function provides assurance over the Council's functions. Internal Audit Progress Reports demonstrate that the Council should prioritise completion of management actions; we have raised a recommendation to this effect. Furthermore, we noted that there are two members of the Strategic & Resources Committee who are also members of the Audit & Scrutiny Committee. This does not allow for sufficient independence of the Audit & Scrutiny Committee, so we have raised a recommendation to consider the composition of the Committee and consider the benefits of appointing independent members for the Committee.



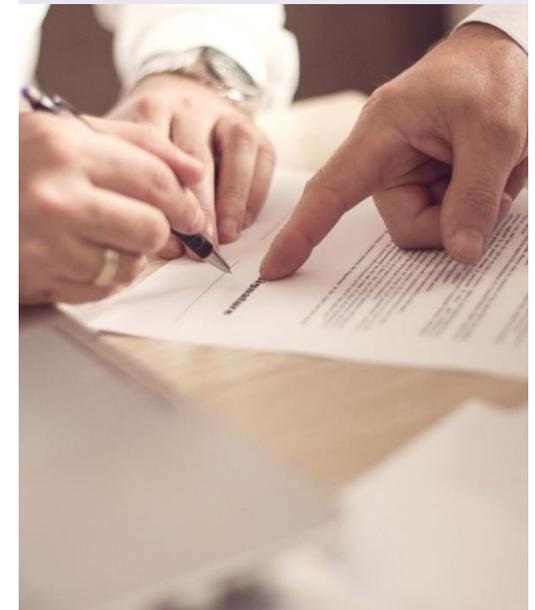
## Improving economy, efficiency and effectiveness

The Council's approach to improving economy, efficiency and effectiveness is aligned to delivering value for money. Their Four Year Plan and more detailed annual planning is centred around delivering value to the wider community, and are used as a basis for performance management and procurement. Partnership working is used as a tool to deliver value to the community, however we have raised a recommendation to develop a partnership governance framework to help guide and track success of partnership working at Epsom & Ewell. See page 25 for more detail. In addition, we noted the Council's underperformance in processing minor planning applications. However, we acknowledge that performance has improved in 2023. See page 25 for more detail. While we have not identified any significant weaknesses in this section, our recommendation should further enhance the Council's ability to deliver value for money.



## Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 10 May 2024, following the Audit & Scrutiny Committee meeting on 28 March 2024. Our findings are set out in further detail on pages 31 to 33.



### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.

# Use of auditor's powers

We bring the following matters to your attention:

2022/23

## 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.

# Securing economy, efficiency and effectiveness in the Council's use of resources

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 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.

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:



## 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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit & Scrutiny Committee
- Considering the work of internal audit
- Reviewing reports from third parties
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 8 to 32.

# The current LG landscape



## National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

# The current LG landscape (continued)



## Local context

Epsom & Ewell is a small borough that covers an area of approximately 34 square kilometres situated in the North-East of Surrey and bordering London. As of 2021, it had an approximate population of just under 81,000. The borough is particularly known for their arts and culture. It hosts the Derby, which is one of the most famous horse races in the world. The Council has invested largely into their arts sector in recognition that it is a hub for culture.

The Epsom Urban District Council was established as a Local Government District in 1894. Later, in 1933, it merged with Ewell, most of Cuddington, and small parts of other parishes to form the Epsom & Ewell Urban District Council. The final reorganisation occurred in 1974, resulting in the current Epsom & Ewell Borough Council. Today, Epsom & Ewell Borough Council is the local authority for the borough of Epsom & Ewell. 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/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 representing four wards; the structure of Full Council is unique in that the majority of members are from the local party, the Residents Association (26), followed by Liberal Democrats (4), Labour (3) and Conservative (2) members. The Residents Association have held majority control of Epsom and Ewell Borough Council since its inception.

As with most other English local authorities, Epsom & Ewell have considered the impact of potential devolution deals. In November 2022, central government proposed a devolution deal with Surrey County Council to allow them more control over transport, adult education and support for businesses. This deal is still under consideration. As Epsom & Ewell Borough Council sits under Surrey County Council, Epsom & Ewell's Strategy & Resources Committee discussed this deal in their November 2022 meeting. They Committee resolved to:

- Note opportunities and threats offered by the Government's Levelling Up agenda in the form of a possible County Deal for Surrey.
- Agree that the working group will continue discussions with Surrey County Council to explore opportunities for the delivery of services and renewal programmes in the Borough that improve the health and well-being of Epsom and Ewell residents, whether as part of a County Deal or not.
- Agree that Officers should continue to explore opportunities for joint working with Surrey Boroughs and Districts and other local authorities to provide efficiencies and improved services for our residents.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## 2022/23 Financial Performance

The 2022/23 budget was set in February 2022, with a total budget requirement of £8,626k. This was supported by a planned £262k drawdown from the Corporate Projects Reserve and £342k of savings to balance the overall position. The Council delivered a £526k underspend for the year, so the £262k was returned to the Corporate Projects Reserve, with the remaining £264k favourable variance transferred to the General Fund working balance reserve.

The most significant movements to the budget in 2022/23 were as follows:

- Place Development (£220k) – under recovery of planning income of £247k, which was partially offset by a favourable variance within the planning policy team as a result of government grant funding.
- Car parking (£194k) – mainly due to £216k underachievement of income at the Ashley Centre, which has been impacted by the temporary loss of its flagship store and a gradual recovery from the pandemic. Hook Road car park has also experienced a slower recovery than anticipated, and the loss of use of the Atkins overspill car park contributed to the adverse variance. These income shortfalls were partially offset by a net favourable variance of £14k at Town Hall and Hope Lodge car parks, as well as additional income of £24k from Ewell car parks following the introduction of charging at Stoneleigh Parade.
- Treasury Management Income (£500k) – the council received additional net treasury management investment income of £498k in 2022/23 to help fund services. This additional income has been achieved following Bank of England base interest rate rises.
- Licensing (£200k) – The favourable variance is mainly due to additional income following the acquisition of several new taxi operators that have chosen to license their drivers and vehicles with the Council.

The Council spent £1,548k on capital expenditure but overall, the core capital programme was £2,477k underspent for the year. For detail, please refer to the Capital section later in this report.

The Council has maintained a prudent level of reserves, totalling £27,787k as at 31 March 2023. The overall balance had increased by £1,679k from the previous year. Details are outlined later in this report under the Reserves section.

## Medium-Term Financial Planning

The Financial Plan sets the framework for how the Council plans to use its financial resources to deliver activity on the Council aims and priorities. There was a Financial Plan in place covering 2020-2024; this has subsequently been refreshed in February 2024. This encompasses the corporate plan, the medium-term financial strategy (MTFS), budget strategy, capital strategy, reserves strategy, treasury management strategy and risk assessment. The plan is reviewed annually as part of the annual budget setting process.

The Financial Plan include the following key assumptions:

- The forecast covers existing services plus makes contingencies for changes to funding of services.
- Council tax is increased annually by 3% for a Band D equivalent property.
- Annual pay increase of 2% per annum from 2025/26 (in line with the Bank of England's target figure for inflation).
- Retained income from business rates increases by 2% per annum until 2027/28.
- Revenue funding towards the financing of a sustainable capital programme is included within the forecast, with £500,000 of the 2023/24 programme being funded from revenue and this increases to £550,000 by 2026/27.
- Identified savings of c.£1.4 million in the Efficiency Plan will need to be delivered by 2027/28, plus a further £0.5m savings still to be identified and delivered.

## Medium-Term Financial Planning (continued)

From a review of the Financial Plan and budget setting papers, we are satisfied that the Council has appropriate financial planning arrangements in place, and there is evidence of robust scrutiny at Council, the Audit and Scrutiny Committee and policy committees.

The Council does not have significant levels of income from commercial activities. 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.

For 2024/25, dividend income from EEPIC is expected to be c.£0.6m (unchanged from 2023/24), as a temporary reduction in rental income from one tenant remains in place until 31 March 2025. This dividend income is supplemented by a £0.7m transfer from the property income equalisation reserve, until the temporary rent reduction expires in March 2025. Should income from EEPIC fall below budget for any reason, the Council holds the property income equalisation (PIE) reserve which can be used to neutralise the impact on the revenue budget in the short term. It is not ideal to use reserves to fill income gaps, but this is not intended to be a long-term situation and there are sufficient levels to support this purpose. The PIE reserve had a balance of £9.8m at March 2023.

The Council itself owns four other properties in the Borough which were acquired through the use of external borrowing – 64-74 East Street, Emerald House on East Street, 2 Roy Richmond Way and Parkside House. While 64-74 East Street remains vacant and has been identified as a Town Hall relocation site, the other three properties are budgeted to generate net rental income (including borrowing costs) of £0.59m in 2024/25, which makes an important contribution to the funding of services.

The Council has arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation. The Financial Plan sets out the range of key assumptions that the Council has made in developing its plans. This includes inflationary assumptions, planned savings and in relation to various sources of income. There is no evidence, at this stage, that the Council's Financial Plan is based on unrealistic assumptions.

A financial risk assessment is completed for each of the policy committee revenue budgets. The main financial risks have been included in a corporate budget risk assessment within the annual budget reports. More detail can be found in the 'Managing Risks to Financial Resilience' section.

From a review of the financial performance reports, we are satisfied that financial risks in the Council are understood and being managed. The Council's annual budget risk assessment includes risks relating to delivering a financially sustainable Council, which demonstrates that the Council is aware of the current fiscal environment and is actively managing its financial sustainability.

## Annual budget setting & budgetary control

The budget is developed each year considering cost pressures and Council priorities and is presented to Council in February each year.

The Council's budget for 2023/24 was developed during the year in conjunction with policy committees and was approved by Members in February 2023. Key assumptions are reflective of those detailed in the MTFP as detailed earlier in this report.

The Council's financial performance is reported quarterly to members of Audit & Scrutiny Committee through the budget monitoring process. At year-end, the outturn position is formally reported to Strategy & Resources Committee and Council via the provisional outturn report, and to Audit & Scrutiny Committee via the Statement of Accounts report in the Autumn.

The budgets and Financial Plan clearly identify priorities and cost pressures. The budget is developed focusing on delivery of key service areas and priorities, and budget plans are centrally collated to avoid conflicting or competing elements. We found no evidence of inconsistencies between the budgetary and the financial position reported in financial statements.

Our work concluded that the budget was based on realistic assumptions, incorporated appropriate drivers for expenditure and was in-line with practices observed across the sector.

# Financial sustainability (continued)

## Managing risks to financial resilience

The Council maintains corporate and operational risk registers. A financial risk assessment is completed annually, as part of the Budget and Council Tax report. The assessment within the latest Financial Plan provides the scale of financial risk and analyses the major funding risks anticipated up to 2028.

The budgets for both 2023/24 and 2024/25 included a financial risk assessment completed for each of the policy committee revenue budgets. The main financial risks were included in a corporate budget risk assessment, appended to the budget reports.

Financial risks were elevated for 2023/24 due to ongoing economic uncertainty, elevated inflation, rising interest rates and recession risk. The highest service financial risks are around income generation in a recessionary environment and potentially increasing demands for housing and homelessness prevention services in a cost-of-living crisis. The risk assessments detail the means of managing the risks identified. In relation to the size of the working balance and the capital reserves, which act as a contingency against such risks, the overall level of revenue budget risk in 2023/24 and 2024/25 remains at medium to high.

The future financial outlook beyond 2024/25 is uncertain regarding the outcome on the Government's 'Fair Funding' Review and the 'Levelling Up' white paper and the possibility of further cuts in core funding for Epsom and Ewell Borough Council in future settlements. The Council anticipates that the 'Fair Funding Review', the mechanism used by central government to determine individual authority settlements, will be used to reduce funding for district councils. Management have planned for this eventuality and there is an efficiency plan in place which sets out how they will deliver high-quality services to its residents and businesses while achieving financial sustainability and resilience. This is updated annually within the budget and Financial Plan papers.

## Managing risks to financial resilience - reserves

Epsom & Ewell maintain revenue reserve funds which support their strategic priorities. The Council has consistently kept to their MTFS target of holding a General Fund Working Balance of £2.5m per year up to March 2028 and £1m in the Corporate Projects Reserve.

The 2022/23 Outturn Report states that the total General Fund Revenue Reserves balance as at 31st March 2023 was £27,787k, a £1,679k increase from the prior year. The Council has maintained a prudent level of reserves given the current economic climate.

As displayed in the table, reserves overall saw a positive movement in balances between March 2022 and March 2023.

General Fund Revenue Reserves	Balance at 31 <sup>st</sup> March 2022 £000s	Balance at 31 <sup>st</sup> March 2023 £000s	Movement £000s
General Fund Working Balance	£2,853	£3,117	£264
Corporate Projects Reserve	£4,130	£4,148	£18
<b>Earmarked strategic reserves</b>			
Ringfenced funds/grants for specific use	£2,284	£3,378	£1,094
Earmarked Reserves	£16,841	£17,143	£302
<b>TOTAL</b>	<b>£26,108</b>	<b>£27,787</b>	<b>£1,679</b>

The CIPFA Financial Resilience Index shows that the Council's level of reserves compared to their net revenue expenditure stood at 393% for 2022/23. This ranked them fourth, when compared to their nearest neighbours, and in the lower risk area of the trend analysis for Financial stress. We do not have any concerns over the Council's level of reserves.

# Financial sustainability (continued)

## Managing risks to financial resilience - Savings and additional income

The Council's 2022/23 budget required £342,000 of new additional income and savings to be delivered during the year. The majority of the budgeted additional income/savings were achieved in 2022/23, as detailed in the following table and paragraphs below:

Budgeted Savings	Achieved	Not Achieved
Bourne Hall	30	
Review of Ewell Court House		10
Tattenham Corner Conveniences	12	
Income from Commercial Property	112	
Review of Waste Collection	100	
Review of Grounds Maintenance	67	
Other Service Efficiencies	11	
<b>Total Budgeted Savings - £342k</b>	<b>332</b>	<b>10</b>

At Bourne Hall, initiatives to develop the café and wider property offering resulted in the targeted saving being achieved.

At Ewell Court House, on the basis that Strategy & Resources committee had approved proposed leases to achieve the targeted saving in March 2022 (catering function to Bovingdons) and July 2022 (Tea Rooms to an external provider), this saving was previously reported as achieved. However, it has since been identified that the Tea Rooms lease has been delayed, meaning this saving has not been achieved in 2022/23. The saving remains deliverable in future years provided the Tea Rooms lease can be successfully completed.

The commercial property income target was achieved through Emerald House (on East Street), which was acquired in March 2020, and generated £326k income for the year.



# Financial sustainability (continued)

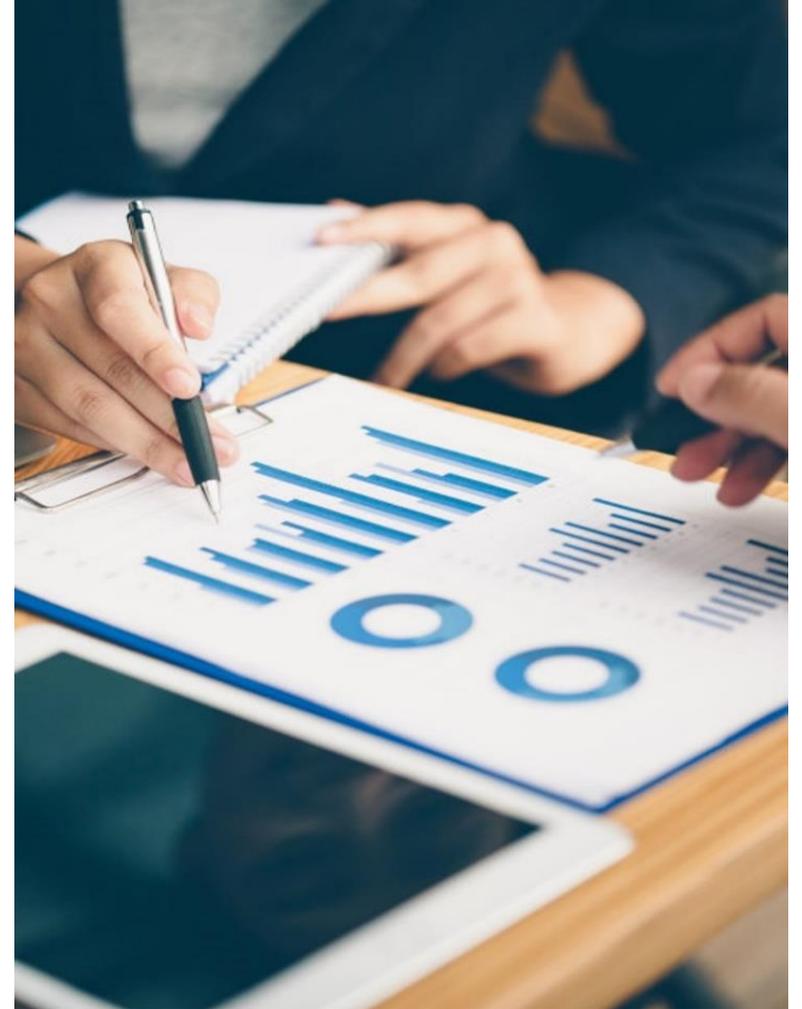
## Managing risks to financial resilience - Savings and additional income

Regarding waste collection, the efficiency target was achieved through £171k income received from Surrey County Council, who at year-end pay the Council a proportion of income earned from the secondary recycling market.

The grounds maintenance saving was achieved following efficiencies identified through 2021's corporate restructure.

With continued uncertainty on Council funding levels from 2025/26 onwards and the risks posed by the government reviews, the latest forecast in the Financial Plan anticipates that identified savings of c£1.4 million in the Efficiency Plan will need to be delivered by 2027/28.

The Council have delivered £1.24m of efficiencies over the last few years; efficiency targets of £342k were mainly met in 2022/23. The target for 2023/24 is £1.25m; at quarter 3, £647k was 'in-progress' and £599k was 'unlikely to be achieved'; mainly related to managing homelessness, additional car park income and additional EEPIC dividend income. The medium-term financial planning predicts funding shortfalls, so achieving savings/efficiency plans plays a vital role. Management must ensure that they continually monitor the savings/additional income plans and continually assess whether they are achievable throughout the year and over the medium-term.



# Financial sustainability (continued)

## Capital

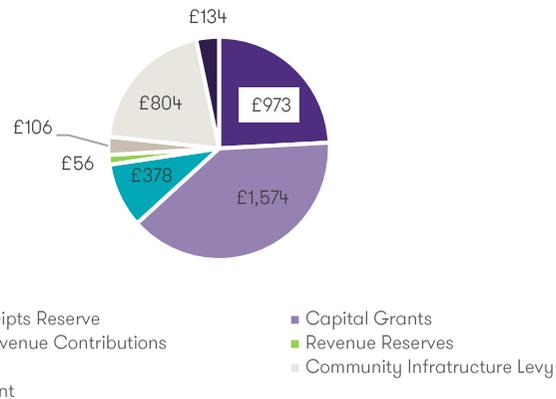
### Capital strategy

The capital strategy is annually refreshed as part of the budget report presented to the Full Council in February every year. As with the Revenue Budget Monitoring Reports, the Capital Monitoring Reports are presented to the Audit & Scrutiny Committee on a quarterly basis and are included in the overall Provisional Outturn Report.

### Capital expenditure

The 2022/23 Outturn Report states that the Council approved budget of £4.025m in the core capital programme. The funding sources of the capital budget are displayed in the chart below:

Capital budget funding sources in £000s



Actual spend on the core capital programme was £1.548m, meaning the Council delivered a £2.477m underspend against the total capital budget. The 2022/23 Outturn outlines the main projects that contributed to the overall capital underspend, which are as follows:

- Disabled Facilities Grant – underspent by £957k
- Replacement of EEBC Lamp Columns – underspent by £396k
- CRM and Data Warehouse Project – underspent by £312k
- Marketplace Plan E – underspent by £335k

- ICT Programme of Works – underspent by £221k
- Playhouse Works – underspent by £128k
- Football Pitch Drainage Systems – underspent by £74k

The capital projects listed above (except Football Pitch Drainage Systems) were carried forward into 2023/24. There were underspends during 2021/22 that were mainly due to size and complexities of projects, like the disabled facilities grant and the CRM and data warehouse.

The Quarter 3 2023/24 Capital Budget Monitoring report outlines that the total capital budget for 2023/24 was £4.995m. Funding sources are the same as 2022/23, except no external grants are being used to fund the 2023/24 capital budget. Currently, the forecast outturn for the core capital programme in 2023/24 is £3.897m, as stated in Q3 Monitoring, which represents a £1.098m forecast underspend for the year. The appendix to this report outlines reasons for delays in capital programme delivery:

- £335k - Marketplace Plan E – now complete but the budget will be retained until the final invoice is settled.
- £300k - ICT Programme of Works – delayed due to unforeseen complexities. A new contract is being drawn up and works are set to start May 2024. Resourcing issues mean some of the work scheduled for 2023/24 will now take place in 2024/25.
- £272k - CRM and Data Warehouse Project – delayed due to prioritisation of migrating elements of the old system.
- £135k - Alex Rec Dojo - Tenders received exceeded the budget. Discussions are underway to obtain additional grant funding from Surrey County Council to cover the additional expenditure required.
- £69k - Playhouse Installation of Solar PV to roofs - The works were completed in early September. The project is expected to be well under budget due to less storage batteries being required.
- £14k - Bourne Hall - Patio for outside seating area for café - All works complete and in use, scheme has completed under budget.

These favourable variances are partially offset by just under £19.8k relating to the new fence enclosure to the Court Rec Astro turf facility, and £8k relating to the Ashley Centre car park expansion joints scheme, due to inflationary increases on tender prices.

The justifications for slippage in the core capital programme as listed above, are considered reasonable.

# Financial sustainability (continued)

## Treasury Management, Borrowing & Investment position

The Treasury Management Strategy contains the Borrowing Strategy and Annual Investment Strategy and is approved by Full Council every year, alongside the annual budget. The Council receive and approve the three mandated treasury reports including Prudential and Treasury Indicators, which includes the Treasury Management Strategy Statement, which is shared with the Full Council, a Mid-Year Treasury Management Report and an Annual Treasury Report, both of which are shared with the Audit & Scrutiny Committee.

The Council's Treasury Management Strategy sets out the balance sought between optimising return and mitigating risk. The Council follows the CIPFA Code of Practice on Treasury Management, which sets out the reporting requirements to ensure best practice is followed. The minimum reporting requirements are for three main reports to be presented, as follows:

- An Annual Treasury Strategy in advance of the new financial year which covers the annual Treasury and Investment Strategies, the Treasury and Capital Prudential Indicators and the Minimum Revenue Provision Policy Statement. The Council were presented with annual strategies in February 2022 for 2022-23, as part of the budget papers.
- A mid-year Strategy Review – This will update Members with the progress of the capital programme, amending prudential indicators as necessary, and will discuss whether the Treasury Strategy is still appropriate or requires revision. Audit & Scrutiny Committee received the mid-year review for 2022/23 in November 2022.
- An annual review following the end of the year comparing actual activity to the strategy. Financial Strategy Advisory Group (FSAG) received the Annual Review for 2022/23 in September 2023.

The Unaudited Statement of Accounts illustrates the Council's investments into fixed term deposits with known building societies and banks.

## Minimum Revenue Provision

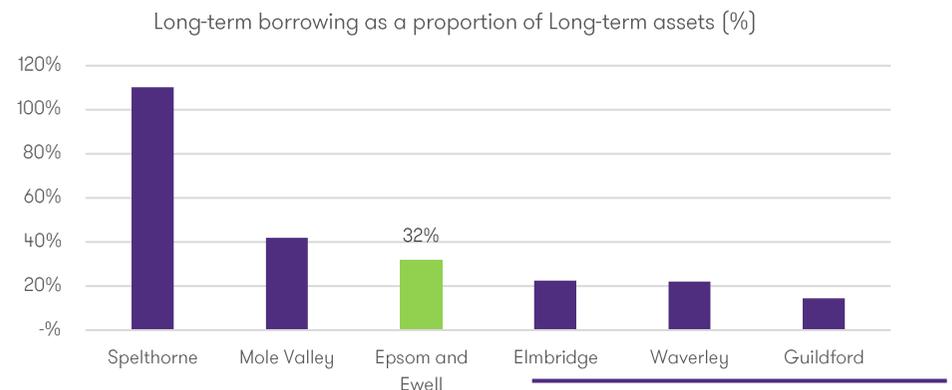
The Council is required to make annual contributions to the MRP. As stated in the 2022/23 Unaudited Statement of Accounts, the Council paid £1,630k of interest on their long-term assets. The Council is not required to raise council tax to fund depreciation, revaluation and

impairment losses or amortisation. The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. Our work on the financial accounts audit has deemed the MRP calculation to be reasonable.

## Borrowing

As outlined in section 3 of the latest Treasury Management Strategy Statement, the current Borrowing Strategy is to maintain an under-borrowed position. Borrowing rates are monitored; if borrowing rates change then borrowing would be postponed and the portfolio position is re-appraised. External borrowing is undertaken specifically to invest in commercial properties to generate long-term income streams. As stated in the 2022/23 Unaudited Statement of Accounts, the Council's long-term borrowing position as of 31st March 2023 was £64.4m, which was unchanged from the previous year.

We have used our benchmarking tool to provide further insight into Epsom & Ewell's level of borrowing. In 2022/23, long-term borrowing as a proportion of long-term assets at the Council was at 32%. Epsom & Ewell is ranked as having the 11th highest proportion of long-term borrowing against assets, compared to 110 districts in the UK. Compared with other districts in Surrey, Epsom & Ewell ranked third with a proportion of long-term borrowing against assets (see graph below). The 2020-2024 Financial Plan outlined that part of the Council's asset management strategy was to increase income generated from commercial property and as mentioned, external borrowing is undertaken to invest in commercial properties. The level of borrowing needs to be continually monitored and caution exercised when appraising commercial ventures. Borrowing to generate income has historically proved challenging for some District Councils, particularly when forecast commercial income has not been achieved.



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# Financial sustainability (continued)

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## Conclusion

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, as outlined in the Financial Plan. Management are aware of the risks to the financial position, and they are working hard to mitigate these risks. The uncertainty of funding place additional pressures on the longer-term financial position of the Council. They monitor and clearly report the financial position. The Council has prudent levels of reserves, but these will be reduced over the medium term. Saving plans up to 2023/24 are largely identified but there is currently slippage in the savings programme, which will have to be actioned in order to ensure the budget is met, without use of reserves. This should continue to be tightly monitored.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council.

# Governance



## 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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

## Risk management and internal controls

### Risk Management Strategy

The Risk Management Strategy is reviewed annually by officers and non-administrative updates are approved by the Strategy & Resources Committee.

The most recent update of the Risk Management Strategy was in November 2023. Key revisions made in this version of the Risk Management Strategy can be summarised as follows:

- Separating core strategy from guidance documents.
- In the risk appetite section, a paragraph has been added explaining that the Council may not be able to lower high risks given the Council's limited resources.
- In the reporting section, further information on how the Strategic Management Team, Corporate Management Team, Heads of Service and Project Boards review and escalate risks has been added.
- A new section called "How we will deliver the strategy" has been added.
- Sources of assurance have been incorporated into the Risk Register template. Notably, this reflects the implementation of a recommendation that Grant Thornton made in the 2021/22 Annual Audit Report for Epsom & Ewell.
- Financial impact guidance has been updated and "environmental" and "health and safety" risk categories added.
- Signposts for readers to the relevant contacts for training added to the training guidance.

In addition, the new Risk Management Strategy defines a 5-step framework for managing risk:

1. Consideration of objectives
2. Risk identification
3. Risk assessment
4. Risk response
5. Risk reporting

This framework is suitable for a Council of Epsom & Ewell's size and structure.

### Risk monitoring and reporting

The Risk Management Strategy outlines risk monitoring and reporting arrangements in the Council. Risks are captured and reported in Risk Registers, which are formatted in a standard template which includes a standard 4x4 RAG rated scoring matrix, descriptions of risk consequences, mitigations, controls, sources of assurance and direction of travel.

Section 3 explains the three levels of risk from highest to lowest:

1. Corporate – risks that have a detrimental effect on delivery of key objectives and services.
2. Committee – these risks, also, impact delivery of key objectives and services but fall under committee purview.
3. Divisional – risks that are operational and service based and impact governance within divisions.

As part of the new Risk Management Strategy, Risk Registers will be separated into the above categories and shared with the relevant parties within the Council.

# Governance (continued)

At present, the Corporate Risk Register is included within the Corporate Performance Report and is presented at the Audit & Scrutiny Committee on a quarterly basis. The February 2024 Corporate Risk Register included the first update following the new Risk Management Strategy. This contained 10 risks in total, which is within expectation of a Council of this size, allowing the Council to really focus on those risks which will have a wider corporate impact on the organisation. Four of these risks are scored as ‘high’ and six of them as ‘medium’. The risks included are sensible, relating to workforce, balancing the budget, interruption to IT services and non-compliance with legislation, particularly in relation to planning, which has historically been an issue for the Council, although is now under control.

The risk register also outlines sensible mitigations for each of the risks identified including tailored recruitment plans, undertaking a business process review of core areas of higher risk such as housing, staff training and production of an IT Strategy and associated Roadmap to address improvements in relation to IT. The risk register is also transparent about which mitigations and controls are not currently working. For example under “Risk of homelessness expenditure exceeding budget provision” there was a mitigation to recruit to additional posts. However, as this resulted in two unsuccessful recruitment attempts the Council have now added an additional mitigation to explore the possibility of an apprenticeship to support this service area.

As stated in the Committee Risk Register section of the February 2024 Corporate Performance Report, “risk registers are reviewed by the various policy committee Chairs on a regular basis.” To note, most committees have not held a meeting since the latest refresh, meaning there is not yet evidence that Committee Risk Registers are presented at policy committee meetings.

## Internal controls

### Annual Governance Statement (AGS)

In developing its 2022/23 AGS, the Council formally reviewed its corporate governance arrangements against its Code of Corporate Governance. The Council reviews the Code of Corporate Governance on a regular basis; the latest version was approved in November 2023 and can be found on the Council’s website. This is consistent with the principles set out in the CIPFA/Solace Delivering Good Governance in Local Government Framework 2016. The review of the effectiveness of the system of internal control was informed by:

- the work of the internal auditors and the Head of Audit and Governance's Annual Report,
- Directors within the Authority who have responsibility for the development and maintenance of the internal control environment; and
- comments made by the external auditors and other review agencies and inspectorates.

Epsom & Ewell’s AGS outlines assurance opinions for the Council’s compliance with core CIPFA governance principles through policies, processes and other governance arrangements. These principles are given assurance of being either “Adequate”, having

“Some development areas” or “Key development areas” based on governance arrangements in place within the Council. For Epsom & Ewell’s 2023/23 AGS assurance opinion, most principles are identified as having “some development areas” and one principle is assured to be “adequate.” There were no principles that have “key development areas.” The 2023/24 AGS had not been drafted at the date of writing this report but there is no evidence of pervasive and significant weaknesses in internal controls to date.

For 2022/23, the Head of Internal Audit Opinion provided “reasonable” assurance of governance, risk management and management control with the Council. The report highlighted four areas where limited assurance was provided:

1. Affordable housing delivery
2. Community health & wellbeing
3. Network Management
4. Community Infrastructure Levy (CIL) development management

# Governance (continued)

By the time of the next Internal Audit Progress Report, which was published in December 2023 and presented at the February 2024 Audit & Scrutiny Committee, only Network Management remained an area of limited assurance. Internal Audit outlined that there are no formal network management governance arrangements in place such as documented policies, procedures strategies or Key Performance Indicators (KPIs). However, it is noted that the Council have developed a new IT Strategy and Roadmap for 2023/24 with input actions to resolve these issues, so plans are in place to make improvements in this area.

The Internal Audit Opinion 2022/23 states that by May 2023, 81% of the 2022/23 Internal Audit Plan was delivered and 19% was still a work in progress. The Council have had outstanding audits for both 2021/22 and 2022/23, which have been carried forward into the next financial years. Outstanding audits in 2021/22 that were carried forward to 2022/23 were for NNDR and Council Tax, both of which have now been completed.

Outstanding audits in 2022/23 that have been carried forward to 2023/24 include Accounts Receivable, Recruitment in Human Resources and Main Accounting. The latest Internal Audit Progress Report (December 2023) highlights both Accounts Receivable and Recruitment in Human Resources are complete, but Main Accounting remains in draft.

Whilst it is expected that there may be an element of delay in achieving all of the audits outlined in the internal audit plan each year, it would be expected that key audits related to the financial controls should be completed on an annual basis and used to inform the Head of Internal Audit Opinion. In future, these audits should be prioritised, in order to ensure that they are completed, and findings produced ahead of the end of the financial year. *(Improvement recommendation 1)*

Review of Epsom & Ewell's Internal Audit Progress Reports show that the Council consistently have a high level of overdue management actions. The May 2023 Internal Audit Progress Report illustrates that there were 27 overdue management actions, 3 of which were low priority, 19 medium priority and 5 high priority. Many of these actions had been completed by the time of the latest (December 2023) Internal Audit Progress Report. However, the latest report, similarly, outlines 30 overdue management actions, 5 low priority, 19 medium and 6 high. Consequently, the Council should prioritise completion of management actions by the agreed due date. Principle D of CIPFA's Delivering Good Governance in Local Government Framework outlines "determining the interventions necessary to optimise the achievement of the intended outcomes." Delivering management actions in a timely manner allows for progress against the Council's key objectives. *(Improvement recommendation 2)*

## Informed decision making including the Audit & Scrutiny Committee

The governance arrangements include an Audit & Scrutiny Committee and a number of Advisory Boards which exist to hold Full Council to account. The work of the Council's committees is governed by the Constitution. The Constitution is regularly reviewed and updated; the last version being reviewed in December 2023. The constitution is openly available on the Council's website. The Council's AGS sets out how the Council operates, how decisions are made and the policies followed to ensure that these are efficient, transparent and accountable to local people. The Council have effective arrangements in place to ensure informed decision making. Major decisions, such as approving the budget and Annual Plan, are made by Full Council. Consultees and decision-makers are presented with relevant information before making decisions, and provisional decisions are subject to the appropriate level of scrutiny before being finalised.

## Internal Audit

Epsom & Ewell's Internal Audit function is delivered by the Southern Internal Audit Partnership. Sufficient work was carried out across the Council's directorates to support the Head of Internal Audit opinion given.

Financial decision making is underpinned by clear assumptions and analysis of current climates. For example, in the 2022/23 budget-setting process, budget managers were presented with analysis of the current economic climate including the effects of inflation and covid-19 related budget pressures.

Our attendance at Audit & Scrutiny Committee meetings and our review of minutes demonstrate that there is appropriate level of challenge and scrutiny. Throughout 2022/23, the Audit & Scrutiny Committee was well attended with minimal absences. The quality of dialogue between senior officers and members and the way that key strategic issues are presented in public papers demonstrates that there is an appropriate "tone from the top".

The Audit & Scrutiny Committee composition has at least 8 members which is in line with the CIPFA Guidance on Audit Committee effectiveness<sup>1</sup>. The Committee receives reports from Internal Audit and progress on any follow-up required for weak audit reports.

# Governance (continued)

CIPFA guidance also emphasises the importance of the separation of executive roles and the membership of the Audit & Scrutiny Committee. There are currently two members of the Strategic & Resources Committee who are also members of the Audit and Scrutiny Committee. The Council should consider whether this allows for sufficient independence.

CIPFA recommends Audit Committees include two co-opted independent members:

- to supplement the knowledge and experience of elected members in specific areas such as financial reporting;
- to provide continuity outside the political cycle;
- to help achieve a non-political focus on governance, risk and control matters.

There are currently no independent members on the Audit & Scrutiny Committee. We have raised an improvement recommendation in this area, as the Council should consider the revised composition of the Audit & Scrutiny Committee to exclude Strategic & Resources Committee members and considers the merits of appointing independent members to the Audit & Scrutiny Committee. (*Improvement Recommendation 3*)

<sup>1</sup> Audit Committees: Practical Guidance for Local Authorities and Police (2022 edition) - CIPFA

## Compliance with legislation and regulatory standards

Compliance with legislative and regulatory standards falls within the remit of the Monitoring Officer. The 2022/23 AGS sets out that the Council has approved and adopted a code of corporate governance, which is consistent with CIPFA's principles of good governance in the public sector. The AGS is approved by the Audit & Scrutiny Committee; the Council's 2022/23 AGS was approved in July 2023.

Epsom & Ewell's Constitution is the basis of legislative, regulatory and behavioural standards within the Council and sets out the framework for monitoring compliance with legislation. The Full Council is responsible for monitoring and reviewing the Constitution. Minor changes can be made by the Monitoring Officer in consultation with the Chair of Standards & Constitution Committee. Major changes are made by the Full Council based on the recommendation of the Standards & Constitution Committee. The latest update of Epsom & Ewell's Constitution was in December 2023.

Appendix 1 of the Constitution sets out the Code of Conduct which outlines behavioural expectations of all members of staff within the Council and acts as a guiding principle to protect staff, the public and the reputation of the Council. The Code of Conduct includes a clear Gifts and Hospitality policy which stipulates Councillors and members of staff cannot accept gifts or hospitality that could give rise to personal gain or other advantages. Gifts and hospitality with an estimated value of at least £50 must be registered with the Monitoring Officer. Furthermore, the Code of Conduct stipulates that Councillors are responsible for their own registering of interests to the Monitoring Officer. This register is accessible to the public via the Council's website.

Following our conversation with the Council's Monitoring Officer, it is clear there have been no significant breaches of compliance with legislation and regulatory standards in 2022/23. However, we have noted that the Council did fall below national targets in relation to responses to planning applications, this has been discussed in more detail on Page 25, and current performance has improved to above the national threshold.

# Governance (continued)

## Counter Fraud and Whistleblowing

The Council have appropriate Counter Fraud and Whistleblowing arrangements in place. They published their latest update of the Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan in July 2023. The strategy is focussed on fraud detection, prevention, training and awareness. In addition, the Council have a Whistleblowing Policy in place. As stated on the Council's website, the Whistleblowing Policy available to Council employees via their intranet. Our discussions with the Monitoring Officer did not highlight any significant cases of fraud or whistleblowing during 2022/23.

## Financial governance

### Budget setting arrangements

The Council have an appropriate budget-setting process. There is evidence that relevant internal stakeholders are consulted before the budget is finalised and approved by Full Council. Consultees in the budget-setting process include budget managers, heads of services, and the Leadership team. Furthermore, assumptions made in budget-setting and financial forecasting are sensible. Some examples of assumptions outlined in the 2022/23 Budget Report include a £5 annual increase in Council Tax, and continued adverse impact of Covid-19 on income generated. These assumptions are sensible considering the current political and economic climate. In addition, potential budget pressures and risks are considered as part of the budget setting process. Appendix 6 of the 2022/23 Budget Report includes a revenue budget risk register. Key risks include negative impact of Covid-19 on financial resilience and a reduction in external funding.

### Budget monitoring arrangements

The Council, also, have appropriate budget monitoring processes. Revenue and Capital Budget Monitoring Reports are presented at the Audit & Scrutiny Committee on a quarterly basis. These reports capture both adverse and favourable variances and explain reasoning for these variances. There is also consideration of progress against efficiency targets, which is key to understanding where plans are falling behind target and developing appropriate actions to mitigate these before the end of the financial year. The core budget is re-based depending on spend throughout the financial year.

## Conclusion

We are satisfied the Council has appropriate governance arrangements in place. The Council's updated Risk Management Strategy allows for suitable risk identification and risk mitigation planning. Internal controls at the Council provide appropriate measures of assurance and accountability for various services and functions within the Council. The Council have appropriate mechanisms in place for informed decision-making set out in the AGS and Constitution. Decision-makers are presented with relevant information before finalising decisions. Moreover, the Council have the required policies in place to support compliance with legislative and regulatory standards. Finally, the Council's budget-setting and monitoring processes allow for prudent financial management and suitable oversight of spend throughout the financial year.

There are no significant weaknesses in the Council's approach to governance. However, we have raised two improvement recommendations related to the follow up of internal audit actions and to review the membership of the Audit & Scrutiny Committee.



# Improvement recommendations



## Governance

### Recommendation 1

The Council should ensure that internal audits focussed on the financial controls are completed ahead of the end of the financial year in order to help inform the opinion of the Head of Internal Audit.

### Audit year

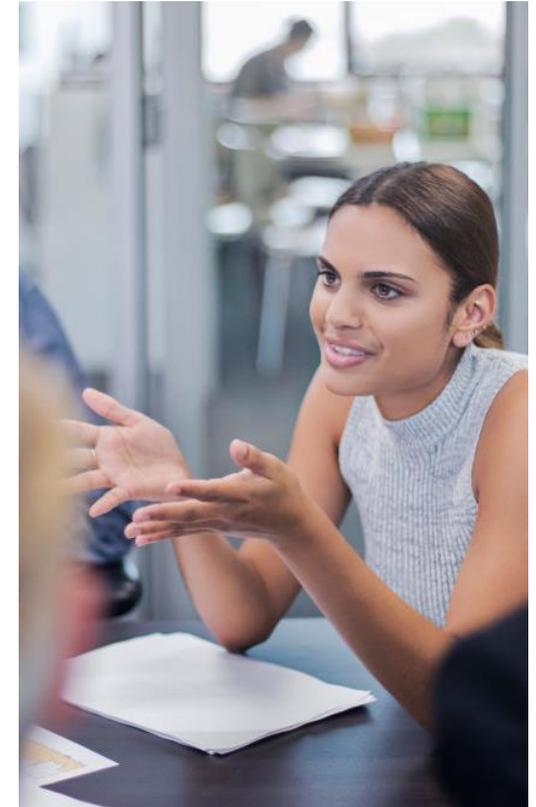
2022/23

### Why/impact

Outstanding audits have been carried forward to the next financial year in both 2021/22 and 2022/23. Whilst it is expected that there may be an element of delay in achieving all of the audits outlined in the internal audit plan each year, it would be expected that key audits related to the financial controls should be completed on an annual basis and used to inform the Head of Internal Audit Opinion. This provides an understanding of the integrity of financial and accounting information. However, for 2022/23, the outstanding audits included Accounts Receivable and Main Accounting (alongside Recruitment in Human Resources). An understanding of these controls should inform the Head of Internal Audit Opinion, which is not possible if the audits are yet to be completed.

### Management Comments

Management acknowledges the importance of completing audits as planned during the financial year. Over the last 21 months, the finance team has experienced significant resource challenges due to elevated staff turnover and a case of long-term sickness (now resolved). The team is now sufficiently resourced and going forward expects to deliver against the internal audit plan. Progress against the internal audit plan continues to be monitored by both Strategic Leadership Team and Audit & Scrutiny Committee, ensuring oversight of audit progress.



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

# Improvement recommendations



## Governance

### Recommendation 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.

### Audit year

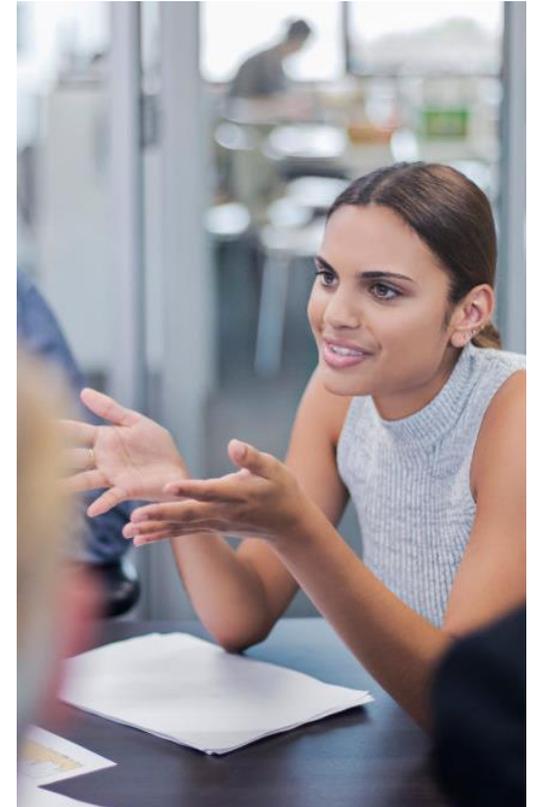
2022/23

### Why/impact

The Council currently have a high level of overdue management actions. Delaying the completion of management actions can have a negative impact on internal functions and quality of services. If the Council continue to delay completion of management actions, they could be at risk of significant weakness in their internal controls and functions. As mentioned on page 19, it is the Council's responsibility to determine interventions necessary to achieve intended outcomes, as per CIPFA's Good Governance guidance.

### Management Comments

The Council already has a robust framework in place for monitoring outstanding audit actions. The Business Assurance team maintains a log of all open actions, with Heads of Service required quarterly to provide progress updates. Actions are only closed once confirmed as completed. Looking ahead, the Council has recently procured performance management software, which is expected to further enhance monitoring capabilities.



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

# Improvement recommendations



## Governance

### Recommendation 3

#### Audit & Scrutiny Committee

The Council should:

- a) Consider reviewing the composition of the Audit & Scrutiny Committee to exclude Strategy & Resources members to help maintain independence
- b) Consider the merits of appointing independent members to the Audit & Scrutiny Committee.

#### Audit year

2022/23

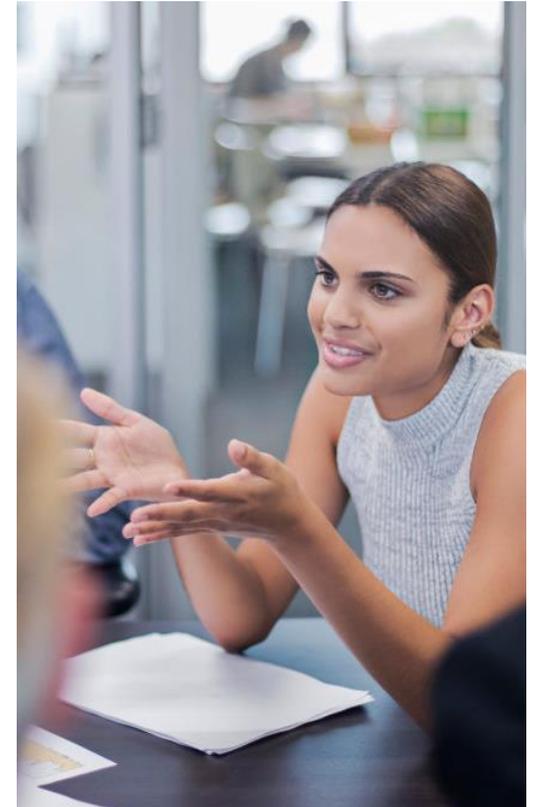
#### Why/impact

CIPFA guidance recommends two independent members of the Audit Committee as it can provide a new approach to committee discussions and an element of continuity outside of the political cycle.

The CIPFA guidance emphasises the importance of the separation of executive roles and membership of the Audit Committee.

#### Management Comments

Following a Corporate Peer Challenge in March 2024, the Council already expects to review the operation of Audit & Scrutiny Committee in the coming year. This audit recommendation will be considered, in consultation with relevant members, as part of this review.



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

# Improving economy, efficiency and effectiveness



## 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
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance management

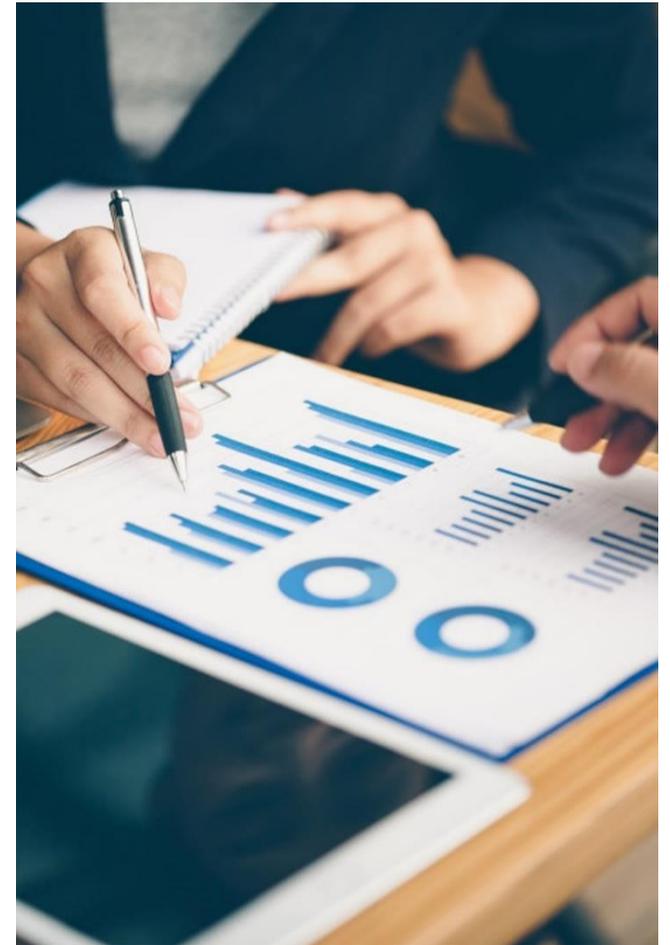
The Council's key strategic document is the Four-Year Plan 2020-2024 which was approved in January 2020. This encompasses 6 themes which are:

- Green & Vibrant
- Safe & Well
- Cultural & Creative
- Opportunity & Prosperity
- Smart & Connected
- Effective Council

This is supported by an annual plan published each year which outlines the specific focus for the financial year. The priorities for 2022/23 were agreed through workshops with members and outlines 30 objectives which are considered in line with 2022/23 budget proposals. Responsible officers are assigned specific tasks to achieve the agreed key deliverables and priorities, along with a key milestone date for delivery. This approach allows the Council to operationalise goals and provides accountability.

Of the 30 Annual Plan deliverables, 16 were completed by the end of the financial year, 10 had slipped and 4 were designated as "off track". A review of those deliverables which were not met highlighted these were mainly due to vacancies, pressures from the Homes for Ukraine Scheme, delays from partners or were linked to the delivery of the Arts, Heritage and Culture Strategy which was only approved in April 2023. These have been carried forward to the 2023/24 Annual Plan.

The Council also monitor 18 Key Performance Indicators (KPIs) which are reviewed alongside the actions outlined in the Annual Plan, by the Audit & Scrutiny Committee, as part of the Performance & Risk Report. Our review highlights these were mainly performing above target levels set. Reporting could be enhanced through regular use of benchmarking (where comparable data is available) so the Council can contextualise the results and ascertain whether performance is in line with other local authorities. It would also be useful for the Council to revisit KPIs on an annual basis to ensure they provide sufficient strategic oversight of corporate level performance year on year.

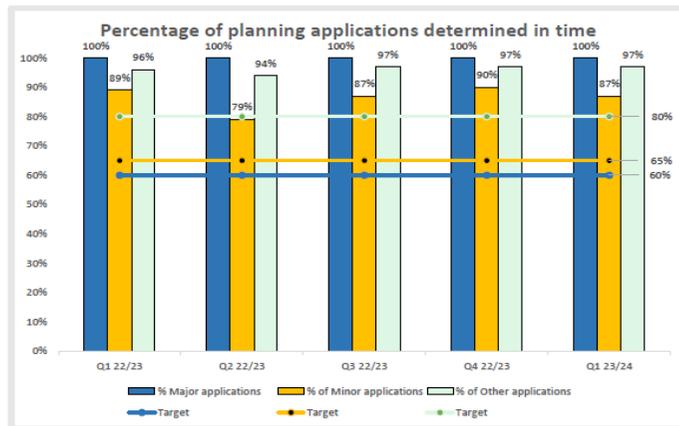


# Improving economy, efficiency and effectiveness (continued)

## Planning performance

Under the government's criteria for designation, a planning department must decide over 70% of its minor planning applications within 8 weeks to avoid being placed into special measures. 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. The letter highlighted that if performance was not improved a formal designation could be put in place so all applicants would have to submit relevant planning applications directly to the Planning Inspectorate. However, an opportunity was provided to improve performance by June 2023.

By October 2023 the Minister of State for Housing & Planning reviewed the actions taken to improve performance over October 2022 to June 2023. This highlighted that the performance in April-June 2023 was 95%, however over the rolling two-year basis, performance was only 66% which was below the 70% threshold. Despite this, due to the recent improvements a formal designation was not taken. The poor performance was related to Covid and capacity related issues within the planning department. However, recent performance metrics have shown this was temporary in nature with quarterly performance now operating at the improved levels as detailed below. It is imperative the Council continue to deliver to expected thresholds in future.



## Partnership working

The Council recognise that in order to achieve their objectives outlined in their Council Plan and associated strategies, it needs to work collaboratively and openly with partners. This has been recognised in strategy documents such as the Homelessness & Rough Sleeping Strategy, the Climate Strategy and the Arts, Culture and Heritage Strategy. The Homelessness & Rough Sleeping Strategy included a consultation between July and August 2022 with residents, staffs and a range of partners including Housing Associations, Foodbanks, NHS bodies and voluntary and community groups and networks. One of the key objectives of the strategy is partnership working, with a clear list of actions on how to develop this further to help tackle homelessness in the local area.

There have been examples of collaborative working with partners during the year including at the Epsom & Ewell Employment Hub which since launching in December 2021, has worked with more than 600 young people to overcome barriers to employment. This is run in conjunction with Surrey Lifelong Learning Partnership, national charities and a steering group of partners such as NESOT, Go Epsom and Coast to Capital. The service has also been recently expanded to now help individuals of all ages to find work including refugees and those with additional needs.

Furthermore, a lot of the Council's partnership working is underpinned by arts & culture, which is a significant area of focus for the Council with the aim of being recognised for its cultural, creative and heritage excellence, as outlined in the 2023-2028 Arts, Culture and Heritage Strategy. This document lists a number of the Council's partners in this sector, including the University for the Creative Arts, Arts Society Epsom, Surrey Arts Partnership and The Picturehouse.

The Community Safety Action Plan 2022-24 has also been developed and the progress against the key areas of concern has been reported in the annual review to the Community Safety Partnership and the Audit & Scrutiny Committee in February 2023.

It is clear effective partnership working is a key objective for the Council. Therefore, given the importance the Council places on this, the Council should seek to develop a partnership framework to help strategically guide partnership working across the Council and aid in the evaluation of the success and effectiveness of working arrangements. *(Improvement recommendation 3)*

# Improving economy, efficiency and effectiveness (continued)

## Procurement

The Council has a detailed Procurement Strategy covering 2021 – 2024. It states that as a medium-sized borough Council, they spend approximately £14m every year on goods, services and works through revenue and capital programmes. The aim of procurement in the Council is boosting the local economy, adding social value and environmental sustainability. Moreover, the Procurement Strategy sets a framework by which the Council will aim to deliver value for money and the objectives outlined in their Four Year Plan.

It describes the procurement process as follows:

1. Procurement planning
2. Defining the business need
3. Tendering
4. Evaluation
5. Contract award
6. Contract management

The Procurement Strategy covers compliance and governance, social value, sustainability, supplier management including supporting SMEs and local businesses and economic development, risks and reporting. These areas align with their aim of supporting the local economy and providing value for money.

The Council has appropriate contract management arrangements in place for onboarding procured resources. As outlined in the Procurement Strategy, a contract manager monitors all contracts centrally and publishes all contracts on the Council website. There will be a performance criteria in place to monitor compliance to contract terms and delivery. In addition, contract expiry or renewal dates are monitored centrally to ensure sufficient lead times are factored into the procurement process.

There are, also, suitable reporting and accountability arrangements in place for procurement. As described in the Procurement Strategy, a spend report detailing procurement performance is regularly presented to the Strategic Management Team. An annual Procurement Report is provided to the Strategy & Resources Committee.

Notably, it is the role of the Procurement and Contracts Manager to update the Procurement Strategy. As stated in the 2021 – 2024 Procurement Strategy, the next update is due in 2024. As a further measure of procurement performance visibility and accountability, the Procurement Strategy mentions the establishment of a Board to review corporate procurement. In our conversation with the Procurement Officer, they mentioned that the establishment of a Board is still being considered.

There is clear visibility of the Council's contracts. The Council's procurement pipeline is available to view on their Contracts Register, which is accessible via their website. In our conversation with the Procurement Officer, they stated that most contracts commissioned by the Council in the year of 2022/23 were of a low value threshold. According to their latest Contracts Register, their highest value contract, as of November 2023, is a 5-year contract with Rydons, a construction and development management group, for mechanical engineering services. This contract is valued at £3.753m. Their second largest contract is also a 5-year one with Churcills for cleaning, valued at £3.005m.

The Council have suitable resources in place to deliver its procurement function at present, although may benefit from expanding their resource in future. Consequent to our conversation with the Procurement Officer, we found that Epsom & Ewell has a relatively small procurement team comprising of a Procurement Officer and a Procurement Expert. While this team is currently sufficient, particularly considering they are a borough Council, the procurement team are looking to hire further resource. This will help to build more resilience in future.

Finally, there is a sufficient level of procurement training within the Council. In our conversation, the Procurement Officer mentioned the Council's focus on procurement and contract management training. The previous Procurement Officer developed a procurement training programme consisting of workshops and slides that are available in Epsom & Ewell's internal procurement hub website.

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# Improving economy, efficiency and effectiveness (continued)

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## Conclusion

Overall, the Council have a satisfactory approach to improving economy, efficiency and effectiveness across most areas. Use of the Four-Year Plan as a guide to the annual plan is prudent approach to ensure progress towards the Council's aims and ensures visibility of progress through KPIs. As mentioned, the Council would benefit from producing benchmarking analysis against other local authorities to ascertain their level of performance in comparison.

Moreover, the Council engage in a wide range of partnership working. Although, as recommended, a partnership governance framework will help the Council align partnership working to the annual plan and other relevant strategies and track outcomes for the Council and the local community.

The Council have acceptable procurement arrangements at present. Their Procurement Strategy covers the appropriate area and is centred around the Four-Year Plan and delivering value for money. Although, as mentioned, the Council should prioritise hiring additional resource to ensure resilience within the procurement function.

Finally, we note that the Council's planning performance for minor planning applications was significantly below government targets due to Covid-19 and capacity related issues. Even though performance improved significantly between April – June 2023, overall performance is still below the 70% threshold. The Council should build improved mechanisms or refine their processes in order to respond to minor planning applications promptly.

We have not identified any significant weaknesses in the Council's mechanisms to improve economy, efficiency and effectiveness. However, we have raised one improvement recommendation in relation to developing a partnership governance framework.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 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.

## Why/impact

Guidance on partnership working will help ensure that:

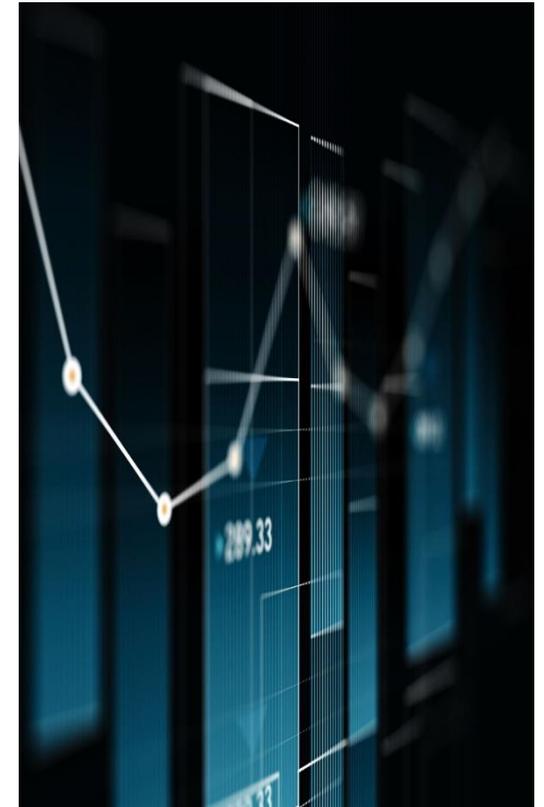
- the Council is clear about the purposes and expected outcomes of partnerships for local people.
- the Council's own agreed vision and priorities are being met
- performance activity and outcomes are monitored and evaluated where possible
- there is clarity and shared understanding on the roles of partners and accountability for jointly agreed outcomes.

## Summary findings

In order to capitalise on effective partnership working, it is vital to have in place shared visions, close relationships underpinned by robust structures and true co-production between partners. To help support this the Council should consider including a partnership governance framework to bring clarity and help guide partnership work.

## Management Comments

The Council is committed to positive partnership working and is aware that this has also been recognised as part of the recent Corporate Peer Challenge. Management will consider this recommendation in conjunction with the Action Plan that arises from the Corporate Peer Challenge.



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

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 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.	Improvement	April 2023	The Council have identified key savings that need to be made as outlined in the Financial Sustainability section of this report. The 2022/23 Outturn and 2023/24 budget report identify savings delivery and savings targets more transparently than the years prior.	Yes	No
2 The inclusion of the sources of assurance will allow the Council to produce more accurate risk scores to mitigate individual risks.	Improvement	April 2023	Now complete. The latest Corporate Risk Report template clearly identifies sources of assurance.	Yes	No
3 Share quarterly budget monitoring reports with the Strategy & Resources Committee would support that committee in discharging its responsibilities around finances.	Improvement	April 2023	Now complete. Council papers available on the Epsom & Ewell Borough Council website demonstrate that budget monitoring reports are shared with the Strategy & Resources Committee.	Yes	No

# Opinion on the financial statements



## Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 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 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

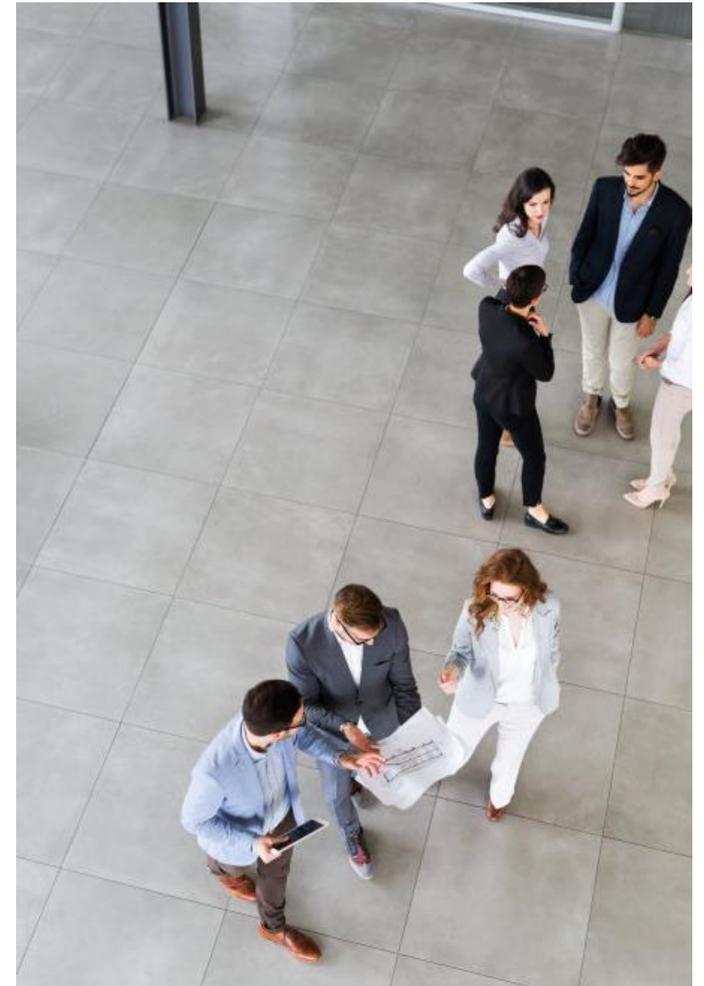
- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

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

## Audit opinion on the financial statements

Our final unqualified Audit Opinion was issued on 10 May 2024.

Further information on our audit of the financial statements is set out overleaf.



# Opinion on the financial statements



## Timescale for the audit of the financial statements

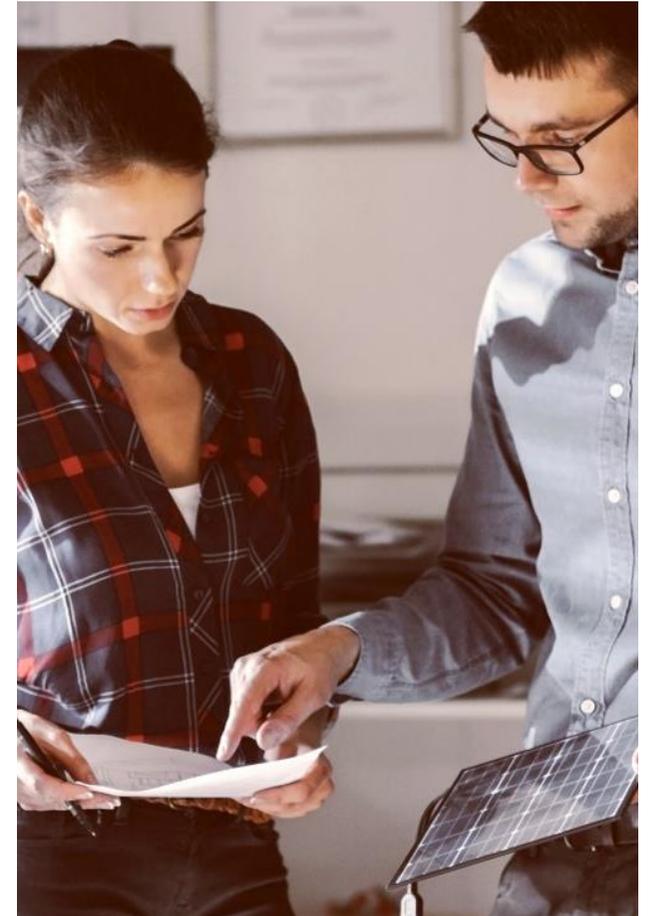
- The Indicative Audit Plan was issued and presented to the Audit & Scrutiny Committee in August 2023. This was then subsequently issued as a Final Audit Plan following completion of planning and risk assessment in October 2023.
- Interim visit was conducted in October 2023 while year end fieldwork was undertaken between October 2023 and February 2024.
- The Council provided draft financial statements in line with the national timetable
- We did not identify significant issues that had an impact on the timely completion of the audit other than slight delays in the receipt of requested audit evidence.
- Our final unqualified Audit Opinion was issued on 10 May 2024.

## Findings from the audit of the financial statements

Detailed findings can be found in our AFR, which will be published and reported to the Council's Audit & Scrutiny Committee in March 2024. Requests for this Audit Findings Report should be directed to the Council.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.



# Other reporting requirements



## Other opinion/key findings

No significant issues or findings were identified from our work on the Annual Governance Statement or the Narrative Report, and we issued unqualified opinions in respect of each of these areas alongside the Accounts Opinion.

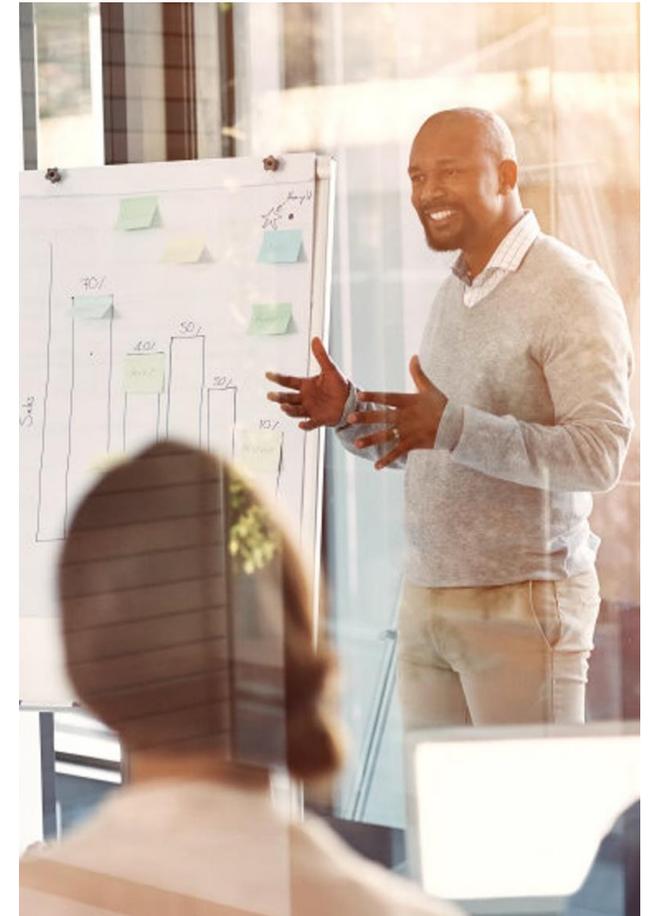
## Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit and Scrutiny Committee on 28 March 2024.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

As the Council fell below the required threshold's set by the National Audit Office, no detailed work was required in this area.



# 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.

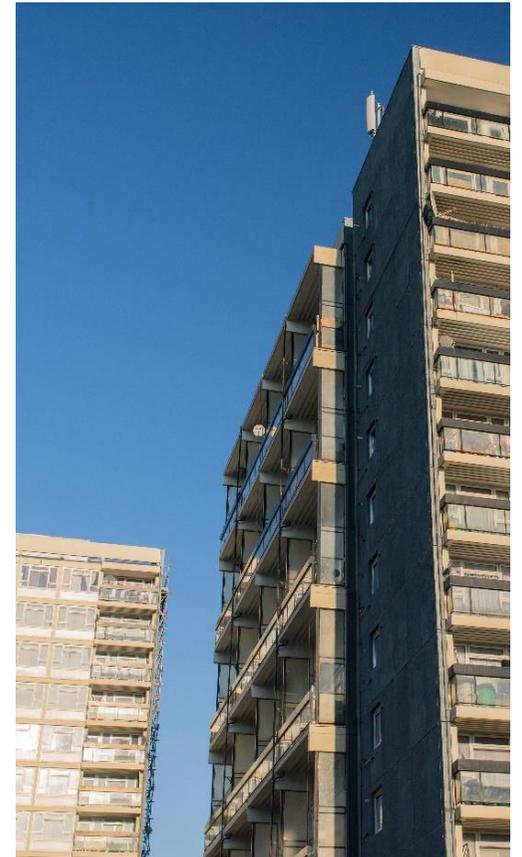
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

## 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(s)
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 the Council's 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	22, 23, 28

