

Auditor's Annual Report on Elmbridge Borough Council

2022/23

February 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 risks of significant weakness identified	G No significant weaknesses in arrangements identified	A No significant weaknesses in arrangements identified, but one improvement recommendation has been made	↑
Governance	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but one improvement recommendation made	A No significant weaknesses in arrangements identified, but two improvement recommendations made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G No significant weaknesses in arrangements identified	A No significant weaknesses in arrangements identified, but one improvement recommendation made	↑

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



Financial sustainability

Elmbridge Borough Council (the Council) continues to perform well with regard to financial sustainability. Despite the challenging environment in which it continued to operate during 2022/23, the Council has maintained a good financial position and achieved a balanced budget. It has put forward plans to achieve a balanced budget for 2023/24. In the medium term 4.460m of unidentified savings will need to be delivered to balance the budgets. Our work has not identified any significant weaknesses in arrangements to secure financial sustainability.



Governance

The Council has appropriate leadership and management structures in place and its risk and control systems are appropriate. It is open in dealing with complaints and ethical and legal matters. Our work has not identified any significant weaknesses in arrangements however we did identify an area for improvement relating to enhancing the Corporate Risk Register.



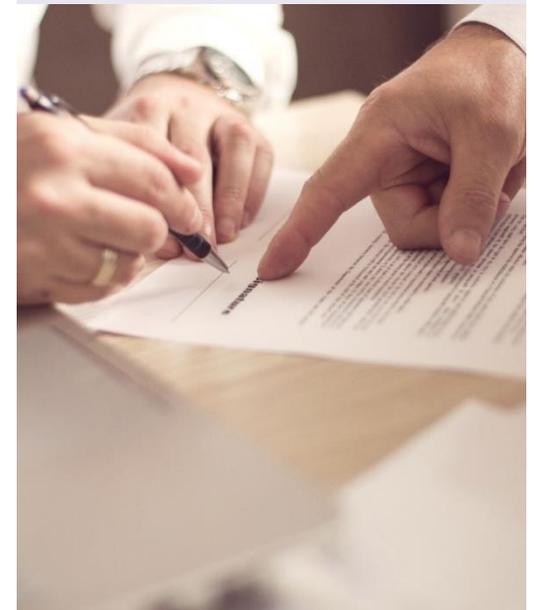
Improving economy, efficiency and effectiveness

The Council continues to demonstrate a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. It has refreshed its strategic plan and has an appropriate performance management framework. Our work has not identified evidence of significant weaknesses within the arrangements in place.



Financial Statements opinion

Our audit of your financial statements is ongoing. Our Audit Findings Report is presented alongside this report and explains our intention to issue an unqualified audit opinion upon the completion of our outstanding work.



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 Committee (or equivalent)
- Considering the work of internal audit
- Reviewing reports from third parties including the Local Government and Social Care Ombudsman
- 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 21

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.

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 Outturn

The 2022/23 Revenue & Capital Outturn and Budget 2023/24 Update was presented to Cabinet on 5 July 2023. The report provides a summary of the overall financial performance and use of reserves against the approved budget for the 2022/23 financial year. In February 2023, Cabinet and Council considered a revised forecast which contained variations and changes to the anticipated spend for the year. The report compares the outturn for the year to the revised forecast.

The Council's 2022/23 net budget was set at £20,347,880 (before the use of reserves and government grants) and forecasted that £1,566,030 from the Business Rates Equalisation Reserve would need to be utilised to deliver a balanced budget for 2022/23. At the time of the revised forecast, an underspend was forecast of £822,000 which would reduce the use of the Business Rates Reserve to balance the budget. The Council only drew £200,000 from the business rates reserve to balance the 2022/23 budget, a decrease of £1,366,030 from the amount estimated in the initial 2022/23 budget. An additional £100,000 was transferred to the transformation fund, which is revenue funding towards identifying ongoing deliverable savings.

The General Fund Reserve has not changed from the prior year and remains at £4,000,000. Earmarked reserves have increased from the prior year by £6,188,000 from £19,544,000 to £25,732,000.

The better than budgeted performance and the reduced draw down of reserves in 2022/23 gives the Council greater headroom given it has forecasted a continued need to utilise reserves over its MTFs.

2023/24 Budget

The Revenue and Capital Budget and Council Tax 2023/24 report was taken to Cabinet on 8 February 2023. The budget report presents a balanced budget for 2023/24 with the net revenue budget requirement to provide services set at £24,144,080 (before interest income on balances).

The budget approves the use of £1,005,000 of Revenue Reserves in total, of which £483,000 is from the Business Rates Equalisation Reserve and £522,000 from specific reserves to enable a balanced budget for 2023/24.

Under the Local Government Finance Act each billing authority and precepting authority must determine whether its relevant basic amount of Council Tax for the financial year is excessive. For 2023/24, the relevant basic amount of Council Tax of an authority is excessive if it's more than 3% or £5 above the 2022/23 Council tax. The referendum limit for Borough Councils has been set at 3% or £5 whichever is the greater. The budget recommends a Council Tax increase of £7.05 per annum for a band D property which is a 2.98% increase. The total Council Tax funding requirement has been set at £18,330,190 for 2023/24.

The implications of the annual funding settlement for the body have been adequately addressed within the financial plan. Assumptions around Council Tax are based on reasonable analysis.

2023/24 Budget – Financial Pressures

The main risk to the Council's finances are the aftermath of Covid-19 and the cost-of-living crisis, on income streams. The 2023/24 budget includes estimates of the income levels in each of the portfolios, any change to the assumptions on activity levels would have an impact on the actual levels of income achieved.

The Council has historically received grants funding of over £1m from Surrey County Council which has been reduced to £800,000 in 2023/24. In addition to this, the Council provided an On-Street-Car Parking Management Service for Surrey County Council. The decision by Surrey County Council to bring the service back in-house will cost the Council £400,000.

As part of 2023/24 settlement the Government announced £291m (2022/23 was £550m) was available for New Homes Bonus nationally. The Council will receive £115,000 in 2023/24 (£1,028,000 for 2022/23).

Financial sustainability

The Council identified spending pressures of £5.2m in 2023/24, this is mainly made up of the following:

- Pay and inflation on contract and other;
- Demand and other spending pressures; and
- Rental income changes.

For pay inflation, the 2023/24 budget includes a provision of a flat amount of £2,000 cost of living increase and a provision for pay progression is allowed for, as eligible officers progress along their pay scale.

Where the Council incurs contractual inflationary uplifts, budgets have been adjusted accordingly. This will be revisited during the year and when setting the budget for 2024/25, given the current state of the energy and utility market.

The Council's financial plans are based on realistic assumptions, there is sufficient consideration of additional spending pressures and reductions in income streams that weren't present in the previous year.

Capital Strategy and Outturn

The Council has a Capital Strategy as part of its Capital Planning Programme. The strategy sets out the rationale for the Council's capital programme and decisions as well as detailing how the capital program will be managed and monitored.

The revised capital program was £17.2 million and the capital outturn for 2022/23 was £5.7 million. The underspend was due to slippage in the timeframe of the projects, the funding will be carried forward into the 2023/24 Capital Programme. The projects being re-phased into 2023/24 are:

- Claygate Development (£7,350,000)
- Local Authority Housing Fund (£2,360,000)
- Affordable Units for temporary accommodation (£890,000)
- Private Sector Housing Grants (£405,000)

The Capital Programme includes a provisional allocation of £10 million in 2023/24, 2024/25 and 2025/26 for Strategic Asset Developments/Economic Regeneration and Residential Development in the Borough.

The Property Portfolio Performance Update was taken to Cabinet on 5th July 2023. In accordance with the Medium Term Financial Strategy. The report details the delivery of the strategy and the performance of the Commercial Property Portfolio (CPP).

There are currently 14 investment properties, 75 commercial leases and 6 residential leases within the portfolio as of the end of March 2023. The investment properties held by the Council were valued at £91.569m. At the end of March 2022, the value of the investment portfolio was £99.855m. The reduction in the value of the portfolio reflects the change in market conditions over the course of the 2022/23 financial year. However rental income has held up well. The gross rental income received from the investment portfolio during 2022/23 was £4.921m, compared to £4.459m in 2021/22. This is a 10.36% increase and is mainly attributed to a number of windfall events in rent reviews. This increase created unbudgeted receipts in excess of £500,000. The Council do not see this as a long-term sustainable trend which should be relied upon and the 2023/24 budget reflects this.

The Council established a wholly owned company EBC Homes Ltd in 2018. The company was originally established to manage residential properties which it leases from the Council. At the time the Council was looking to develop a number of additional sites in Elmbriidge however restrictions on planning has meant those additional developments have never been taken forward and there is no realistic prospect of this happening in the near future. There are currently insufficient properties for EBC Homes Ltd to be profitable and this is likely to continue. Given the financial sustainability of EBC Homes Ltd and due to the lack of pipeline of Council owned sites to scale up, members have asked officers to consider options to close the company. The Council is looking to make a decision as to whether EBC Homes Ltd should be dissolved and will continue to monitor this position. As of February 2024, EBC Homes are still active as per Companies House.

Medium Term Financial Strategy and Savings

The Council has a Medium Term Financial Strategy (MTFS) which covers a five year period, 2023/24 – 2028/29. The MTFS is reviewed annually and approved alongside the Revenue and Capital budget each year. The MTFS provides the Council with a strategic financial framework needed to achieve long-term financial sustainability and is central to the delivery of the Council's priorities. The MTFS aims to support the delivery of the Council's Vision 2030, deliver a balanced budget and set future year's savings and income targets whilst dealing with the implications of government's plans. Included within the MTFS is the Council's Transformation programme which aims to reshape service delivery over a three year period and improve value for money.

Financial sustainability

As per the 2023/24 budget, the Council has identified £1.857m of savings to be delivered. From 2024/25 to 2028/29, a further £4.460m of savings will need to be identified to balance the budget over the medium term. These savings have not yet been identified. An improvement recommendation was raised in the previous year on how the Council needs to clearly identify how it will make the additional savings required to avoid further use of reserves to meet the funding gap identified in the MTFS. Given the timing of when the recommendation was made, the budget and MTFS for 2023/24 onwards were already approved. Therefore, this recommendation will need to be monitored into financial year 2024/25.

We are not able to clearly identify what level of savings had been achieved for 2022/23. Quarterly Revenue and Capital Budget updates are taken to Cabinet, which track progress against the budgets set in February. Whilst these reports disclose savings made in the quarter, such as Employee related savings, they do not include updates on savings achieved against the agreed savings target for the year. In addition to this, from our review of the MTFS, the 2022/23 Revenue Capital Outturn and Budget 2023/24 update and the Transformation update all taken to Cabinet, these reports do not confirm the savings target achieved for the 2022/23 financial year.

From our discussions with management we learned that savings are embedded within the budgets and they are not targets which sit outside of the detailed budget, variations are reported as part of the normal monitoring process. We have identified that this is indeed the process from our review of the monitoring reports taken to Cabinet in 2023/24.

The Council does not have significant levels of debt unlike other Councils in the sector. The Council has £52.4m of borrowing outstanding at 31 March 2023 (£53.6 million – 31 March 2022) from the Public Works Loan Board (PWLb), with £1.1 million being repaid during 2022/23. No new borrowing was undertaken. Whilst interest rates have increased, the Council has not experienced the revenue pressures on increased borrowing payments that other Councils have faced because its debt levels are lower. The Council actually benefited from higher returns on investments in 2022/23 helping to reduce the need to utilise reserves.

Budget setting process

Budget managers have access to the finance system and can review budgets at any time. All budget holders in the Council have a specific named service accountant that supports their specific service area. The budget holders meet with their service accountants to discuss variances to budget. Variances are highlighted and mitigation plans are created where applicable. Budgets are reviewed at every Cabinet meetings and review of minutes indicates variances are adequately identified.

Budget management arrangements are robust and we have found no areas of concern during our work.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. The Council remains financially resilient given its historical position but continue to note the continued plan use of reserves. From 2024/25 to 2028/29, £4.460m of unidentified savings will need to be delivered. This was raised as an improvement recommendation for 2021/22 that will need to be monitored into 2024/25. Overall, we found no evidence of significant weaknesses in the Council's arrangements achieving financial sustainability.

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
- ensures effective processes and systems are in place to communicate relevant, accurate and timely management information (including non-financial information); 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

Monitoring and assessing risk

The Council has a Risk Management Strategy which defines processes for identifying, assessing, managing and monitoring financial and operational risks. The Council's Risk Strategy was last updated and presented to the Audit and Standards Committee in November 2022. The Council's Corporate Risk Register is reported to the Audit and Standards Committee and Cabinet.

Internal Audit undertook a review of Corporate Governance in 22/23 and concluded that a robust risk management framework is in place and risk management is embedded across the Council.

In our 2020-21 Annual Audit Report (AAR) we recommended improvements to the format of the Corporate Risk Register (CRR) to include a target score to provide an indication of what level of risk is tolerable and show how far the existing arrangements are from achieving this. Furthermore, we recommended the Corporate Risk Register would benefit from identifying future actions to support the management/mitigation of each risk. We note the Council did not accept this prior year recommendation.

We further note that risks within the CRR are not explicitly referenced /aligned to specific strategic objectives priorities within the Council's Corporate Plan. In addition, although the CRR provides an assessment of Impact and Probability for each risk, monitoring of individual risks would be further enhanced if the CRR included both an assessment of inherent risk and residual risk to gauge the success/ impact of control measures on mitigation of risks. We have raised an improvement recommendation for the Council to consider enhancing the format of the CRR to reflect this.

Internal audit

The Internal Audit plan for 2022/23 and 2023/34 totalled 300 days per year and is resourced through a mixture of in-house staff and resource commissioned from Surrey County Council Orbis IA, the shared internal audit service of Surrey County Council, East Sussex County Council and Brighton & Hove City Council.

There were 20 planned audits and the team completed 17 of the 20 by 31 March 2023 with one in progress. Two audits were deferred to 2022/23 due to service pressures (Workforce planning and Housing Allocations). Of the 17 completed audits, eight were rated as substantial assurance and six were rated reasonable assurance with two relating to sign off of accounts. The Head of Internal Audit was able to provide the Annual Internal Audit report to the Audit and Standards Committee in July 2023 with an overall internal audit opinion of 'substantial assurance'.

Standards and behaviours

The Council's Audit & Standards Committee has specific responsibility for governance issues including audit functions and for certain elements of the regulatory framework including:

- Consideration of amendments to the Constitution and recommend proposals to Full Council for approval, except where specifically delegated to the Monitoring Officer;
- Undertaking an annual review of the Codes and Protocols of the Constitution; and
- To review any issue referred to it by the Chief Executive or a Strategic Director, or any Council body.

Governance

Sub-Committees are established by the Audit & Standards Committee on an ad-hoc basis to deal with matters under the arrangements for dealing with complaints and comprise of three members from the full Audit & Standards Committee.

The Monitoring Officer received eight complaints about member conduct in 2022/2023 (three related to the Parish Council, two relate in general terms to planning decisions and three were against Borough Councillors).

One proceeded to investigation, was ongoing into 2023/24 and was reviewed at a hearing panel of the Audit and Standards sub-committee in November 2023. Our review of the panel papers identified that following receipt of the investigation report and subsequent hearing, the Panel found that two Parish Councillors had breached the Code of Conduct in respect of bullying allegations and number of actions were agreed including a requirement for an apology from both Councillors and arrangements for appropriate training to be made.

This demonstrates robust arrangements are in place with regards to the Council monitoring and holding members to account for compliance with Codes of Conduct/ Regulatory compliance.

There were no significant ombudsman reports during the year. The 2022/23 annual Ombudsman report noted four investigations were undertaken for the period with two upheld. In both cases the Ombudsman were satisfied that the Council had successfully implemented recommendations.

Codes of Conduct are in place for Councillors and officers and are set out in the Council's Constitution including arrangements for declaring personal interests and declaring gifts and hospitality. The member/office protocol sets out relationship expectations. All new Councillors and officers receive training on the expected behaviour.

The Council's Chief Finance Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements.

Counter Fraud and Bribery and Corruption

The Council's audit team also provide counter fraud services which includes employee fraud as well as fraud by members of the public. The Counter Fraud Strategy and Framework 2023-25 was presented and approved at the Audit and Standards Committee in July 2023 and sets out that the Council will develop and maintain a strong framework of internal controls designed to prevent and detect irregularity, misconduct, and fraud.

The framework includes the key elements expected e.g. a Member Code of Conduct; Officer Code of Conduct; Anti-money Laundering policy; and Financial Procedure Rules. The framework also references Confidential Reporting ; Anti - Bribery Policy; and Sanctions Policy.

The Council continues to participate in the Surrey Counter Fraud Partnership (SCFP), chaired by the Head of Internal Audit and Counter Fraud.

One whistleblowing report was received in 2022/23 but related to issues concerning fairness and dignity at work. Internal Audit liaised with the relevant service manager to ensure the issue was managed under the correct policy. There were no issues arising from the complaint.

Informed decision making including the Audit Committee

The Council's decision-making processes are open and transparent and we have no evidence reactive or unlawful decisions have been made. This has been confirmed by the Monitoring Officer. Council and Cabinet are attended by the Chief Executive and relevant Directors and Statutory Officers to help provide sufficient support and explanation to the members in discharge of their function. It is evident from our review of papers that sufficient information is provided to Council members and that they hold senior management to account. The Council is engaged and provides appropriate levels of scrutiny to External Audit and Internal Audit. The work of the Council's committees is governed by the Constitution [updated in May 2023]. All Council meetings are held in public, and minutes and webcasts are available on the Council's website.

There is an effective Audit and Standards Committee with defined roles and responsibilities and undertakes core functions in accordance with relevant CIPFA guidance. Review of Audit and Standards Committee papers/minutes demonstrates an appropriate level of challenge. The Audit and Standards Committee prepares an annual report summarising the work undertaken during the previous year to demonstrate how it has fulfilled its terms of reference. The Annual Report for 2022/23 was presented to Council in April 2023.

Governance

Climate Change / Net Zero

The Council has set out its vision for Climate change in its local plan 2037 which was approved by cabinet in July 2022, that:

- Elmbridge will be more resilient to the impacts of climate change. The council accepts its responsibility to make a resilient environment, to reduce carbon emissions and to deliver positive outcomes for future generations.
- The council will positively lead on a commitment to ensure every decision is made with the achievement of low carbon and net zero in mind, with delivering sustainable growth and the use of renewables as standard.
- The council will renew, enhance and protect green and blue spaces across the borough, with better connectivity for the benefit of both people and wildlife. Residents will benefit from improved air quality, minimised noise, flood risk and other polluting impacts, and a reduction in carbon and water demands by minimising detrimental impacts from development.

The Council has a Carbon Management Reduction Plan 2030 in place with an associated priority action plan. Status updates are reported to Cabinet.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place relating to governance. We have two improvement recommendation during the course of our work.

Improvement recommendation

Improvement Recommendation 1

The Council should consider further enhancing the format of the Corporate Risk Register to include cross reference/alignment to Corporate Objectives/priorities and an assessment of both inherent and residual risk.

Why/impact

By enhancing the format of the CRR , better insight is provided to clearly identify and assess the impact/success of mitigating actions for individual risks, and enhanced focus on risks to achieving Corporate priorities is provided.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

Summary finding

Risks detailed within the Corporate Risk Register are not aligned to achievement of strategic objectives within the Councils strategic planning document (Vision 2030). In addition, although the CRR provides an assessment of Impact and Probability for each risk, it is unclear as to whether this relates to inherent risk or residual risk and therefore the success/ impact of control measures on mitigation of risks is difficult to assess.

Management comments

The responsibility for risk and insurance has recently been moved from Finance to Legal & Governance and there has been a change in officer undertaking the Risk and Insurance Manager role. The decision has already been taken that we will be reviewing the format and approach of the Corporate Risk Register, therefore as part of that review which has already commenced, the recommendations within this report will considered and incorporated as appropriate.

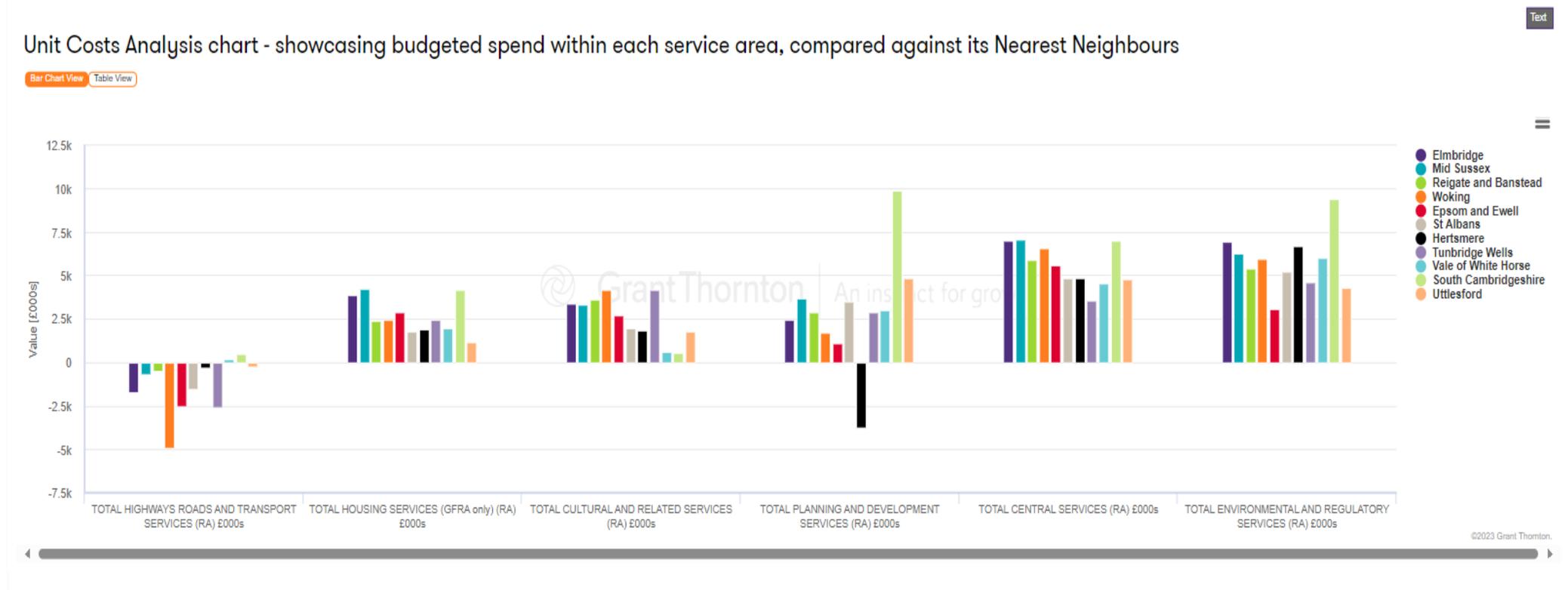
Improving economy, efficiency and effectiveness

Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement.

We undertook benchmarking for 2022/23 using our management tool 'CFO Insights' which compared the unit costs for a range of services to identify if any unit costs were very high in comparison to other similar sized Districts in the South East of England.

Although the Council ranked high overall for Housing Services, Cultural & related services and Environmental and Regulatory services there do not appear to be any areas where the Council is an outlier. This assessment is consistent with the benchmarking exercise undertaken by Ignite which helped inform the development of the Council's MTFS for 23/24 – 28/29.



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.

Use of financial and performance information

The Council launched the Elmbridge Vision 2023 (this is the Council's plan covering a seven-year period from 2023-2030). This follows the approval of a major transformation programme in 2022, obtaining agreement for a number of projects across four main themes of : Sustainable Elmbridge; Putting People First ; Thriving and Resilient Elmbridge, and Opportunity.

Cabinet has received regular updates on the Transformation Programme throughout 2022/23 and into 2023/24 including the Strategic review of services update in September 2022 and Full Programme update in February 2023.

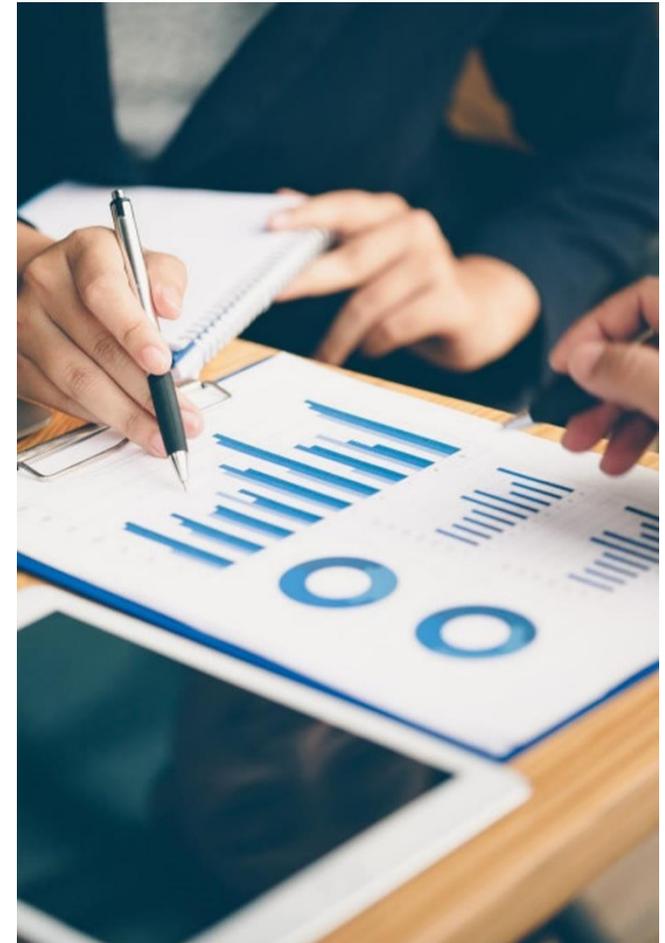
The Performance Management Framework in place flows from the Vision 2023, into the Annual Delivery Plan and into individual service plans and contains key performance indicators to measure the performance of the services.

Annual Service Performance Clinics are held to monitor service performance and governance arrangements. The Overview and Scrutiny Committee scrutinise portfolio holders, examine Council performance and future plans. The Overview & Scrutiny Annual Report is approved by the Council.

Performance against the plan is presented quarterly to Cabinet as well as to the members of the Performance and Finance Standing Panel and to the officers Council Management Board (CMB). Financial monitoring reports are also provided to the same forums.

We noted in our prior year review the Performance report presented to Cabinet did not contain any narrative to explain reasons for underperformance or what actions are being undertaken to address these. A review of the Q4 22/23 report and Q1 23/24 report confirms that where exceptions are noted (i.e. KPI status is Amber or Red) commentary on objectives, milestones and performance indicators is provided below each portfolio.

The Council has revised KPI reporting to align to its new vision ,which will monitor activities over a significantly longer timescale, seven years as opposed to one year, this will ensure that the Council can analyse trends more meaningfully and take action earlier where needed.



Improving economy, efficiency and effectiveness

Partnership working

Partnerships form the basis of an increasing range of the Council's services and extend from joint activities within informal working arrangement to complex and significant models for service delivery.

The Council has recently undertaken a review of its partnerships framework resulting in an enhanced monitoring procedure which is in the process of being implemented. This includes lead officers, allocated for each partnership completing an annual assessment form which includes information on outcomes, financial contributions, key risks and strategic alignment, which are then presented to the management board. It is expected that any Performance failures going forward will be disclosed as part of these assessments, in addition to officers raising any issues with their Director or Corporate Management Board at the time they occur.

Overview and Scrutiny Committee monitor specific partnerships in their regular business. The Elbridge Community Safety Partnership is monitored by the Community Safety Working Groups (a ancillary group of the main Committee) with a report being presented to the main committee on an annual basis. The main Committee also receives a report on the performance of outside bodies on an annual basis which includes some partnerships on the register.

The Elbridge Community and Safety Partnership includes representation from Elbridge Borough Council, Surrey Police, Office of the Police and Crime Commissioner, PA Housing, the Multi-Faith Forum and Surrey Fire and Rescue and aims to ensure that Elbridge is a place where people can go about their everyday lives, confident in the knowledge that people treat each other fairly and with respect, and they are safe from harm or the effects of crime and disorder.

A partnership action plan which sets out priorities for 22/23 is available on the Council's website.

Overview and Scrutiny Committee focused on the general work of the Elbridge Community and Safety Partnership throughout 22/23. A Partnership review report was received by the O & S Committee in March 2023 along with the Public space CCTV annual report

The Elbridge Older Persons Advisory Body is a non-statutory partnership with membership including Borough Councillors, a County Councillor, 19 partners and officers supporting from Community Support Services with Leisure and Housing being members of the Advisory Body. Elbridge older person advisory body reviews, develops and promotes key Community Support Services and partner services. An annual report was received by O & S Committee in March 2023 setting out a summary of key activity in the last year.

Commissioning and procurement

Commercial ventures

The Council set up an employee mutual for Building Control Services which became operational on 1 August 2015. The Council has a 20% stake in the mutual and a share of any profit, from year four, made by the entity was expected to be received when the year 4 results are delivered. The MTFS 22/23 -27/28 states that unfortunately, the Mutual has yet to deliver a share of the profit to the Council as their Business Plan projections have not materialised as planned.

The Council has established two companies - EBC Homes Limited and EBC Investments Limited. These companies operate to increase the provision of homes of mixed tenures in the Borough. As the 100% shareholder in these companies the Council receives information about their performance through the Shareholder Committee (Housing) which acts as the designated shareholder committee for the Council. In the early years, the companies are not expected to generate any surplus income and are reliant on the Council to provide financial support. Given the financial sustainability of EBC Homes Ltd due to the lack of pipeline of council owned sites to scale up, members have asked officers to consider options to close the company. This is currently under review and any financial implications will be reported to Council.

Improving economy, efficiency and effectiveness

Contract Monitoring

As we reported last year, the Council has a Procurement Strategy covering the period 2018-2023. The Council has adopted the National Procurement Strategy for Local Government in England 2018. The Council's Contracts register is regularly updated, and current and previous versions are available on the Council's website.

An Internal Audit review of Procurement compliance was issued in June 2022 and gave reasonable assurance over the controls operating with regards to Procurement Practice and Contract Procedures.

At the beginning of April 2022, the Council awarded Places Leisure the new leisure management operator contract until 2033. The new contract includes the running of the Xcel Leisure Centre, Hurst Pool, and Elmbridge Xcel Sports Hub on behalf of the Council. As part of the new contract, Places Leisure pledged to deliver more energy efficient, affordable facilities and committed to a £6m investment package into further improving the Xcel leisure complex. This investment includes a new dedicated luxury health suite, immersive cycling studio, new climbing wall, an extension to the existing fitness suite, a Costa Coffee store and a new soft play area.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for improving the way the Council delivers its services.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Progress to date	Addressed?	Further action?
1 The Council needs to clearly identify how it will make the additional savings required to avoid further use of reserves to meet the funding gap identified in the latest MTFS and how it plans to meet its target of rebuilding reserves to pre-pandemic levels by 2030.	Improvement	The Council are committed to the Transformation programme and confident that the required savings will be delivered over the MTFS period. From our review of the 2023/24 budget and the MTFS, the savings to be delivered across 2024/25 to 2028/29 are yet to be identified. However, giving the timing of when the prior year AAR was issued, the budget and MTFS for 2023/24 onwards would have already been approved.	No	This should be monitored into 2024/25 to ensure savings are being identified for future years.
2 As part of a refresh of the whistleblowing policy the Council would benefit from establishing whether there are any barriers to whistleblowing such as a lack of awareness of the process or fear or reprisal. This understanding might inform policy changes and/or specific training needs.	Improvement	The Counter Fraud Strategy and Framework 2023-25 was presented and approved at the Audit and Standards Committee in July 2023, and included a refreshed Confidential reporting policy. The Council's Confidential Reporting Policy has been developed to provide a clear framework for reporting such concerns and this includes a dedicated confidential reporting hotline and e-mail address.	Yes	No
3 The Council should formulate an annual plan for counter fraud work. A specific counter fraud plan would further enhance work in this area by helping to ensure that appropriate resources are allocated to counter fraud work and to establish a means for monitoring how successful proactive work is in creating an environment where fraud is understood and countered.	Improvement	The Counter Fraud Strategy and Framework 2023-25 was presented and approved at the Audit and Standards Committee in July 2023. Internal Audit now report in more detail on proactive work as well as investigatory work within progress reports to Audit and Standards Committee.	Yes	No
4 The Council is revising its KPI reporting to align to its new vision. In developing those new KPIs it will be helpful for the Council to sense check existing KPIs and consider what critical information is required for members to make effective decisions and manage strategic risks.	Improvement	KPI reporting has been revised to reflect the Council's new Corporate Plan (Vision 2030). We have made a further improvement recommendation in this area with regards to assurance over the quality of data underpinning the KPI's	Yes	We have made a further improvement recommendation in this area with regards to assurance over the quality of data underpinning the KPI's

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.

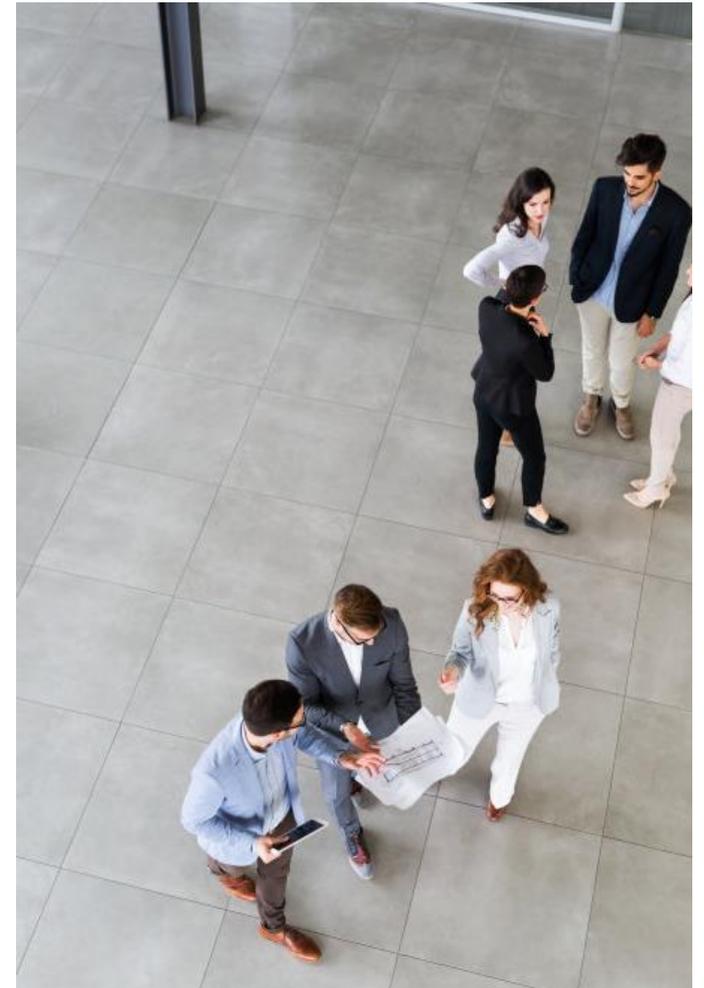
We conducted our audit in accordance with:

- 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 audit of your financial statements is ongoing. Our Audit Findings Report is presented alongside this report and explains our intention to issue an unqualified audit opinion upon the completion of outstanding work.



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.

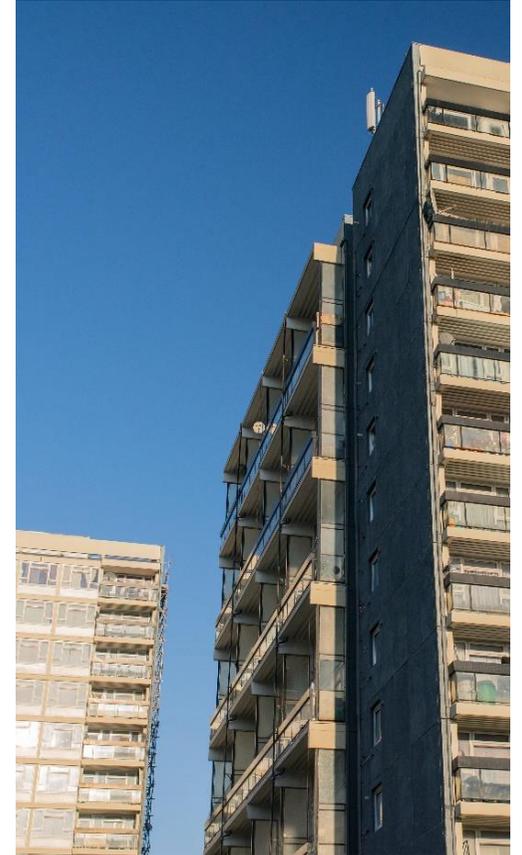
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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	See pages 11, 15, 16 and 21.

