

# Elmbridge Borough Council

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

January 2025



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction



## Purpose of the Auditor's Annual Report

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

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

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

## Responsibilities of the appointed auditor

### Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

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

### Value for money

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

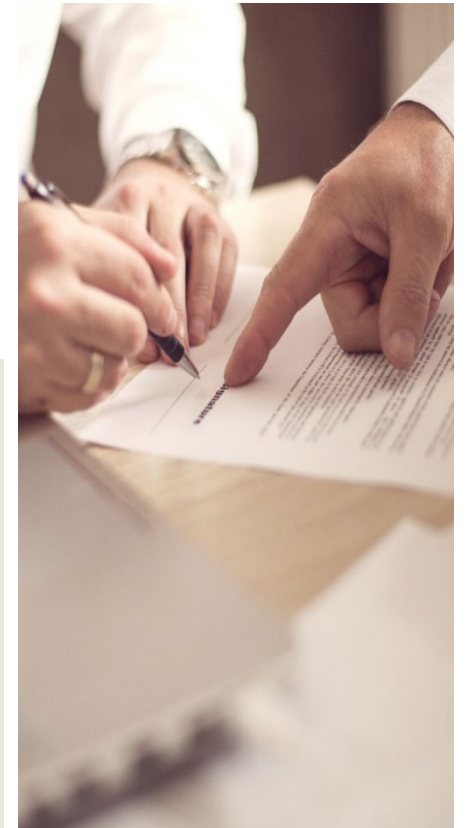
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

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

### Auditor powers

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

These powers are set out on page 9 with a commentary on whether any of these powers have been used during this audit period.



# Executive summary



# Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 24.

## Financial sustainability



The Council has demonstrated effective financial planning and management, achieving a positive financial performance in 2023/24 and establishing a sustainable budget for 2024/25. The Council delivered an underspend of £2.1 million, allowing for additional contributions to reserves and funding various initiatives. The Medium-Term Financial Plan (MTFP), covering a period of five years, outlines the Council's financial management strategy and proposes measures to manage and mitigate funding gaps. Key cost pressures identified include rising inflation, increased demand for services, and potential reductions in government funding. There is £4.46m unidentified savings in MTFP for period 24/25 to 28/29. In 2023/24, the Council successfully delivered savings of £1.5 million and is on track to achieve further savings in 2024/25. The Council has demonstrated delivering savings and managing finances effectively, implementing measures to address funding gaps and support the sustainable delivery of services in line with strategic and statutory priorities.

Based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability. We have raised an improvement recommendation which has been accepted by Management.

## Governance



The Council has a comprehensive Risk Management Strategy, including a Corporate Risk Management Group and a Strategic Risk Register reviewed annually. Risks and mitigations are regularly reported to the Cabinet. The Internal Audit team reports to the Audit and Standards Committee and has completed its work plan for the year. The Counter Fraud team conducts investigations and delivers savings, supported by a clear Counter Fraud Strategy. The 2024/25 budget setting process focuses on financial sustainability, reserve management, and strategic planning, involving Directors and service managers. Effective budgetary control, detailed monitoring, and reporting ensure financial transparency. The Council's governance framework supports robust financial decision-making, with regular meetings ensuring compliance and transparency. The Council also adheres to legislative and regulatory standards through robust policies and regular audits.

Based on our areas of focus and evidence considered, we have not identified any significant weaknesses in governance arrangements.

## Improving economy, efficiency and effectiveness

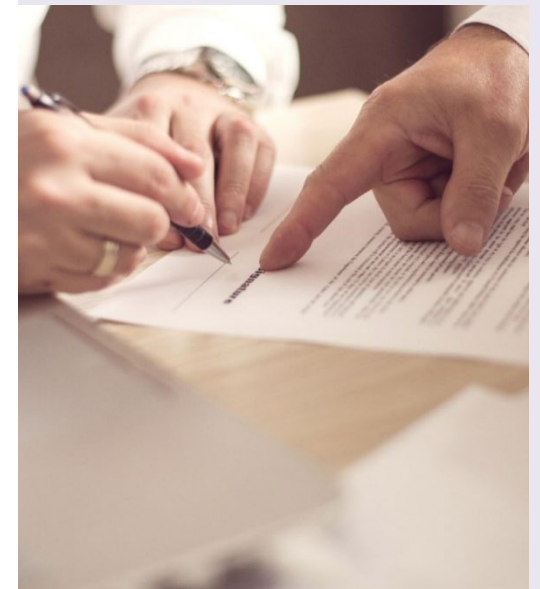


The Council has robust performance assessment arrangements and proactive monitoring processes, confirming their sufficiency. Comprehensive KPIs aligned with corporate priorities highlight most services performing well, though temporary accommodation and street cleaning need improvement. Targeted actions are in place to address these issues. For 2023/24, the Council focused on bringing housing services in-house, enhancing financial resilience, and investing in social care and education. The Council's procurement strategy and Asset Management Plan ensure transparency and accountability in managing key contracts.

Based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages improving economy, efficiency and effectiveness.



The audit of your financial statements is ongoing and the findings to date are being reported to the January 2025 Audit and Standards Committee meeting.



# Executive summary



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

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

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A No significant weaknesses in arrangements identified, but an improvement recommendation made	No risks of significant weaknesses in arrangements identified at the planning stage	A No significant weaknesses in arrangements identified, but one improvement recommendation have been made to support the Council in improving arrangements for Financial savings. This relates to Medium Term Financial strategy and the challenge of delivering the required savings over this period.	↔
Governance	A No significant weaknesses in arrangements identified, but three improvement recommendations made	No risks of significant weaknesses in arrangements identified at the planning stage	G No significant weaknesses in arrangements identified.	↑
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified, but one improvement recommendation made	No risks of significant weaknesses in arrangements identified at the planning stage	G No significant weaknesses in arrangements identified. Our work did not identify any areas where we considered that key or improvement recommendations were required. More detail is provided in the detailed findings section of this report on page 17.	↑

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

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



# Opinion on the financial statements



## Audit opinion on the financial statements

Our financial statements audit is in progress and our findings are presented to the January 2025 Audit and Standards Committee. Based on the work completed to date we plan to issue an unqualified opinion on the Council's financial statements on in February 2025.

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

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

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

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

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A draft version of this report is also presented to the January 2025 Audit and Standards Committee.

A final version will be shared with management upon completion of the financial statements audit.



# Use of auditor's powers

We bring the following matters to your attention:

2023/24

## Statutory recommendations

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

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

## Public Interest Report

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

We did not issue a public interest report.

## Application to the Court

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

We did not make an application to the Court.

## Advisory notice

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

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

We did not issue any advisory notices.

## Judicial review

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

We did not make an application for judicial review.

# **Value for Money Commentary on arrangements**



# The current local government landscape

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

## National context

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

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

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

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

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

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report

## Local context

The Council serves a population of approximately 137,000 residents. The Council operates within a two-tier system alongside Surrey County Council. Elmbridge is characterised by its mix of urban and rural areas, with a significant proportion of its population being older adults. Around 25% of residents are aged 65 and older, reflecting the area's appeal as a retirement destination. Over the next 25 years, the working-age population is expected to see a slight decline, while the most significant population growth is anticipated among those aged 65 and over.

The Council follows an Executive decision-making model, which is responsible for the development of all major policies, strategies, and plans. The formal decision-making and governance structure includes the Full Council and an Executive (the Cabinet). The Full Council and Cabinet are supported by several overview and scrutiny committees to ensure comprehensive governance. Elmbridge Borough Council comprises 48 councillors, Elections take place in 3 years out of 4 with a third elected each time. The Elmbridge Borough Council Plan 2022 to 2024 outlines the Council's commitment to fostering a thriving community. This plan details the Council's vision and strategic priorities, which include: promoting economic growth; building stronger, healthier communities; ensuring sustainable development and housing; protecting the natural environment and addressing climate change; and enhancing the Council's responsiveness and customer focus.

We note the potential re-organisation of local government in Surrey following the Government's publication of its White Paper in December 2024. At the time of issuing this report, no plans have been formalised and as such our report does not consider any potential impact on the Council at this time.

# Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	The Council has shown effective financial planning and management, achieving a positive financial performance in 2023/24 and establishing a sustainable budget for 2024/25. The Council managed an underspend of £2.1 million, allowing for additional contributions to earmarked reserves and funding various initiatives. For 2024/25, identified cost pressures amount to £2.1 million, including contract price increases, provisional cost of living pay awards, increased costs for homelessness services, shortfalls in licensing and planning fees, and ICT-related costs. The Council plans to manage these pressures through strategic use of reserves, planned savings, and income generation, including a vacancy factor saving of £370,000 and fee increases based on the CPI. Overall, the Council has comprehensive financial arrangements in place to address current challenges and ensure future financial stability.	G
plans to bridge its funding gaps and identifies achievable savings	The Council has implemented measures to address funding gaps and identify achievable savings to support the sustainable delivery of services. Despite ongoing challenges, the Council has a strong track record of managing its finances effectively. The Medium-Term Financial Plan (MTFP) outlines the Council's financial management strategy, covering 2024/25 to 2029/30. It includes maintaining reserves, developing capital assets, and maximising rental income. With £4.46 million in unidentified savings for 2024/25 to 2028/29, the Council plans to manage these gaps through efficiency savings, income generation, and the Transformation Programme. We have included an improvement to strengthen the future savings plans within the MFTS.	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council has implemented various arrangements to support the sustainable delivery of services in line with strategic and statutory priorities. The 2024/25 budget aligns with the Council's Vision 2030, focusing on essential services, a modest Council Tax increase, and investments in infrastructure and climate change initiatives. Key priorities include a Green Business Boost, a Green Fleet Strategy, and £450K for community support. There will be a 2.99% increase in Council Tax and higher parking charges, with discounts for low-income residents and key workers. The capital budget will support strategic projects, with borrowing levels managed through the Treasury Management update and a borrowing benchmarking tool.	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council aligns its financial plan with key strategies, including workforce, capital, investment, and operational planning. The MTFS and Budget Strategy 2024/25 address wage growth, inflation, and investment income. The Council has a comprehensive Workforce Strategy, a detailed Capital Investment Plan, and robust Operational Planning. These strategies ensure financial planning supports broader organisational goals and effective resource management.	G
identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council has established comprehensive measures to identify and manage risks to its financial resilience, particularly in response to unplanned changes in demand. The Council's approach includes maintaining detailed risk registers, conducting regular reviews, and implementing a risk management strategy. Reserve levels, both general and earmarked, are maintained at comfortable levels to ensure financial stability. For 24/25 It includes a net contribution to revenue reserves of £1,655,700, with significant allocations to the Interest Equalisation Reserves. Benchmarking against other Surrey Councils using the reserves benchmarking tool indicates that Elmbridge Council's reserves are well-managed and comparable to its peers.	G

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

# Financial sustainability

## 2023/24 planning and performance

The 2023/24 budget was set in February 2023, considering the financial uncertainty around economic conditions, such as high inflation and rising energy costs. These factors significantly impacted the cost of providing services and affected residents, likely leading to an increased demand for the Council's services.

The Cabinet approved a net revenue budget of £24.1 million, with a Council Tax requirement of £18.3 million, reflecting a 2.98% increase. The budget also incorporated additional funding to support the cost-of-living crisis, increasing the fund to £500,000.

The 2023/24 outturn was delivered within budget, aligning with the Administration's commitment to strengthen reserves. Initially, a drawdown of £483,000 from the Business Rates Reserve was required to balance the budget, but favourable variances reduced this to nil. An underspend of £2.1 million allowed for additional contributions to earmarked reserves, including £500,000 to the Cost-of-Living Crisis Fund, £200,000 to the Transformation Programme, £500,000 to the Climate Change Reserve, and £2.25 million to the Interest Equalisation Reserve to protect future revenue from adverse interest rate movements.

## 2024/25 budget

The Council is required to set a balanced budget each year. For 2024/25, the net revenue budget requirement is set at £25,413,170. This budget is designed to be sustainable and responsible, ensuring the Council can continue to deliver high-quality services. It includes a net contribution to revenue reserves of £1,655,700, with significant allocations to the Interest Equalisation Reserves. Reserves are used strategically to manage financial risks, support one-off investments, and avoid crisis cuts. Incorporates planned savings and income generation to address financial pressures. This includes a vacancy factor saving of £370,000 and increases in fees and charges based on the Consumer Price Index (CPI) for September 2023 (6.7%). The Council also plans to enhance its Rental Support Scheme and invest in homelessness prevention.

There are several identified cost pressures for 2024/25 amounting to £2.1 million, which include:

- Contract price increases.
- Provisional cost of living pay awards.
- Increased costs for homelessness services.
- Shortfalls in licensing and planning fees.
- ICT-related costs.

## Medium term resource strategy

The MTFS sets out the Council's approach to financial management, aiming to direct financial resources to support the delivery of the Council's priorities and achieve value for money. The strategy includes maintaining adequate reserves, securing and developing capital assets, and maximising rental income from asset development. It covers a planning period from 2024/25 to 2029/30. It is updated and kept under review annually to reflect the current economic climate and financial environment. These include revenue budget projections, capital programme, and assumptions on various income streams, including government funding settlements, council tax, and business rates. Sensitivity analysis is used to assess the impact of variations in key assumptions, such as changes in interest rates, inflation, and demand for services.

There is £4.46m unidentified savings in MTFS for period 24/25 to 28/29. The Council has plans in place to manage and mitigate these gaps, including efficiency savings, income generation, and use of reserves. The Transformation Programme is a key initiative aimed at reshaping service delivery and achieving financial sustainability.

# Financial sustainability

## Savings

In 2023/24, the Council successfully delivered savings of £1.5 million. While the Council is able to present a balanced budget for 2024/25, this is contingent on the delivery of planned savings and income generation as outlined in the budget. This includes an estimated additional amount of £205,000 from the government's announcement of additional funding on 24 January 2024. The budget incorporates various measures to address financial pressures, such as a vacancy factor saving of £370,000 and increases in fees and charges based on the Consumer Price Index (CPI) for September 2023 (6.7%). Additionally, the Council plans to enhance its Rental Support Scheme and invest in homelessness prevention.

At the time of writing, the Council has not yet identified all savings for the current financial year. For 2024/25 the savings target is £1.7 million and by November 2024, approximately £1.1 million in savings had been delivered, leaving £0.6 million still to be found. Some of these savings are indicative and subject to approval, such as those from Dementia and Transport initiatives. The Council remains committed to achieving these targets to ensure financial stability and continued service delivery.

The Performance and Finance Panel plays a crucial role in scrutinising the budget information and making recommendations to the Cabinet, ensuring robust financial oversight and accountability.

## Property

The Council has decided to wind up EBC Homes Ltd due to financial challenges. EBC Homes Ltd reported a loss of £138k for the year ending March 2022, which was higher than the forecasted £90k. The financial accounting loss was £240k. For 2022/23, a projected loss of £90k is expected after a £100k rent reduction agreed by the Council. To mitigate cash flow issues, the Council provided a second loan, increasing the total loan amount to £250,000.

EBC Homes Ltd manages 46 homes, comprising 20 affordable rental units and 26 private residential units. As of the end of September, rent arrears totalled £89k, with six tenants accounting for the majority of the arrears. Following discussions with the Section 151 Officer, it was determined that continuing with EBC Homes Ltd was not sustainable. Bringing the houses into the Council's management will offer more flexibility to support temporary housing and improve the overall financial position.

As of October 31, 2023, the Council's investment portfolio was performing well, with an in-month yield of 4.85% and an annualised yield of 4.35% since April.

## Conclusion

The 2023/24 financial year had economic challenges, including high inflation and rising energy costs, which impacted service delivery and increased demand for Council services. Despite these challenges, the Council managed its finances, delivering the budget within the approved limits and strengthening reserves. This allowed for additional contributions to earmarked reserves, supporting key initiatives such as the Cost-of-Living Crisis Fund and the Climate Change Reserve. Surrey has faced significant debt issues. In contrast, Elmbridge's current debt position is more stable and manageable. The council has a well-defined budget and medium-term financial strategy, Elmbridge's financial planning focuses on maintaining high-quality services while managing debt responsibly over the long term.

In 2024/25, the Council has set a balanced and sustainable budget, with a focus on maintaining high-quality services and managing financial risks. The Medium-Term Financial Plan outlines a clear strategy for financial management, aiming to achieve value for money and support the Council's priorities. While there are identified cost pressures and savings targets, the Council remains committed to achieving financial stability and continued service delivery through efficiency savings, income generation, and the Transformation Programme.

The decision to wind up EBC Homes Ltd and bring the properties under Council management is expected to improve financial flexibility and support temporary housing needs.

Overall, we have found no areas of significant weakness in the Council's arrangements to secure financial sustainability. We have raised one improvement recommendation.

# Financial sustainability



## Areas for improvement

The Council has a good track record of delivering savings, but ongoing challenges such as inflationary pressures and the need for medium-term savings require continued vigilance. The Performance and Finance Panel scrutinises budget information and provides feedback to the Cabinet.

The Council has made progress towards its savings targets for 2024/25, though £4.46m in savings for the period 2024/25 to 2028/29 remain unidentified and subject to approval. Plans to manage these gaps include efficiency savings, income generation, and use of reserves. The Transformation Programme is a key initiative aimed at reshaping service delivery and achieving financial sustainability. It is essential for the Council to remain focused on identifying the remaining savings and addressing potential risks to ensure the long-term financial resilience and sustainability of its services.

While the Council has made strides in addressing inflationary pressures and medium-term savings, there is a need for a more comprehensive, long-term approach.

**Improvement recommendation 1:** the Council should develop a detailed savings plan that spans the entire Medium-Term Financial Strategy (MTFS) period, rather than focusing on annual savings alone. This will ensure a more sustainable financial position and better preparedness for future economic uncertainties. Additionally, enhancing risk-based procedures to continuously monitor and adapt to these challenges will further strengthen the Council's financial resilience.

# Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has a comprehensive Risk Management Strategy in place, with processes for identifying, assessing, managing, and monitoring financial and operational risks. It includes a Corporate Risk Management Group and a Strategic Risk Register reviewed annually. These risks and their mitigations are regularly reported to the Cabinet. The Internal Audit team provides regular reports to the Audit and Standards Committee and successfully completed their work plan for the year. Additionally, the Council's Counter Fraud team conducts investigations, delivers savings to the public purse, and has a clear Counter Fraud Strategy and Framework. We note the Orbis IA shared service is set to undertake an independent audit and health checks focusing on the Council's systems, but this has not been reported at the time of this VFM assessment.	G
approaches and carries out its annual budget setting process	The Council's budget setting process for 2024/25 is comprehensive, focusing on financial sustainability, reserve management, and strategic planning to meet service delivery and community needs. The process entails annual service and financial planning, involving Directors and service managers in budget development while considering factors such as inflation, service developments, legislative changes, and statutory requirements. The Council also analyses spending trends and profiles to make informed budget decisions and understand their financial impact.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council has effective processes and systems in place to ensure budgetary control, communicate relevant management information, support statutory financial reporting, and implement corrective action when needed, including in relation to significant partnerships. Detailed budget monitoring and reporting to the Cabinet and Audit to provide a clear understanding of the Council's financial position, and quarterly reports offer comprehensive summaries of the in-year position and detailed explanations for variances.	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council has demonstrated a robust governance framework for financial decision-making, with effective communication and oversight mechanisms in place. Key financial issues are conveyed through regular meetings involving senior leadership, Cabinet, and the Overview and Scrutiny Board, ensuring transparency and compliance. The decision to roll up the housing companies through the Shareholder Committee (Housing) supported the officer recommendation that the company should be wound up and options for the existing units be explored. As part of this, members asked officers to consider the advantages and disadvantages of transferring the units back to the Council including sale to a Registered Provider. The decision paper was reviewed to ensure members had all necessary information, particularly regarding the financial cost-benefit analysis, to make an informed decision.	G
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	The Council has demonstrated comprehensive arrangements to ensure compliance with legislative and regulatory standards, particularly in relation to staff behaviour, procurement activities, and property management. The Council has implemented robust policies, such as the Treasury Management Strategy, to adhere to updated codes and prudential indicators. Compliance is confirmed through various sources, including in the Annual Governance Statement and Internal Audit reports.	G

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



# Governance

## Monitoring and assessing risk

The Council has well developed arrangements in place in respect to risk management. The Council's Risk Management Strategy (RMS) outlines the processes for identifying, assessing, managing, and monitoring financial and operational risks. Updated and presented to the Audit and Standards Committee in November 2022, the RMS provides a framework addressing various types of risks—strategic, operational, and reputational—and specifies where they should be managed. It defines roles and accountabilities at corporate, directorate, and team levels, emphasising the need for a proactive "driving force" within the Council. However, the RMS does not clearly articulate the Council's risk score.

A Corporate Risk Management Group, led by the Head of Finance and including representatives from Legal, Risk Management, Audit, Health & Safety, Emergency Planning, and frontline services, is responsible for developing and implementing the RMS. This group reports to the Council Management Board.

The Strategic Risk Register (SRR), last reviewed by the Cabinet on 7 February 2024, details 13 risks, their impact and probability, resulting in risk scores ranging from 5 to 25. It also describes risk controls and assigns responsibility for each risk. Despite a recommendation in the Annual Audit Report (AAR 22/23) to enhance the SRR by aligning it with corporate objectives and assessing both inherent and residual risks, no progress has been made. The Annual Governance Statement 22/23 mentions regular reviews of the RMS and SRR, with the last RMS update in November 2022 and annual SRR reviews. More frequent reviews, possibly quarterly, are recommended.

## Internal Audit Function

The Council has an internal audit function to monitor and assess the operation of internal controls. This was in place for all of 2023/24. The Internal Audit Annual Report for 2023/24, presented to the Audit and Standards Committee in July 2024, detailed a comprehensive audit plan executed by a mix of in-house staff and commissioned services. The Head of Internal Audit provided an overall opinion of 'reasonable assurance' for the year.

The audit plan included 26 planned audits, with 20 audits conducted, comprising both planned and unplanned audits. Of these, 13 were completed, with 9 receiving substantial assurance, 3 reasonable assurance, and 2 limited assurance. Key findings included the need for prioritising mandatory training in safeguarding and improving reconciliation processes in non-corporate systems.

An external assessment by the Public Sector Internal Audit Standards (PSIAS) in Winter 2023 confirmed general compliance with PSIAS requirements.

## Standards and behaviours

The Council's Audit & Standards Committee holds specific responsibilities for governance issues, including audit functions and elements of the regulatory framework. Key responsibilities include:

- Considering amendments to the Constitution and recommending proposals to Full Council for approval, except where delegated to the Monitoring Officer.
- Undertaking an annual review of the Codes and Protocols of the Constitution.
- Reviewing issues referred by the Chief Executive, Strategic Directors, or any Council body.

The Committee establishes sub-committees on an ad-hoc basis to handle complaints, comprising three members from the full Committee.

The Internal Audit Plan is regularly reviewed to focus resources on high-priority areas based on risk assessments. This proactive approach ensures timely adjustments to audit plans and addresses any delays. Performance is monitored against key indicators, including the timely delivery of the annual audit plan and reports. High-priority actions agreed with management are tracked to ensure timely implementation, with a target of 95% for the implementation of these actions.

The Overview and Scrutiny Committee effectively fulfils its roles by maintaining a dynamic work programme, scrutinising Cabinet decisions, and considering future plans.

Responsibilities include:

- Setting its own work programme and agendas, with the ability to amend items as necessary.
- Reviewing and scrutinising decisions made by the Cabinet, making reports and recommendations to the full Council or Cabinet.
- Calling in Cabinet decisions for reconsideration before implementation.
- Reviewing the Cabinet's Forward Plan, requesting reports on specific items for future meetings.

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# Governance

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The Committee handles complaints related to breaches of the code of conduct. For example, between February 2023 and February 2024, six complaints were received and processed. Outcomes of these complaints are documented and reported.

The Council has several policies in place, such as the Treasury Management Strategy, which outlines the adoption of updated codes issued by CIPFA in December 2021, effective from 1 April 2023. It also includes prudential indicators to be incorporated in quarterly budget monitoring and mandates for officers and members involved in treasury management.

## Counter Fraud and Bribery and Corruption

The Council's Internal Audit team also provide counter fraud services to the Council which includes employee fraud as well as fraud by members of the public. The Counter Fraud Strategy and Framework 2023-25, approved in July 2023, outlines the Council's commitment to preventing and detecting fraud through strong internal controls. Key elements include Codes of Conduct, Anti-money Laundering policy, and Financial Procedure Rules, supported by policies on whistleblowing, anti-bribery, and sanctions.

The Counter Fraud team conducted various fraud awareness sessions and pursued fraud in areas such as Council Tax, Social Housing Tenancy, and Right-to-Buy applications. These efforts resulted in significant savings, totalling over £1.25 million in 2023/24. The NFI flagged numerous matches, leading to the removal of ineligible applicants and preventing nationally nearly £23 million in fraud over a 12-month period.

No whistleblowing reports were received in 2023/24, and all high priority actions from audit reviews were satisfactorily implemented by June 2024. The Counter Fraud Strategy includes a clear action plan to govern, acknowledge, prevent, and pursue fraud, ensuring the protection of public funds and the integrity of Council operations.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place relating to governance. We have not identified any improvement recommendation during the course of our work.

# Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:	Commentary on arrangements	Assessment
uses financial and performance information to assess performance to identify areas for improvement	The Council has implemented robust arrangements for assessing performance and has identified improvement opportunities without significant weaknesses. The active monitoring and reporting processes, along with the Council's proactive approach, provide sufficient evidence to confirm that the arrangements in place are indeed sufficient at this time. The performance reports use a comprehensive set of KPIs aligned to corporate priorities. While most services are performing well, some areas, such as temporary accommodation and street cleaning, have been identified as underperforming. The Council has implemented targeted actions to address these issues, ensuring effective performance monitoring and accountability.	G
evaluates the services it provides to assess performance and identify areas for improvement	The Council is proactive in assessing its performance and monitoring KPIs. For 2023/24, the Council is focusing on several key areas, including bringing housing services back in-house to improve oversight and delivery, enhancing financial resilience without implementing new finance IT systems, and investing in key service areas like social care and education. Additionally, the Council is committed to improving governance processes and decision-making to ensure transparency and accountability.	G
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	The Council has arrangements in place for the monitoring and governance of its partnerships, including Surrey County Council, other Surrey Districts, and Orbis. Key initiatives like the Elmbridge Community and Safety Partnership Plan and Enterprise Elmbridge 2024 focus on community safety and economic development. The Annual Refresh of Vision 2030 guides collaboration with central government, businesses, and community groups. The Overview and Scrutiny Committee ensures community voices are heard in decision-making. Recent meetings have highlighted engagement from Surrey County Council has faced challenges, the Council remains committed to optimising these partnerships to achieve shared goals and effective resource use.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Council has procedures for managing key contracts in procurement and commissioning services. The Council's procurement strategy and Asset Management Plan (AMP) ensure expected benefits are realised. Key performance indicators (KPIs) like rent collection and property inspections monitor performance. Annual updates detail financial performance and market conditions. All property transactions undergo a robust appraisal process, ensuring transparency and accountability. The Council is also preparing for major contract renewals including the council tax annual mailing contract ending in March 2024, aligning procurement with strategic objectives.	G

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

# Improving economy, efficiency and effectiveness

## Performance

The Council's performance reporting for 2023/24 consisted of quarterly Performance Monitoring Reports covering five key areas: Affordable Housing Delivery, Vision Performance Monitoring, Climate Change Update, and Transformation Updates. These reports were presented to the Cabinet in September 2023, November 2023, February 2024, and July 2024.

In April 2023, the Council launched Vision 2030, a strategic planning document outlining objectives for the next seven years. This followed the approval of a major transformation programme in 2022, focusing on four main themes: Sustainable Elmbridge, Putting People First, Thriving and Resilient Elmbridge, and Opportunity. Regular updates on the Transformation Programme were provided throughout the year, highlighting achievements and areas for improvement using a key system of symbols to indicate performance trends.

The Q4 Performance Monitoring Report, presented in July 2024, assessed performance against 2023/24 indicators and Vision Deliverables. It noted that 75% of vision deliverables and 72% of performance indicators were on target. The report used RAG-rated indicators to clearly outline achievements and areas for improvement, such as the implementation of alternative fuels and updates to the GIS system.

Performance against the plan was reviewed quarterly by the Cabinet, the Performance and Finance Standing Panel, and the Council Management Board. Financial monitoring reports were also provided to these forums. The Performance and Finance Standing Panel, appointed by the Overview and Scrutiny Committee, played a crucial role in scrutinising performance and financial matters, ensuring effective use of the Council's resources.

The Panel met five times during the year, focusing on key issues such as temporary accommodation, the impact of resettlement schemes, street cleaning, planning fees, and crime figures. They also scrutinised quarterly budget reports and the 2024/25 budget forecasts, ensuring detailed review and constructive challenge.

Overall, the Council's performance reporting framework effectively monitored progress towards Vision 2030, identified areas for improvement, and ensured accountability in the use of resources.

## 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 Elmbridge Community and Safety Partnership Plan 2023/24 exemplifies the Council's dedication to tackling crime and enhancing community safety. This partnership includes key organisations such as Surrey County Council, Surrey Police, Surrey Fire and Rescue Service, Clinical Commissioning Groups, and local social housing providers. Together, they focus on areas like water safety, public spaces protection, and the Crimestoppers Zone, with commitments monitored quarterly by the CSP, chaired by the Elmbridge Borough Council Chief Executive.

The Council's collaborative efforts extend to economic development through Enterprise Elmbridge 2024 which supports high streets, local businesses, and economic growth. This initiative prioritises thriving town centres, climate emergency responses, supporting startups, backing independent traders, and helping young people into training or employment.

Additionally, the Annual Refresh of Vision 2030 underscores the Council's partnerships with central government, local businesses, community safety partners, NHS bodies, voluntary sector, and faith organisations. This strategic document guides partner organisations in understanding the Council's goals, priorities, and opportunities for collaboration.

The Overview and Scrutiny Committee's engagement with residents and community groups further demonstrates the Council's commitment to inclusive partnership working. Through data profiles, stakeholder mapping, and various public engagement methods, the Council ensures that community voices are heard and integrated into decision-making processes.

# Improving economy, efficiency and effectiveness

## Contract Monitoring

The Council has established arrangements to identify and manage key contracts for procuring or commissioning services, ensuring that expected benefits are realised. The highest level of property asset management is conducted through the Corporate Property Group, accountable to the Council Management Board. The Council's land and property holdings have a total net book value of approximately £194.5 million, comprising £92 million in investment assets and £102.5 million in operational assets. This includes Community Assets, Infrastructure Assets, and Surplus Assets, with valuation figures correct as of the Financial Year End March 2019.

A detailed Asset Management Plan (AMP) outlines the Council's approach to managing its property portfolio, including both operational and non-operational assets. Key performance indicators (KPIs) such as rent collection rates, service charge budgets, and property inspections are used to monitor property performance.

The Council conducts annual performance updates on its investment property portfolio, detailing financial performance, asset management activities, and market conditions. KPIs are used to monitor the portfolio's performance, including asset value, gross income, and effective return on investment.

As outlined in the Investment Property Portfolio Performance Update, all property purchases and disposals undergo a robust appraisal process, including a business case evaluation to assess risk and financial impact. Decisions are made by the Cabinet or Council, ensuring transparency and accountability in managing key contracts.

## Conclusion

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

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



# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR1</p> <p>The Council should develop a detailed savings plan that spans the entire Medium-Term Financial Strategy (MTFS) period, rather than focusing on annual savings alone. This will ensure a more sustainable financial position and better preparedness for future economic uncertainties. Additionally, enhancing risk-based procedures to continuously monitor and adapt to these challenges will further strengthen the Council's financial resilience.</p>	Improvement	Financial sustainability	Review of the Council's MTFP identified a lack of clear and approved arrangements to manage the funding gap during 2024/25	The lack of adequate saving plans and associated transformation programme to deliver recurring savings will impact the Council's ability to maintain financial sustainability.	<p><b>Actions: The Councils Corporate Management Board will review the position based on the current financial climate during 2025/26, and consider producing a medium term savings plan for 2026/27.</b></p> <p><b>Responsible Officer: Paul Windhurst</b></p> <p><b>Due Date: 31/03/2025</b></p>

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

# Appendices



# Appendix A: Responsibilities of the Council

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

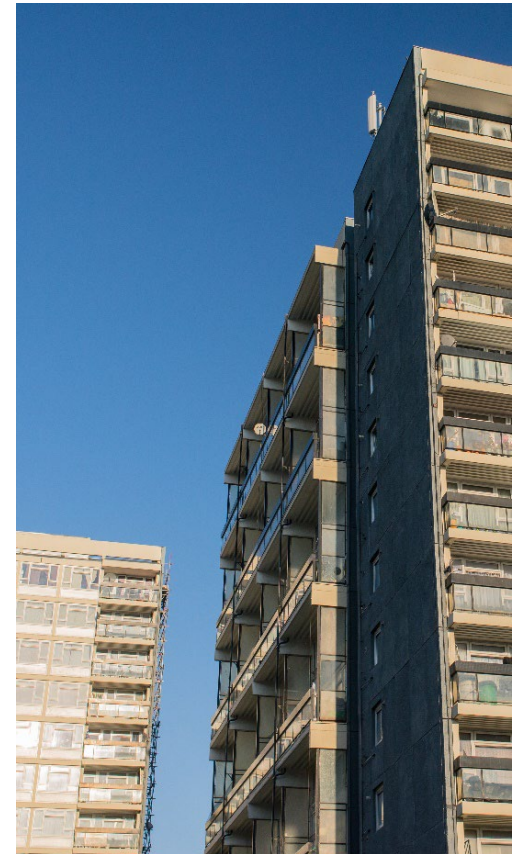
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B: Value for Money Auditor responsibilities



## Value for Money arrangements work

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A.

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

### Financial Sustainability

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

### Governance

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

### Improving economy, efficiency and effectiveness

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

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

## Phase 1 – Planning and initial risk assessment

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

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

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

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

## Phase 3 – Reporting our commentary and recommendations

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

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

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 The Council should 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.	Improvement	Feb 2024	We note the Council has not made the recommended changes to the CRR. Our recommendation was an improvement recommendation and whilst, in our view, it would enhance risk management not implementing it does not create any risk to the Council's arrangements.	No	No.

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



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